

PHISON



2022
Phison Electronics
Corporate Sustainability
Report



PHISON

No.1 Qun Yi Rd., Jhunan,
Miaoli Taiwan
csr@phison.com
www.phison.com

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 "2022 Corporate Sustainability Report" (referred to as "the Report" hereinafter) in June 2023, 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, 2022.

Reporting Scope

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

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 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 BSI Taiwan against AA1000 Assurance Standard (AA1000AS v3) and GRI Standards 2021. 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.

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

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, confirmed by each department, and then approved by the chairman of the Corporate Sustainable Development Committee for issue.

Contact Information

- Compilation Unit: Corporate Sustainable Development Committee
- Contact Person: Market and Project Planning Office Yen-Ting Huang
- E-mail: csr@phison.com
- Telephone: +886-37-586896 extension 10056
- Address: No.1, Qunyi Rd., Zhunan Township, Miaoli County
- Website: Official website home page > ESG
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A Message from the CEO

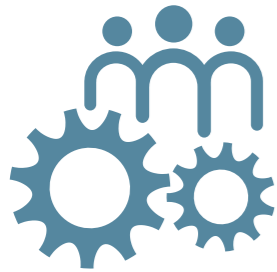
Since the breakout of the COVID-19 pandemic, which revolutionized people's living pattern and waged a wave of digital transformation, the global semiconductor and electronics industry has witnessed an unprecedented boom for roughly two and half years. However, starting from the second half of 2022, such a boom gradually returned to the pre-pandemic normal. That was a drastic change for global semiconductor and the electronics supply chain, leading companies around the world to review the importance of corporate governance and risk management anew. Therefore, in 2021, Phison established its Risk Management Committee; doing so not only tighten the control of risk associated with Phison's operations but also enhanced communication with the supply chain and even customers at the same time. By establishing such response mechanisms, Phison aimed to improve its response mechanism in the event of economic fluctuation in order to reduce operational risks; by progressing slowly yet surely, Phison intended to grow and prosper jointly with upstream and downstream suppliers and customers.

Leveraging its leading place in the market and in technical domain, Phison Electronics recorded an annual revenue of NT\$60.256 billion in 2022, its second highest revenue record. In addition, Phison's products were recognized by customers and with a variety of awards in 2022. For instance, the enterprise-level SSD X1 was awarded the 2023 Taiwan Excellence Award; the PCIe 4.0 SSD passed NASA's space certification and was ready for use in another moon-landing mission; the PCIe 5.0 SSD E26 assisted a brand customer in receiving the 2023 CES Best SSD award; the PCIe 4.0 SSD E21T helped a partner customer in acquiring a full-score recommendation from a test and evaluation website; and Phison was awarded the Best Technological Collaboration Award by a customer in the mobile phone industry. All of such achievements are an embodiment of Phison's leading technological strength and close bond with customers. In the future, Phison will continue to leverage its cutting-edge technology and technological support to grow and prosper jointly with customers worldwide.

Climate change has become an important issue on a global scale. Climate disaster, once occurred, could give a financial blow to businesses. In this year, Phison disclosed its climate-related risks and opportunities by business nature by referencing the Task Force on Climate-Related Financial Disclosures (TCFD); every year, Phison fills in and submits the Carbon Disclosure Project (CDP) climate change questionnaire and water security questionnaire to allow stakeholders' access to more transparent information. 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.

Good work environment, compensation, and benefits is the way to build long-term development with employees. As the organization scales up, so does the number of employees. To improve organizational performance, Phison launched 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. Meanwhile, Phison officially announced its intension to 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." On the charitable front, in 2022, Phison donated more than NT\$9.87 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.

2022 Performance Highlights



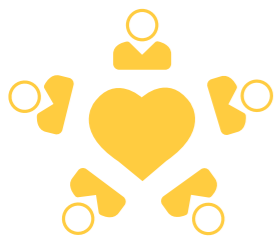
Corporate Governance

- Held 10 Board meetings with an average Director attendance rate of 98.84%.
- Established the first-ever IC design company in Taiwan and successfully obtained the RBA VAP silver certificate.
- Ranked among the top 5% TPEX-listed companies in the corporate governance evaluation of Taiwan Stock Exchange.
- Became a member of the S&P Global Sustainability Yearbook 2023.
- Joined the Taiwan Computer Emergency Response Team (TWCERT) information security alliance, enhanced information security protection by using the information security information sent from the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC), examined each piece of equipment, updated systems, and fixed vulnerabilities.
- Performed an RBA audit of 31 critical suppliers, with a passing rate of 100% for their audit results.
- Received the 2023 "Taiwan Excellence Award" for the enterprise-level PCIe 4.0 X1 storage solution.
- Scored 8.12 points in the annual customer survey, with the rate of "Satisfactory" reaching 80%.



Environmental Protection

- Collaborated with UPS on a carbon neutral project to reduce carbon emissions at the logistics back end. A total of 544.2 metric tons of CO₂e were removed from the atmosphere under this project in 2022.
- Progressed from C to B- in the rating based on the Carbon Disclosure Project (CDP) climate change questionnaire. Progressed from B- to B in the rating based on the water security questionnaire.
- Purchased 338,515 kWh renewable energy (i.e., electricity generated from wind power) in 2022; expects to purchase renewable energy in the amount equal to 20% or more of total electricity consumption by 2030.
- Held environmental education lectures and courses for the first time.
- Collaborated with Luodong Forest District Office on afforestation of 2.5 hectares of land and plantation of a total of 3,750 tanoaks, arishan oaks, and Mori oaks.
- Cumulatively planted a total of 2,000 trees as the "Coastal Forest Restoration Long-term Plan" entered the second year.
- The amount of green purchases amounted to NT\$113,534,142.









Social Participation

- Officially announced its intention to 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."
- Received the Health Promotion Badge - Accredited Healthy Workplace from the Health Promotion Administration of the MOEA and Taiwan i-Sports certificate from the Sports Administration.
- The training included a total of 398 courses costing a total of NT\$3.76 million, with an overall satisfaction with the courses being 93.9 points.
- Launched the "Manpower Efficiency (Management) Improvement Project", increasing the training hours for executives by 73% year on year.
- In Employee Assistance Programs (EAPs) in the year offered consultation service to a total of 998 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 managers of the Company brief employees on the operating status and goals in the future, thereby enhancing employees cohesion.
- Contributed a total of NT\$9,878,300 (including donations of funds and resources) towards charitable causes, with 300 volunteer hours cumulatively in 2022.

Responding to UN SDGs



SDGs	SDGs Targets	Phison's Performance	Corresponding Chapters/Sections
 <p>4 QUALITY EDUCATION</p>	4.4 4.5	<ul style="list-style-type: none"> Provided scholarships for underprivileged students and sponsored industry-academic cooperation, schooling, and student activities to improve education quality and support students' self-development. Supported S-Girl, Taiwan's first educational movie on popular science (specifically AI) filmed especially for teenagers, by purchasing movie tickets and donating them to family support centers in Hsinchu and Miaoli. 	CH8 Social Participation
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	8.2 8.3 8.8	<ul style="list-style-type: none"> Recorded an annual operating revenue of NT\$60.256 billion in 2022, the second highest record. Achieved a staff growth rate of 22% in 2022 due to operational scale-up; established an R&D base in Tainan, and will do so in Kaohsiung, to expand our R&D deployment. Conducts a salary structure adjustment every year in response to the rising salary standard on the market; in 2022, employee's salary increased by an average of 15~18%, mainly contributed by the increment due to salary structure adjustment, attesting to our practical feedback to employees' hard work. 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. The median salary for full-time employees in non-managerial positions is NTD1,894,000 and the average salary is 2,108,000. 	CH3 Sustainable Governance CH7 Employee Care
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	9.4	<ul style="list-style-type: none"> In 2022, annual R&D expenses topped NTD8.1 billion, or 14% of total operating revenue; total global patents obtained reached 1,882; in terms of patent quality, the Company's patent approval rate reached 90% or higher. Taking the critical product lines under R&D as an example, the power performance ratio of the PS5021 chip, the best performing product in 2022, reduced by 37% compared with its baseline product. 	CH4 Innovation & Service
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	12.2 12.5	<ul style="list-style-type: none"> 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. Prioritized the use of recyclable materials when designing product packaging for customers; adopted a simplified and light-weight packaging strategy to reduce the amount of waste generation at the back end. Implemented green product management procedures to ensure that the products met domestic and foreign legal requirements and customers' requirements for restriction of hazardous substances; gradually improved products' green attributes to reduce the impact of product-related activities on health and environment. 	CH4 Innovation & Service CH6 Environmental Protection
 <p>13 CLIMATE ACTION</p>	13.1 13.3	<ul style="list-style-type: none"> 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". Promoted energy-conservation programs and continued maintenance and upgrade of factory equipment to improve the resources and energy usage efficiency; Collaborated with downstream transportation companies on a carbon neutral project to reduce Scope 3 carbon emissions. Opted for the "nature-based solution (NBS)" by continuing the coastal reforestation long-term plan, and collaborated with Luodong Forest District Office on afforestation of 2.5 hectares of land and plantation of a total of 5,750 trees. 	CH6 Environmental Protection CH8 Social Participation
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	17.16	<ul style="list-style-type: none"> Donated a research fund to relevant industry associations and academic research foundations. Donated computer equipment to the police station and the fire brigade for them to improve service quality and work efficiency. 	CH8 Social Participation

Sustainability Management Indicators

Type of Sustainability Topic	Key Performance Indicator	Targets in 2022	Actual Performance in 2022	Progress	Medium-term Goals (2023)	Long-term Goals (2025)
Talent Attraction & Retention	■ Remuneration standard	The average remuneration remains in the top 25% of the industry	Top 25%	Achieved	The average remuneration remains in the top 25% of the industry	The average remuneration remains in the top 25% of the industry
	■ Percentage of participation rate and engagement rate of the employee opinion survey	N/A ¹	N/A	N/A	80% survey response rate; An engagement rate of 79%	85% survey response rate; An engagement rate of 80%
Talent Development and Training	■ Score of satisfaction with training courses	Maintain at no less than 91 points	93.9 points	Achieved	Maintain at no less than 92 points	Maintain at no less than 94 points
	■ Average employee training hours	Reach 47.5 hours	28.6 hours	Failed ²	No less than 26 hours	No less than 27 hours
Occupational Safety and Health	■ Health promoting activities	6	12	Achieved	At least 7 sessions	At least 8 sessions
	■ Participation rate for health promoting activities	A participation rate of 31.5%	77.34%	Achieved	A participation rate of no less than 33%	A participation rate of no less than 35%
	■ Health promotion effectiveness	An activity completion rate of no less than 52.5%	61.5%	Achieved	An activity completion rate of no less than 55%	An activity completion rate of no less than 60%
	■ Employee Assistance Programs (EAPs) usage satisfaction	Attain 5.65 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 ³	■ Waste generation intensity (amount of waste produced per million dollars of revenue)	≤ 0.00375 tons/million revenue	0.0041 tons/million revenue	Failed	≤ 0.0035 tons/million revenue	≤ 0.003 tons/million revenue
	■ Water intake intensity (amount of water intake per million dollars of revenue)	≤ 1.8 tons/million revenue	2.108 tons/million revenue	Failed	≤ 1.7 tons/million revenue	≤ 1.6 tons/million revenue
	■ GHG emissions intensity (GHG emissions per million dollars of revenue)	≤ 0.1925 tons/million revenue	0.258 tons/million revenue	Failed	≤ 0.190 tons/million revenue	≤ 0.185 tons/million revenue
	■ Percentage of renewable energy used	No less than 1% of total electricity consumption	1.13%	Achieved	No less than 3% of total electricity consumption	No less than 10% of total electricity consumption
	■ Environmental education lectures and courses	1	1	Achieved	≥ 2 sessions	≥ 3 sessions
Supply Chain Management	■ Percentage of tier 1 suppliers having completed the "Sustainable Risk Assessment Questionnaire"	A completion rate of 85%	A completion rate of 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 85%	An audit rate of 100%	Achieved	An audit rate of 90%	An audit rate of 100%
	■ Percentage of critical suppliers having received a RBA audit and made an improvement	An improvement rate of 85%.	All critical suppliers pass the audit	Achieved	An improvement rate of 90%	An improvement rate of 100%
	■ Percentage of suppliers having signed the "Supplier Code of Conduct"	100% of critical suppliers sign the "Supplier Code of Conduct"; 80% of tier 1 suppliers as a whole signs the document	100% of critical suppliers have signed the "Supplier Code of Conduct". 100% of tier 1 suppliers as a whole signs the document	Achieved	85% of tier 1 suppliers sign the new version of "Supplier Code of Conduct"	100% of tier 1 suppliers sign the new version of "Supplier Code of Conduct"
Social Welfare	■ Number of sessions of the "Fun to Go to Schools" activity	Reach 2 sessions	2	Achieved	3	4
	■ Cumulative number of trees planted	2,000	5,750	Achieved	Plant a total of 3,000 trees	Plant a total of 6,000 trees

¹ The Company carries out an employee opinion survey every two years, with the next one being in 2023.

² The Company arranged for certain employees to take a series of internal and external trainings on automotive specifications in 2020 and 2021 in line with its launch of automotive grade products. Since most employees have completed the training, training hours in 2022 plummeted as a result. Considering human resources scheduling, the medium-term and long-term goals were adjusted.

³ Due to changes in market demand, revenue in this year failed to meet expectations. Consequently, multiple intensity indicators concerning waste, water intake, and greenhouse gas emission failed to achieve the set goals.

1. About Phison

1.1 Company Profile

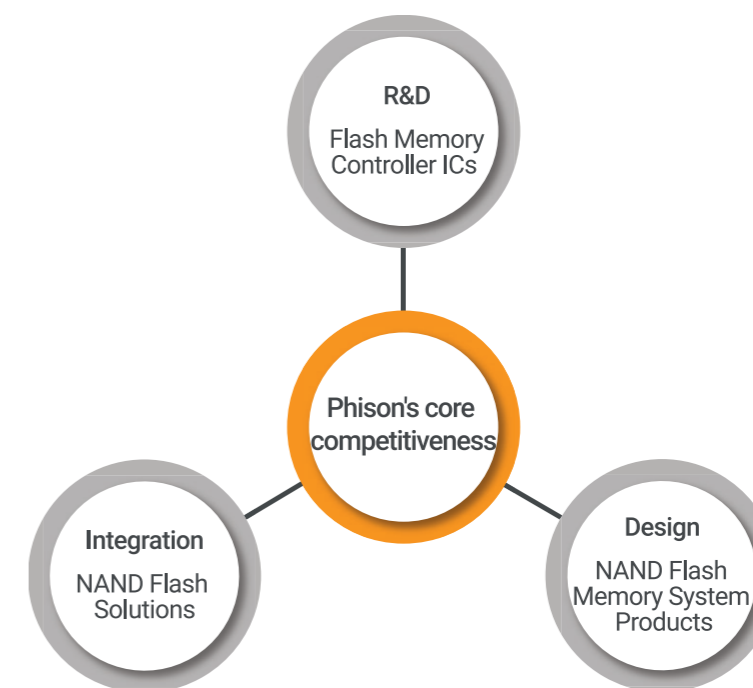
Location of headquarter	No.1, Qunyi Rd., Zhunan Township, Miaoli County
Date of establishment	November 8, 2000
Chairman	Wee Kuan Gan
Capital	NT\$1,986,745 thousand
Number of employees	4,196
Output	156,537,945 units of NAND Flash Memory Module Product 36,215,084 units of ICs 460,757,884 units of controllers
Business category	Semiconductor industry
Main business activities	IC Design/Semiconductor Manufacturing/ Computers and Peripheral Equipment Manufacturing
Stock Code	8299



1.1.1 Business Philosophy and Development Strategies

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

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



1.2 Primary Products and Sales Regions

1.2.1 Core Products

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

1.2.2 Sales Market

Phison is headquartered in Miaoli, Taiwan, and establishes subsidiaries in USA, Japan, and China to form closer partnerships with our international business partners. The Company set up technical support centers in Tokyo in Japan, San Jose and Boise in the USA, Shenzhen and Hefei 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	<ul style="list-style-type: none"> Miaoli, Taiwan
Technical support center	<ul style="list-style-type: none"> Taiwan: Hsinchu/Taipei/ Tainan US: San Jose/Boise China: Shenzhen/Hefei Japan: Tokyo India: Hyderabad
Service location	<ul style="list-style-type: none"> Japan/US

Distribution of major sales regions

Region	Taiwan	Asia (Outside Taiwan)	Americas	Europe	Australia	Total
(%)	26.19	51.96	17.57	4.11	0.17	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 2022, the Company has participated in 18 industrial organizations.

Serial no.	Name of Organization	Year joined	Form of Participation
1	Peripheral Component Interconnect Special Interest Group (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	Working group member
5	JEDEC Solid State Technology Association	2007 - present	Member
6	The IEEE Standards Association	2008 - present	Corporate member
7	Solid State Drive Alliance	2008 - present	Board member
8	SD Card Association	2009 - present	Board member
9	Universal Flash Storage Association	2010 - present	Board member
10	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	UCle Industry Consortium	2021 - present	Adopter member
18	CXL Consortium	2022 - present	Contributor member

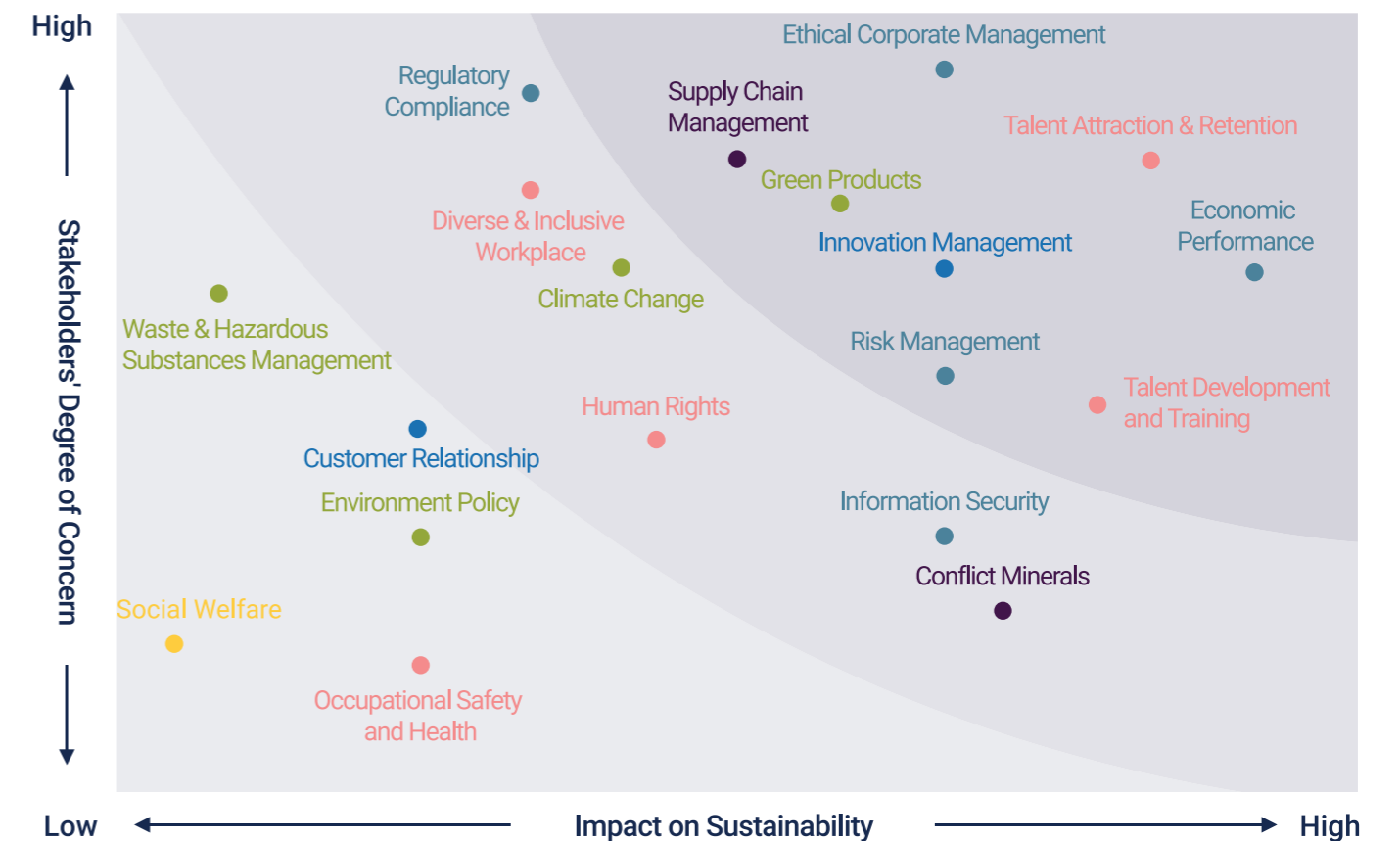
2. Stakeholder Engagement

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 2022	Chapter
Customer	<ul style="list-style-type: none"> Ethical Corporate Management Customer Relationship Supply Chain Management 	<ul style="list-style-type: none"> Telephone/Email (daily) Customer Satisfaction Survey (on an annual basis) Hotline (any time) Business review/Technical review (quarterly) 	<ul style="list-style-type: none"> Fill out 13 RBA/CSR questionnaires Sign 31 Customer Code/Statement of Conduct Customer satisfaction of 8.12/10 No complaints for privacy violation or data loss in 2022 	3.3 Ethical Corporate Management 4.3 Customer Relationship Management 5. Responsible Supply Chain
Employees	<ul style="list-style-type: none"> Ethical Corporate Management Economic Performance Labor-Management Relation Talent Development 	<ul style="list-style-type: none"> Employee-employer meeting (quarterly/as needed) Employee-employer meeting (quarterly/as needed) New employee symposium (semi-annually) Employee suggestion box (any time) Employee symposium (as needed) Employee opinion survey (every two years) Company Journal (on an annual basis) Email announcement (any time) Social media (as needed) 	<ul style="list-style-type: none"> 4 Labor-Management Committee meetings 1 new employee suggestion survey and 1 new employee forum Held 4 employee conferences after the investor conference to inform employees of the Company's operations. 	3.3 Ethical Corporate Management 3.6 Economic Performance 7. Employee Care
Supplier	<ul style="list-style-type: none"> Ethical Corporate Management Supply Chain Management 	<ul style="list-style-type: none"> Tier 1 suppliers fill out the "Sustainable Risk Assessment Questionnaire" (on an annual basis) Critical suppliers fill out RBA SAQ (on an annual basis) Critical suppliers receive the RBA audit (on an annual basis) Supplier online platform (any time) Complaint mailbox (any time) Business review/Technical review (quarterly) 	<ul style="list-style-type: none"> Retrieved a total of 125 pieces of "Sustainable Risk Assessment Questionnaire" from suppliers Complete the RBA audit of 31 suppliers. Collect the RBA SAQ of 31 suppliers 	3.3 Ethical Corporate Management 5. Responsible Supply Chain
Shareholders/ Investors	<ul style="list-style-type: none"> Economic Performance Ethical Corporate Management Regulatory Compliance Supply Chain Management 	<ul style="list-style-type: none"> Shareholder general meeting (on an annual basis) Interim shareholders meeting (as needed) Investor conference (quarterly/irregular invitations) Annual Report / Corporate Sustainability Report (on an annual basis) Investor mailbox (any time) Domestic and foreign analyst exchanges and investment forums (as needed) Market Observation Post System - press releases, major news (as needed) 	<ul style="list-style-type: none"> Held an annual shareholders' meeting Attended 28 investor conferences Published 69 pieces of major news on the Market Observation Post System Published 15 press releases on the Company website Published annual/monthly reports on the IR website 	3. Sustainable Governance 5. Responsible Supply Chain
Government agency	<ul style="list-style-type: none"> Ethical Corporate Management Regulatory Compliance 	<ul style="list-style-type: none"> Official documents exchange (any time) Public hearings (as needed) Industry policy questionnaire feedback (as needed) Proactively report to government department websites (as needed) 	<ul style="list-style-type: none"> Attended 5 public hearings Assisted in filling out and sending back 12 pieces of industry questionnaires issued by the government 	3.3 Ethical Corporate Management 3.4 Regulatory Compliance
Community (NGOs, media)	<ul style="list-style-type: none"> Regulatory Compliance Waste & Hazardous Substances Management Social Welfare 	<ul style="list-style-type: none"> Company telephone (any time) Social media (as needed) Market Observation Post System - press releases, major news (as needed) 	<ul style="list-style-type: none"> Held 2 charity sales Published 69 pieces of major news on the Market Observation Post System Published 15 press releases on the Company website 	3.4 Regulatory Compliance 6.3 Effluent and Waste Management 8. Social Participation

