



# Phihong Sustainability Report

2023





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## Editorial Policy

Welcome to Pihong Technology Co.'s 2023 Sustainability Report. The Chinese and English versions of this report are published simultaneously on the Pihong ESG website for public download. We have compiled this report based on the editorial principles of honesty and transparency to faithfully disclose Pihong's medium-term strategy, practices and performance on our stakeholder communication and sustainability issues. We look forward to working together with you, our long-time stakeholders, towards a sustainable, beautiful future through this report.

## Report Aspects and Scope

This report covers the economic, environmental, and social aspects (including human rights) of performance. The methods of data collection and calculation, as well as any reasons and outcomes for reinterpreting information from previous reports, are explained in each section. The disclosure aspects and scope primarily focus on Pihong's key operational locations

and manufacturing plants in Taiwan and globally. Financial data in this report encompasses the overall operational performance of the parent and subsidiary companies (consistent with financial reporting scope). Other indicators do not include data from other branches, factories, or investment companies. The information disclosed in this report primarily pertains to the following entities:

- LinKou Headquarters: Pihong Technology Co., Ltd. LinKou Headquarters
- Zerova: Zerova Technologies Taiwan Limited (Tainan Plant)
- Dongguan Pihong: Pihong (Dongguan) Electronics Co., Ltd. (Dongguan Plant), Dongguan Phitek Electronics Co., Ltd. (Phitek Plant)
- Hai Phong Plant: Pihong Vietnam Co., Ltd.

Entities that significantly impact Pihong's operations will disclose material topics and management policies. The scope of impacts on stakeholders (customers, investors, communities, suppliers and employees, government agencies, NPOs/NGOs) will also be included within the external boundaries of the organization.

## Material Topic Information Collection Aspects

● Complete info. ▲蒐集部分資訊 ○ Partial info. - Topic is not material to the entity's organization. No info collected.

Aspects / Material		Locations	LinKou HQ	Zerova	Pihong Dongguan	Haiphong Plant
Environmental Sustainability	Climate change strategy		●	●	▲	▲
	Energy & Greenhouse gases		●	●	●	●
	Product R&D		●	●	○	○
Social Inclusion	Talent recruitment & retention		●	●	●	●
	Employee training		●	●	●	●
	Occupational Health and Safety		●	●	●	●
Corporate Governance	Corporate Governance & Risk Management		●	●	▲	▲
	Operational performance		●	●	▲	▲
	Integrity management & compliance with regulations		●	●	▲	▲
	Information security & customer privacy		●	●	○	○
	Sustainable supply chain management		●	●	▲	▲

## Internal Management

The Phihong Sustainability Report (referred to as the "Report") is compiled by the Sustainability Development Office. At the end of each year, the unit head of each functional unit is invited to appoint representatives as team members to convene the Report preparation project kick-off meeting. During this meeting, the annual Report work plan is explained and discussed. Data collection and content drafting are carried out collaboratively. After the data content is approved by the unit head, it is submitted to the Sustainability Development Office for editing, proofreading, and typesetting. Subsequently, it follows administrative procedures for final approval by the Group General Manager and the Chairman of the Board. The Report is verified by an independent third-party, BSI Taiwan, according to the GRI Standards (2021 edition), ensuring compliance with the GRI Standards and achieving the AA1000 Type 1 moderate assurance level. The verification statement is included in the appendix of this Report for reference. The disclosed information covers specific actions and relevant performance data in areas such as the environment, society (including human rights), corporate governance, and the economy. Financial information is consistent with the audited financial statements by accountants, with data sourced from the annual report, government agencies, and publicly available information from relevant websites.

## Reporting Period

This report is published on an annual basis. The reporting period is January 1 to December 31, 2023 (same as the financial reporting period). For completeness and comparability of performance, some information will be backdated to the year 2021.

Initial report: released in June 2009

Previous edition: released in June 2024

Current report: released in July 2024

Next edition: scheduled for July 2025

## Reporting Basis and Guarantee



Item	Standards	Verification Unit
Non-financial Information	<ul style="list-style-type: none"> <li>GRI Sustainability Reporting Guidelines 2021</li> <li>ISO 26000 Social Responsibility Guidelines</li> <li>SASB Electrical and Electronic Equipment and Components Industry Indicators</li> <li>Climate-Related Financial Disclosure TCFD Framework</li> </ul>	<ul style="list-style-type: none"> <li>Carbon Disclosure CDP Climate Change/ Water Safety</li> <li>UN Sustainable Development Goals (SDGs)</li> <li>Code of Practice for Sustainable Development</li> </ul>
Financial Information	<ul style="list-style-type: none"> <li>IFRSs approved and published by the Financial Supervisory Commission</li> <li>Financial Reporting Standards for Securities Issuers</li> </ul>	<ul style="list-style-type: none"> <li>The Singaporean branch of BSI Group, Taiwan Branch, has verified this Report according to GRI Standards and AA1000AS (v3) Type 1 moderate assurance level.</li> <li>Deloitte Taiwan</li> </ul>

## Feedback

In line with our commitment to environmental protection and to go paperless, this report is simultaneously published in electronic form on the ESG website. If you have any inquiries or suggestions about the contents of this report, please feel free to contact us.

Contact: Sustainable Development Office

Email: ESG@phihong.com.tw

Phone: +886-3-3277288 ext.1666

Address: No. 568, Fuxing 3rd Rd, Guishan Dist., Taoyuan City 33383,

Taiwan, R.O.C.

ESG info: please click or scan the QR code below to the linked website information.



Phihong Group Website



Phihong ESG Website



Phihong ESG Facebook Group

## Message from the General Manager

The impact of climate change on human living environments and economic development is becoming increasingly severe. Phihong actively responds to global sustainable development initiatives and national sustainable development goals by uniting the group's consensus. Through the Sustainability Development Office, we continuously promote the "ESG Sustainability Vision Project," setting sustainability performance indicators to demonstrate Phihong's commitment to sustainability. In 2023, Phihong and its subsidiary Zerova each established a ESG Committee Chair position to enhance communication and coordination efficiency, working together to drive sustainable transformation. This initiative also aligns with the Financial Supervisory Commission's "Sustainable Development Action Plan for Listed Companies (2023)," aiming to deepen the corporate culture of sustainable governance. Over the past year, our efforts have earned us multiple accolades, including repeated wins of the "TCSA Taiwan Corporate Sustainability Report Gold Award" and the "Happy Enterprise Gold Award." Additionally, our overseas subsidiary, Dongguan Phitek, implemented the "UL 2799 Zero Waste to Landfill" standard and achieved the highest level of recognition with the "Platinum Certification."

Benefiting from the surge in electric vehicle (EV) sales and the initiative-taking establishment of charging stations by various countries, Zerova, an EV energy business, has shipped to over 40 countries worldwide in 2023. The company's operations have entered a high growth phase, with revenue significantly increasing to account for 37% of the group's total revenue. This new leading business has synergized effectively, enhancing profitability. Meanwhile, the power supply business saw a noticeable decline in revenue due to the deteriorating economic environment. However, through operational cost control, significant reductions in material costs, and product mix optimization, the gross profit margin still achieved double-digit growth, minimizing the impact. Overall, although the group's revenue in 2023 decreased by 12% compared to 2022, the gross profit margin increased substantially by 70% to 26.1%, with profit growing more than threefold, marking the highest earnings record in the past decade.