Material Topics & Phison Value Chain

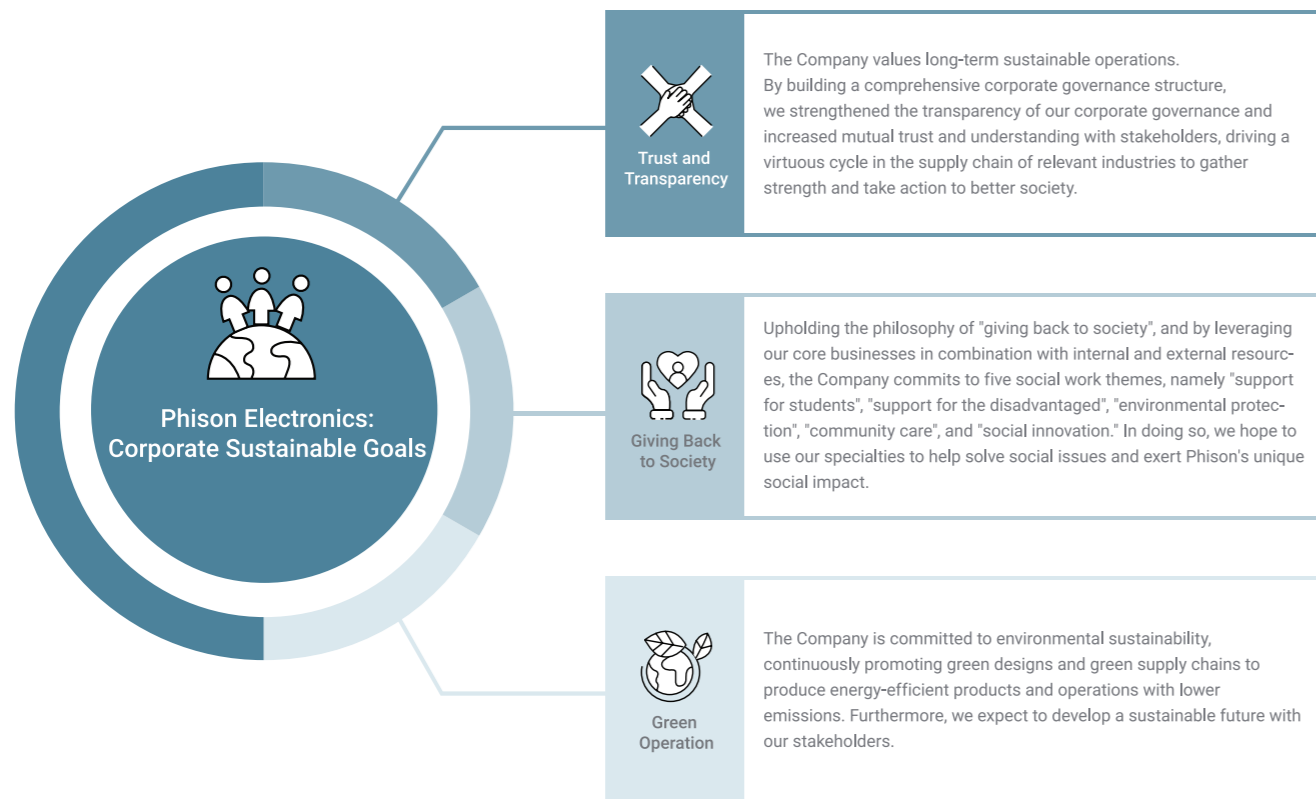
Material topic	Operational importance						GRI Standards	Impact		Impact type		Is the impact significant?	Corresponding Chapters/Sections
	R&D	Revenue	Cost	Customer satisfaction	Brand	Risk		Positive	Negative	Potential	Real		
1. Economic Performance		●					GRI 3: Material topics 2021 201-1 Direct economic value generated and distributed 201-3 Defined benefit plan obligations and other retirement plans	V			V	V	
2. Ethical Corporate Management					●	●	GRI 3: Material topics 2021 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
3. Risk Management					●	●	GRI 3: Material topics 2021	V		V		V	
4. Innovation Management	●	●			●		GRI 3: Material topics 2021	V		V		V	4. Innovation & Service
5. Green Products	●	●	●	●	●		GRI 3: Material topics 2021 302-5 Reductions in the energy requirements of products and services	V		V		V	
6. Supply Chain Management			●		●	●	GRI 3: Material topics 2021 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
7. Talent Attraction & Retention		●	●				GRI 3: Material topics 2021 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		V	V		V	7. Inclusive Workplace
8. Talent Development and Training	●	●	●				GRI 3: Material topics 2021 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	

3. Sustainable Governance

3.1 Sustainability Strategies and Management

Since incorporation in 2000, the Company has not only worked hard to pursue the greatest profits and operational success, but also devoted ourselves to creating social values and fulfilling our corporate social responsibilities along with our employees, shareholders, customers, suppliers, and other stakeholders to better our society.

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

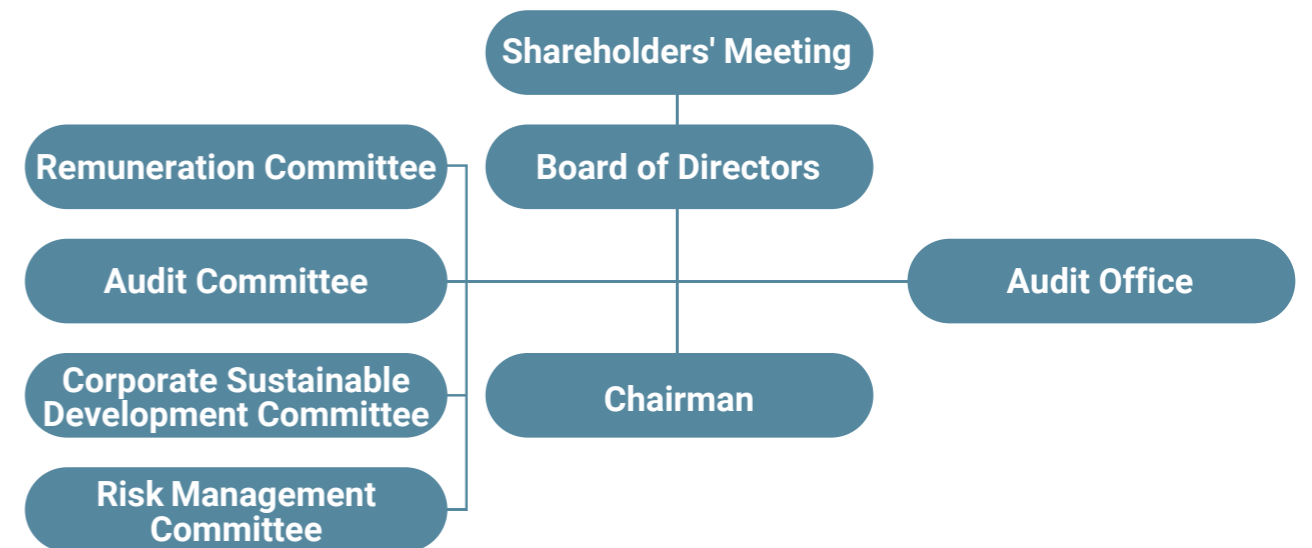


3.2 Corporate Governance

3.2.1 Corporate Governance Structure

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

To ensure the effectiveness, integrity, and reasonableness of risk management to protect shareholders' equity, achieve sustainable development, and implement corporate governance, the Company established the Risk Management Committee, which is a functional committee under the Board of Directors, as is the Corporate Sustainable Development Committee, and reports its operation status to the Board of Directors once a year. In addition, the Company's Board of Directors is briefed annually by the Corporate Sustainable Development Committee. The briefings of 2022 covered the status of implementation of human rights, diversity, and ethical corporate management within the Company. The Board of Directors provided relevant recommendations based on their duties and professionalism to guide the direction of projects and increase the prospect of success for the projects. In the future, the Company will continue to improve the highest governance body's collective intelligence which 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 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. Of the 9 Board members in the Company's current Board of Directors, two are female directors, accounting for 22.2% of all Board members, which is higher than the proportion of female directors in Taiwan's public offering companies and shows the Company's commitment to having a more diverse governance unit. As of the end of 2022, the average age of directors is 54.89; the average seniority is 6.69 years.

Title	Name	Gender	Education	Other positions at the Company or elsewhere
Chairman	Representative of Chenghe Investment Co. Ltd.: 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; and Super Storage Technology Corporation; Corporate representative supervisor of Phisontech Electronics Taiwan Corp.
Board member	Chee Kong Aw Yong	Male	Department of Electrical and Control Engineering, National Yang Ming Chiao Tung University	President of Phison Electronics; Corporate representative director and chairman of Super Storage Technology Corporation; Corporate representative director of Lian-Xu-Dong Investment Co., Ltd. and Phisontech Electronics Taiwan Corp.; Director of Global Flash Limited and Core Storage Electronic (Samoa) Limited. And supervisor of Chu Hsin Investment Co., Ltd.
Board member	Tzung Horng Kuang	Male	Master's degree from the Institute of Business, Operations Greenwich University	Corporate representative director and chairman of EMTOPS Electronics Corp.; Corporate representative director of MICROTOPS Design Corporation and Ostek Corporation. Director of Power Flash (Samoa) Limited; chairman of Phison Electronics Japan Corp.; director of Nextorage Corporation; chairman of ONE UPON CO. LTD.; director of Hong Lian Cheng Co., Ltd.
Board member	Jiunn Yeong Yang	Male	Post-Ph.D. researcher, Institute of Electrical and Control Engineering, National Yang Ming Chiao Tung University	None
Board member	Cheng Shuo Investment Co., Ltd. Representative: Chih Jen Hsu	Male	Bachelor of Computer Science, Chung Yuan Christian University	VP of Technology, Phison Electronics
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	Male	Bachelor of Electro-Communications, University of Electro-Communications	Part-time contractor, KIOXIA Corporation Part-time contractor, Toshiba Materials Corporation Part-time contractor, Toshiba Electronic Devices & Storage Corporation Supervisor of Meiko Electronics Co., Ltd. (external)
Independent director	Wen Chiu Chung	Female	Master of Accounting, Chung Yuan Christian University	CPA, Moores Rowland CPAs
Independent director	Chen Wei Wang	Male	Bachelor degree at the 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	Associate Professor of the Department of Electrical Engineering and school-recruited Deputy Director of the Office of Academic Affairs, National Yang Ming Chiao Tung University Consultant, Taiwan Open Course and Education Consortium

⁴According to the data on average gender ratio in the board of directors of TWSE/TPEX-listed companies published by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, in 2022, female directors accounted for 14.47% of board seats among TWSE-listed companies and 15.48% of board seats among TPEX-listed companies.

Board Meeting Attendance Rate

The Company held 10 Board meetings in 2022 with an average attendance rate of 98.84%.

Title	Name	Term	Attendance in person	Attendance by proxy	Attendance rate ⁵ (%)
Chairman	Chenghe Investment Co. Ltd. Representative: Wee Kuan Gan	Representative newly appointed on November 18, 2021	10	0	100
Board member	Chee Kong Aw Yong	Reelected on June 3, 2020	10	0	100
Board member	Tzung Horng Kuang	Re-elected on June 3, 2020	10	0	100
Board member	Cheng Shuo Investment Co., Ltd. Representative: Chih Jen Hsu	Representative newly appointed on May 24, 2022	6	0	100
Board member	Jiunn Yeong Yang	New appointed on June 3, 2020	10	0	100
Board member	KIOXIA Corporation Representative: Hiroshi Miyauchi	Representative newly appointed on November 13, 2020	9	1	90
Independent director	Chen Wei Wang	Reelected on June 3, 2020	10	0	100
Independent director	Wen Chiu Chung	New appointed on June 3, 2020	10	0	100
Independent director	Yu Lun Huang	New appointed on June 3, 2020	10	0	100

⁵Attendance rate = attendance in person/number of meetings one should attend*100.

Board of Directors Self-Improvement

2022 Board Member Training Courses and Hours

Course name	Total training hours ⁶
How to Rid Board Decisions of the Risk of Breach of Trust and Non-arms-length Transaction	3
Case Studies of Ethical Corporate Management Implementation	27
Comprehension and Prevention of Concerted Pricing	27
Total	57

⁶Total training hours = Course Duration * Number of Trainees

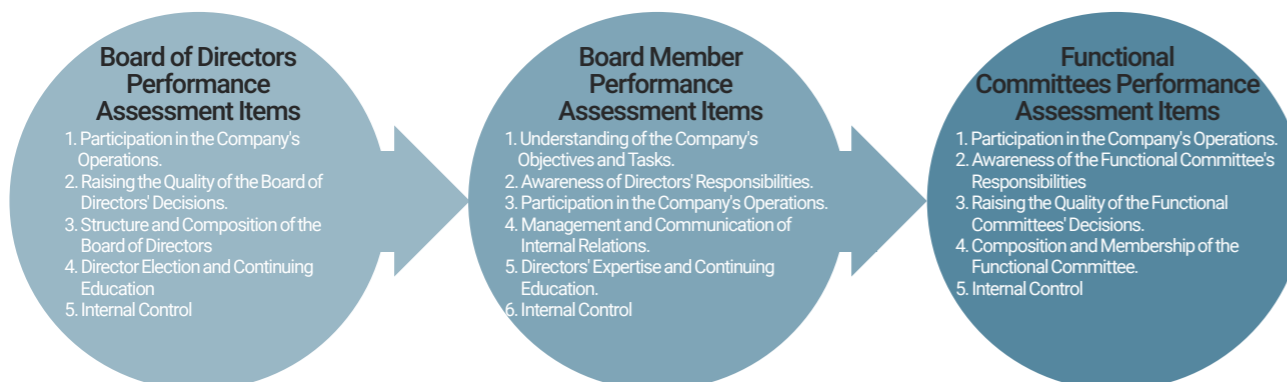
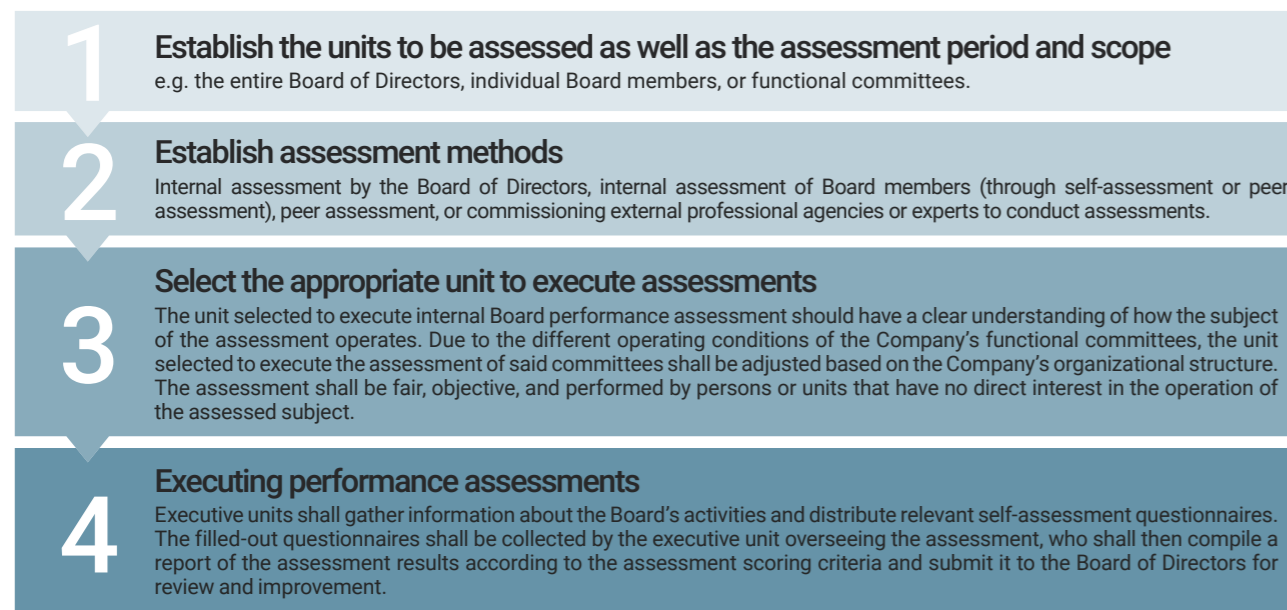
Board of Directors Performance Assessment

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

In 2022, the Company conducted the assessment through an internal self-assessment, with the scope of assessment covering the Board of Directors as a whole, individual Board members, and the functional committees, namely the Remuneration Committee and the Audit Committee; the assessment results by indicator are presented as follows:

- I. The performance evaluation results of the board of directors show the board of directors has positive comments on the efficiency and effectiveness of the operation of various indicators.
- II. The performance evaluation results of directors show the directors have positive comments on the efficiency and effectiveness of the operation of various indicators.
- III. The performance evaluation results of the audit committee show that the audit committee has a positive evaluation of the efficiency and effectiveness of the operation of various indicators.
- IV. The performance evaluation results of the Remuneration Committee show that the Remuneration Committee has a positive evaluation of the efficiency and effectiveness of the operation of various indicators.

Board of Director Performance Assessment Procedures



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 2022, average attendance rate)
Remuneration Committee	2011	<ol style="list-style-type: none"> 1. Periodically review Company regulations and make recommendations for amendments. 2. 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. 3. Periodically assess the degree to which performance targets for the directors and managerial officers are achieved, and set the contents and amounts of their individual remuneration. 	<ul style="list-style-type: none"> ■ Appoint independent directors Wen Chiu hung, Yu Lun Huang, and Chen Wei Wang as committee members, with Ms. Wen Chiu Chung as the convener. ■ Meetings should be convened at least twice a year, with additional meetings held whenever necessary. ■ A total of 4 meeting was convened in 2022, with an average attendance rate of 100%.
Audit Committee	2020	<ol style="list-style-type: none"> 1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act. 2. Assess the effectiveness of internal control system. 3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others. 4. Matters in which a director is an interested party. 5. Asset transactions or derivatives trading of material nature. 6. Loans, endorsements, or provisions of guarantee of material nature. 7. The offering, issuance, or private placement of equity securities. 8. The hiring, dismissal, or compensation of CPAs. 9. The appointment or discharge of financial, accounting, or internal audit officers. 10. Annual financial reports signed or stamped by the Chairmen, manager, and accounting supervisor. 11. Other material matters regulated by the Company or competent authorities. 	<ul style="list-style-type: none"> ■ Appoint independent directors Wen Chiu Chung, Yu Lun Huang, and Chen Wei Wang as committee members, with Ms. Wen Chiu Chung as the convener. ■ The Committee shall convene at least once every quarter, with additional meetings held whenever necessary. ■ A total of 10 meeting was convened in 2022, with an average attendance rate of 100%.

Name of committee	Year established	Main responsibilities	Operating status (Composition, number of meetings held in 2022, average attendance rate)
Corporate Sustainable Development Committee⁷	2021	<ol style="list-style-type: none"> Promote and enhance corporate governance and the ethical corporate management system. Promote and develop matters related to corporate sustainability. Supervise sustainability tasks resolved by the Board of Directors. 	<ul style="list-style-type: none"> Appointed independent directors Wen Chiu Chung and Yu Lun Huang, and Senior special assistant and COO Chih-Chiang Yu as committee members, with Mr. Chih-Chiang Yu as the convener. The Committee shall convene at least annually, with additional meetings held whenever necessary. A total of 1 meeting was convened in 2022, with an average attendance rate of 100%.
Risk Management Committee	2021	<ol style="list-style-type: none"> 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. 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. Approve risk response strategy and action plans, and demand that each unit responsible for risk management effectively identify, measure, monitor, and control the various risks. 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. 	<ul style="list-style-type: none"> Appointed independent directors Wen Chiu Chung and Yu Lun Huang, and the manager of Legal Office Chien-Hsun Chiu as committee members, with Mr. Chein-Hsun Chiu as the convener. The Committee shall convene at least annually, with additional meetings held whenever necessary. A total of 1 meeting was convened in 2022, with an average attendance rate of 100%.

⁷The 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 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.

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 "Rules of Procedure for Meetings of Board of Directors"; "Corporate Governance Best Practice Principles"; "Procedures for the Prevention of Insider Trading"; "Ethical Corporate Management Best Practice Principles"; "Code of Business Practices and Ethics"; "Code of Ethics"; "Supplier Code of Conduct"; and "Regulations for Whistleblowing."

Long-Term Goals Maintain zero cases of corruption or unethical behavior

Performance

- There was no case of corruption or unethical behavior in 2022.
- Ethical corporate management courses for new employees reached a completion rate of 100%.
- Ethical corporate management courses for existing employees reached a completion rate of 100%.
- 100% of employees signed a consent letter, agreeing to abide by the "Code of Business Practices and Ethics".

Management Approach

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

- Disseminate information on "Insider Trading Prevention" and related laws and regulations to incumbent directors, managers, and employees at least annually; dissemination of such information to new employees will be made by the Human Resource Department at the orientation training.
- The Corporate Sustainable Development Committee summarizes the implementation status of ethical corporate management within the Company and regularly (at least annually) reports to the Board of Directors.

Assessment Mechanism Number of confirmed internal and external ethical complaints

The Company has always adhered to ethical corporate management principles, promoting ethical management at different aspects and levels from the Board of Directors down to all units. All employees, managers, and Board of Directors' members should follow these principles and set an example for honest, ethical business practices. The Company is committed to raising the ethical awareness of its employees, providing regular anti-corruption and ethical management educational training and whistleblowing channels for internal and external stakeholders to report dishonest, unethical behaviors to prevent instances of unethical management.

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. In 2022, the Company organized courses on "Insider Trading Prevention" for all directors, managers, and employees; the trainees totaled 3,285 people and the training hours totaled 1,642.5 hours.

Meanwhile, the Company organized internal and external trainings on subjects relating to ethical corporate management (including courses on compliance with ethical corporate management laws and regulations, anti-corruption, insider trading, the accounting system, and the internal control). The trainees totaled 6,922 people and the training hours totaled 3096.3 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 January 2022 the Company also informed directors and insiders of the publication date of the financial statements for the first/second/third quarters of 2022 and 2021, 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 regulations.

Internal employees

- 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
- Regulations for RBA Cases and Investigation

Supplier

- Supplier Code of Conduct

3.4 Regulatory Compliance

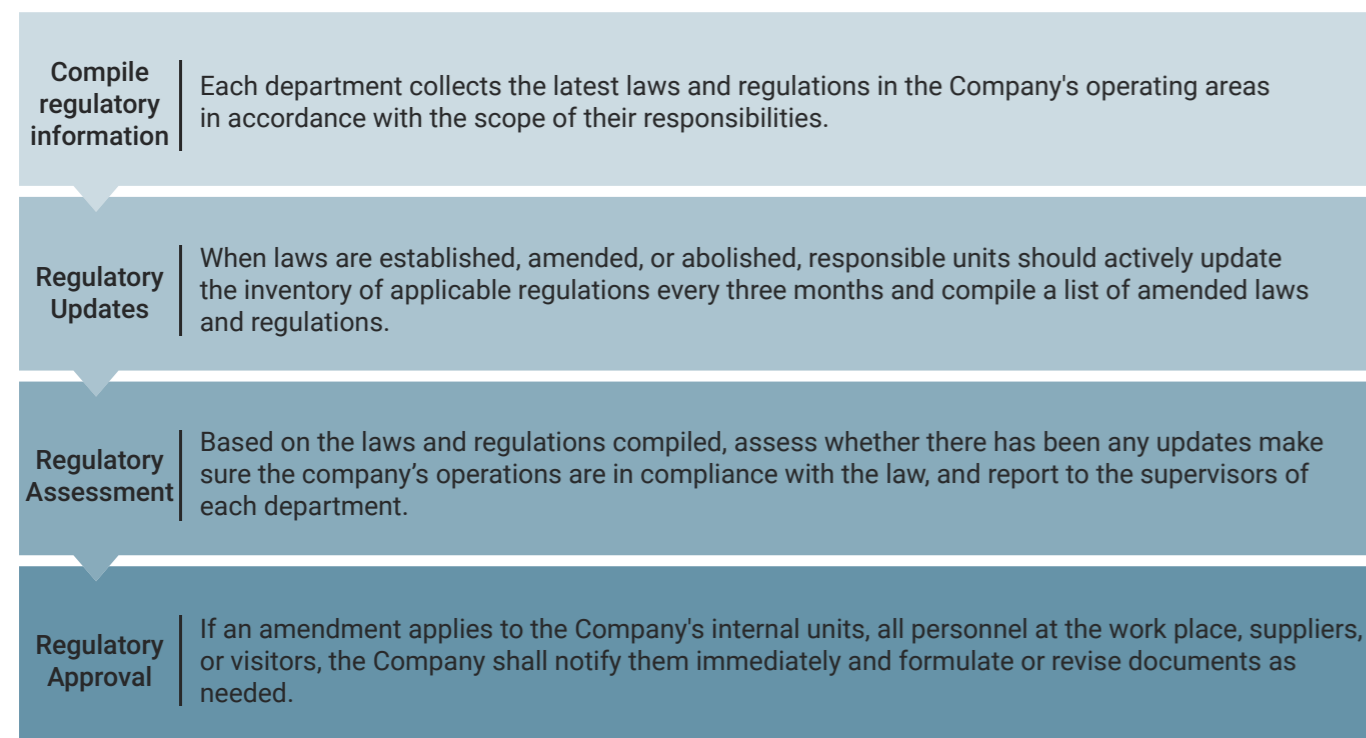
In order to implement a system of ethical and legal compliance, the Company established its Legal Affairs Office as a consulting unit for internal legal risk assessments. In addition to handling and reviewing lawsuits and other day-to-day legal affairs, the office is also committed to making sure that the Company complies with international regulations and local laws and regulations. There have been no instances of penalties from competent authorities for violating economic, environmental, or social laws and regulations, nor any lawsuits regarding anti-competitive, anti-trust, or monopoly behaviors in 2022.