Besides its operations, Phihong has accelerated the development of green products and continued its participation in the Carbon Disclosure Project (CDP). In 2023, it achieved a phased target of reducing carbon emissions by 16.18% compared to the baseline year of 2021. The company also completed its submission for the Science-Based Targets initiative (SBTi) and will have its SBTi targets validated in Q1 of 2024. Phihong is actively promoting the use of renewable energy. In addition to the already installed solar power systems at its Dongguan and Tainan Zerova plants, the U.S. subsidiary is expected to complete and activate its solar power system by Q3 2024, and the Hai Phong plant in Vietnam is also in the midst of construction and evaluation. The company continues to increase its investment in self-generated green electricity. To create low-carbon products and achieve the goal of net-zero emissions by 2050, Phihong has introduced carbon footprint improvement hotspots for its products and invited suppliers to join in the carbon reduction efforts, fostering mutual growth and benefit.

Upholding the concept of "social inclusion," Phihong intensively participates in social sustainability and implements an employee volunteer-service-leave system. For many years, the company has been dedicated to supporting the disadvantaged, environmental protection, and social welfare, carrying out projects that create a positive impact on society and the environment. Moving forward, Phihong will actively work towards establishing social impact indicators, aiming to transform them into an impact-oriented public welfare model. This will facilitate the planning and enhancement of long-term social service policies, empowering and addressing social issues or leading trends in public welfare transformation.

As a key supplier of global power supply products, Phihong looks ahead to the future, still upholding the core values of "integrity, creativity, and challenge." The company will continue to strengthen its core competencies and maintain good interactions with stakeholders. At the same time, Phihong expresses gratitude to all friends who have supported or helped in its journey towards sustainable development, including partners, employees, and the wider community. Together, let us strive towards the common goal of creating sustainable economic, environmental, and social value, contributing to a better future for all.

Phihong Group General Manager

林澤宏



In early 2024, the Copernicus Climate Change Service (C3S) of the European Union released comprehensive global average temperature data, showing that in 2023, the temperature surpassed pre-industrial levels by 1°C on average "each day". The annual average temperature increased even by 1.48°C compared to pre-industrial levels. According to the data available at that time, 2023 was confirmed as the hottest year on record in terms of global average temperature since human records began!

However, according to monitoring data from the agency up to March of this year, it was confirmed that the world has experienced record-breaking temperatures for 10 consecutive months, surpassing all previous records. This alarming signal of uncontrolled warming demonstrates that humans continue to alter the ecosystem at a pace far beyond what nature can bear. If we do not take real and active actions against climate change, it is foreseeable that the global average temperature will continue to rise without a ceiling, leading to more severe repercussions from nature. We can expect higher temperatures, wildfires, storms, floods, and shortages of food and drinking water, among other crises.

As a corporate citizen of the Earth, Phihong Technology deeply feels the impact of climate change. Therefore, energy conservation and carbon reduction are among our most important missions. In 2023, we actively implemented third-party verification according to ISO 14064-1:2018, ISO 14067 carbon footprint calculation, and ISO 50001 energy management system. We committed to joining the SBTi (Science-Based Targets initiative) for scientific carbon reduction targets. Although we were unable to submit our SBTi reduction targets by the deadline, we submitted our short-term targets in Nov 2023 (Scope 1+2: 42% reduction by 2030 compared to the baseline year of 2021; Scope 3: 51.6% reduction in emission intensity by 2030 compared to the baseline year of 2022), and received SBTi approval for these targets in March 2024. Additionally, we have committed to achieving net-zero emissions by 2050.

We had hoped that the world would gradually recover from the pandemic in 2023. However, global economic development remained weak and social instability persisted due to high inflation, high interest rates, underperformance of the Chinese economy, escalating geopolitical conflicts, and increasing factionalism. Despite these significant challenges, we continued to strengthen the implementation of ESG principles by establishing renewable energy sources and planning to extend these initiatives to other facilities. We promoted zero landfill waste disposal, conducted a series of energy conservation and carbon reduction training programs for employees, and actively participated in community activities. To promote a sustainable supply chain, we implemented RBA standards and carbon reduction training for suppliers, expanded the assessment and management of supply chain sustainability risks, and partnered with suppliers to achieve energy conservation and carbon reduction.

We look forward to achieving even better performance in sustainable development in 2024, including following the SBTi's carbon reduction targets and advancing towards a net-zero pathway. We aim to work with our sustainable supply chain partners to practice low-carbon operations and manage our sustainability responsibilities. We will continue to actively promote corporate transformation, implement our sustainability strategy blueprint, and create a sustainable future together with stakeholders and partners from all sectors.


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ESG Committee Chair

周詩勤

# Key Sustainability Performance Indicators



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Verified by SBTi for carbon reduction targets

**Committed to a 42% carbon reduction by 2030**

★ ★ ★



BRONZE

2023  
ecovadis  
Sustainability  
Rating

Annual Overall Performance Rating

**Bronze Level TOP 35%**

★ ★ ★



VALIDATED

GEORGIAN PHOTONICS ELECTRONICS CO., LTD. HAS ACHIEVED ZERO WASTE TO LANDFILL PLATINUM OPERATIONS: 100% DIVERSION, WITH 8% THERMAL PROCESSING WITH ENERGY RECOVERY. U.L. COM/ECV. U.L. 7799A

PLATINUM

UL Zero Waste to Landfill Award

**Highest Level: Platinum**

★ ★ ★



2023 CDP Climate Change Questionnaire

**C (Awareness Level)**

2023 CDP Water Security Questionnaire

**C (Awareness Level)**

★ ★ ★



1111

2023  
幸福企業

金獎

Gold Award

2023 4-time Consecutive Winner of the

**Happy Enterprise Gold Award**

★ ★ ★



2023 第十四屆  
TCSA  
企業永續報告  
金獎

2023 Taiwan Corporate Sustainability Awards

**Corporate Sustainability Report Award - Gold Level**

★ ★ ★



MANAGEMENT SYSTEMS

LABOR

ETHICS

Responsible Business Alliance Code of Conduct

HEALTH & SAFETY

ENVIRONMENT

MANAGEMENT SYSTEMS

RBA Responsible Business Alliance VAP

**RBA VAP Verification - Silver Level**

★ ★ ★



Zerova won the 22nd Golden Peak Award

**Top 10 Enterprises Award**

★ ★ ★



# About Phihong

## Company Overview

Phihong Technology Co., Ltd. (Phihong) is headquartered in Huaya Technology Park, Taoyuan City, and is one of the world's top 10 leading power supply manufacturers. Phihong focuses on the research & development, and manufacturing of high-efficiency power supplies, offering a wide range of products from low wattage to kilowatt power supplies. These products include power adapters, battery chargers, Power over Ethernet (PoE) devices, industrial audio systems, and more. Phihong's portfolio spans multiple industries, such as consumer electronics, industrial applications, medical devices, telecommunications, and others. This includes solutions for smart home PoE networks, AR/VR, gaming, POS machines, small home appliances, home-grade medical equipment, e-bikes, construction, industrial applications, 5G, electric vehicles, and low earth orbit satellites. At the same time, Phihong has been deeply involved in the electric vehicle charging pile market for many years, independently developed AC/DC charging piles, and provided integrated charging solutions for the global electric vehicle market. In Sep 2022, Phihong split its electric vehicle energy business group into a subsidiary, Zerova Technology (Zerova). We continue to aim at energy conservation, energy storage, and energy creation, and provide global energy transformation services through intelligent system integration to implement our vision of sustainable operations.



Chairman  
Chung-Min Lin



Manager  
Yang-Hong Lin

### Mission

With eco-friendly, earth-loving guidance as our own responsibility, provide comprehensive electric energy solutions and become a quality enterprise for our customers, employees, shareholders, and associate businesses.

### Vision

To become the world's best power supply supplier by having energy saving, eco-friendliness, innovation, and service as our core values.

### Our Values

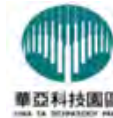
**Integrity:** Integrity with stakeholders, customers, and suppliers.

**Innovation:** Continually innovate to achieve a competitive edge.

**Challenge:** To challenge ourselves in the pursuit of excellence.

Headquarter

**Taoyuan,  
Taiwan**



Capital amount

NT\$  
**4.312 billion**



Industry

**Electronic  
components**

Found on

**12 Dec 1972**

Listed on 2001/09/17

Stock code **2457**



Employees worldwide

**4,745** persons



Production sites

**6 plants**



Revenue in 2023

NT\$ **12.332 trillion**



## Globalization Strategy

Phihong has 8 global locations, utilizing resource integration to enhance corporate advantages and provide comprehensive solutions and local support to customers worldwide through business locations or R&D centers in Taiwan, China, Vietnam, Japan, the United States, and Europe. Phihong's main production sites are located in Dongguan, China, and Hai Phong, Vietnam. For detailed information on Phihong's global locations, please refer to "Section 8.1 Affiliate Information" in Phihong Technology's 2023 Annual Report.

In recent years, due to global warming and resulting climate change, the promotion of green industries has become urgent. Phihong has introduced Gallium Nitride (GaN) technology into power supplies, aligning with international regulations. The company has standardized charging ports to use Type-C connectors with PD fast charging technology, improving energy conversion efficiency to over 90%, allowing more effective use of electricity. Additionally, the global electric vehicle industry is flourishing. Phihong's subsidiary, Zerova, has identified the growing demand from global cities for the large-scale electrification of public transportation systems and commercial heavy-duty electric fleets. In response, Zerova has launched the Megawatt Charging System (MCS) ultra-high power charging solution to meet the substantial and rapid charging needs of commercial electric vehicles for long-distance travel, heavy-duty commercial vehicles, and electric ships.

## Global Operations Locations



## Operating Performance

In 2023, Pihong's consolidated revenue was NT\$12.332 billion, with a gross profit margin of 26%, amounting to NT\$3.213 billion, representing a 50% year-over-year increase. The company leveraged its expertise in charging technology and integrated global resources to enhance its core strengths and aggressively expand into major global markets. As a result, both overall gross profit margin and profitability showed significant growth. In 2023, Pihong received financial subsidies from the government. In Taiwan, the company obtained a subsidy of NT\$60,000 for employing individuals with disabilities. In mainland China, Pihong received a subsidy of NT\$3.199 million for energy-saving equipment. The Chinese government holds a 0% stake.

### 2023 Consolidated Financial Performance Table

Unit: NT\$ millions

Year	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
Revenue	12,284	100.00	14,018	100.00	12,332	100.00
Gross profit		11.99	2,142	15.28	3,213	26.05
Operating expenses	1,812	14.75	2,128	15.18	2,858	23.18
Net operating profit (loss)		(2.76)	14	0.10	355	2.88
Non-operating income and expenses	41	0.33	174	1.24	109	0.88
Net profit (loss) before tax		(2.43)	188	1.34	464	3.76
Income tax expense	(15)	(0.12)	(117)	(0.83)	(201)	(1.63)
Net profit for this period		(2.55)	71	0.51	263	2.13
Employee benefit expenses	2,392		2,604		2,850	