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

The dispute over the Company's financial statements and involving the Company's CEO Pua in 2016 was adjudicated and given a final verdict by the Taiwan High Court; the judges ordered that the sentence for violation of the Securities and Exchange Act reduce to 1 year and 10 months, which may be suspended for 5 years, and that donation to charity be made and legal training courses be organized and taken.

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 Requirement and Assessment Checklist) as material and required to be disclosed on the Market Observation Post System.

Regulatory Management Process



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	<ol style="list-style-type: none"> Continued to enhance management of high risk factors such as information security, supply chain management, water and electricity, and epidemic control. To address information security risk, we commissioned an external service to conduct a penetration attack, to identify our systems' vulnerabilities, and we have fixed such vulnerabilities. In addition, we held an email-based social engineering drill for factory staff; we further provided trainings to have employees develop a habit of using email carefully. 100% of the employees completed all of the risk management courses for a total of 2,719 hours.
Responsibility	Risk Management Committee; all departments
Complaint Mechanism	Stakeholder contact section of the official website
Action Plans	<ol style="list-style-type: none"> To establish the Risk Management Committee, which 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. To establish a raw materials risk management system to avert the risk of materials short supply and flag an alert for materials with a lengthy lead time, so as to reduce inventory costs. To analyze the impact of a water shortage on operations, establish a water level forecast system, and install an additional backup pipeline. To analyze the impact of electricity shortage on operations. Aside from testing the stationary diesel generator and UPS, we also purchased empty diesel barrels and oil dispensing pumps, which can be replenished with self-chased diesel in case of emergency in order to keep the generators operating. To gradually expand the certification scope of ISO 27001 to make the information security management systems comprehensive and complete. To continue to implement the social engineering project and penetration test project, install a system for testing vulnerabilities of internal website, and assess whether to introduce a multi-correlation event analysis system. To keep adjusting the Company's pandemic control policy, set up an official line account for the medical center so that employees can report and seek consultation online, and use Google form to carry out high risk contact tracing. To provide leave to encourage employees to have themselves vaccinated and thus better protected. To demand that employees complete the business continuity management courses.
Assessment Mechanism	<ol style="list-style-type: none"> Annual supervision and recommendations from the Corporate Sustainable Development Committee. Number of sessions of risk-related training courses and the completion rate therefor.

3.5.1 Risks and Management/Control Strategies

The Company actively manages various risks and implements risk mitigation measures. For potential risks that are not yet significant, the Company also identifies and develops response plans early on.

Dimension	Risk factor	Operational Impact	Countermeasures
Market risks	Changes in interest/exchange rate	Changes in interests/exchange rate affects financial revenue and expenditures and impacts financial gains and losses.	<ul style="list-style-type: none"> The accounting department carefully evaluates and responds to reduce losses.
Information Security	Cyber attacks or unexpected outage of information and communication caused by major natural disasters	Cyber-attacks and information leak will impact the protection of the internal and external intellectual property rights, disrupt operations, cause serious problems such as financial damage or breach of laws or contracts, and will damage the goodwill and customer relations.	<ul style="list-style-type: none"> Important information system obtains ISO 27001 certification. Manage mobile storage devices. Set up a firewall and conduct relevant information security education and training to continue educating employees about information security concepts. Frequently scan for vulnerabilities to constantly upgrade and strengthen our information protection system. Conduct internal information security audits at least once a year, followed by external audits by third-party certification agencies. Perform information system recovery mechanism drills to test the effectiveness of our information system recovery procedures to ensure that the Company's system can continue to operate even if subject to natural disasters or malicious attacks.
Climate Change Risk	Water Rationing/Outage	Water rationing and water outage will hinder operations, prevent the cooling of the temperature of the engine and testing equipment, and disrupt the work of personnel.	<ul style="list-style-type: none"> Establish a water level situation monitoring mechanism. Modify the supply pipelines of city water, and modify them to the effect that they can supply water to equipment and machinery whenever needed.
	Electricity rationing/electricity outage/electricity outage due to a circuit breaker tripping	Electricity outage, whether due to power cut or a tripping circuit breaker, interrupts the operation of critical machine rooms and machinery, and may jeopardize personnel safety.	<ul style="list-style-type: none"> Conduct a load bank test on the generator every month. Regularly maintain the UPS every quarter to ensure the stable operation of critical machine rooms and machinery. Purchase oil pumps and empty oil drums. At present, the in-factory generator is capable of up the power supply for 4 hours to those life-sustaining equipment, e.g. fire safety equipment, the MIS server room, elevators, and lighting fixtures.
Supply Chain Management	An abnormality or disaster emergency including incidents (such as a malicious price increase exploiting insufficient capacity in the economic cycle, infectious disease, earthquake, typhoon, flood, fire, and explosion); vandalism due to riots; and pretests.	An abnormality may interrupt the supply of parts, suspend the production lines of processing plants, therefor delay shipments to customers, and thus cause the Company's having to compensate for breach of contract and sustaining a loss due to suspension of production lines.	<ul style="list-style-type: none"> Implement emergency investigation and short-, medium-, and long-term risk assessment: Short-term risk assessment assesses the risks associated with the inventory level of suppliers, the ability of agents to allocate and mobilize products, replacement with substitute materials, rush purchase on the spot market, product origin investigation, and capacity investigation. Medium- and long-term assessment assesses the potential risks that suppliers determine the abnormalities will have on their company by inferring from the abnormalities' extent of worsening and impact presumed by them. An emergency response meeting may be convened by the head of the procurement staff whenever needed; the extent of impact as indicated in the emergency investigation results may serve as a reference for response to be made by the relevant units. Inventory management: Have the RD/PM confirm whether the materials not in use for long can be changed to other commonly used materials to increase commonality or resell. Lead time management: Negotiate on long lead time materials, 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.

Dimension	Risk factor	Operational Impact	Countermeasures
Legislation change	After a third reading, the Legislative Yuan passed the Climate Change Response Act, which incorporated the 2050 Net Zero goal and announced officially launched the carbon fee levy mechanism. In addition, the EU will commence a test run of its Carbon Border Adjustment Mechanism (CBAM), which will apply to more industries in the future.	In the future, if operations continue to scale up or the government revises down the emission threshold, the Company must bear additional carbon cost. Brand customers will also respond to the international requirement on disclosure of carbon information by demanding the Company to provide relevant data and adopt response measures.	<ul style="list-style-type: none"> Factories continue to implement carbon inventory and energy conservation and carbon reduction projects every year. Purchasing renewable energy certificates. Inventory the carbon footprint of major products gradually, gather relevant data, and grasp the carbon hot spots during a product's life cycle.
Labor shortage	According to a job bank's statistics, the semiconductor sector's "ratio of openings to applicants" ⁸ is higher than the recruitment market as a whole, given the emergence of electric cars, metaverse, and AI, low birth rate, and labor shortage in the semiconductor sector, making it harder for enterprises to reach and retain talents.	Local labor market manpower is not sufficient enough to underpin the development of the industry and the Company, and costs higher with increased competition.	<ul style="list-style-type: none"> We'll aggressively hire overseas compatriot students who study in Taiwan in the hope of attracting more exceptional international talent. Reference the survey in the industry to constantly improve the attractiveness of employee welfare and salary. Launch improvement projects based on the results of the employee opinion survey; maintain clear and effective labor-management communication channels; so as to enhance employees' recognition for the Company. Provide new skills training diversity the portfolio of occupational competencies among existing talents, so that they are more aligned with the Company's business direction in the future.

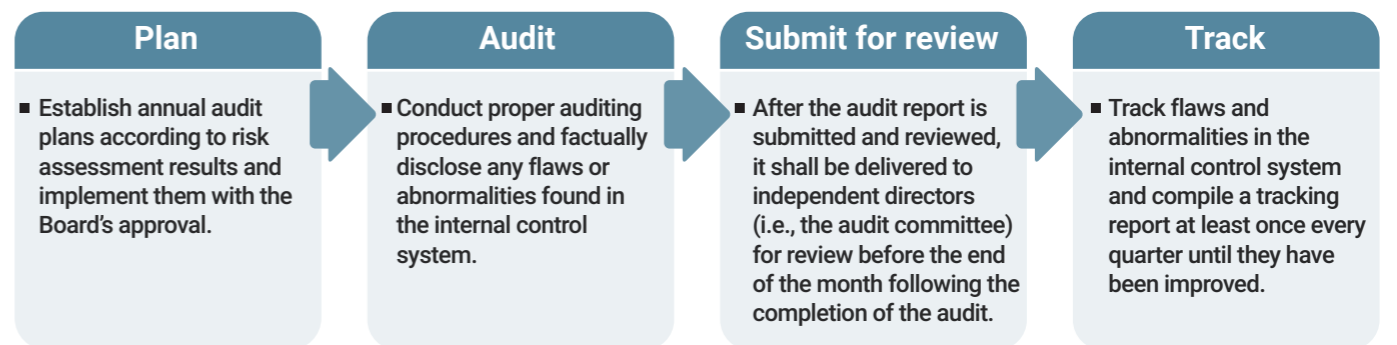
⁸ The ratio of openings to applicants is the number of new job openings to the number new job applicants, that is the number of job opportunities per job applicant.

3.5.2 Internal Audit

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

The 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	The Company 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\$60,256,142 thousand 2. Annual operating gross profit of NT\$17,349,892 thousand 3. Basic EPS of NT\$27.71
Responsibility	The Company's managers and governance units
Complaint Mechanism	Company spokesperson Mr. Yu ir@phison.com
Action plans	1. Continue to invest R&D resources to strengthen 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

The memory market endured difficulty during the second half of 2022; declining market demand forced the whole industry chain to adjust inventory level. Despite so, throughout the year, the Company recorded a gross profit of NT\$17.349 billion and a gross profit margin of 28.79%, both substituted the second highest record, 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. In the coming year, global customers are expected to stimulate market demand by upgrading system specifications, including improving NAND storage capacity and speed. 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.

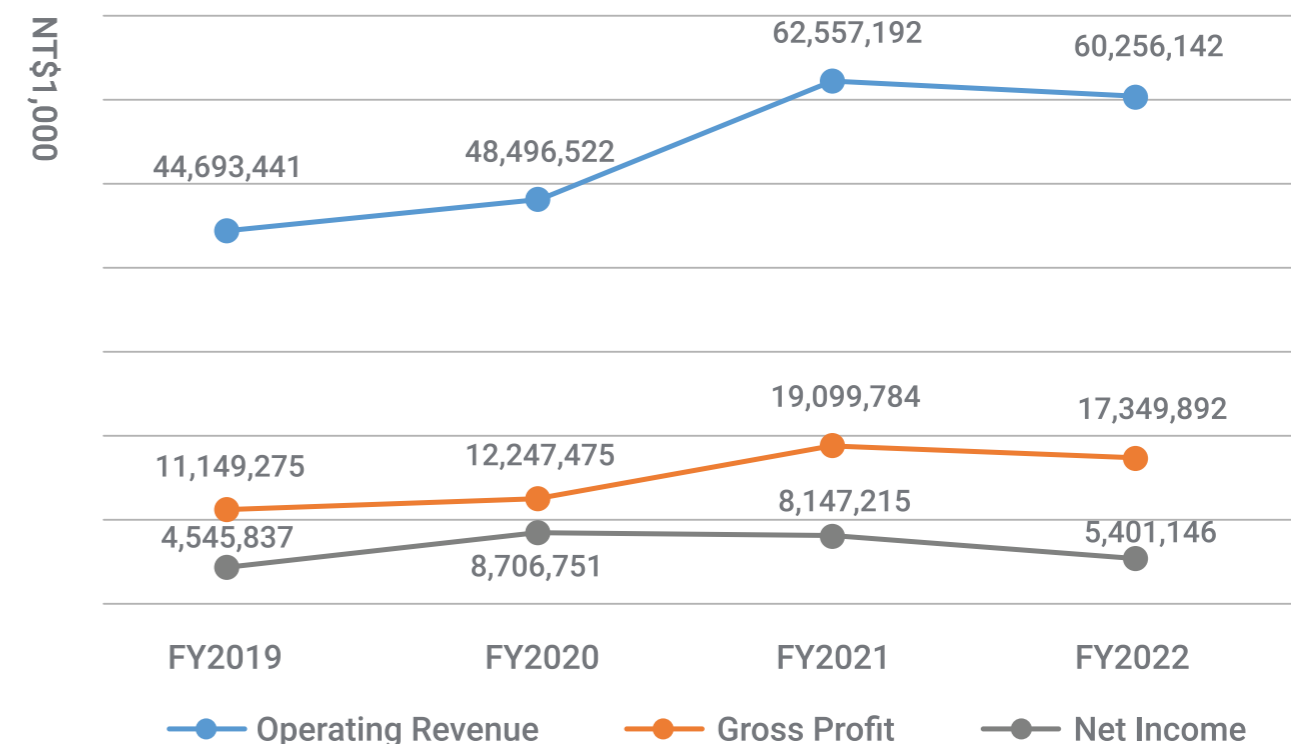
Consolidated Statement of Comprehensive Income

(Unit: NT\$1,000)

Item/year	FY2019	FY2020	FY2021	FY2022
Operating Revenue	44,693,441	48,496,522	62,557,192	60,256,142
Operating Cost	33,544,166	36,236,716	43,457,408	42,923,527
Gross Profit	11,149,275	12,247,475	19,099,784	17,349,892
Income Tax Expense	805,097	986,678	1,590,399	895,774
Net Income	4,545,837	8,706,751	8,147,215	5,401,146
Basic EPS	23.05	44.14	41.34	27.71

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

Economic Performance in the Last 4 Years



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. For policy details, see the "Company Regulations and Systems" on the official website.

The mandatory income tax rate in Taiwan in 2021 and 2022 was 20%. However, since the Company's research and development expenses are eligible for investment tax deductions stipulated in Article 10 of the Statute for Industrial Innovation, the effective tax rate for 2022 is lower than the average effective tax rate for the "semiconductor and semiconductor equipment industry" published by the GICS. However, the Company's cash tax rate in 2022 is higher than the average cash rate for the "semiconductor and semiconductor equipment industry" published by the GICS; this is because the pre-tax profit in 2021 increased, leading to an increase in provisional income tax in 2022, which was computed in mid-2022 using the 2021 basis.

Tax Information

(Unit: NT\$1,000)

Financial reports	FY2021	FY2022
Pre-tax profit	9,737,614	6,296,920
Income tax expense	1,590,399	895,774
Effective tax rate (%)	16.33%	14.23%
Income tax paid	720,321	2,060,606
Cash tax rate (%)	7.40%	32.72%

2022 Income Tax Expense

Region	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	4,092	59,048,058	6,167,062	2,055,130	99.73%
USA	Investment/trade/business service location	27	0	12,732	205	0.01%
Japan	Flash memory application sales and business service location	53	1,208,084	183,712	5,271	0.26%
China	Investment and technological service location	24	-	(66,586)	-	-
Total		4,196	60,256,142	6,296,920	2,060,606	100%

Note: The loss in China was mainly due to investees' losses as a result of slowed market demand as a whole and jammed logistics in China effected by the pandemic.

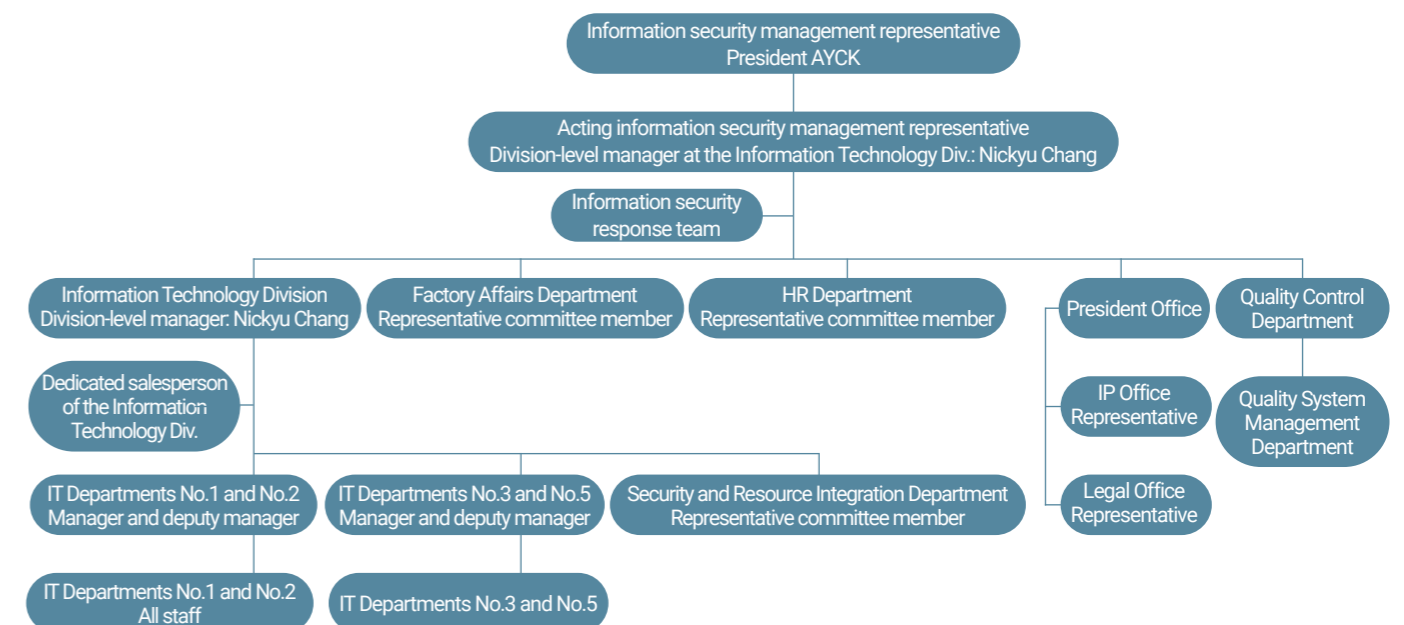
3.7 Information Security

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. In addition, The Company continues to require all departments to complete the annual "personal data protection risk self-assessment" and submit the assessment results to the Risk Management Committee. The Company received no complaints of customer data leaks or privacy violations in 2022.

The Company successfully joined the Taiwan Computer Emergency Response Team (TWCERT) information security alliance in July 2022, enhanced information security protection by using the information security information sent from the Taiwan Computer Emergency Response Team/Coordination Center (TWCERT/CC), examined each piece of 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, we clearly stipulated in our information security policies that employees avoid unauthorized access and revisions while respecting intellectual property rights and protecting the information of customers and the Company. Anyone who discovers information security incidents or suspicious security weaknesses should report them to the Information Division through our reporting mechanism, at which point our Information Division personnel will conduct proper investigations and handle the matter appropriately.

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

Reporting Procedures for Suspicious Information Security Risks



In accordance with ISO 27001 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. We also perform information system recovery mechanism drills to test the effectiveness of our information system recovery procedures to ensure that the Company's system can continue to operate even if subject to natural disasters or malicious attacks. In 2022, the Company expanded the scope of ISO 27001 certification to further cover the supply chain management platform, electronic approval system, the development, operation, and maintenance of the official website, and email management and support activities, making the Information Security Management System more comprehensive and sound.

The Company also frequently scans for vulnerabilities. We officially introduced the Security Scorecard information security system in August 2019, and through continuous upgrades and enhancements, the Company remained at A rating (a score of 90 or above).

Information Security Risk Management Plan

2022 Results

- Reset the information security control targets to include the hours of operations interruption incurred by an abnormality at the remote service platform provided for work-from-home purpose.
- Gradually expanded the certification scope of ISO 27001 to make the information security management systems comprehensive and complete.
- Commissioned an external service to conduct a penetration attack, to identify our systems' vulnerabilities, and we have fixed such vulnerabilities.
- We held an email-based social engineering drill for staff; we further provided trainings to have employees develop a habit of using email carefully.

2023 Plans

- To continue to implement the social engineering project.
- To continue to implement the penetration test project.
- To strengthen internal vulnerability/risk management.
- To install a system for testing vulnerabilities of internal website.
- To assess whether to introduce a multi-correlation event analysis system.

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 2022 include the association of ransom software attack events with cyber phishing, social engineering drill, ransom virus case study, and anti-fraud publicity. In 2022, the contents of information security training courses include enterprise information security trends, dissemination of most recent cases, information security policy, and code of personnel information security conduct (employee training hours totaling 532 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 2,707 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 4 new technologies in 2022. 2. Accumulated a total of 1,882 patents worldwide in 2022.
Responsibility	Product R&D Department
Complaint Mechanism	Stakeholder contact section of the official website
Action Plans	Continue inputting R&D resources. The annual R&D expenses topped NTD8.1 billion, accounting for 77% 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

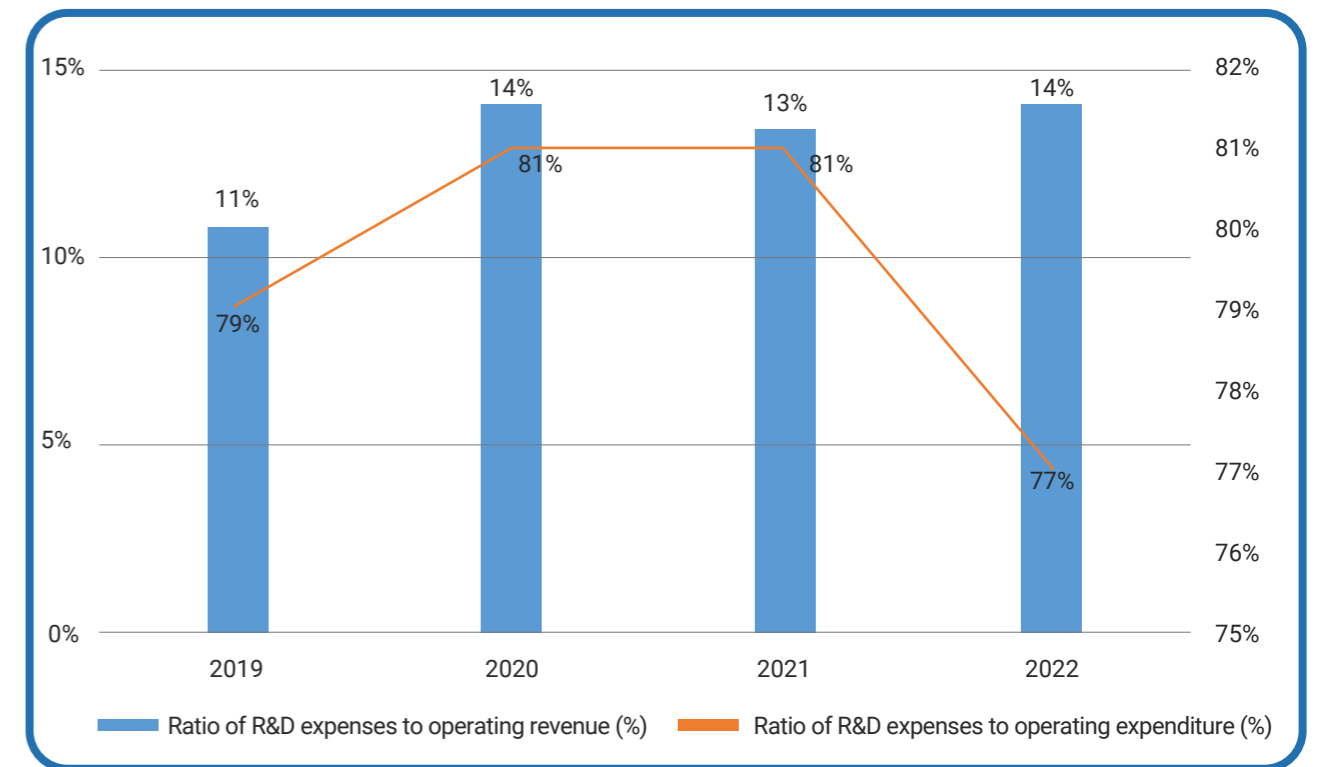
Material Topics	Green Products
Significance and Materiality to the Organization	Environmental issues have become the challenges facing mankind. As such, developing environmentally friendly products is not only a trend, but where the competitiveness of an enterprise lies.
Management Approach	
Policy and 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	Taking the critical product lines under R&D as an example, the power performance ratio of the PS5021 chip, the best performing product in 2022, reduced by 37% compared with its baseline product.
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 performance ratio of products

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 a harsh business environment, in 2022, the Company continued inputting R&D resources. The annual R&D expenses topped NTD8.1 billion, accounting for 14% of total operating revenue. The number of our R&D staff increased to 2,834 people, up 28% from the previous year and accounting for 78% 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. To date, the Company's storage solutions passed the AEC-Q100 certification in full; the Automotive SPICE process has been incorporated into firmware design; manufacturers have passed the IATF16949 certification; and the latest obtainment of the ISO 26262 certificate has further enhanced the automotive safety design process. In this sense, the Company is able to create the world's most comprehensive and reliable automotive storage solutions.