備註：本報告財務數據係採用經會計師（勤業眾信聯合會計師事務所）簽證之財務報資料。相關財務資訊請參閱[飛宏官網投資人園地](#)。

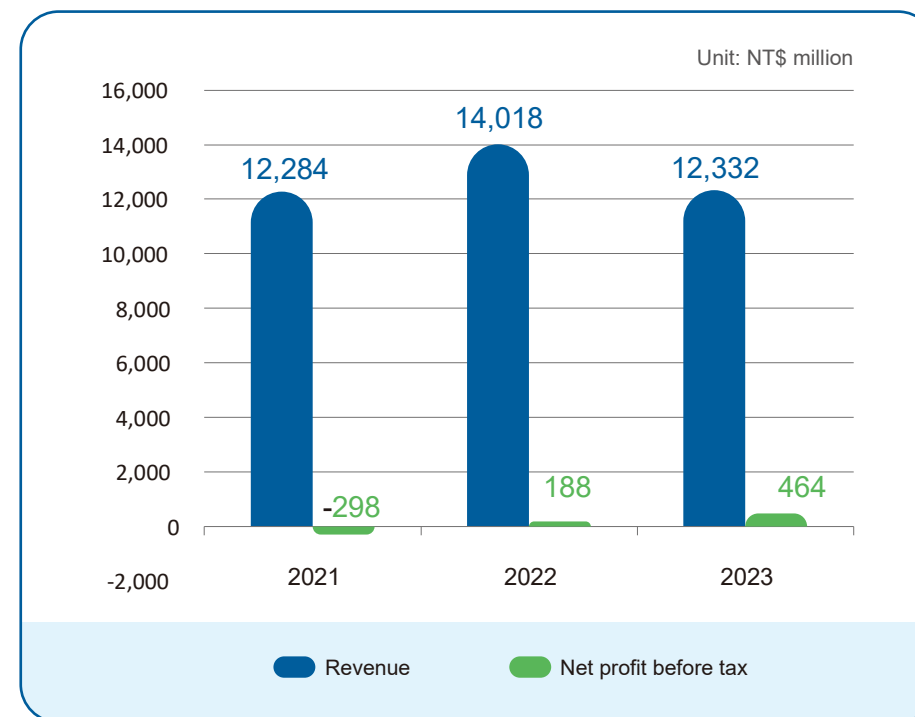
### 2023 sales volume and revenue

Unit: NT\$ million

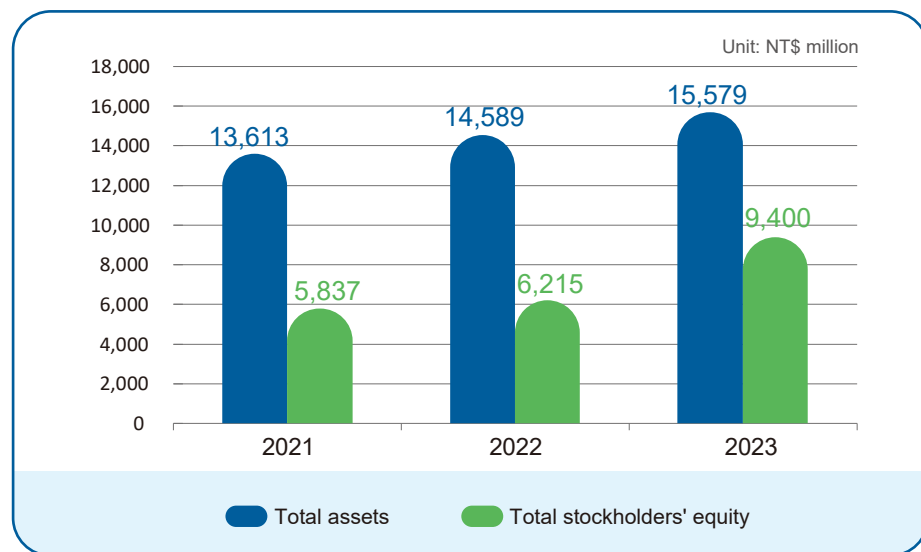
Item	Sales volume	Revenue	% of revenue
Power supply products	55,797,363	7,591,608	62%
Electric vehicle energy products	472,522	4,740,789	38%
Total	56,269,885	12,332,397	100%

### Revenue & net profit before tax

Unit: NT\$ million



## Total assets & shareholders' equity



### Explanation:

1. The chart includes consolidated revenue, gross profit, and net profit. For detailed operational and financial performance, please refer to the 2023 annual report disclosed on the company's website ([www.phihong.com.tw](http://www.phihong.com.tw)).
2. For company's balance sheet, equity, and product-related data, please refer to the 2023 annual report.
3. For earnings-related information, please refer to the 2023 annual report. Phihong Taiwan has applied for research and development tax incentives from the government in accordance with the Industrial Innovation Act.

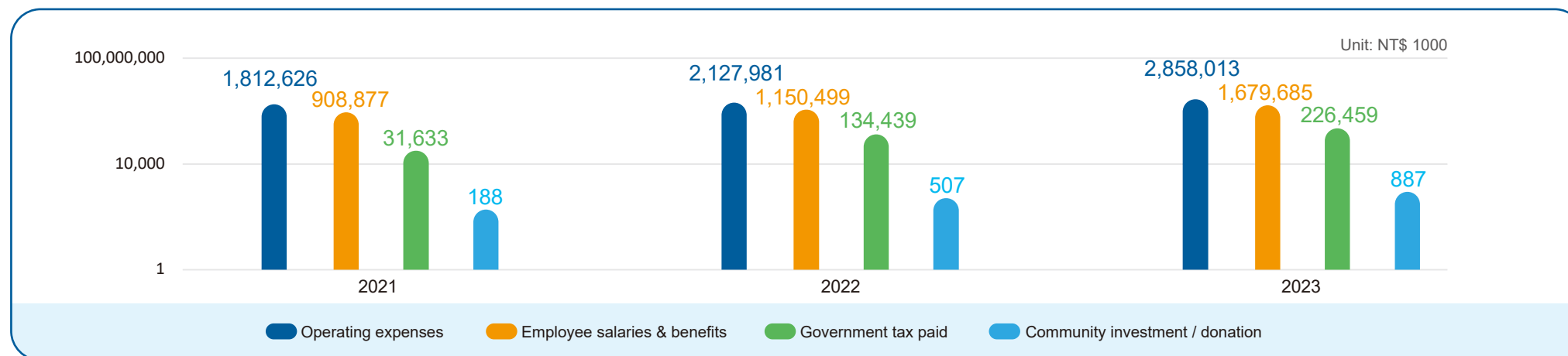
## Tax Expense Summary Table

Unit: NT\$ million

Item	2021	2022	2023	
Income tax (expense) benefit	-14,668	-116,834	-201,892	
Income tax paid	12,47	22,191	254,163	
Income tax expense as a % of consolidated revenue	-0.12%	-0.83%	-1.64%	
Operating expenses	1,812,626	2,127,981	2,858,013	
Revenue (Net Sales)	12,284,041	14,017,575	12,332,397	
Allocated economic value	Employee salaries and benefits	908,877	1,150,499	1,679,685
	Government tax paid	188	507	887
	Community investment / donations	0	0	0
	Remaining economic value	11,343,343	12,732,130	10,425,366

### Note:

1. Operating expenses include employee salaries and benefits government tax paid, and community investment/donation expenses.
2. Government tax paid (excluding deferred tax) include taxes and income tax expenses accounted for in operating expenses.



## Sales Region

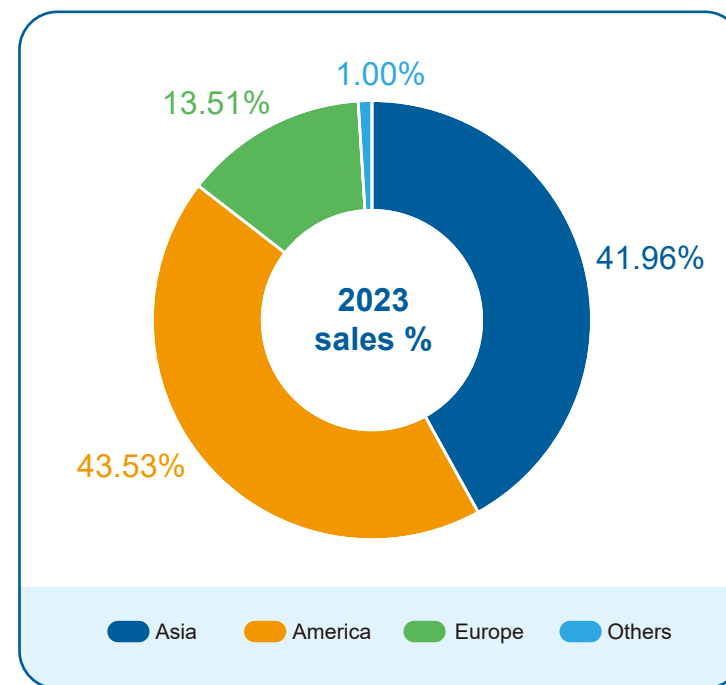
Phihong's sales regions span the globe, with the Americas and Asia as the primary sales areas. In 2023, the revenue percentages for the Americas and Asia were 43.53% and 41.96%, respectively. For detailed product and shipment information, please refer to "Section 5.2 Market and Sales Overview" in Phihong Technology's 2023 Annual Report. In 2023, Phihong did not encounter any prohibitions on sales or controversial product issues.