4.1.2 R&D Outcome

Big data has become a big topic and a trend in the last few years. According to data from market research institutions, total annual data output worldwide will reach 180ZB (1ZB = 10¹²GB) by 2025, a 180-fold increase from the 2010 level. In other words, data transmission and storage will be vital. This will drive and connect the development of emerging technologies like servers and workstations. Therefore, the Company launched its next-generation PCIe Gen4 enterprise-level SSD controller IC (E18DC) and showcased two ODM modules, including M.2 2280(ODM product code EPR3750) and M.2 22110(ODM product code EPR3760), helping improve the performance of the mainstream PCIe Gen3 workstations and the opening speed of servers and building a next-generation PCIe Gen4 server platform.

In addition, in 2022, the Company launched the industry's most advanced enterprise-level PCIe Gen4 SSD solution X1. The X1 platform is built on Phison's proprietary technology plus joint design with Seagate® Technology Holdings plc, the world's leading provider of big data storage solutions. X1 enterprise-level SSD platform can be customized and is able to provide much computing performance with fewer power consumption. When the rated power remains the same, X1's data reading performance is 30% faster than current market counterparts, making it an enterprise-level PCIe Gen4 SSD solution that breaks through performance bottleneck and provides quality of service (QoS) and high cost performance ratio. X1 will fulfill the constantly evolving needs of a speedier and smarter global data center. As a result, the Company was awarded the 2023 "Taiwan Excellence Award"⁹.

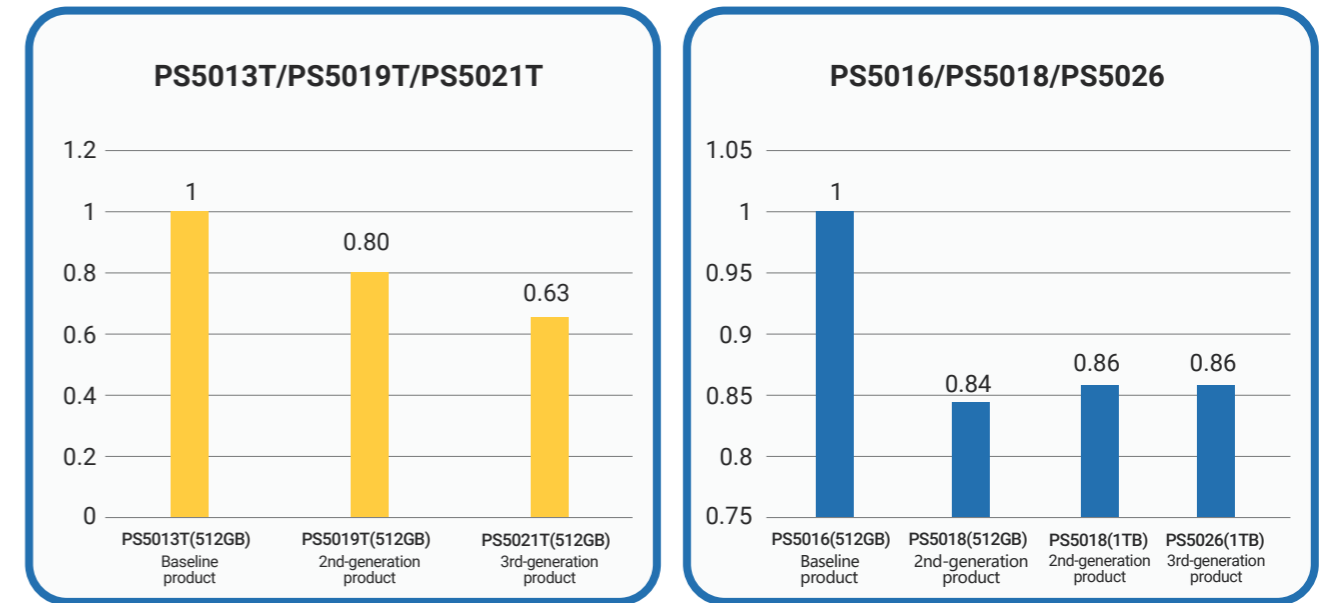
⁹ Taiwan Excellence Award was set up by Taiwan's Ministry of Economic Affairs in 1993; it is awarded each year to products of "innovative value" by following strict selection procedures, which center on four professional criteria, namely, Research and Development, Design, Quality, and Marketing, plus 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.



In addition, through constantly developing and improving product performance, our R&D team helped reduce the GHG emissions generated by end users, and in doing so contributed our humble effort to alleviate global warming. Taking the critical product lines under R&D as an example, the power performance ratio of the PS5021 chip, the best performing product in 2022, reduced by 37% compared with its baseline product. Since daily users vary in terms of work scenario and transmission volume, we will compare the scenario of daily use of 1GB with the scenario of daily use of 10GB. In the work scenario where a daily user transmits 1GB of data per day, PS5021T is able to reduce electricity consumption by 349 kWh per year (equivalent to 178 kilograms of carbon emissions) compared with PS5013T. In the work scenario where a daily user transmits 10GB of data per day, PS5021T is able to reduce electricity consumption by 3,492 kWh per year (equivalent to 1,777 kilograms of carbon emissions) compared with PS5013T. That is to say, considering the work environment of daily consumers and the Company's annual shipments, the Company's PS5021T will help end users save 349kWh to 3,492kWh of electricity per year (equal to 1.26-12.57 gigajoules) compared with PS5013T.

Another pair of products for comparison is presented in the following figure, which indicates that PS5026 at the capacity point of 1TB is roughly the same as PS5018 in terms of power performance ratio. In fact, rules of physics suggest that when capacity increases, power consumption will also increase proportionally due to the increase in flash memory cells. By leveraging its R&D knowledge of and strength in PCIe Gen5 interfaces, the Company was the first in the industry to create the PS5026 chip that possessed roughly 5GB/s of peak performance more than the previous generation. In this way, the Company provides more efficient products while maintaining their power performance ratio, capable of substantively reduce carbon emissions.

Chip Power Performance Ratio



Note 1: Power performance ratio = Average power consumption of product at read/write peak / Average performance of product at write/read peak.
 2: PS5026, an item further covered in the calculation this time, is the Company's most up-to-date PCIe Gen5 interface. Given market demand, technological generation evolution, and design, the product has fully updated capacity compared with its previous design. Therefore, the 512GB capacity point used to be used for benchmarking was not reserved. Instead, the product's 1TB capacity point, which approximate the capacity of products is used to compare with PS5018, a product of the previous generation.

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 2022, Phison successfully developed 4 new technologies:

Category	Description
SD card	Launched the world's first SD Express solution that passed the SDA SVP certification
Transmission interface IC	Launched the world's first PCIe 5.0 Redriver IC PS7101 that passed the PCI-SIG certification
SSD	Launched the industry's most advanced enterprise-level PCIe Gen4 SSD solution X1
SSD	Launched an enterprise-level SSD storage solution shipped with E18DC

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.

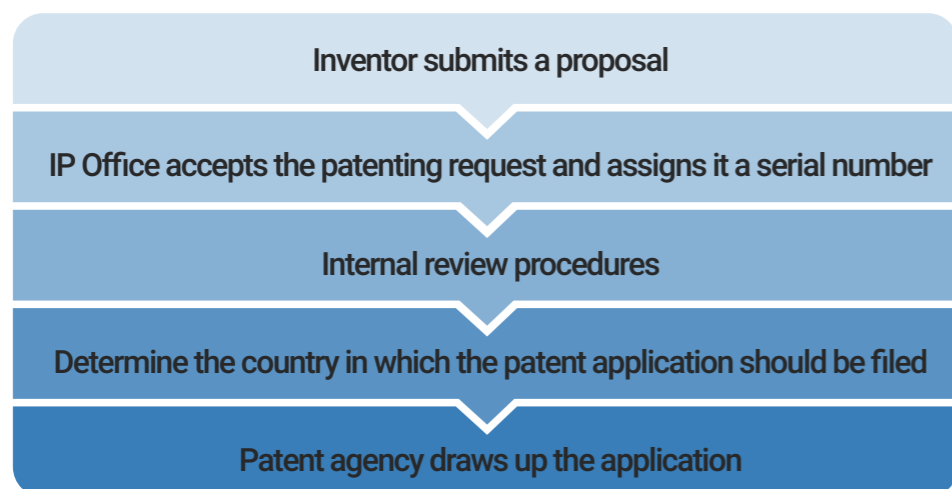
As of 2022, the Company has a total of 1,882 patents, putting it in the top 100 of the Taiwan Patent ranking in patent applications filed by enterprises and approved patents filed by enterprises.

Place of application	Taiwan	China	USA	Other	Total
Patent Output	694	556	602	30	1,882

2022 Patent Ranking	
Taiwan's top 100 invention patent applications list	92
Taiwan's top 100 invention patent grants list	77

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.



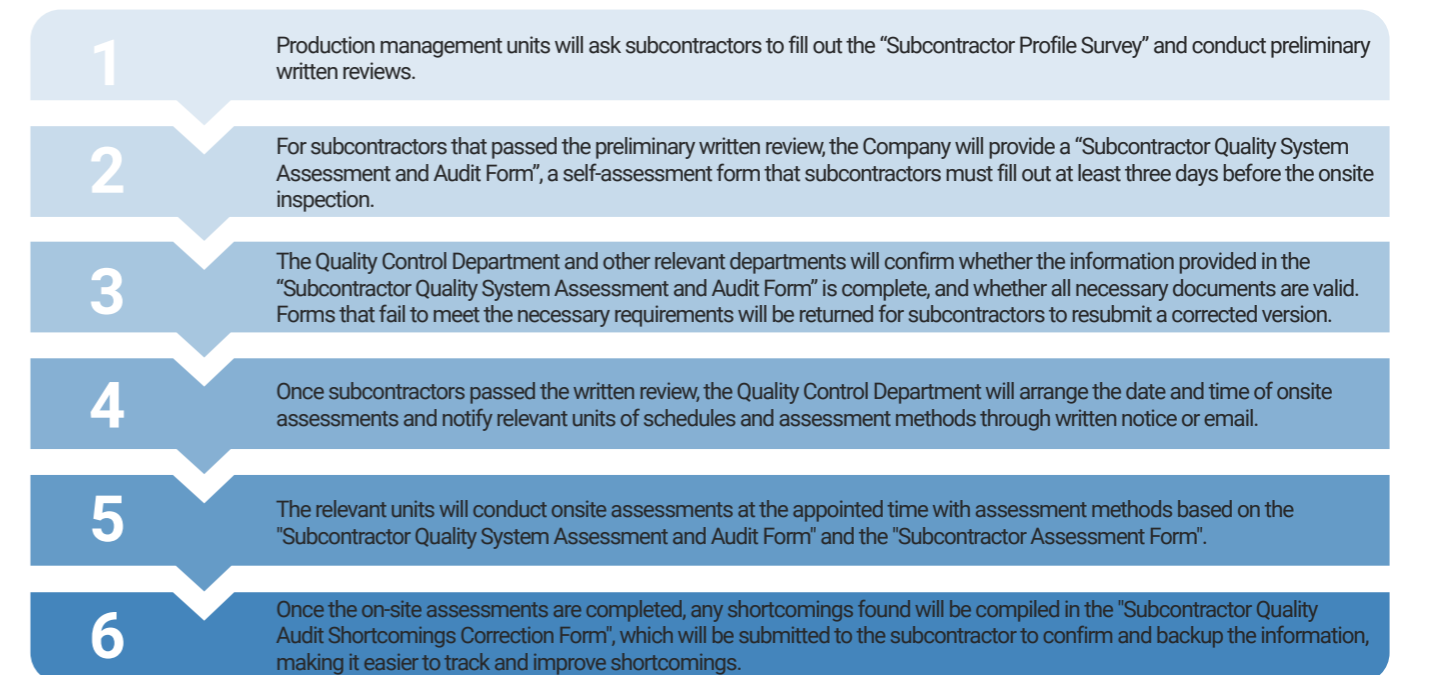
4.2 Product Quality

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 2022, the Company audited a total of 31 suppliers, all of which met the "approved" standard, thus making an approval rate of 100%. In 2022, 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 2022, it surveyed the satisfaction of 51 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 2022 averaged 8.12 points. One thing worth mentioning is that 41 customers gave a satisfaction score of no less than 7 points. The satisfaction rate was 80%, which met our target of 65%.

Customer satisfaction	2019	2020	2021	2022
Score	7.93	7.09	7.55	8.12
Satisfied customers (%)	56	44	62	80
Percentage of the total revenue from surveyed customers (%)	58.43	62.13	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.

Of the 5 pieces of confirmed customer complaint form in 2022, 3 were closed before December 31, 2022, and the other 2 are expected to be closed in the first half of 2023 because they require modifying testing programs or helping customers extend solutions to other products and therefore take longer processing time.

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"> 100% of tier 1 suppliers sign the Supplier Code of Conduct. Annually demand that tier 1 suppliers complete the "Sustainable Risk Assessment Questionnaire", with the completion rate being 100%. Critical suppliers taking an RBA audit reach 90% by 2023 and 100% by 2025. Critical suppliers taking an RBA audit and making improvement reach 90% by 2023 and 100% by 2025.
Performance	<ol style="list-style-type: none"> 100% of critical suppliers defined in 2022 have signed the "Supplier Code of Conduct". 157 tier 1 suppliers have signed the "Supplier Code of Conduct", making a completion rate of 100%. 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 66%. We performed an RBA audit of 31 critical suppliers, with a passing rate of 100% for their audit results. The percentage of our quality suppliers reached 98.7%.
Responsibility	Procure Dept.; Production Management Dept.; Quality Control Div.
Complaint Mechanism	<ul style="list-style-type: none"> Ms. Liu of Administration Division at whistleblower@phison.com Complaint channels available on the Supply Chain Management platform
Action Plans	<ol style="list-style-type: none"> Based on procurement value, we divided our suppliers into critical suppliers and general suppliers for differentiated management, thereby ensuring the efficiency of our invested management resources. Enable SAMP Online, the supply chain management platform, to convey the Company's important policy to suppliers along the supply chain. Add the aspect of sustainability risk to the supplier assessment aspects. A supplier's sustainability performance is graded based on the Sustainable Risk Assessment Questionnaire filled out by a supplier each year, and accounts for 5% of total assessment scores. The Company will then formulate management policy pertinent to different risk level, and in doing so help suppliers improve their sustainability performance. 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. We expect to hold the first session of supplier meeting and provide RBA and ESG trainings in 2023.
Assessment Mechanism	<ol style="list-style-type: none"> Percentage of suppliers having signed the Supplier Code of Conduct The percentage of suppliers having filled out and sent back the Sustainable Risk Assessment Questionnaire and the percentage of suppliers identified as highly risky The percentage of our critical suppliers who have received RBA audit, and their passing rate

5.1 Supply Chain Management

5.1.1 Supply Chain Management Structure and Action Plans

The Company sees suppliers as our important partners. We are committed to building mutual trust and a stable sustainable supply chain, as well as flourishing businesses together with our suppliers. The Company assesses suppliers against the criteria, namely Quality, Cost, Delivery, Service, and Sustainable Risks, by using our business influence to demand that they disclose sustainability information and improve their sustainability performance.

Upholding the spirit of accountability, the Company has built a responsible supply chain in accordance with the four major principles of supply chain management, namely Code Compliance, Risk Assessment, Auditing Programs, 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 "Code of Conduct- Responsible Business Alliance, RBA". We also demand that tier 1 suppliers who meet the criteria set forth by the Management Production Department and the Procure Department fill out the "Sustainable Risk Assessment Questionnaire", the contents of which covering five aspects, namely Labor, Occupational Health and Safety, Environmental Protection, Supply Chain Management, and Sustainability and Risk Management. The Company's personnel will review the questionnaire and grade the suppliers into different sustainability risk level according to their scores. The Company then performs supply chain management and optimization according to their long-term sustainability performance. New suppliers also need to pass basic corporate social responsibility assessment (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.

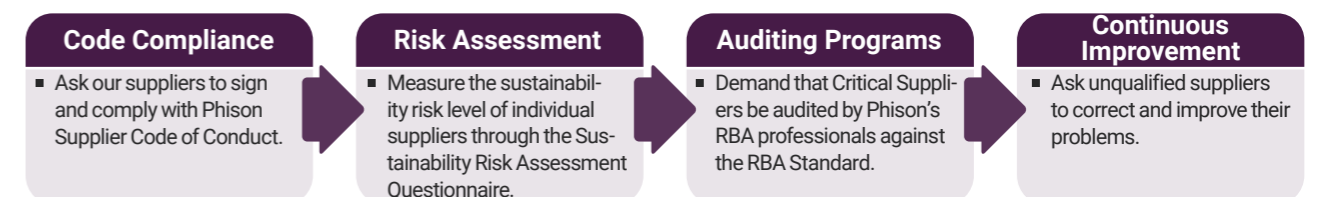
Meanwhile, considering the purchase value and non-substitutability, the Company identifies critical suppliers¹⁰ based on the risk identification results. Critical suppliers must sign the "Supplier Code of Conduct"¹¹ and receive an RBA audit performed by the Company's professionals at least annually. In the future, all tier 1 suppliers will be urged to sign the "Supplier Code of Conduct" and fulfill their sustainable management responsibilities respecting human rights, occupational safety, environmental protection, ethical management, and operational continuity.

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

¹⁰Critical suppliers herein are mainly the suppliers of critical materials of major product lines.

¹¹View the Supplier Code of Conduct at: https://www.phison.com/phocadownload/Policy/2023/QR2310-G_RBA%20Policy.pdf

Four Major Principles of Supply Chain Management



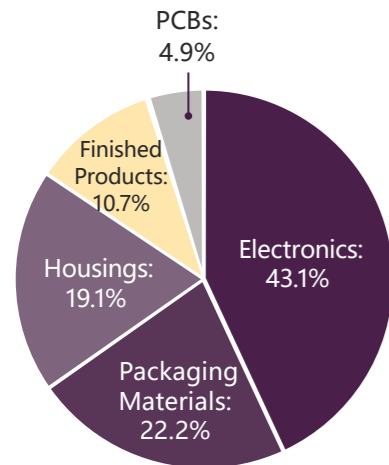
5.1.2 Sustainable Procurement

Local Purchases

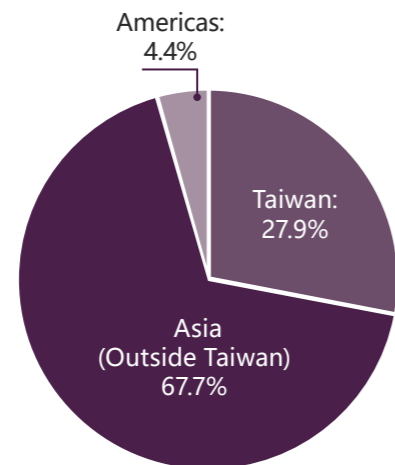
The Company's upstream suppliers are mainly suppliers of electronics parts, PCBs, wafers, flash memories, housings, packaging materials, or finished products; our downstream suppliers are mainly suppliers of SMTs and testing and packing services. Supply in this year did not noticeably change.

The Company had 225 suppliers in 2022, and purchased raw materials that were mainly electronics, packaging materials, mechanisms, finished products, and PCBs. The Company purchases mainly in Taiwan, with 85% 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.

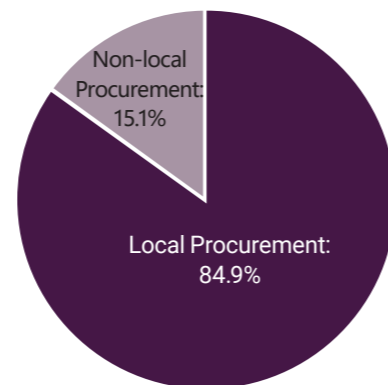
Supplier Percentage by Category



Percentage of Procurement Expenses by Territory of Origin



Supplier Percentage by Local



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

In 2021, the Company inventoried the materials that wield a risk and have an impact on our products/operations and in doing so identified 83 critical materials. The risk factors include single supply source, market oligarchy, insufficient market supply, and rare metals. In 2022 the Company further identified risks at the customer requirement end; it adjusted the backup plan for parts with long lead time and high risk, distinguished common parts from critical parts, and carefully back up parts that are critical and not common. Currently, the risk-mitigation measures taken by the Company include diversifying suppliers and stocking up materials. In the future, we will continue to launch other risk management programs to enhance the resilience of our supply chain.

Green Procurement

The Company has formulated the "Green Procurement Policy", which takes the environmental performance into account for the procurement decision-making process. Doing so reduces the adverse environmental impact and exerts influence on the upstream and downstream suppliers to an extent that they are willing to jointly deliver a positive environmental impact. Before conducting procurement, the Company will assess the necessity of procurement, and will prioritize the procurement of products and services that fit the definition of a green product. Products and services that fit the definition of green procurement include but are not limited to the following: Products and services that consume low energy; of low pollution; recyclable; or made from recycled materials; or packaging materials made from the minimal amount of materials, or from recycled/recyclable materials. In 2022, the Company's green purchase amount reached NTD 113,534,142.

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 planned to add the ESG assessment aspect (including environmental, social, and corporate governance aspects) since 2022 and have officially adopted such an aspect for grading in 2023. Suppliers are 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 2022, the Company had 225 suppliers, of which 222 were quality suppliers (including those rated Grade B and above), accounting for 98.7% of the total. By establishing a long-term partnership, we secured the supply and quality of products 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	11	211	2	1
Percentage (%)	4.9	93.8	0.9	0.4

In 2022, we continued to implement the "supplier consolidation" strategy. We gradually concentrated our orders on specific suppliers with good performance ratings. Through this strategy, the quality and services we obtained from suppliers would be more stable, thus reducing the risks and costs of time consumed from the suppliers' defect rate; what's more, we would be able to strengthen our influence on our suppliers, thereby increasing our ability to asking our suppliers to comply with our requirements for sustainability management. In order to avoid the risk of supply shortage from our selected suppliers due to natural disasters or other cases of emergency, we continue to promote our "strategic suppliers" project, which requires our selected suppliers to provide production plans to ensure their ability to deploy and reconfigure production capacity at their production sites.

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 management systems through documentation audit or on-site audit. Auditors will promptly inform the supplier of any defects found during their audits. The defects will then be reported to the department head and the supplier will be asked to provide an improvement plan; furthermore, the supplier will be required to submit the improvement plan containing corrective actions within one week.

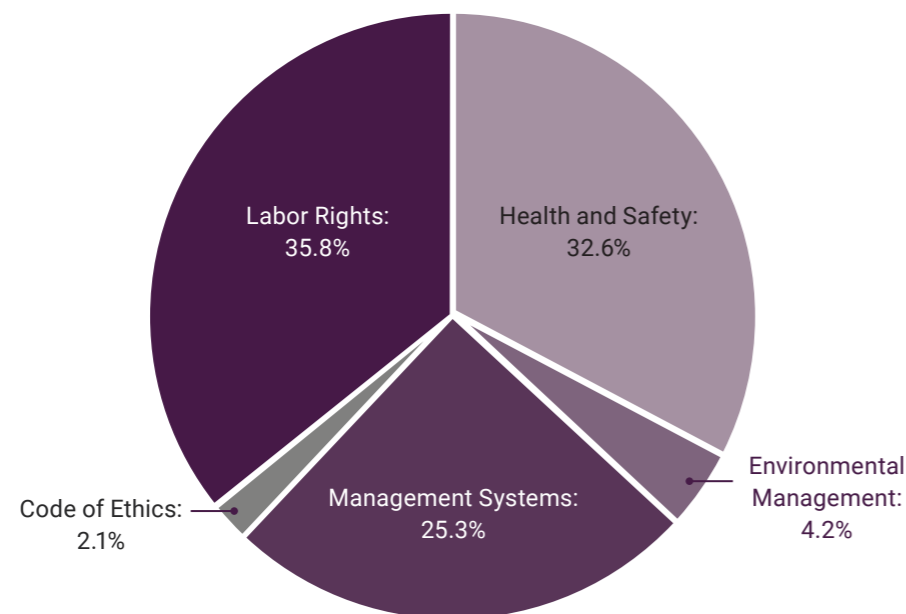
In 2022, the Company identified a total of 31 critical suppliers; 100% of them have received and passed an audit. However, there were still 94 deficiency items. The causes for such deficiencies include mainly labor rights and health and safety issues. The Company's audit representatives have communicated the audit findings and discussed possible improvement plans with each supplier. The Company did so because according to the management regulations if a deficiency is not considered material, the Company's audit representatives and the supplier may agree on a deadline for improvement completion. If the supplier fails to improve before the deadline, the Company will reduce or suspend the orders to be placed with it, or remove it from the List of Approved Suppliers.