### Product Sales Regional Distribution Table

Unit: NT\$ million

Year Sales region	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
America	980,923	7.99%	2,331,342	16.63%	5,367,868	43.53%
Asia	10,435,398	84.95%	9,892,905	70.58%	5,175,057	41.96%
Europe	800,649	6.52%	1,622,631	11.58%	1,666,411	13.51%
Others	67,071	0.54%	170,697	1.21%	123,061	1.00%
Total	12,284,041	100.00%	14,017,575	100.00%	12,332,397	100.00%

### 2023 Regional Sales Proportion





# Sustainable Operation

1.1 Sustainable Development Governance

1.2 Stakeholder Communication

1.3 Identification of Material Topics

1.4 Sustainable Development Practice

# 1.1 Sustainable Development Governance

## Sustainable Strategy Blueprint

Phihong uses the United Nations Sustainable Development Goals (SDGs) as a blueprint, integrates environmental, social and corporate governance (ESG) concepts into corporate culture and operating strategies, and starts from the core business of "power supply R&D" to draw up a sustainable strategic blueprint to respond to 14 SDGs, through promoting various corporate sustainability projects, working with global partners to achieve global sustainable development goals

### E Green transformation, towards net zero

- Transformation to circular economy
- Develop low-carbon product design
- Greenhouse gas & energy management
- Supply chain carbon reduction management

### S Diversity, equality, & an inclusive society

- Committed to creating a diverse & inclusive workplace
- Value human rights and talent development
- Competitive salary and benefits
- Continue to care for society and deeply engage in charity work

### G Robust Governance, Sustainable Operations

- Strengthening the functions & operations of the Board of Directors
- Comprehensive implementation of risk management
- Collaborating with customers to co-create Sustainability
- Nurturing R&D capabilities through Innovative Technologies

## Sustainable Development Committee

In 2014, Phihong officially established the "Sustainability Development Committee" and set up the "Sustainability Development Office" in 2021 to implement ESG strategy promotion and promote cross-department communication for vertical and parallel cooperation. In September 2023, the position of "Head of Sustainability" was established, headed by a special assistant in the general manager's office to improve the company's sustainable governance structure.

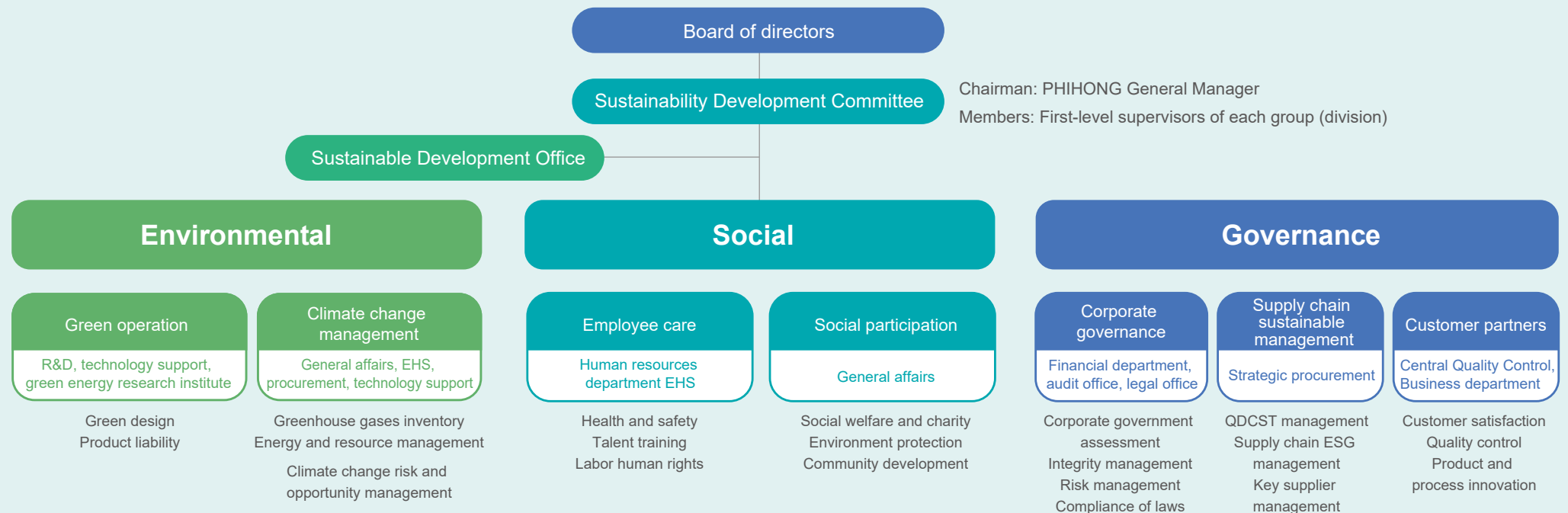
The "Sustainable Development Committee" is chaired by the general manager of the group, and consists of seven functional groups. The committee structure is composed of first-level managers of each group (department), and is operated by the coordinating committee of the "Sustainable Development Office", the dedicated ESG unit of Phihomon. Affairs, monthly meetings are held to confirm that the implementation of ESG goals and project development are in line with the company's sustainable development policy.

Starting from 2023, the chief executive will report to the board of directors on a quarterly basis. The contents of the four reports this year include: in response to the requirements of the Financial Supervisory Commission, including global locations in the greenhouse gas inventory plan, financial reporting plans in line with IFRS S1, S2 sustainable disclosure standards, and ESG major Approval of topics and reports, etc.

### Sustainable Development Committee's Main Responsibilities

- into company business strategies.
- Review the objectives, strategies and action plans of the company's sustainability policy, and review their effectiveness.
- Directs and tracks the progress and performance improvement of each sustainable development action plan.
- Responsible for the compilation and publication of ESG sustainability reports.

## Phihong's Sustainable Development Committee





## Sustainability Policy

To achieve sustainable development, Phihong established the "Code of Practice for Sustainable Development " in 2022, which was approved by the Board of Directors. This code clearly defines 4 major policies as the highest guiding principles for promoting sustainable development at Phihong: (1) implement corporate governance, (2) develop a sustainable environment, (3) safeguard social welfare, and (4) enhance disclosure of corporate social responsibility information. Additionally, Phihong has formulated management methods such as the "Sustainable Development Committee Establishment Guidelines", "Code of Practice for Corporate Governance", "Corporate Ethics and Business Conduct Guidelines", and "Integrity Management Code," which are updated regularly to align with international trends, regulatory recommendations, and operational requirements.



## Sustainability Vision Project

Phihong considers ESG a vital commitment for the company. To outline its future vision and forward-looking strategy, Phihong launched the "ESG Sustainability Vision Project" in 2022. This project focuses on the 3 dimensions of ESG and annual material topic, setting detailed short-, medium-, and long-term sustainability indicators. Goals are reviewed and adjusted annually. The spirit of sustainable business operations is deeply embedded in both domestic and international facilities, strategically integrating sustainability with the core function of power R&D. All departments are dedicated to promoting better sustainable practices.

The "Sustainability Development Office" is the main unit driving the Vision Project, with committee members from various functional areas executing specific tasks. Monthly meetings are held to review progress towards goals,

## Phihong Sustainability Vision Project

Vision: Using ESG as a sustainable strategy blueprint and aligning with international standards, Phihong leverages the SDGs as a driving force for sustainable development, leading in low-carbon power solutions to create sustainable value.

Strategy: Integrate economic growth, social inclusion, and environmental sustainability into the company's operations and development decisions to achieve sustainable development goals.

<p><b>19</b> Indexes</p> <ul style="list-style-type: none"> <li>Climate change response</li> <li>Energy and Greenhouse Gases</li> <li>Green R&amp;D and Innovation</li> </ul>	<p><b>14</b> Indexes</p> <ul style="list-style-type: none"> <li>Talent attraction and retention</li> <li>Talent cultivation and development</li> <li>Occupational health and safety</li> </ul>	<p><b>14</b> Indexes</p> <ul style="list-style-type: none"> <li>Integrity management</li> <li>Operational performance</li> <li>Sustainable supply chain management</li> <li>Corporate governance and risk management</li> <li>Information security and customer privacy</li> </ul>

## Sustainable Management System

In addition to pursuing operational growth and safeguarding the interests of shareholders and employees, Phihong is dedicated to establishing a comprehensive sustainable management system rooted in its core business. By adhering to and surpassing local regulatory and social ethical standards, Phihong strives to develop high-quality green products and services while also prioritizing environmental protection, employee health and safety, and human rights, aiming to uphold the rights and interests of all stakeholders.

## Sustainability Management Systems and Certifications

Aspects	Standard	Phihong				Zerova	
		HQ	Dong guan	Tie song	Hai phong	HQ	Dong guan
Quality	ISO 9001:2015 Quality Management System	●	●	●	●	●	●
	IATF 16949:2016 Automotive Quality Management System					●	●
	ISO 13485:2016 Medical Device Quality Management System	●	●		▲		
	IECQ QC 080000:2017 Hazardous Substance Management System			●	▲		
Environment	ISO 14001:2018 Environmental Management System	●	●	●	●	●	●
	ISO 14064-1:2018 Greenhouse Gas Inventory	●	●	●	●	●	●
	ISO 14067:2018 Carbon Footprint Management	▲			▲		
	UL 2799 Zero Landfill Waste			●	▲		
Energy	ISO 50001:2018 Energy Management System	▲	▲	▲	▲	▲	▲
Occupational Safety & Health	ISO 45001:2018 Occupational Health and Safety Management System	●	●	●	●	●	●
Information security	ISO 27001:2022 Information Security Management System	▲	▲	▲	▲	▲	▲
Business Principles	RBA Responsible Business Alliance Code of Conduct Review		●	●	▲		▲
Social responsibility	SA 8000:2014 Social Responsibility Standard				●		

Note: ● Obtained third-party verification, and currently remains valid. ▲ Under implementation, expected to pass verification in 2024.

## 1.2 Stakeholder Communication

Materiality analysis and stakeholder engagement are very important processes in Phihong sustainable strategic planning. By maintaining good interaction and communication with various stakeholders through diverse channels and cultivating multiple communication platforms, and extensively collect concerns and expectations to identify "Material Topics" (Materiality). Risk management is then conducted and operational strategies are planned. In 2023, Phihong followed the requirements of the GRI General Standard GRI 3 to identify Material Topics through a discernment process. This involved determining material topics, defining the boundaries and scope of sustainability information disclosure, and using it as the foundation for setting long-term sustainability goals.

### Stakeholder Engagement

Phihong engages with its seven major stakeholders through diverse communication channels to understand their sustainability concerns. In 2023, the Board actively participated in shareholder meetings and stakeholder engagements to address these issues. Responses were provided through various communication channels listed in the table below and in this report. Additionally, an annual report on communication with stakeholders, including survey results on their sustainability concerns, is presented to the Board at the end of each year.

## Stakeholder Communication Achievements in 2023

Key stakeholders	Definition	The significance to Phihong	TOP 5 Sustainability Topics	Frequency and method of communication	Contacts	Communication Achievements in 2023
Shareholders, investors	Long-term shareholders of Phihong refer to those who have held their shares for at least 2 years, including employee shareholders, shareholding directors & supervisors, and major shareholders.	Protect the rights and interests of investors and shareholders, implement corporate governance, continue to pay attention to and communicate with investment objects, and strengthen information transparency.	<ul style="list-style-type: none"> <li>Financial Performance and Profitability / Dividend Policy</li> <li>Business Strategy and Outlook/Industry Changes</li> <li>Integrity management and anti-corruption</li> <li>Climate-related Financial Risks Report (TCFD)</li> <li>Innovation &amp; technology R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>Monthly: Announcement of operating performance, public information observatory</li> <li>Quarterly: quarterly financial report</li> <li>Annually: shareholders' meeting, annual report, sustainability report</li> <li>Irregular: legal talks, important information announcements</li> </ul>	Spokesperson's email: spokesman@phihong.com.tw	<ul style="list-style-type: none"> <li>✓ Hold the annual Shareholder's Meeting</li> <li>✓ Hold a legal conference</li> <li>✓ Hold an extraordinary shareholders' meeting</li> <li>✓ Regularly announce financial and corporate governance information.</li> </ul>
Customers	Top 10 customers, or international brand customers, or customers with over 3 years of long-term cooperation.	Listening to the voice of customers, prioritizing their needs, and consistently delivering higher-quality services are essential to enhancing customer value.	<ul style="list-style-type: none"> <li>Adherence to Responsible Business Alliance (RBA) Code of Conduct</li> <li>Greenhouse Gas Emissions &amp; Carbon Reduction Management</li> <li>Product Quality and Safety</li> <li>Risk Management</li> <li>Product Carbon Footprint</li> </ul>	<ul style="list-style-type: none"> <li>Annually: Customer Satisfaction Survey, CDP, EcoVadis</li> <li>Irregular: personal visits, phone calls, customer audits</li> </ul>	Customer Service: phsales@phihong.com.tw Company official website: https://www.phihong.com.tw/	<ul style="list-style-type: none"> <li>✓ Revised and optimized customer satisfaction survey.</li> <li>✓ Customer satisfaction rate: 81.87% (Phihong)</li> </ul>
Employees	Newcomers and regular employees	Employees are the most important partners in Phihong's sustainable development. We are committed to creating a diverse, equitable, and healthy work environment, fostering mutual growth and development with our employees.	<ul style="list-style-type: none"> <li>Salary and Benefits</li> <li>Occupational Health and Safety</li> <li>Training and Education</li> <li>Employee Care and Support</li> </ul>	<ul style="list-style-type: none"> <li>Weekly (monthly): video conference, weekly work report, reading club</li> <li>Quarterly: Labor-management meeting</li> <li>Irregular: CI improvement promotion platform, e-learning + digital learning platform</li> </ul>	Employee comments/grievance mailbox: HR@phihong.com.tw	<ul style="list-style-type: none"> <li>✓ Hold regular quarterly labor-management meetings and employee welfare committee meetings</li> <li>✓ Organize annual performance appraisal, employee promotion and salary adjustment operations.</li> </ul>
Suppliers	Top 50 suppliers, or key component suppliers, or suppliers with long-term cooperation for over 3 years	Phihong collaborates with supply chain partners to provide high-quality materials and services, aiming to establish sustainable partnerships and progress towards corporate sustainability together.	<ul style="list-style-type: none"> <li>Supplier ESG Assessment</li> <li>Supplier Carbon Reduction Management</li> <li>Raw Material Quality Management</li> <li>Conflict Minerals &amp; Hazardous Substances Management</li> </ul>	<ul style="list-style-type: none"> <li>Monthly: Delivery meeting</li> <li>Annually: New supplier review and audit</li> <li>Irregular: supplier billboards, supplier visits, supplier conferences</li> </ul>	Procurement contact: TEL: 03-327-7288#1917 Procurement@phihong.com.tw Supplier reporting contact: TEL: 03-327-7288#1340 charles_wang@phihong.com.tw	<ul style="list-style-type: none"> <li>✓ 85% of core suppliers signed the "Integrity Commitment Letter," a 3% increase from the previous year.</li> <li>✓ 100% achievement rate in conducting 33 new supplier reviews (QSA) and 85 existing supplier reviews (QPA).</li> </ul>