¹² Include 13 raw materials suppliers, 12 subcontractors and system providers, and 6 services producers.

¹³ 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	31	0	100%

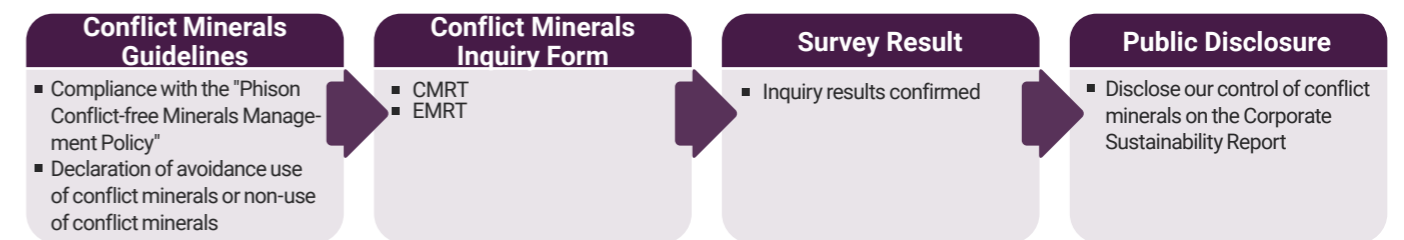
Defect Analysis for Supplier Audit



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 and required suppliers and subcontractors to sign a letter of commitment for "avoidance use of conflict minerals" or "non-use of conflict minerals" 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.

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 2022, we surveyed 57 suppliers, and completed 321 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

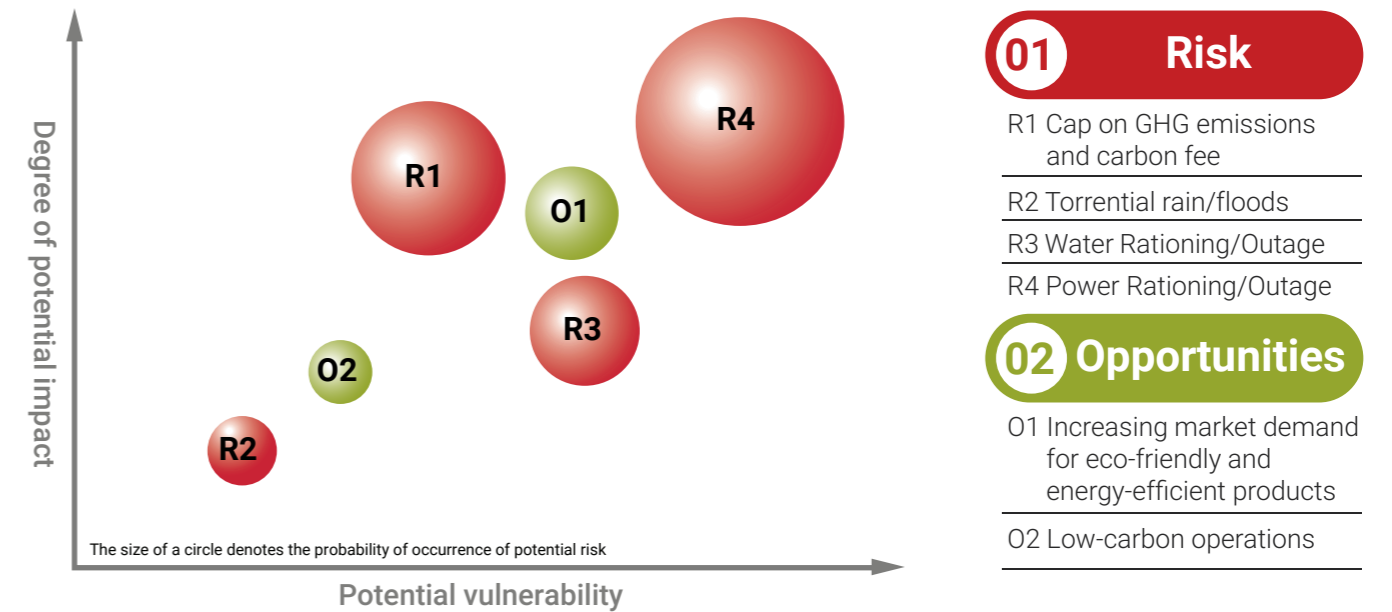
6.1 Climate Strategy

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 disclosed its climate-related risks and opportunities by business nature by referencing the Task Force on Climate-Related Financial Disclosures (TCFD); Phison has also identified the physical risk, transformation risk, and product/service opportunities brought about by extreme weather, and has formulated response measures.

6.1.1 TCFD Disclosure Framework and Phison's Management Approaches

Governance	<ul style="list-style-type: none"> 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. 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 quarterly on climate risk-related information. The Corporate Sustainable Development Committee is the unit responsible for monitoring the Risk Management Committee. The executive task force under the Corporate Sustainable Development Committee is responsible for implementing the Company's policy and related work plans, for drafting adaptation strategy and action plans, for discussing with the Risk Management Committee periodically, and for briefing the Board of Directors regularly on its implementation results.
Strategy	<ul style="list-style-type: none"> The Company defines "short-term" as the following three years, "medium-term" as the following 10 years, and "long-term" as the years counting from the 11th following year. Analyze the impact and contribution associated with climate change-related risks and opportunities against the TCFD architecture. Analyze risks under different scenarios, including physical scenarios such as RCP 2.6, RCP4.5, RCP6.0, and RCP 8.5.
Risk Management	<ul style="list-style-type: none"> 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. 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. We have revised the Supplier Code of Conduct to add a requirement on disclosure of carbon inventory information.
Indicators and Goals	<ul style="list-style-type: none"> 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. We inventory carbon against ISO 14064-1 every year and have a certification body verify our inventory data if necessary. In the future, we will inventory more type of Category 3 to 6 emissions year on year to fully grasp our carbon emissions. We have put in place the climate-related key performance indicators for 2025 with respect to renewable energy, reduction in greenhouse gas emission and water consumption.

TCFD Risk and Opportunity Matrices



Climate Change Risks and Opportunities Identification Results

Transition Risk

Risk factor	Scenario description	Description of potential financial impact	Response actions
Law and policy - Cap on GHG emissions and carbon fee	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	Implement various in-factory energy saving and carbon reduction measures; certify the environmental management system; and reduce the impact of future carbon fees by purchasing renewable energy certificates.

Physical Risk

Risk factor	Scenario description	Description of potential financial impact	Response actions
Extreme Weather- 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.
Extreme Weather- 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 server rooms, thus production capacity.	Increase in operating costs Decreasing Operating Revenue	Install UPS to ensure the stability of important server 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 important labs to cushion the impact of electricity shortage on the Company.
Extreme Weather - Torrential rain/floods	Extreme weather leads to a higher probability of torrential rain and flooding; 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
Product transformation - Increasing market demand for eco-friendly and energy-efficient 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.
Resource Efficiency - Low Carbon Production	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 and worked with downstream partners to actively implement low-carbon production.

6.1.2 Greenhouse Gas Management

In response to climate change and the implementation of green operations, since 2011, the Company has been conducting an annual GHG emissions inventory through the Environmental Protection Administration of the Executive Yuan with the 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 2022, we produced 15,560.63 metric tons of Category 1 and Category 2 carbon dioxide equivalent (CO₂e). Compared to 2021, our total emissions increased by 4,185.37 metric tons in 2022 due to an increased amount of purchased electricity; Our emissions intensity in 2022 increased to 0.258 metric tons of CO₂e per million dollars of revenue, up 41.76% from 2021, 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. However, progress is subject to the availability of renewable energy and the government's carbon management policy.

Emission type	Type of Emission	(Metric tons of CO ₂ e)	2019	2020	2021	2022
Direct emissions	Category 1		140.31	158.77	150.53	340.88
	Category 2		8,779.17	9,247.49	11,224.73	15,219.75
Indirect emissions	Category 3	(Metric tons of CO ₂ e)	-	-	2,116.41	1,659.64
	Category 4		-	-	2,165.74	2,737.33
	Category 5		-	-	-	-
	Category 6		-	-	-	-
Total (Category 1 + Category 2)		(Metric tons of CO ₂ e)	8,919.49	9,406.27	11,375.26	15,560.63
Total (Categories 1+2+3+4+5+6)		(Metric tons of CO ₂ e)			15,657.41	19,957.60
Emissions Intensity (Category 1 + Category 2)		(Metric tons of CO ₂ e / million NTD)	0.200	0.194	0.182	0.258
Data coverage rate		%	100	100	100	100

Note 1: The Company's category 1 and category 2 emissions were 15,560.63 metric tons of CO₂e in 2022. In addition, emissions from all categories totaled 19,957.60 metric tons of CO₂e (categories 1+2+3+4+5+6, i.e., inclusion of other indirect emissions in addition to category 1 and category 2). This calculation covers emissions from all of the Company's factories and rented offices.
 Note 2: Since ISO14064-1 2018 has expanded inventory boundaries and changed quantifying method, changes in GHG emissions exceeded the significance threshold. Therefore, we shifted the base year from 2021 to 2022. The inventory scope, when compared with 2021, further covered our Zhubei Office and Banqiao Office, excluding facilities and locations not in use or put into operation for less than one year. Data verified against ISO14064-1 are presented as follows: verified category 1 emissions and category 2 emissions totaled 15,341.997 metric tons of CO₂e; Emissions from all categories (categories 1+2+3+4+5+6) totaled 19,738.961 metric tons of CO₂e.
 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 (CO₂), methane (CH₄), nitrous oxide (N₂O), and hydrofluorocarbon (HFCs). Since the Company has no manufacturing process, we have no emissions of perfluorocarbon (PFCs), nitrogen trifluoride (NF₃), and sulfur hexafluoride (SF₆).
 Note 5: The electricity emissions factor was calculated using the electricity emissions factors provided by Taiwan Power Company; the global warming potential was quoted from the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

In 2022, the Company and UPS launched a one-year collaboration project, under which shipments in terms of cartons and weight that Phison commissioned UPS to transport were tallied; the carbon emissions associated with such shipments would then be offset with the carbon reduction credit obtained by UPS through its investment in global environmental preservation activities worldwide, thereby achieving carbon neutral and reducing the Company's indirect carbon emissions. Through such project in 2022, the Company removed a total of 544.2 metric tons of CO₂e from the atmosphere.

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 2022, the Company's total energy consumption was 108,812.61 GJ, and our energy use intensity was 1.806 GJ per million dollars of revenue. Energy intensity soared by 36.86% from the previous year, mainly due to the inauguration of new office buildings, increased number of staff, and 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) in order to actively respond to the call for emissions reduction. In order to carry out our energy transformation in a steady pace and to reduce the GHG emissions during operations, we double the planned amount of renewable energy purchase; we aim to purchase 1% of our total electricity consumption at the beginning, and increase the amount to 3% by 2023, 10% by 2025, and 20% by 2030.

Energy Consumption Statistics

Item	Unit	2019	2020	2021	2022
Petroleum	Liter	9,354	4,929	3,164.45	3,064.88
	GJ	305.27	160.86	103.27	100.02
Diesel	Liter	200	1,000	4,800	3,400
	GJ	7.03	35.15	168.70	119.50
Total Electricity Consumption	kWh	17,247,885	18,167,966	22,599,479	29,840,985
	GJ	62,062.00	65,372.70	81,318.35	107,375.03
Renewable Energy	kWh	-	-	264,086	338,515
	GJ	-	-	950.24	1,218.06
Total Amount of Energy Used	GJ	62,374.30	65,568.71	82,540.56	108,812.61
	MWh	17,340	18,228	22,946	30,061
Energy Use Intensity	GJ per million dollars of revenue	1.396	1.352	1.319	1.806
Data Coverage Rate	%	100	100	100	100

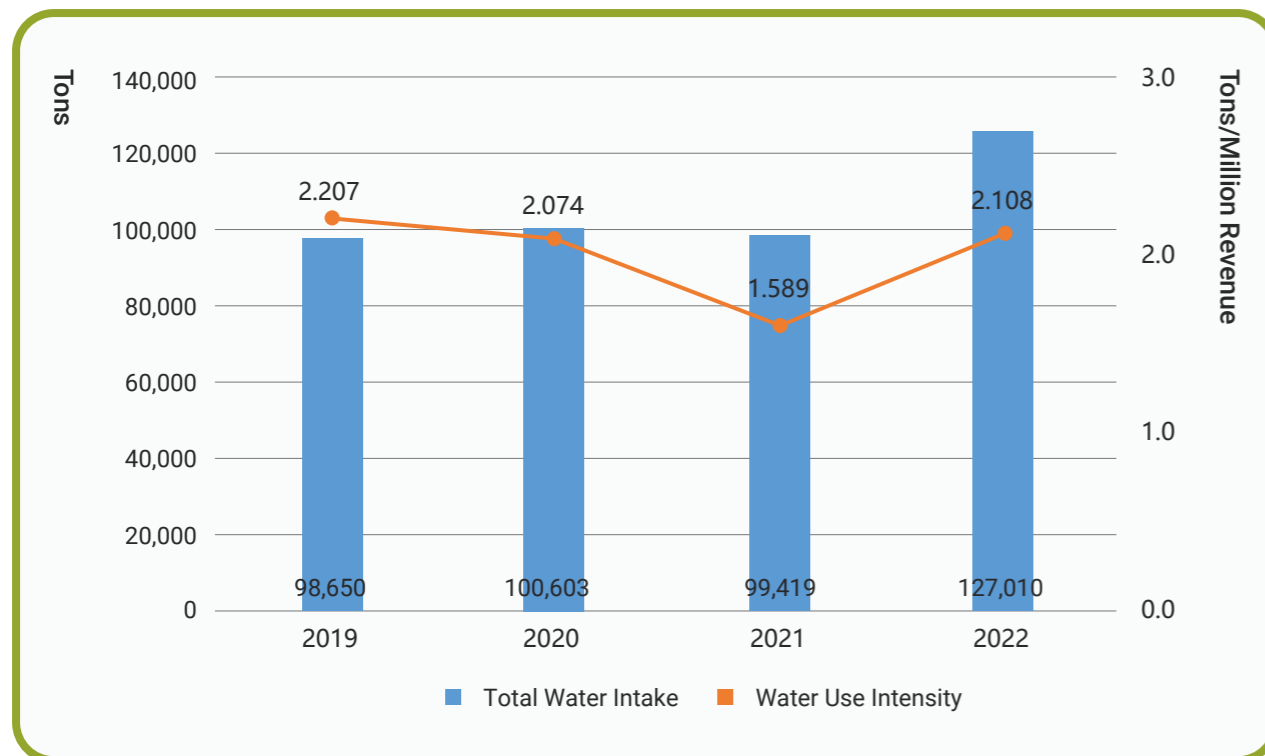
Note 1: The data coverage of our energy use for respective years is consistent with the data coverage of GHG emissions data for that year.
 Note 2: The main source of our energy use was the consumption of purchased electricity. The values for heat, cooling, and steam consumption were 0.
 Note 3: Phison had no undertakings in generating energy either for our own use or for sale; therefore, the values for electricity, heat, cooling, and steam sales were 0.
 Note 4: The calorific value conversion factor was referred from the latest calorific value tables of energy products in the year as declared by the Bureau of Energy during the statistical period.
 Note 5: Renewable energy consumption constitutes 1.13% of total electricity consumption.
 Note 6: The energy data for 2019-2021 were incorrect, hence are corrected this year.

6.2.2 Statistics of Water Consumption

The Company operates mainly in the fields of R&D. Our production process only involves simple assembly, packaging, maintenance and testing processes. There is no water consumption for our production process¹⁴, we use water only for general use. The sources of our water intake are city water and the private water supplier, Kuan Yuan. In 2022, the Company's total water intake was 127,010 tons, an increase of 27,591 tons from the previous year, and our water intake intensity was 2.108 tons per million dollars of revenue, an increase of 32.66% from the previous year, mainly due to mainly the inauguration of new office buildings, increased number of staff, and reduced operating revenue due to the market's correction of demand.

¹⁴ Not having any production process, the water consumed by the Company is mainly water for domestic use and water for cooling the machinery. The water used in our in-factory labs is from the RO water system, and does not comprise any ultrapure water.

Total Water Intake and Water Intake Intensity



Note: If calculated against the headcount, the data coverage rate for 2019 through 2022 was 93.4%, 92.6%, 100%, and 86%, respectively.

Level of Water Stress

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

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

6.2.3 Energy and Resources Efficiency Improvement Project

In 2022, Phison initiated three energy-saving programs, which are expected to save 133,962 kWh of electricity (equivalent to a conservation of 482,263.2 MJ of energy) and 3,553 cubic meters of water, which is equivalent to a reduction of 68,759 Kg of CO₂e.

2022	Program description	Estimated amount of energy/Water saved (kWh)/ (Cubic Meters)	Estimated amount of costs saved (NTD)
Energy savings	Suspend the CDA 100HP cooling tower and use PCW water instead.	11,301	30,513
	Substitute LED lights for the lights and street lamps in phase I building.	107,088	289,138
	Substitute motion sensor lights for the lights at parking lots, stairway, and pantry.	15,573	42,047
Water conservation	Suspend the CDA 100HP cooling tower and use PCW water instead.	3,553	49,742
Total			411,440

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 CO₂ emissions per cubic meter of water announced by Taiwan Water Corporation for 2021 (0.161 kg CO₂/cubic meters). Electricity carbon-emission factor used for calculation is the electricity carbon-emission factor announced by Taiwan Power Company for 2021 (0.509 kg CO₂/kWh).

6.3 Effluent and Waste Management

6.3.1 Effluent Discharge Management

The wastewater in Miaoli region was conveyed to the sewage treatment plant in Kuan Yuan Science Park via the pipelines applied legally without treatment; Wastewater in Taipei region was conveyed to the public sewer system. A total of 103,413 tons of water and effluents was discharged from our Zhunan headquarters in 2022. Our wastewater generated in the Miaoli area is tested monthly by an independent water quality testing agency for water temperature, hydrogen ion concentration index (pH), suspended solids, biochemical oxygen demand, and chemical oxygen demand. This is to ensure that the quality of our water and effluents meets the discharge standards of the Kuanyuan Science Park's sewerage system, and our water and effluents does not cause any serious impacts to nearby water bodies.

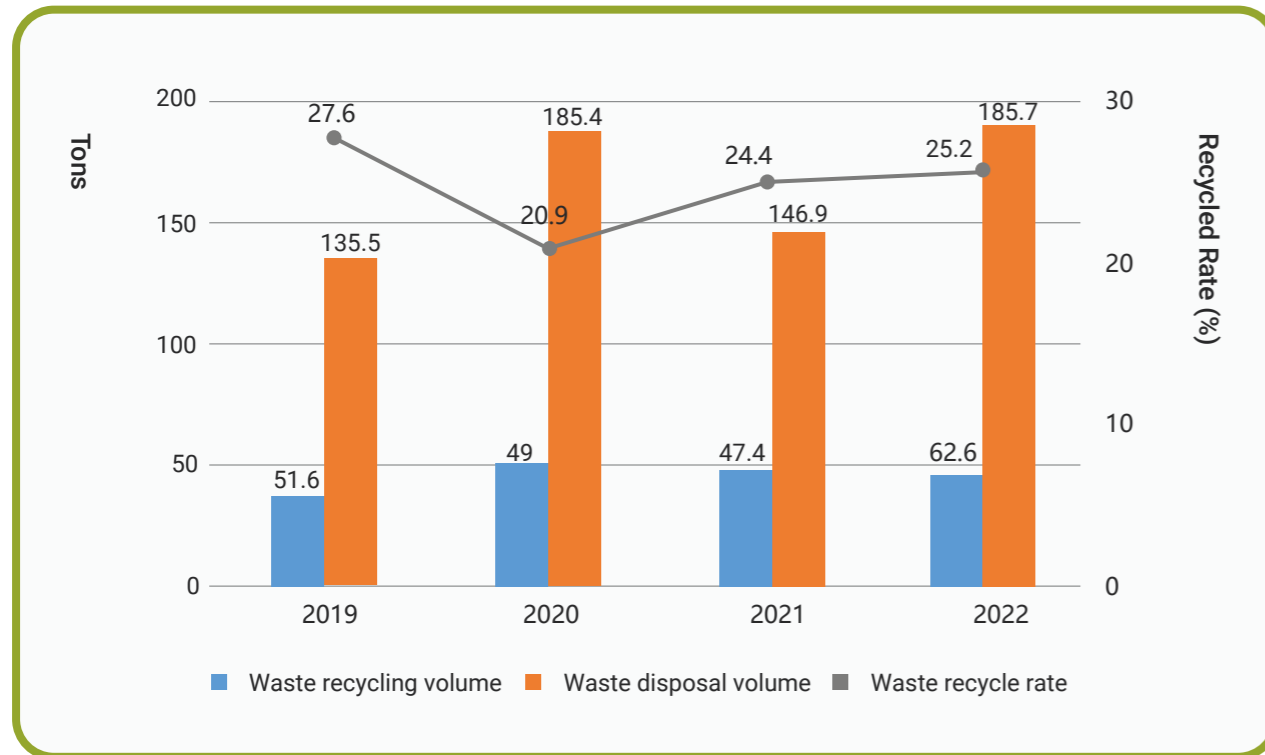
Type	Item	Tons
Discharge by destination	Surface water + Groundwater + Seawater	0
	Third-party water (wastewater treatment plant)	103,413
	Third-party water sent to other organizations for use	0
Level of Treatment	No treatment	0
Total Volume of Water Discharged (metric tons)		103,413

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 2022, we generated a total 248.32 tons of waste, including general industrial waste and domestic waste (excluding class E hazardous industrial waste), in which 62.60 tons (25.21%) of the waste were recycled, while 185.72 tons of waste could not be recycled. As a result of new offices put into use and increased number of staff, total waste generation volume in 2022 increased by 54.06 tons from last year. The waste generation intensity was 0.0041 tons per million NTDs of operating revenue in 2022, up by 32.71% from the previous year.

| Amount of Waste Generated in 2022



Note 1: If calculated against the headcount, the data coverage rate for 2019 through 2022 was 93.4%, 92.6%, 90.5%, and 86%, 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 2022, a count on the total weight of hazardous industrial waste produced by all of our operating sites in Taiwan was made, which was 6.17 tons¹⁵ in total; and all the waste has been completely removed at the end of 2022.

All of the Company's hazardous industrial waste is removed by qualified disposal and treatment vendors, and conveyed to a professional electronics recycling and treatment plant, which treats the waste physically and chemically. The crushed waste is then shipped abroad, where it is incinerated for metal extraction (there is no heat energy recovered during the course.) To ensure our hazardous industrial waste is handled properly by our contracted disposal and treatment vendors, the OHS 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. Two in-vehicle audits and one onsite audit were conducted in 2022, and the vendors all passed the audit.

¹⁵The Company's electronics waste and scrapped products weighed a total of 6.17 tons; none 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 "Phison Environmental Protection Policy", which involves our commitments to protect the natural environment in an appropriate way according to environmental legislations and international standards, and to endeavor to achieve the goal of environmental sustainability in the course of our business activities and internal control by devoting to energy conservation and autonomous carbon reduction. The Company continued to obtain ISO 14001 Environmental management systems for the design and assembly processes of our flash memory storage devices and flash memory controller chips. We also focus on recycling and energy efficiency policies to reduce the impact of our business activities on the environment.

In 2022, the Company attempted to identify the impact of its operations on biodiversity by looking at vulnerability, exposure, and hazard. After considering a variety of factors, including industry characteristics, business activities, location, land use purpose, water resources utilization, pollutants discharge, and nearby biological systems, the Company concluded that its impact and dependency on biodiversity was low. In the future, the Company will continue to promote its "Coastal Forest Restoration Long-term Plan" to establish a more resilient nature preservation and climate adaptation policy.