Key stakeholders	Definition	The significance to Phihong	TOP 5 Sustainability Topics	Frequency and method of communication	Contacts	Communication Achievements in 2023
Community	Representatives from the local park management center where the factory is located and charity groups with frequent interactions	Engaging actively in community (park) participation, interaction and response, and caring for the vulnerables to achieve social inclusion goals, fulfilling sustainable corporate citizenship responsibilities.	<ul style="list-style-type: none"> <li>Wastewater Discharge and Waste Management</li> <li>Environmental Issues such as Air Pollution</li> <li>Social Welfare</li> <li>Community Service</li> </ul>	<ul style="list-style-type: none"> <li>Weekly: Charity Massage with Visually impaired persons</li> <li>Monthly: Adopt a kindergarten and Guishan Little League team</li> <li>Quarterly: Sponsor arts and cultural performances</li> <li>Every year: public welfare activities such as waste reduction and beach cleanup, care for the disadvantaged, etc.</li> <li>Irregular: Park management meeting</li> </ul>	Community service hotline: ESG@phihong.com.tw	<ul style="list-style-type: none"> <li>✓ Environmental monitoring rate for wastewater discharge reached 100%, complying with regulatory requirements.</li> <li>✓ Continued donations to environmental cleaning at orphanages, nutrition &amp; donations to the Guishan Elementary School little league team, donations to the 100 NTD Club, and charity events like "Sending Love to Africa."</li> </ul>
Government	Local competent authorities related to environmental, social and corporate governance matters	Adhering to relevant regulations of government agencies, actively cooperating with policy implementation, and gaining trust, support, and cooperation from the government through transparent two-way communication.	<ul style="list-style-type: none"> <li>Corporate governance and integrity management</li> <li>Integrity in business operations &amp; regulatory compliance</li> <li>Investor protection</li> <li>Financial disclosure related to climate change (TCFD)</li> </ul>	<ul style="list-style-type: none"> <li>Annually: Government agency evaluation</li> <li>Irregular: Competent authority policy promotion meetings, regulatory review, official letters, project meetings, etc.</li> </ul>	Report illegal or unethical event mailbox TEL: 03-327-7288#1340 charles_wang@phihong.com.tw	<ul style="list-style-type: none"> <li>✓ Regular disclosure of operational information on the public information observation station.</li> <li>✓ Ranking 51%-65% in the 10th Corporate Governance Evaluation</li> </ul>
NGO/NPO	Academic institutions, non-profit corporate foundations and other non-profit organizations, experts or consultants with expertise in the field of sustainability	Collaborating with non-profit organizations to integrate resources and establish long-term sustainable partnerships, delving into environmental carbon reduction and social issues.	<ul style="list-style-type: none"> <li>Financial disclosure related to climate change (TCFD)</li> <li>Carbon Disclosure Project (CDP)</li> <li>Science-Based Target s initiative (SBTi)</li> <li>Social participation and public welfare</li> </ul>	<ul style="list-style-type: none"> <li>Annually: CDP, EcoVadis</li> <li>Irregular: attending activities related to sustainability issues, donating or sponsoring</li> </ul>	Sustainability Office: TEL: 03-327-7288#1666 ESG@phihong.com.tw	<ul style="list-style-type: none"> <li>✓ Response to CDP Climate Disclosure Project, achieving C grade</li> <li>✓ Compliance with and response to SASB/TCFD guidelines</li> <li>✓ Recognition with the TCSA Taiwan Corporate Sustainability Award, Gold Award</li> </ul>

Phihong engages with stakeholders regularly or on an ad-hoc basis through various platforms to conduct mutual communication. This process addresses issues across environmental, social (including human rights), and corporate governance dimensions. The aim is to perform due diligence to identify, prevent, mitigate, and explain the actual or potential negative impacts and positive influences of these issues. During the reporting period, the due diligence Target s the value chains of Phihong and its subsidiaries. If Phihong identifies situations that have already caused impacts, the company will evaluate appropriate measures based on the nature of the negative impact. This includes remediation to address actual negative impacts and prevention or mitigation strategies to handle potential negative impacts.

# 1.3 Identification of Material Topics

## Materiality Analysis Process

### 3 Key Points of Material Topic Identification

#### 01 Optimize evaluation indicators

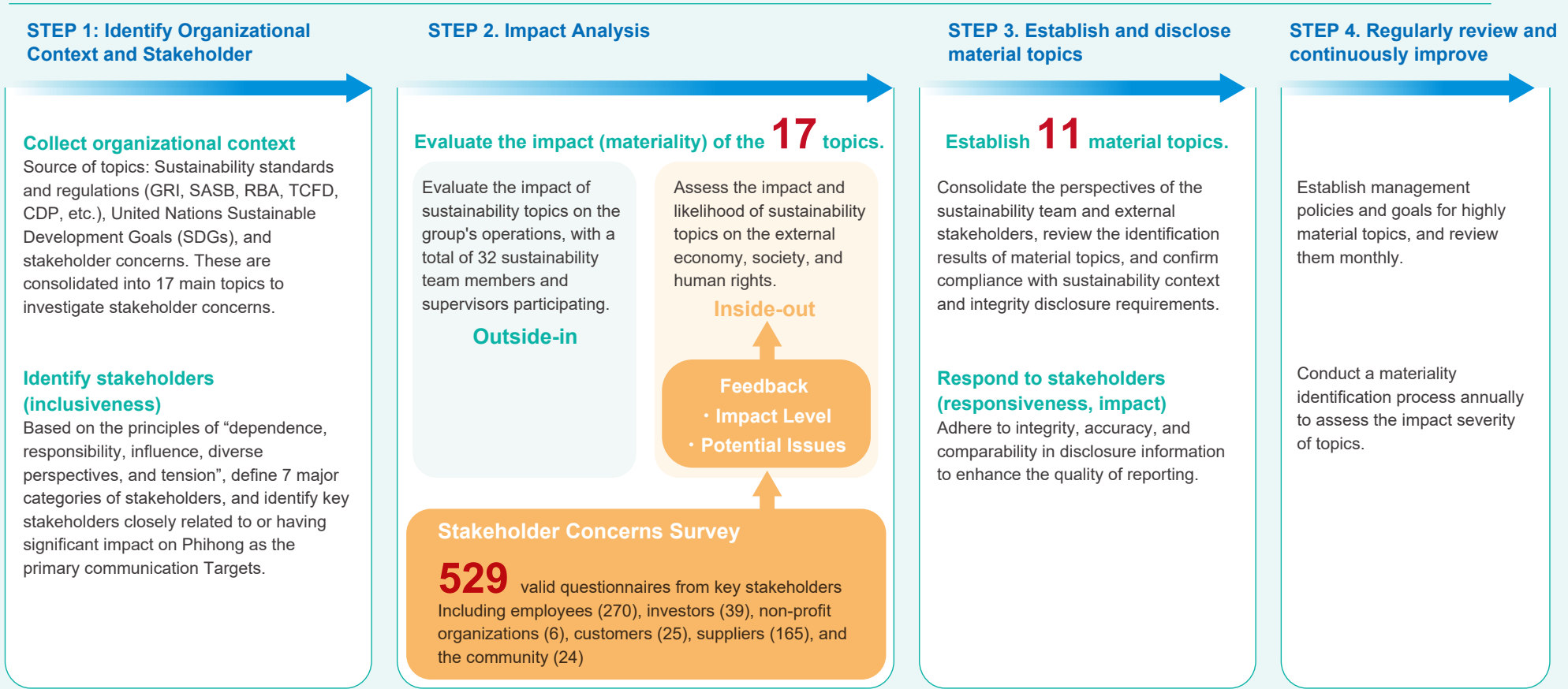
Assess the materiality of topics based on the 'degree of impact' and define the method for calculating the impact index.