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 does not have its own brand, according to the model from cradle to gate, the action plans for each product stage are as follows:

Stage	Implementation approach and results
Raw Materials	<ul style="list-style-type: none"> Hazardous Substance Management Sony Green Partner Environmental Quality Approval Program Prioritize the procurement of products and services that consume low energy; of low pollution; recyclable; or made from recycled materials; or packaging materials made from the minimal amount of materials, or from recycled/recyclable materials
R&D and Design	<ul style="list-style-type: none"> Constantly optimized the product performance to develop more energy-saving and more compact products, thereby helping end users reduce their greenhouse gas emissions and waste generation Obtain ISO 14001 Environmental Management System certification; the processes to be certified include the design and assembly processes of flash memory storage devices, and the design process of flash memory chips.
Packaging	<ul style="list-style-type: none"> 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. Reuse packaging materials to reduce the amount of packaging materials used and waste generated. In 2022, we recycled 664,379 units of packaging materials (anti-static trays).
Transportation	<ul style="list-style-type: none"> Logistics strategy, we adopt "freight consolidation" approach according to the geographic regions of our customers and the load capacities of our carriers to enhance transportation efficiency.

6.4.3 Hazardous Substance Management

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

In 2022, we sent a total of 23 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



Hazardous Substance Management by Stage



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	2019	2020	2021	2022
Operating Cost	Pollution prevention cost	Wastewater processing	2,118,374	1,993,960	2,241,993	3,581,765
		Empty the septic tank	360,000	360,000	300,000	400,000
	Cost of sustainable use of resources	Waste disposal	894,240	894,240	894,240	1,172,240
Global environmental protection costs	Purchasing renewable energy		0	0	977,118	1,252,506
		Management system verification	100,000	200,000	138,000	138,000
		Effluent quality testing	30,000	30,000	15,225	36,750
Management costs	Soil and water conservation		0	32,609,250	0	0
		Greening and beautification	364,500	19,651,620	453,000	422,000
		Social activity costs	Utilization of the farm environment	1,138,201	1,231,560	1,735,805
Social activity costs	Environmental protection activities		3,984	0	307,700	1,006,455
		Total	5,033,299	56,994,630	7,063,081	9,886,352

Note: The increased environmental protection costs in 2020 compared with the previous year was because of the water and soil conservation work and the greening and beautification work taken place at Phase V Plant.

Unit: NT\$

Benefits breakdown		Description	2019	2020	2021	2022
Cost savings	Energy conservation plan	Estimated water/ electricity charges saved	1,158	32,457	1,137,395	411,440
	Waste recycled/ reused	Revenue from recycling	80,280	52,019	103,506	137,338
		Resale of anti-static trays	6,157,433	2,438,774	3,967,605	4,315,382
Total			6,238,871	2,523,250	5,208,506	4,864,160

7. Employee Care

7.1 Employment Overview

7.1.1 Employee Structure

In 2022, Phison Electronics Group had a total of 4,196 employees¹⁶, up a whopping 782 employees from last year, with a staff growth rate being 22%. 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 3,601 employees, accounting for 85.8% of total employees, in which there were 2,834 R&D personnel, 160 sales personnel, 407 production personnel, and 200 administrative personnel.

Phison Group Employee Headcount

Year		Taiwan	Overseas	Total
2019		1,847	207	2,054
2020		2,572	34	2,606
2021	Male	2,365	26	2,391
	Female	1,020	3	1,023
	Total	3,385	29	3,414
2022	Male	2,913	82	2,995
	Female	1,179	22	1,201
	Total	4,092	104	4,196

¹⁶ The number of employees in 2019 includes employees in Phison, PJP, USA, Hefei Core Storage Electronic Limited, Qung Hong, Phisontech, and Ostek. The number of employees in 2020 and -2021 includes employees in Phison, PJP, USA, Super Storage Technology, and Ostek; The number of employees in 2022 includes employees in Phison, PJP, USA, Super Storage Technology, Ostek, Nextorage, and Power Storage Technology (Shenzhen) Limited.

Employee Structure

Category	Type	Male	Female	Total	Percentage
Position	R&D personnel	2,399	435	2,834	78.70%
	Sales personnel	40	120	160	4.44%
	Production personnel	209	198	407	11.30%
	Administrative personnel	91	109	200	5.56%
Type of Employment Contract	Permanent	2,715	824	3,539	98.28%
	Temporary	24	38	62	1.72%
	Non-guaranteed hours employees	0	0	0	0.00%
Type of Employment	Full-time	2,739	860	3,599	99.94%
	Part-time	0	2	2	0.06%
Age	< 30	1,052	308	1,360	37.77%
	30-50	1,650	544	2,194	60.93%
	>50	37	10	47	1.30%
Education	High school diploma or below	18	34	52	1.45%
	Bachelor degree	522	424	946	26.27%
	Master degree	2,175	402	2,577	71.56%
	Ph.D.	24	2	26	0.72%
Nationality	Taiwanese indigenous people	1	0	1	0.03%
	Taiwanese national (non-indigenous people)	2,637	817	3,454	95.92%
	Foreign national	101	45	146	4.05%

Note: The number of non-employee workers in 2022 totaled 141 persons who are neither a temporary worker or a co-op student and work mainly as cleaner, security guard, and caterer at food court.

When seen by gender structure, the percentage of female directors was roughly 22% in the Company.

Diversity in Governance Boards

Item		2021		2022	
		Number of People	Percentage (%)	Number of People	Percentage (%)
Total Number of People in Governance Boards		8	100	9	100
Gender	Male	6	75	7	77.78
	Female	2	25	2	22.22
Age Range	< 30	0	0	0	0.00
	30-50	3	37.5	3	33.33
	>50	5	62.5	6	66.67

In terms of nationality, Taiwanese national, at 95.95%, 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 (%)	95.95	2.53	0.75	0.44	0.33
Percentage in all managerial positions (%)	94.34	5.03	0.16	0	0.47

Among the permanent staff in Taiwan, female managers account for 17.9% of Phison's managerial positions. Among first-level managerial positions, 16.6% was females. Among top-level managerial positions, 15.6% was females. Among managerial positions in revenue-generating units, 15.0% was female.

This year the Company continued to recruit IC design talents on a large scale. However, subject to the reality at school and in the industry, R&D talents are mostly male. Therefore, the percentage of female employees and managers this year both dropped. In addition, due to a new definition assigned to "top-level managerial positions" this year, the percentage of female in top-level managerial positions declined noticeably this year. One thing worth attention is that the percentage of female R&D personnel has steadily increased, early achieving the percentage goal set for 2025.

Proportion of Female Employees

Category	2020	2021	2022	Targets in 2025 in terms of Percentage
Percentage of total female employees (%)	26.3	25.0	23.9	27.0
Percentage of female managers (%)	21.5	18.4	17.9	22.0
Percentage of female in first-level managerial positions (%)	19.0	16.3	16.6	20.5
Percentage of female in middle-level managerial positions (%)	25.2	23.6	20.8	25.5
Percentage of female in top-level managerial positions (%)	24.2	18.3	15.6	25.0
Percentage of female managers in revenue-generating departments (%)	19.2	15.3	15.0	20.0
Percentage of female working in STEM-related positions (%)	13.1	14.7	15.4	14.0

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	2021			2022		
	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	29.67	18	0.78%	36	17	0.58%

Employee Absence Rate

Year	2019	2020	2021	2022
Absence rate (%)	5.53	5.56	12.03	7.67

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

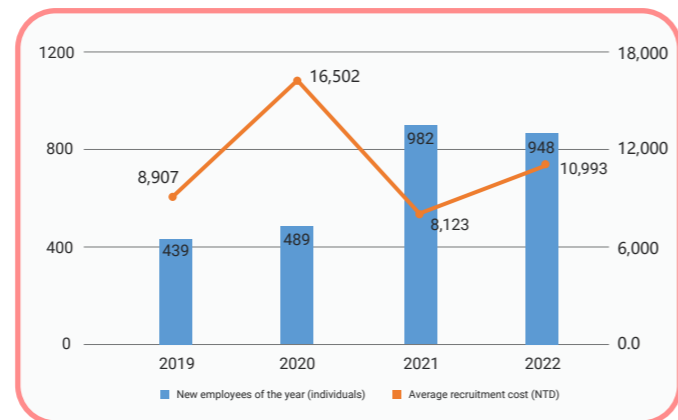
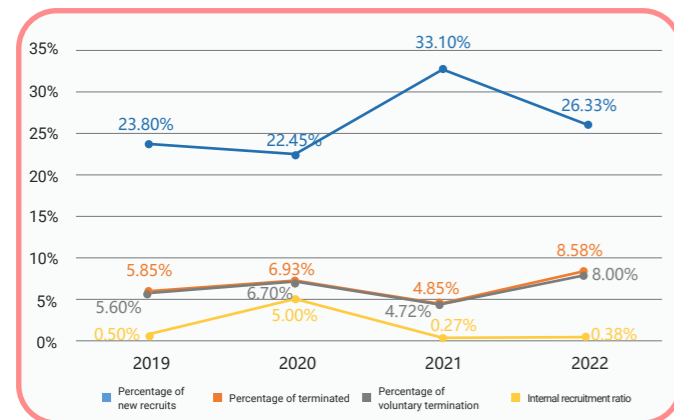
Note 2: Absence includes sick leave and business leave, excluding rescheduling of annual leave, business trip, maternity leave, or paternity leave.

Note 3: From 2019 to 2020, due to the COVID-19 epidemic, more employees worked from home, so the absence rate was lower.

7.1.2 Percentages of New Hires and Terminated Employees

In 2022, there was a total of 948 new employees joining Phison's permanent staff in Taiwan, of which 745 were male and 203 were female, accounting for 26.33% of our workforce; a total of 309 employees left our permanent staff in Taiwan, of which 230 were male and 79 were female, accounting for 8.58% of our workforce. With our diligent execution of a performance evaluation system, we aim to increase our retention rate of quality talents by improving employee benefits and satisfying their career development, thereby continuously injecting new energy into our company.

Gender	Male			Total - male	Female			Total - female	New hires in total	Employees in total	New hires percentage (%)
	Age < 30	30-50	>50		< 30	30-50	>50				
Number of new hires (Percentage)	479 (13.30%)	260 (7.22%)	6 (0.17%)	745 (20.69%)	128 (3.55%)	75 (2.08%)	0 (0%)	203 (5.64%)	948	3,601	26.33
Gender	Male			Total - male	Female			Total - female	Terminated employees in total	Employees in total	Terminated employees percentage (%)
	Age < 30	30-50	>50		< 30	30-50	>50				
Number of terminated employees (percentage)	95 (2.64%)	131 (3.64%)	4 (0.11%)	230 (6.39%)	36 (1.00%)	42 (1.17%)	1 (0.03%)	79 (2.19%)	309	3,601	8.58
Gender	Male			Total - male	Female			Total - female	Voluntarily terminated employees in total	Employees in total	Voluntarily terminated employees percentage (%)
	Age < 30	30-50	>50		< 30	30-50	>50				
Number of voluntarily terminated employees (percentage)	90 (2.50%)	120 (3.33%)	4 (0.11%)	214 (5.94%)	32 (0.89%)	41 (1.14%)	1 (0.03%)	74 (2.05%)	288	3,601	8.00



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.
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	<ol style="list-style-type: none"> The average remuneration remains in the top 25% of the industry. An engagement rate of 80%.
Performance	<ol style="list-style-type: none"> The median salary for full-time employees in non-managerial positions is NTD 1,894,000 and the average salary is NTD 2,108,000. The expenses on employee benefits amounted to approximately NTD 8,219,184,000, or NTD 2,431,000 per employee. A 77% coverage rate for the employee opinion survey; an engagement rate of 78%.
Responsibility	Human Resources Department
Complaint Mechanism	<ul style="list-style-type: none"> Ms. Wang/Ms. Wu of Human Resources Department wecan_8080@phison.com
Action Plans	<ol style="list-style-type: none"> Reference the survey in the industry to constantly improve the attractiveness of employee welfare and salary. In 2022, employees' salary increased by an average of 15~18%, mainly contributed by the increment due to salary structure adjustment, attesting to our practical feedback to employees' hard work. 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. Officially announced its intension to 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	<ol style="list-style-type: none"> The salary standard disclosed every year on the Market Observation Post System (MOPS). The results of the engagement survey performed by external processions in the second year. The number of employee complaints.

7.2.1 Salaries and Benefits

In the highly competitive semiconductor industry, quality talents are essential for our company to provide high quality products and services, and to maintain the vitality of corporate innovation; as such, we consider recruiting and retaining quality talents as a key issue in our business management. To cope with the shortage of talents in the semiconductor industry, in addition to actively implementing the industry-academia cooperation programs and participating in the job fair of universities, the Company also actively recruits those overseas Chinese students studying in Taiwan. The CEO even communicates Phison's talent recruitment plan to them by video conferencing in person, in the hope to attract more exceptional cosmopolitan talents. For our employees, we continue to develop their professional functions to create workplace value and personal competitiveness, and at the same time achieving our goal of enhancing the overall competitiveness of Phison Group.

Employee remuneration are reasonably determined based on individual job duties, and the complexity, required professional knowledge, experience, and skills of individual works, as well as remunerations offered by our competitors, and does not discriminate on the basis of gender, religion, race, or political affiliation. The company encouraged employee by giving compensation, and cash bonus and employee bonus was given semi-annually.

In this year, the expenses on employee benefits amounted to approximately NTD 8,219,184,000, or NTD 2,431,000 per employee. In 2022, the Company's Employee Welfare Committee joined hands with several brands to initiate a group buying project, so that employees have access to daily necessities at a rate lower than what is offered through traditional distribution channels. Such collaborative brands include Dyson, Brand's, Chatzutang, Samsonite, Acer, Just Sleep, and Kaohsiung's H₂O Hotel. In doing so, we provide comfort and convenience in all areas of employees' lives. Furthermore, the Company has raised the ratio of operating revenue allocated as welfare fund, from 0.125% to 0.15% since 2022, and increased the amount of subsidies for employees' participation in a group tour, from NTD20,000 per person to NTD25,000 per person, effective from 2022 onwards.

Note: Travel subsidies in 2021 were NTD15,000 per person.

Salary of Full-time Employees Who are not in a Managerial Position

Item	2021	2022	2022 change compared with 2021
No. of non-managerial full-time employees	2,403	3,270	867
Average salary of non-managerial full-time employees (in 1,000 NTD)	2,677	2,108	-21.3%
Median salary of non-managerial full-time employees (in 1,000 NTD)	2,176	1,894	-13.0%

Note 1: The median and average annual salary in 2022 decreased because the Company's revenue has declined compared with 2021, but the number of employees has continued to increase.

Note 2: The total annual remuneration for the CEO (including fixed remuneration and variable remuneration) was 49 times as much as the median annual salary of all employees (excluding the CEO). The percentage increase in total annual remuneration for the CEO was -32 times as much as the percentage increase in the average annual median salary of all employees (excluding the CEO).

Male-female employee remuneration ratios

Position	Male	Female
Executive manager salary	108%	100%
Executive compensation	177%	100%
Mid-level and entry-level manager salary	130%	100%
Mid-level and entry-level management compensation	137%	100%
General employee	132%	100%

Note 1: Top-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: First-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 statistics of the Department of Statistics, "Females Graduating from Academic Disciplines of Science, Technology, Engineering and Mathematics in Higher Education" only accounted for 25.84% of all graduates in the above disciplines in 2021. For these reasons, male employees account for the majority of the Company's managerial personnel. As our remuneration standards vary among different departments, managerial personnel in the R&D department (staffed mostly by males) are better remunerated than those in the same position in other administrative departments (staffed mostly by females). Hence the gender pay gap.

Phison employs workers based on their merit without gender discrimination. With the R&D departments excluded, our female employees account for 55.7% 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 6 months but less than 1 year shall be granted 3-day 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-day annual paid leave.
Family care leave	The number of this leave shall be incorporated into leave with personal cause and not exceed 7 days in one year. The employee taking leave will not be paid.	The number of this leave shall be incorporated into leave with personal cause and not exceed 14 days in one year. The employee taking leave will be paid for the first 3 days.
Vaccination leave	The number of this leave shall not exceed 2 days per dose. The employee taking leave will not be paid.	The number vaccination leaves shall be incorporated into family care leaves; the employee taking such a leave will be paid for the first 3 days.
Pandemic care leave	Where a school is closed due to the pandemic and affects an employee's children under the age of 12, the parents/main care giver may take a pandemic care leave without being paid.	The number of pandemic care leave shall be incorporated into family care leave. The employee taking leave will be paid for the first 3 days.
Miscarriage Leave	In the case of a miscarriage after being pregnant for over two months and less than three months, the female employee shall be permitted to discontinue work and shall be granted a maternity leave for one week. In the case of a miscarriage after being pregnant for less than two months, the female employee shall be permitted to discontinue work and shall be granted a maternity leave for five days. One week/five days maternity leaves are not paid, but they cannot affect full attendance bonuses and performance appraisals.	In the case of a miscarriage after being pregnant for over two months and less than three months, the female employee shall be permitted to discontinue work and shall be granted a maternity leave for one week. In the case of a miscarriage after being pregnant for less than two months, the female employee shall be permitted to discontinue work and shall be granted a maternity leave for five days. The regular wages are granted for the one week/five days maternity leaves.
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 2022, bonuses totaling NT\$107,195,656 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 2022, we offered subsidies totaling NT\$261,369 for the associations.

Diversified Events

The Company draws up annual event plans based on the available annual funds for employee welfare, employees' opinions, and the Company's operating directions. This year, in response to the COVID-19 epidemic control policy, we reduced lectures, sports events and other indoor gatherings. In 2022, we held a total of 2 craft classes of different themes, providing employees with fun other than that derived from work and improving their happiness.

Event name	Event contents	No. of participants
2022 Phison Craftsmanship - Leather Craft Class	Leather has remained the go-to material for handmade lectures over the years. In 2022, the Employee Welfare Committee unprecedentedly invited a leather expert to the Company to teach colleagues leather maintenance knowledge and leather craft. All participating employees may make handcrafted leather card holder, identification document card holder, or alcohol spray bottle holder tailored to their preference, and take it away.	260
2022 Phison Craftsmanship - Soap Craft Class	Nowadays people highly regard natural materials because such materials do not burden the body or environment when used for washing; using such materials is a way of showing care to the environment at the personal level. Given so, the Employee Welfare Committee held a soap making craft class, where employees can make handmade soaps and liquid soaps and gain insight into essential oil and eco-friendly cleaning materials. Participating employees can make and take home handmade soaps and bath mousse on the day.	200



■ Leather Craft Class



■ Soap Craft Class

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 2022, Phison Farm input a total of NT\$1,876,636 and harvested a total of 10,036 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 4,756 packs of fruits and vegetables were distributed to employees in 2022. In addition to the free supply of healthy fruits and vegetables, the farm also provides employees with opportunities to relieve stress and get close to nature. Every year, we offer one to two opportunities for employees to experience the fun of vegetable and fruit picking. As a themed farm of Phison, employees may also request fruits and vegetables with the approval of their superiors to offer customers or suppliers as gifts.



Pension Contribution

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

Welfare fund	Phison policy	Pension reservation for this year
Defined benefit plan	According to the Labor Standards Acts, pension is calculated based on an employee's service period and his/her average salary for the six months before retiring. The Company deposits pension contributions into a designated account with the Bank of Taiwan under the name of the Supervisory Committees of Workers' Retirement Reserve Funds.	Phison allocated 2% of total employee salary into employee pension fund monthly.
Defined contribution plan	In accordance with the Labor Pension Act, we established our Regulations Governing Employee Retirement, and contribute pension funds to employees' personnel accounts at the Bureau of Labor Insurance.	Phison allocates 6% of each employee's monthly salary as their pension fund.

7.2.2 Human Right Management

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 Policy¹⁷, 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.

Phison's human rights policy stipulates that child labor and forced labor are prohibited; that unlawful discrimination shall be eliminated; that equal job opportunities shall be ensured; that a communicative work environment shall be created for employees; that an open management model shall be established; that a safe and healthy work environment shall be provided; that employees shall be offered supports to maintain their physical and mental health and work-life balance; and that relevant systems and measures shall be regularly reviewed and evaluated. We are committed to eliminating any unlawful discriminations on the basis of gender, sexual orientation, race, nationality, religion, political affiliation, age, marital status, socioeconomic status, family condition, physical and mental disabilities, and appearance, thereby ensuring the equal rights of employees and their right to have a dignified job. Every year every employee must complete the trainings on human rights; in 2022, the training hours in this regard totaled 1,561 hours, with the training completion rate being 100%.

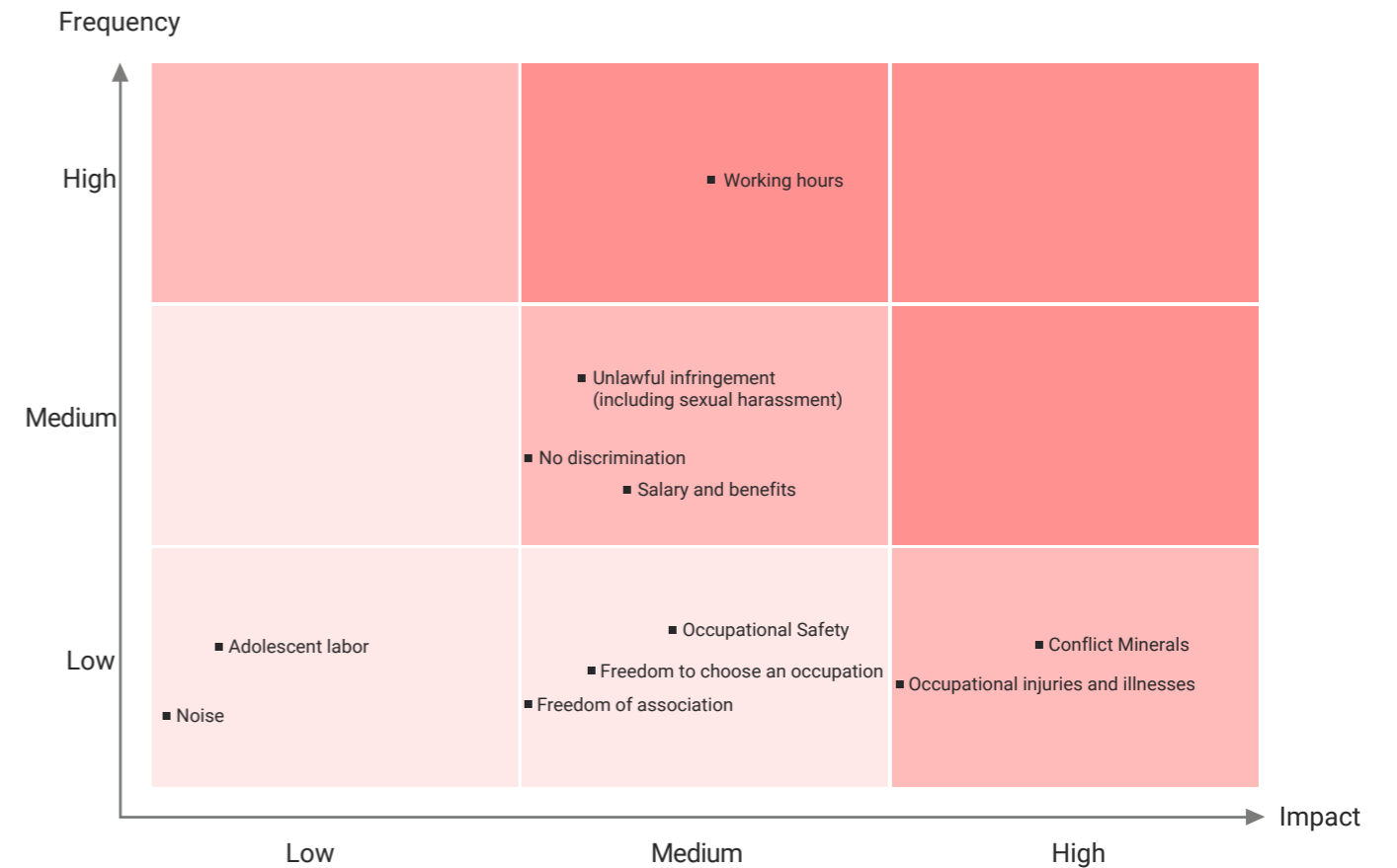
¹⁷ The Human Rights Policy is available at: https://www.phison.com/phocadownload/Policy/2023/Human%20Rights%20Policy_2023_EN.pdf

Internal Human Right Risk Assessment

Every year the Company assesses the human rights risk based on the results of human rights due diligence investigation and the RBA Internal Human Rights Audit, and the feedback from the employee opinion survey, and assesses our risk value towards different aspects of human rights issues. After the assessment done in 2022, high risk human rights issues were still long working hours while other potential risk issues include unlawful infringement (including sexual harassment), discrimination, salary and benefits. Responsible units shall implement mitigation measures based on the assessment results, and enhance the training plan and communication and dissemination plan that are included in the mitigation measures.

By checking the compliance and extent of implementation of the internal system against the RBA VAP verification standards in 2022, the Company successfully become the first domestic IC design company to obtain the RBA VAP silver certificate in April of the same year. In addition, the conformity rate indicated in the 2022 internal RBA audit was 88%, a decline from the previous year due to overtime working hours. We have reported the audit results to the Corporate Sustainable Development Committee for the management to get a grasp of the extent and performance of the implementation of human rights policy. For the deficiencies identified, the responsible units have proposed an improvement plan. We will focus on making improvement next year, upholding the goal of a 100% compliance rate.

Phison Electronics Human Rights Risk Matrix



Supply Chain Human Right Management

The Company gets a grasp of the human rights risks among the supply chain by referencing the Supplier Sustainability Risk Assessment Questionnaire, Critical supplier RBA audit, and the employee complaint channels provided to suppliers' employees on the supplier management platform. We also adopt the human rights due diligence procedure. Following this procedure, we collect relevant human rights issues to be selected and evaluated based on their materiality, implement preventive and relief measures, and finally make adjustments and continually improve our due diligence based on the feedback, thereby constantly improving the human rights management among the supply chain.

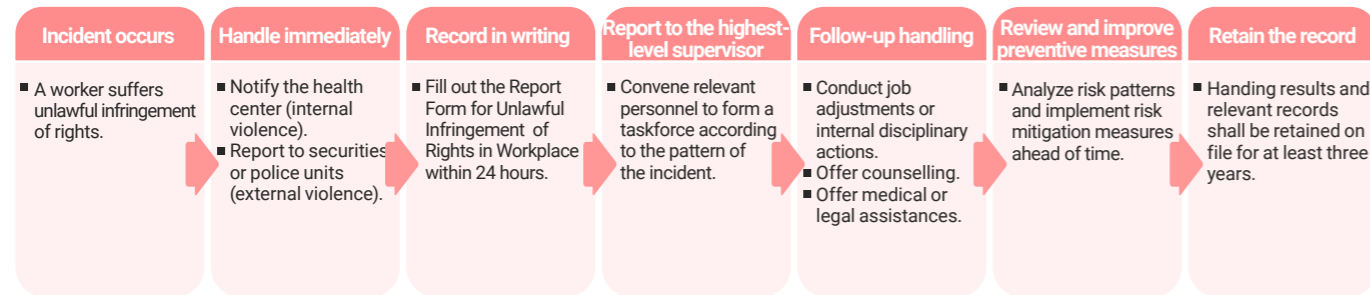
Due Diligence Investigation Process



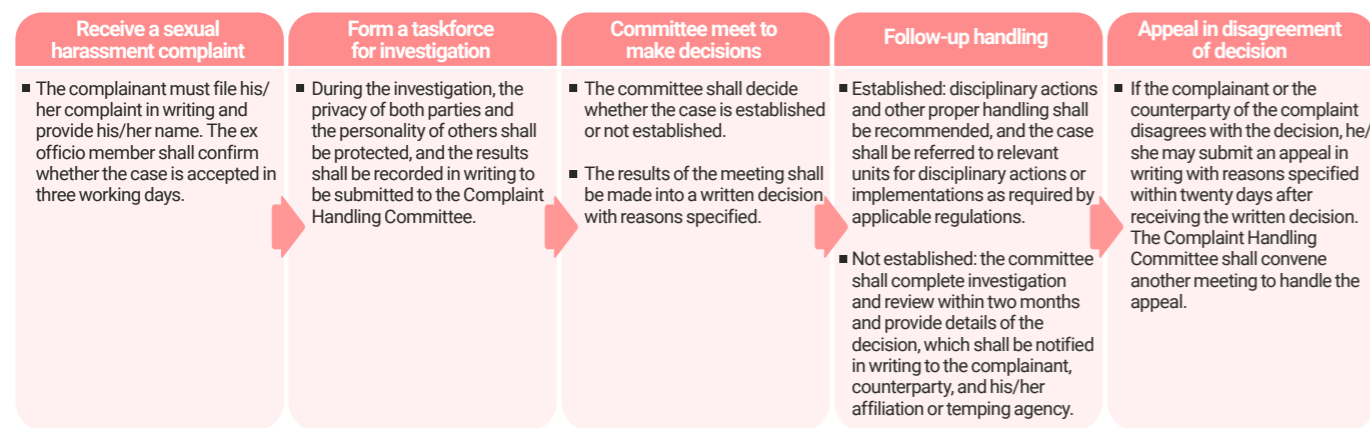
Aside from formulating an unlawful infringement zero-tolerance policy, the Company also organizes internal and external trainings on unlawful infringement and unlawful infringement zero-tolerance policy every year. All employees, including new hires and in-service staff, are required to be trained. The coverage rate for trainees is 100%. Seeing that unlawful infringement often occurs under imbalanced position of power, we will continue to arrange for newly appointed 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, such newly appointed superiors need to take the "Finding Employees' Problems" course, during which the superiors 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).

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 2022, a total of 1,395 pieces of questionnaires were distributed. The Company tracked and analyzed those questionnaires, and found that 0.5% of employees believed that they were facing an unlawful infringement risk from outside. However, 0.8% of employees, a percentage nearly halved from the previous year, believed that they were facing an unlawful infringement risk from inside, mostly from mental and language abuse; most of them were assisted after reporting to their supervisors. We also inform employees of other alternatives, such as the health center, or the Employee Assistance Programs (EAPs), an external resource commissioned by the Company. In 2022 no complaint of unlawful infringement was received from employees.

Flowchart of Handling Reports on Unlawful Infringement of Rights



Sexual Harassment Complaints Handling Flowchart



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

Stakeholders	Employees	Suppliers
Human rights issues	<ul style="list-style-type: none"> Working hours Salary and benefits 	<ul style="list-style-type: none"> Unlawful infringement (including sexual harassment) Discrimination
Whistleblowing and grievance channel	<ul style="list-style-type: none"> wecan_8080@phison.com Anonymous opinion box 	<ul style="list-style-type: none"> whistleblower@phison.com Complaint channels available on the Supply Chain Management platform
Mitigation measures	<ol style="list-style-type: none"> The health center identifies employees having health risks by referencing the employee physical checkup report, the working hour statement provided by the HR Department, and the overwork assessment form, and informs the unit supervisor for subsequent adjustment. Regularly review and enlarge the workforce to meet project-specific and business needs and avoid overtime work caused by insufficient human resources. Regularly survey the industry standard of salary and benefits, and adjust the Company's salary and welfare structure whenever necessary. Implement the confirmation of compliance with local laws and regulations, and regularly review and amend the regulations for managing guides for employees. 	<ol style="list-style-type: none"> Demand that new hires and in-service employees complete the training on unlawful infringement and human rights requirements every year. Plan a complete set of complaints filing procedures and complaints handling procedures for unlawful infringement and sexual harassment. Provide an anonymous feedback box for employees to collect opinions, thereby identifying the potential risks early on. The health center distributes the unlawful infringement investigation questionnaire, through which it identifies employees facing a risk of unlawful infringement, sexual harassment, and discrimination, and tracks the follow-up.
Remediation measures	<ol style="list-style-type: none"> R&D personnel who work overtime for one hour in a week will receive an attendance confirmation notice twice from the system. Non R&D personnel who work overtime for one hour in a week receive an attendance confirmation notice from the system. HR Department submits to the Division-level managers a statement of average working hours by department, and marks the department where the average working hours per person per day exceeds 10 hours, so that the Division-level manager can understand the situation and make timely adjustment. Provide semi-annual stimulus bonuses and annual bonuses; an additional stock option program is granted to exceptional employees. 	<ol style="list-style-type: none"> Track the results of cases of unlawful infringement and sexual harassment to ensure that disciplinary actions or counseling is effectively implemented, and that the situation where the complainant is infringed is cleared. Provide the EAPs service, where Professional psychological help the complainant and respondent tidy their emotion and find the crux of the case. Further legal advice may be provided upon request.

7.2.3 Unpaid Parental Leave

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

In 2022, a total of 10 Phison employees applied for unpaid parental leave. 90% of employees on parental leave returned in the year, while 100% of employees who returned in the previous year continued to work for the Company.

Parental Leave Statistics

Year	2021			2022		
	Male	Female	Total	Male	Female	Total
No. of employees eligible for parental leave	104	41	145	124	40	164
No. of employees on unpaid parental leave	0	12	12	2	8	10
No. of employees expected to return in the year	0	5	5	1	9	10
No. of employees who actually returned in the year	0	5	5	1	8	9
Return rate	N/A	100	100	100	88.9	90
No. of returned employees in the previous year	0	3	3	0	6	6
No. of employees retained after 12 months since their return in the previous year	0	2	2	0	6	6
Retention rate	N/A	66.7	66.7	N/A	100	100

7.3 Talent Development and Training

Material Topics	Talent Development and Training
Significance and Materiality to the Organization	Talents are the foundation for an organization's operational development. Quality talents drive the growth of an enterprise, and are the source of its competitiveness.
Management Approach	
Policy and Commitment	Regulations Governing the Management of Training; Regulations Governing Employee Performance Assessment
Long-Term Goals	1. Maintain employee satisfaction score for the courses at no less than 94. 2. Average employee training hours reaching at least 27 hours.
Performance	1. The total training expenses was NT\$3,766,402. We have offered a total of 398 sessions of courses, of which 137 are classroom-based courses and 261 are online courses, with an average satisfaction score for such courses being at 93.9. 2. The total training hours reached 103,106.5 hours, or 28.6 hours per employee.
Responsibility	Human Resources Department
Complaint Mechanism	Ms. Wang/Ms. Wu of Human Resources Department wecan_8080@phison.com
Action Plans	1. We understand the gap between expected goals and actual performance through gap analysis, and plan the annual training program and the department-specific training program (including new employee training) according to the specialized requirements of the organization and individual departments. Through continuous training in employees' professional competencies, we create employees' value in the workplace and raise their individual competitiveness. 2. Enrich online courses to improve employees' motivation to take the continuing education.
Assessment Mechanism	1. Expenses on training 2. Average employee training hours 3. Satisfaction feedback for training courses

7.3.1 The Seven-Category Training Framework

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

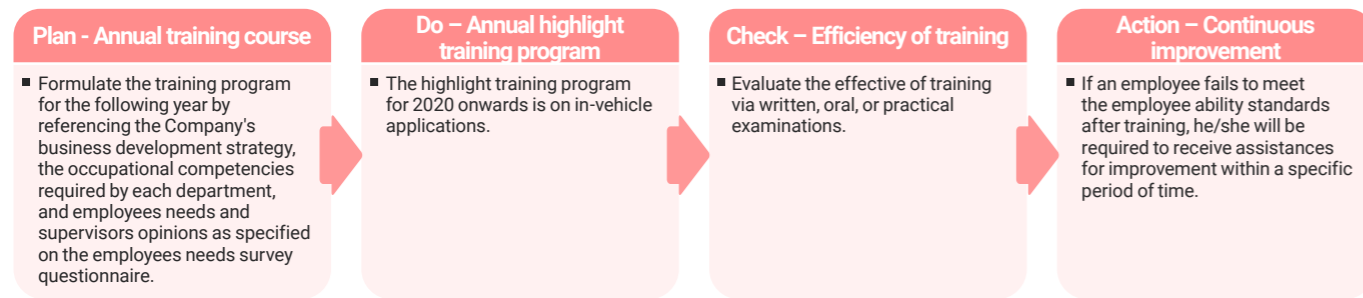
Phison formulated annual training plans mainly based on the seven categories of training: new employee training, on-job training, quality training, secondary skills training, health and safety training, hierarchy-based training, and vehicle system training. Moreover, Phison provides self-inspiration training and subsidies for certification according to individual career needs. All of the Company's full-time employees may apply for a subsidy for external training every year based on their seniority to acquire licenses and degrees relevant to their work skills. Those who have served the Company for no less than three years are eligible for a subsidy of NTD20,000 per year; those who have served the Company for no less than three years but no greater than five years are eligible for a subsidy of NTD30,000 per year. Those who have served the Company for more than five years are eligible for a subsidy of NTD40,000 per year.

As the organization scales up, so does the number of employees. To improve organizational performance and increase business competitiveness, Phison launched a series of performance management courses based on the advice and suggestions provided by advisors, hoping such training will enhance superiors' ability to foster subordinates and plan career development for subordinates, thereby improving colleagues' work skills

New Employee Training	On-Job Training	Quality Training	Secondary Skills Training	Health & Safety Training	Hierarchy-based Training	Vehicle System Training
<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Problem analysis and resolution Work plan and accountability executive power (Employee Class) Leveraging communication skills to build a team Language training courses 	<ul style="list-style-type: none"> In-service employee OHS training OHS training for supervisors Self-defense fire organization training 	<ul style="list-style-type: none"> Finding employees' problems Leveraging communication skills to build a team Work plan and accountability executive power (Supervisor Class) 	<ul style="list-style-type: none"> 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 2022, the Company's training expenses totaled NTD3,766,402; the average training expenses per person was NTD1,046; and the average training hour per person is 28.6 hours. In 2022, we have offered a total of 398 sessions of courses, of which 137 sessions are classroom-based courses and 261 sessions are online courses. A total of 185 sessions of courses are evaluated with a written examination. The satisfaction score for all the courses averages 93.9.

The Company arranged for certain employees to take a series of internal and external trainings on automotive specifications in 2020 and 2021 in line with its launch of automotive grade products. Since most employees have completed the training by 2022, training will be held only when there is a change of jobs. Therefore, the number of training courses and hours decreased compared with the previous years, a reason the number of average training hours per person in 2022 decreased substantially from the previous two years.

The number of courses decreased in 2022 but the overall training expenditures increased, mainly due to the increase in expenditures for books used in study groups and expenditures for hiring advisors to help the R&D Department implement its "Manpower Efficiency (Management) Improvement Project". Meanwhile, since such project focuses on trainings for managers and provides a series of performance management courses, the number of managers' training hours significantly increased in 2022.

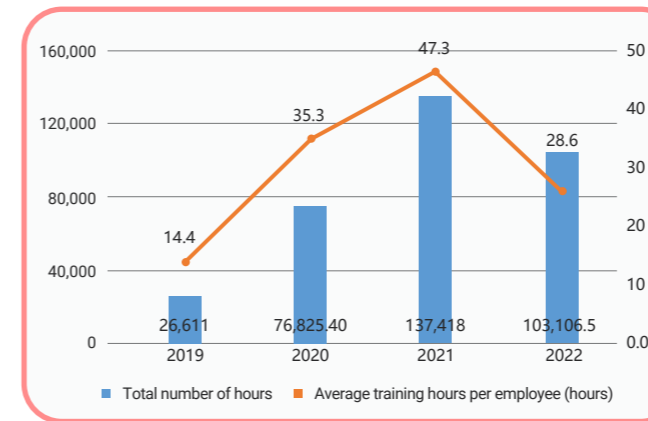
Category		Total hours	Number of People	Average hours
Gender	Male	77,554.7	2,739	28.3
	Female	25,551.8	862	29.6
Position	Executive management	1,639.0	45	36.4
	Mid-level management	8,998.3	197	45.7
	Entry-level management	14,595.2	397	36.8
	General employee	77,874.0	2,962	26.3
Total		103,106.5	3,601	28.6

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

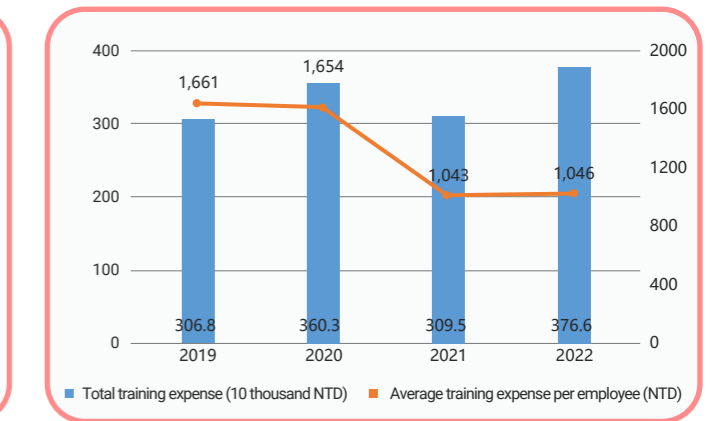
Note 2: Middle-level managers include senior managers, department managers, deputy department managers

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

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, Phison launched 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	<ol style="list-style-type: none"> Enhance the management capability of the management of the Innovation and Technology R&D Group and improve the efficiency of the workforce. Implement the performance evaluation system to bolster the competitiveness of personnel. Enhance the correlation of performance evaluation with promotion and rewards. 	<ol style="list-style-type: none"> Integrate development process within the Company and establish in-vehicle development specifications. Establish a corporate culture of vehicle development. Ensure the output quality of in-vehicle projects. Organize trainings to develop the capabilities of in-vehicle development seeds. Arrange and assist seeds to obtain in-vehicle licenses considered necessary.
Number of employees received trainings since the launch of this project.	66	2,677
Number of employees received trainings in 2022	66	268

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 2022, 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 44 managerial officers, and may be applicable to employee at other job ranks, depending on its benefits, which remain to be observed.

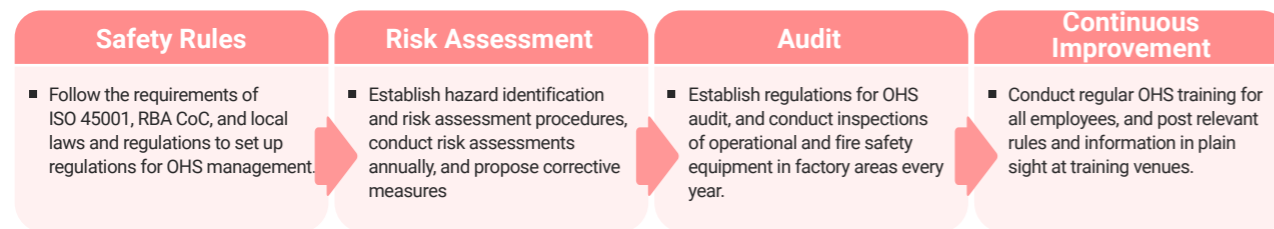
Note 1: Performance assessment is not applicable to contract workers for a term of three months or shorter, part-time student workers, and employees on unpaid leaves.

Note 2: Performance appraisal items include work performance, work attitude (including compliance with the code of conduct), teamwork, creative learning, and management competencies (applicable only to managerial employees).

7.4 Occupational Safety and Health

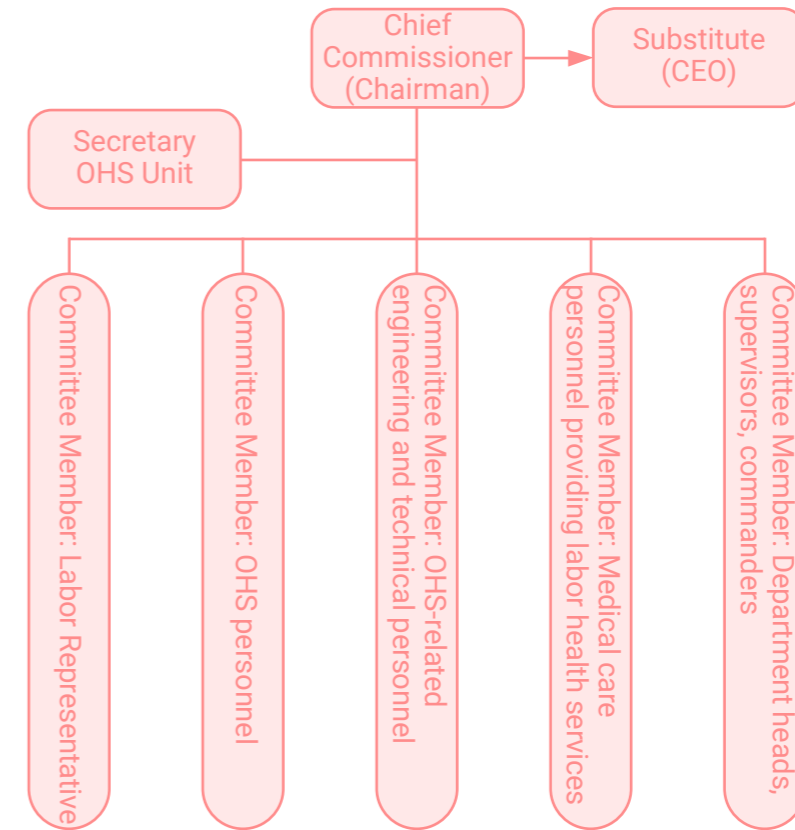
7.4.1 Occupational Health and Safety (OHS) Management System

The Company strives to provide employees with a safe and healthy workplace and maintain the safety of visitors and subcontractors. The Company continues to obtain the certificate of ISO 45001 Occupational health and safety management systems, and has obtained the Health Promotion Badge - Accredited Healthy Workplace from the Health Promotion Administration of the MOEA and Taiwan i-Sports certificate from the Sports Administration. The company continues to identify OHS regulations applicable to all operating locations, implement standardized management procedures and training, adhere to the principles of formulating safety regulations, regularly assess risks, audit and confirm effects of implementation and principles of continuous improvement, so as to strengthen the existing OHS management system.



7.4.2 Organization for Safety and Health Implementation

The Company has established its safety OHS organization as required by law (management unit/committee) and appointed personnel to carry out 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 15 members (serving a term of 2 years). While the Chairman of the Board of Director serves as the Chairman of the Committee, eight employee representatives (elected in 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 (see the chart below for details). Committee meetings are held on a quarterly basis.



| Safety and Health Category

Item	2022 results
Statutory identification	<ol style="list-style-type: none"> Regularly identify relevant laws and regulations and track the compliance in all factory areas. 23 OHS-related regulations adjusted.
Standardized management procedure	<ol style="list-style-type: none"> 15 documents of standardized OHS management procedure. Maintained the ISO 45001 Occupational health and safety management systems. The Company conducts an annual internal audit, followed by an external audit conducted by a third-party certification.
Training	Provide all new employees (3 hrs.) / current employees (1 hr.) with safety and health training course; the completion rate for such courses was 100%.
Hazard identification	Identified 2,260 potential safety and health hazards in the work environment and operational modes. Zero potential hazards identified involved high risk.
Chemicals control	Introduced 0 type of new chemicals.
Contractor management	<ol style="list-style-type: none"> 100% of contractors comply with the in-factory regulations. 0 accident occurred to contractors.
Implementation audit	The internal audit has identified 7 items of suggestions and 4 items of deficiency; such 11 items were improved and closed at the end of this year.
Emergency drills	<ol style="list-style-type: none"> Held 8 sessions of emergency drills on various scenarios, including chemical leaks, evacuation in the event of earthquake or fire, wind disaster, or floods. Implemented one fire extinguisher drills. Two instances of near misses occurred, due to accidentally touching the smoke damper manual switch. Trainings were held for personnel involved thereafter to avoid recurrence of similar events.

7.4.3 Health Risk Identification and Management

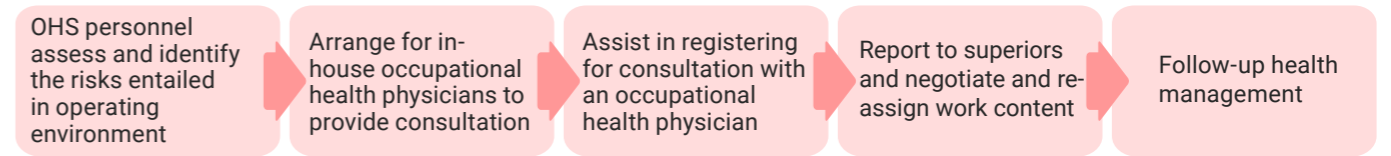
The physical and mental health of employees is the foundation for a company's productivity. Every year, Phison organizes health check-ups that are more prime than what are required by law. A health checkup set worth NTD5,000 is granted to employees regardless of their age, and the expenses are fully borne by the Company. A health checkup set 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 5 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 four 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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 2 or above, health consultation will be arranged for during the doctors' on-site services. According to the 2022 statistics of health check-ups for employees performing extraordinary operations, of the operators engaging in two types of operation entailing high risks, one was classified as subjects for Level 3 management.

Level 3 Management Procedures for Personnel Engaging in Extraordinary Operation



Maternity Protection

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

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 OHS Department will summarize and grade the hazards and submit the grading results to the Health Center for use in an interview. In 2022, a total of 10 places were identified as subject to level 1 management based on the risk hazard grades, and were posted with hazard labels.

Health Promoting Activities

Phison continues to promote diverse health promotion seminars and employee assistance programs. When major diseases or epidemics occur, the company will also inform employees of important matters and response measures via internal mails to raise employees' preventive awareness and improve their ability to respond. There were 5,209 people participating in the health promotion activities in 2022.

Event name	No. of participants
Health passbook: Monthly measurements of body weight, body fat, and blood pressure	3,015
Weight-loss activity	310
A Journey to Healthy Life	1,581
Health seminar series	303



Health seminar: Cook to Manage Own Health under the Epidemic



Health seminar: Foster Responsibility in a Child

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). From this year onwards, 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 2022, of those who used EAPs, a total of 838 individuals used the first-stage telephone consultation (with case managers), and 160 used the second-stage consultation (with professional consultants), thus making total number of consultations 998. 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 2022, there were no severe work-related incident, or deaths resulting from major industrial accidents in the Company. There were a total of 22 occupational injuries, 21 of which resulted from traffic accidents during employees' commuting to/from work, only the other 1 was due to an employee missing his/her footing and plummeting down the staircase.

In addition, the working hours of contractors in 2022 totaled 107,480 hours, and one employee of a contractor sustained work-related injury (work-related injury rate being 9.30.) The incident was due to a contract cleaner being cut by glass when sorting garbage. After an evaluation, the medical staff had a colleague accompany the cleaner to hospital to close the wound. There was no death accident among contractors this year.

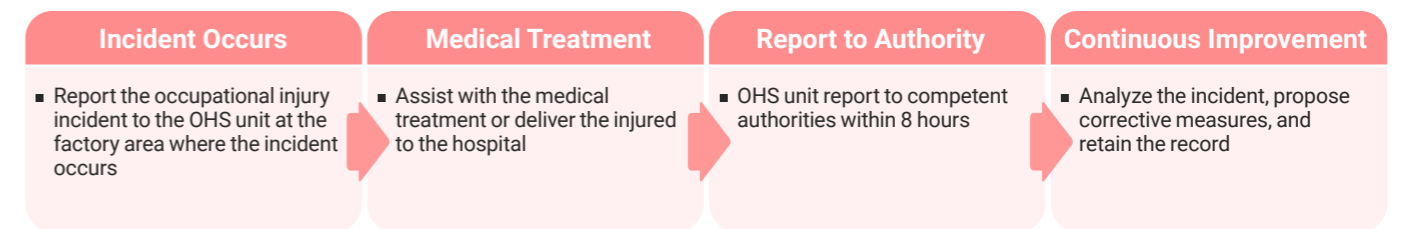
The Company's occupational health and safety performance goal is to keep the number of material work-related accident at 0. Below is the statistical information of occupational injury in recent years:

Item	2019	2020	2021	2022	
Injury category	Number of injuries sustained when performing duties	0	0	0	1
	Number of injury cases during a business trip	0	0	0	0
	Working day lost	0	0	0	1
Traffic accidents during travels to/from work	Number of injury cases	7	9	10	21
	Working day lost	73.7	75	150	266
Total working hours	2,977,212	3,639,410	4,703,511	6,277,831	
Disabling injury frequency rate	0	0	0	0.15	
Disabling injury severity rate	0	0	0	0	
Work-related injury percentage	0	0	0	0.16	

Note 1: Total working hours are the working hours of all employees.
 Note 2: According to the guidance of GRI403-9, occupational injury data does not include traffic accidents during travels to/from work.
 Note 3: Disabling injury frequency rate (FR) = number of occupational injuries × 1,000,000 / total working hours.
 Note 4: Disabling injury severity rate (SR) = total lost days × 1,000,000 / total working hours. 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 × 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

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

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

In 2022, there were 582 cases of subcontractors performing operation inside the factory. We formed 18 pieces of "Subcontractor Safety and Health Performance Assessment Form", with all the assessment results meeting the OHS standards. In addition, personnel of new subcontractors wishing to perform operation inside the factory shall complete the OHS training before entering the factory. Required trainings include OHS laws and regulations communication; highly-risk and risky operation management; and incidents and emergency response and COVID-19 pandemic control management. In 2022, there were 153 trainees, and there was no subcontractor sustaining an occupational death.



7.5 Employee-Employer Communication

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

Upholding the idea of respect and two-way communication, the Company not only holds the 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.

Agenda items of the 2022 employer-employee meetings include (1) replacement of "paternity leave" with "pregnancy checkup accompaniment and paternity leave", increase in pregnancy checkup accompaniment and paternity leave from 5 days to 7 days, to reflect the revision of the "Act of Gender Equality in Employment". In addition, modifying the availability period of paternity leave from within 15 days including the date of child birth to within one year after the conception date, and (2) the specified clause that "Employees working a weekday schedule may apply for working from home for one day in a week on a project by project application basis".

7.5.1 Channels and Frequency of Communication

Category	Timing	No. of sessions in 2021	No. of sessions in 2022
Employee opinion survey	Once every two years	1	0
New employee opinion survey	Prior to new employee symposium	1	1
New employee symposium	Held semiannually in which the CEO communicates with new employees	1	1
Employee 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	3	4

Note: Gathering in 2021 and 2022 was discouraged due to pandemic control considerations. As such, the number of New Employee Symposiums is reduced to one time only.



7.5.2 Employee Opinion Survey

Working with an external consulting company, the Company conducted an employee opinion survey on full-time employees who have worked in the Company for six months for the first time in 2021. The survey had a total response rate of 77%; respondents totaled 1,695 people, 75.8% of them were men, while 24.2% were women. The survey covered 9 aspects, namely, Immediate Manager, Effectiveness, Agility & Innovation, Engagement, Confidence, Strategic Focus, Employee Experience, Senior Leader Effectiveness, Performance Enablement, and Thriving. The survey results suggest an engagement rate of 78%, which is higher than the 74% for the global technology industry, and also higher than the 76% for Taiwan's general industries.

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

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

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

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



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 impact.

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\$9,878,300 (including donations of funds and resources) towards charitable causes, with 300 volunteer hours¹⁸cumulatively in 2022.

¹⁸ Of the 300 volunteer hours, 152 were in office hours, and the remaining 148 were in off-hours and on holidays.



Support for students

- Sponsored "Taiwan Health Foundation" for its scholarships for National Taiwan University Ph.D. students
- Donated to Spring Foundation of NCTU
- Donated to National Yang Ming Chiao Tung University's Universal Talent Plan
- 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
- Donated scholarships to students at Department of Special Education, NTHU
- Fun to Go to Schools - Donated to Li Yue Elementary School and Nan Hei Elementary School

Donations in cash totaled NT\$2,790,000.



Community care

- Sponsored Zhunan Police Friends Association for social gathering
- Sponsored Good Liver Foundation for medicine research expenses
- Purchased 340 rice dumplings as a gift to medical staff of National Taiwan University Hospital Hsinchu Branch & MacKay Memorial Hospital
- Sponsored establishment of the national Friends of the Police Association
- Donated to Miaoli County Police Friends Association

Donations in cash totaled NT\$1,545,000, while the total value of supplies donated reached NT\$249,600.



Support for the disadvantaged

- Sponsored the 1919 Food Bank of the Chinese Christian Relief Association
- Donated funds to Yu An Retarded Children's Home
- Donated funds to Boyo Social Welfare Foundation
- Shareholders' meeting giveaway - Taiwan Foundation for the Blind handmade soap towel gift box

Donations in cash totaled NT\$3,303,500.



Environmental protection

- Donated tree-raising funds to TOAF "Coastal Forest Restoration Long-term Program"
- Adopted Luodong Forest District Office's 2022 state-owned forest afforestation project
- Donated planting for greening and beatification of the public facility of Miaoli County Government

Donations in cash totaled NT\$1,080,000.





Social innovation

- Sponsored the baseball team of the Electrical Engineering Department of National Yang Ming Chiao Tung University for team founding expenses
- Sponsored National Cheng Kung University Education Foundation for the expenditures for its spring/autumn recruitment event in 2022
- Sponsored National Cheng Kung University for its bicycle festival
- Sponsored the 2022 WPG Ladies Open
- Sponsored the production of the MV of Graduate Student Association, National Yang Ming Chiao Tung University
- Sponsored the 2022 Meichu Hackathon event
- Sponsored the 2022 University System of Taiwan's sports event
- Sponsored National Yang Ming Chiao Tung University for the final competition in Solar Decathlon Europe 2022 taken place in Germany
- Supported S-Girl, Taiwan's first educational movie on popular science (specifically AI), by purchasing movie tickets and donating them to family support centers in Hsinchu & Miaoli

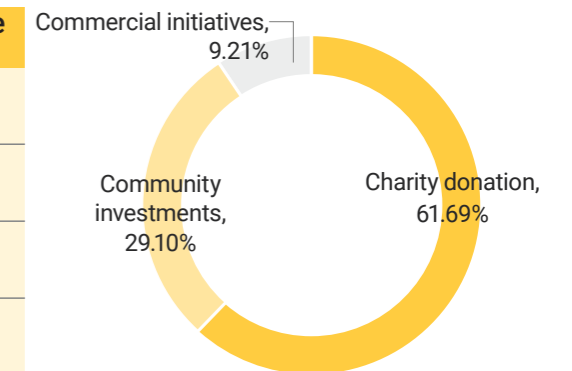


Donations in cash totaled NT\$864,000, while the total value of supplies donated reached NT\$46,200.

8.2 Annual Charity Performance

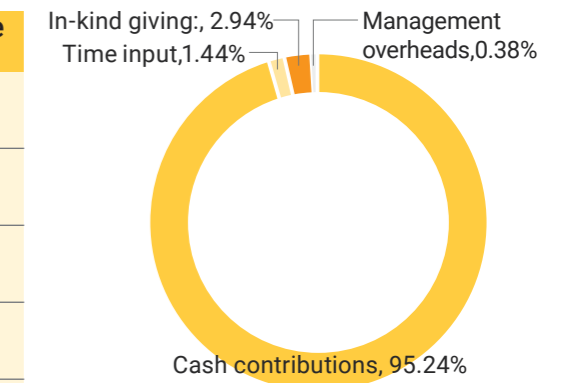
Analysis of Charity Categories

Category	Amount (NT\$)	Percentage (%)
Charity donation	6,093,500	61.69
Community investments	2,874,600	29.10
Commercial donations	910,200	9.21
Total money for annual charity activities	9,878,300	100



Cost Analysis of Charitable Expenses

Category	Amount (NT\$)	Percentage (%)
Cash input	9,582,500	95.24
Time input	144,522	1.44
In-kind giving	295,800	2.94
Administrative costs	38,390	0.38
Total costs of annual charity activities	10,061,212	100



Note: Time input calculation method:
 Volunteer hourly wage = (Average salary for non-managerial positions / total working days in 2022) / 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 NTD0 in 2022.

Item	2019	2020	2021	2022
Lobbying group; advocacy group	0	0	0	0
Political activities; candidate	0	0	0	0
Business association, associations, or tax exempt group	1,520	1,300	0	0
Total	1,520	1,300	0	0

Unit: NT\$1,000



Highlight Project 1: Phison's "Fun to Go to Schools" plan, the 5-year assistance plan, has entered the second year.



Holding the touching feeling in 2021, Phison carries its "Fun to Go to Schools" plan, the 5-year assistance plan, into the second year. In 2022, Phison volunteers still went to Li Yue Elementary School in Sanyi Township and Nan Hei Elementary School in Gongguan Township in Miaoli. By blending amusement with education, they brought the kids a point of view and a journey totally dissimilar to what the kids experience day-to-day. In the Li Yue Elementary School session under this assistance plan, volunteers played baseball and dodge ball with children to generate a sense of connection, helped distribute school lunch, and had a lunchtime chat with the children. In the Nan Hei Elementary School session, kids led volunteers in harvesting vanilla; joining forces, they embellished, baked, and packaged the vanilla cookie.

Unlike students in cities or rich families, school children in remote area or underprivileged families do not have access to abundant education resources. The rural-urban and wealth gap makes the learning history document an unfair mechanism. Phison hopes that "Fun to Go to Schools" can broaden the horizon of children in rural area and strengthen their motivation to learn, and re-energize volunteers' mind so that they can return to work with a more positive attitude.



Highlight Project 2: Collaborated with Luodong Forest District Office on afforestation of 2.5 hectares of land



As temperature rises worldwide, the world is aggressively proposing climate change alleviation strategy, of which the nature-based solutions (NBS) are gaining ground, aiming to accelerate the progress towards net zero through natural carbon basins like forest, ocean, and soil.

In 2022, the Company donated NTD480,000 and collaborated with Luodong Forest District Office on an afforestation plan, under which a land plot of 2.5 hectares in the Heping Business District under Luodong Forest District Office's 2022 state-owned forest afforestation project was used to plant 3,750 tanoaks, arishan oaks, and Mori oaks.

Highlight Project 3: "Coastal Forest Restoration Long-term Plan" carries on; Phison's volunteers lay down biodegradable water-storing tree planters.



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

In 2021, the Company and Tse-Xin Organic Agriculture Foundation (TOAF) jointly initiated the "Coastal Forest Restoration Long-term Plan", under which a total of 1,000 trees were planted on adopted offshore land (in Xuchugang, Dayuan District, Taoyuan City, and in Datan, Guanyin District, Taoyuan City). In 2022, the two parties decided to join hands anew; together they planted another 1,000 trees (Yellow Hibiscus and Casuarina) in Guogang Section and Hexing Section of Houlong Township of Miaoli County. So far, a total of 2,000 trees have been planted. From dots to planes, we have built a biodiverse green barricade.

Appendix 1: GRI Content Index

Disclosures	Related Report Section(s)	Page No.	Reasons for Omission
1. The organization and its reporting practices			
Disclosure 2-1 Organizational details	1.1 Company Profile	12	
Disclosure 2-2 Entities included in the organization's sustainability reporting	3.6 Economic Performance	34-36	
Disclosure 2-3 Reporting period, frequency and contact point	About this Report	2	
Disclosure 2-4 Restatements of information	6.2 Energy Resources Management	57	
Disclosure 2-5 External assurance	Appendix 4	102-103	
2. Activities and workers			
Disclosure 2-6 Activities, value chain and other business relationships	5.1 Supply Chain Management	50	
Disclosure 2-7 Employees	7.1 Employment Overview	65	
Disclosure 2-8 Workers who are not employees	7.1 Employment Overview	65	
3. Governance			
Disclosure 2-9 Governance structure and composition	3.2 Corporate Governance	24	
Disclosure 2-10 Nomination and selection of the highest governance body	3.2 Corporate Governance	24	
Disclosure 2-11 Chair of the highest governance body	3.2 Corporate Governance	24	
Disclosure 2-12 Role of the highest governance body in overseeing the management of impacts	3.2 Corporate Governance	23	
Disclosure 2-13 Delegation of responsibility for managing impacts	3.2 Corporate Governance	28	
Disclosure 2-14 Role of the highest governance body in sustainability reporting	3.2 Corporate Governance	23	
Disclosure 2-15 Conflicts of interest	3.2 Corporate Governance	24	
Disclosure 2-16 Communication of critical concerns	3.2 Corporate Governance	23	
Disclosure 2-17 Collective knowledge of the highest governance body	3.2 Corporate Governance	23	
Disclosure 2-18 Evaluation of the performance of the highest governance body	3.2 Corporate Governance	26	
Disclosure 2-19 Remuneration policies	3.2 Corporate Governance	27	
Disclosure 2-20 Process to determine remuneration	3.2 Corporate Governance	27	
Disclosure 2-21 Annual total compensation ratio	7.2 Talent Attraction & Retention	70	
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	74	
Disclosure 2-24 Embedding policy commitments	5.1 Supply Chain Management	49	
Disclosure 2-25 Processes to remediate negative impacts	7.2 Talent Attraction & Retention	76-77	
Disclosure 2-26 Mechanisms for seeking advice and raising concerns	7.2 Talent Attraction & Retention	77	
Disclosure 2-27 Compliance with laws and regulations	3.4 Regulatory Compliance	30	
Disclosure 2-28 Membership associations	1.3 Participation in External Organizations	15	
5. Stakeholder engagement			
Disclosure 2-29 Approach to stakeholder engagement	2.1 Material Topics Identification Procedures	16	
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	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	3.6 Economic Performance	34	
GRI 201: Economic Performance 2016			
Disclosure 201-1 Direct economic value generated and distributed	3.6 Economic Performance	35	
Disclosure 201-3 Defined benefit plan obligations and other retirement plans	7.2 Talent Attraction & Retention	73	
2. Ethical Corporate Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	3.3 Ethical Corporate Management	28-29	
GRI 205: Anti-corruption 2016			
Disclosure 205-2 Communication and training about anti-corruption policies and procedures	3.3 Ethical Corporate Management	28-29	
Disclosure 205-3 Confirmed incidents of corruption and actions taken	3.3 Ethical Corporate Management	28-29	
3. Risk Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	3.5 Risk Management	31	
4. Innovation Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	4.1 Innovative R&D	40	
5. Green Products			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	4.1 Innovative R&D	40	
GRI 302: Energy 2016			
Disclosure 302-5 Reductions in energy requirements of products and services	4.1 Innovative R&D	42-43	
6. Supply Chain Management			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	5.1 Supply Chain Management	48	

Material Topics

Material Topic Disclosure	Related Report Section(s)	Page No.	Reasons for Omission
6. Supply Chain Management			
GRI 308: Supplier Environmental Assessment 2016			
Disclosure 308-1 New suppliers that were screened using environmental criteria	5.1 Supply Chain Management	49	
GRI 414: Supplier Social Assessment 2016			
Disclosure 414-1 New suppliers that were screened using social criteria	5.1 Supply Chain Management	49	
7. Talent Attraction & Retention			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	7.2 Talent Attraction & Retention	69	
GRI 401: Employment 2016			
Disclosure 401-1 New employee hires and employee turnover	7.1 Employment Overview	68	
Disclosure 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	7.2 Talent Attraction & Retention	71	
Disclosure 401-3 Parental leave	7.2 Talent Attraction & Retention	78	
8. Talent Development and Training			
GRI 3: Material Topics 2021			
Disclosure 3-1 Process to determine material topics	2.1 Material Topics Identification Procedures	16,21	
Disclosure 3-2 List of material topics	2.1 Material Topics Identification Procedures	16-17	
Disclosure 3-3 Management of material topics	7.3 Talent Development and Training	79	
GRI 404: Training and Education 2016			
Disclosure 404-1 Average hours of training per year per employee	7.3 Talent Development and Training	81	
Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews	7.3 Talent Development and Training	82	

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	30	
GRI 207: Tax 2019			
Disclosure 207-4 Country-by-country reporting	3.6 Economic Performance	36	
GRI 302: Energy 2016			
Disclosure 302-1 Energy consumption within the organization	6.2 Energy Resources Management	57	
Disclosure 302-3 Energy intensity	6.2 Energy Resources Management	57	
Disclosure 302-4 Reduction of energy consumption	6.2 Energy Resources Management	59	
GRI 305: Emissions 2016			
Disclosure 305-1 Direct (Scope 1) GHG emissions	6.1 Climate Strategy	56	
Disclosure 305-2 Energy indirect (Scope 2) GHG emissions	6.1 Climate Strategy	56	
Disclosure 305-4 GHG emissions intensity	6.1 Climate Strategy	56	
Disclosure 305-5 Reduction of GHG emissions	6.2 Energy Resources Management	59	
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	86	
GRI 405: Diversity and Equal Opportunity 2016			
Disclosure 405-1 Diversity of governance bodies and employees	7.1 Employment Overview	65-66	
Disclosure 405-2 Ratio of basic salary and remuneration of women to men	7.2 Talent Attraction & Retention	70	
GRI 406: Non-discrimination 2016			
Disclosure 406-1 Incidents of discrimination and corrective actions taken	7.2 Talent Attraction & Retention	76	
GRI 408: Child Labor 2016			
Disclosure 408-1 Operations and suppliers at significant risk for incidents of child labor	7.2 Talent Attraction & Retention	74	
GRI 409: Forced or Compulsory Labor 2016			
Disclosure 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	7.2 Talent Attraction & Retention	74	
GRI 418: Customer Privacy 2016			
Disclosure 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.7 Information Security	37	

Appendix 2: SASB Content Index- Semiconductors Industry

Topic	Code	Accounting Metric	Category	Report Contents or Explanation	Page No.
Greenhouse Gas Emissions	TC-SC-110a.1	<ul style="list-style-type: none"> Gross global Scope 1 emissions Amount of total emissions from perfluorinated compounds 	Quantitative	6.1 Climate Strategy	56
	TC-SC-110a.2	<ul style="list-style-type: none"> 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 	Discussion and Analysis	Sustainability Management Indicators 6.1 Climate Strategy	11 56
Energy Management in Manufacturing	TC-SC-130a.1	<ul style="list-style-type: none"> Total energy consumed Percentage grid electricity Percentage renewable 	Quantitative	6.2 Energy Resources Management	57
Water Management	TC-SC-140a.1	<ul style="list-style-type: none"> (1) Total water withdrawn, (2) Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress 	Quantitative	6.2 Energy Resources Management	58
Waste Management	TC-SC-150a.1	<ul style="list-style-type: none"> Amount of hazardous waste from manufacturing, percentage recycled 	Quantitative	6.3 Effluent and Waste Management	60
Employee Health & Safety	TC-SC-320a.1	<ul style="list-style-type: none"> Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards 	Discussion and Analysis	7.4 Occupational Safety and Health	84-85
	TC-SC-320a.2	<ul style="list-style-type: none"> Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations 	Quantitative	3.4 Regulatory Compliance	30
Recruiting & Managing a Global & Skilled Workforce	TC-SC-330a.1	<ul style="list-style-type: none"> Percentage of employees that are (1) foreign nationals and (2) located offshore 	Quantitative	7.1 Employment Overview	65
Product Lifecycle Management	TC-SC-410a.1	<ul style="list-style-type: none"> Percentage of products by revenue that contain IEC 62474 declarable substances 	Quantitative	6.4 Green Design Based on the total sales amount of the product, 100% was in compliance with IEC 62474 requirements.	62
	TC-SC-410a.2	<ul style="list-style-type: none"> Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops 	Quantitative	Phison is not an end product manufacturer, and thus there is no applicable content.	N/A
Materials Sourcing	TC-SC-440a.1	<ul style="list-style-type: none"> Description of the management of risks associated with the use of critical materials 	Discussion and Analysis	5.1 Supply Chain Management	50
Intellectual Property Protection & Competitive Behavior	TC-SC-520a.1	<ul style="list-style-type: none"> Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations 	Quantitative	3.4 Regulatory Compliance	30

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 Status	Unit
I.	Total energy consumption, percentage of purchased electricity, and percentage of renewable energy consumption	Quantitative	107,428 GJ, 100%, 1.13%	Gigajoule (GJ), percentage (%)
II.	Total Water Intake and Total Water Consumption	Quantitative	127,010 m ³ , 23,597 m ³	Thousand cubic meters (m ³)
III.	The weight and recycling percentage of hazardous waste generated	Quantitative	6.17 tons, 0%	Ton, percentage (%)
IV.	Description of work-related accident category, number of victims, and percentage	Quantitative	Fall; 1; 0.0003%	Ratio (%); individuals; percentage (%)
V.	Disclosure of product life cycle management: including the weight, and percentage of recycling, of electronics waste and scrapped products	Quantitative	6.17 tons, 0%	Ton, 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.	The total amount of monetary losses incurred as a result of legal proceedings associated with statues pertaining to anti-competitive behaviors	Quantitative	0	NTD
VIII.	Major product output volume by product category	Quantitative	156,537,945 units of NAND Flash Memory Module Product 36,215,084 units of ICs 460,757,884 units of controllers	Vary with product categories

Appendix IV



INDEPENDENT ASSURANCE OPINION STATEMENT

PHISON Electronics 2022 Corporate Sustainability Report

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

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

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

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

Scope

The scope of engagement agreed upon with PHISON includes the followings:

1. The assurance scope is consistent with the description of PHISON Electronics 2022 Corporate Sustainability Report.
2. The evaluation of the nature and extent of the PHISON's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

We conclude that the PHISON Electronics 2022 Corporate Sustainability Report provides a fair view of the PHISON sustainability programmes and performances during 2022. The sustainability report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the PHISON and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate PHISON's efforts recognized by its stakeholders.

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

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

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

Conclusions

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

Inclusivity

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

Materiality

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

Responsiveness

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

Impact

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

GRI Sustainability Reporting Standards (GRI Standards)

PHISON provided us with their self-declaration of in accordance with GRI Standards 2021 (For each material topic covered in the applicable GRI Sector Standard and relevant GRI Topic Standard, comply with all reporting requirements for disclosures). Based on our review, we confirm that sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the PHISON's sustainability topics.

Assurance level

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

Responsibility

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

Competency and Independence

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

For and on behalf of BSI:

Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-2022040
2023-05-10

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