#### 02 Focus on key stakeholders

Select key stakeholders closely related to Phihong to participate in the survey, enhancing the materiality of the identification results.

#### 03 Incorporate into industry standards

Incorporate sustainability issues from industry standards into the identification process and review material topics according to these standards.

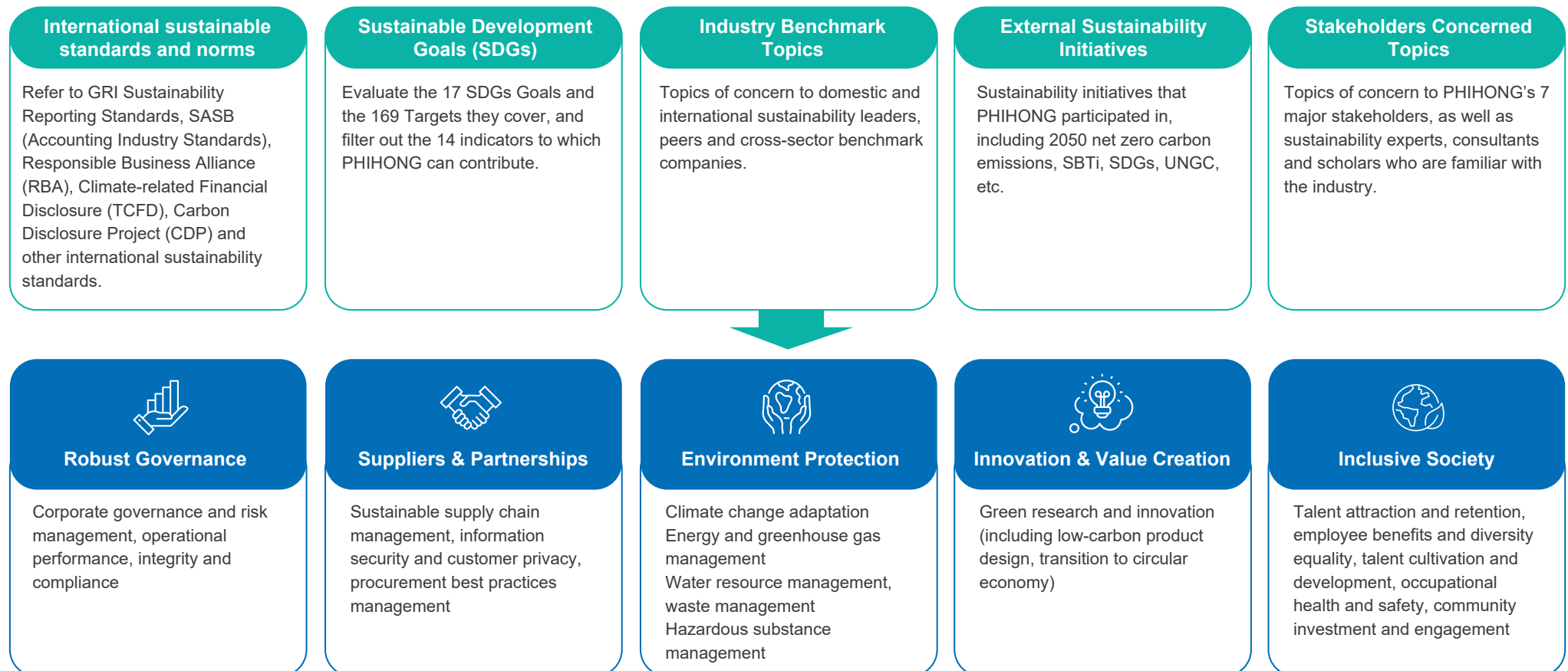


# STEP 1. Identify Organizational Context and Stakeholder

## Collect organizational context

Phihong convened members of the Sustainability Development Committee to identify sustainability topics relevant to internal and external operational activities. External topics included international sustainability standards and regulations, Sustainable Development Goals (SDGs), industry benchmark sustainability issues, external advocacy, and stakeholder concerns. Internal topics included operational philosophies, sustainability strategy blueprints, and organizational goals. A total of 84 operational activities were collected, and after discussions among department colleagues and senior executives of each business unit, 17 sustainability topics were finalized.

### Sustainability context and topics



## Identify stakeholders

To ensure that the information disclosed in the report aligns with stakeholder expectations, through the definition of stakeholders by including 3 major topics: "those for whom the organization has responsibility, those who are affected by the organization's operations, or those who affect the organization's operational performance", we collected a list of stakeholders related to Phihong. We referred to the GRI Sustainability Reporting Standards. We also adopted the AA1000SES Stakeholder Engagement Standard 2015 edition, which comprises 5 principles: responsibility, influence, tension, diversity of perspectives, and dependency. Stakeholders were evaluated based on their responsibility, influence, tension, diversity of perspectives, and dependency on Phihong. This process identified 7 key stakeholder categories for Phihong. Surveys were then distributed to internal and external stakeholders to gauge their level of interest and concern.



01

### Who do we have obligations to?

Whom we are legally, financially or operationally liable

→ Government / Investors (shareholders) / Customers / Employees



02

### Who are we going to influence externally?

Stakeholders who will be affected by the organization operation.

→ Customers / Investors (shareholders) / Suppliers / Government / Local Community / Industry / NPO/NGO



03

### Who will influence our business?

Stakeholders who will affect the organization's business performance

→ Customers / Suppliers / Employees / Investors (shareholders) / Government / Media



## Impact Analysis

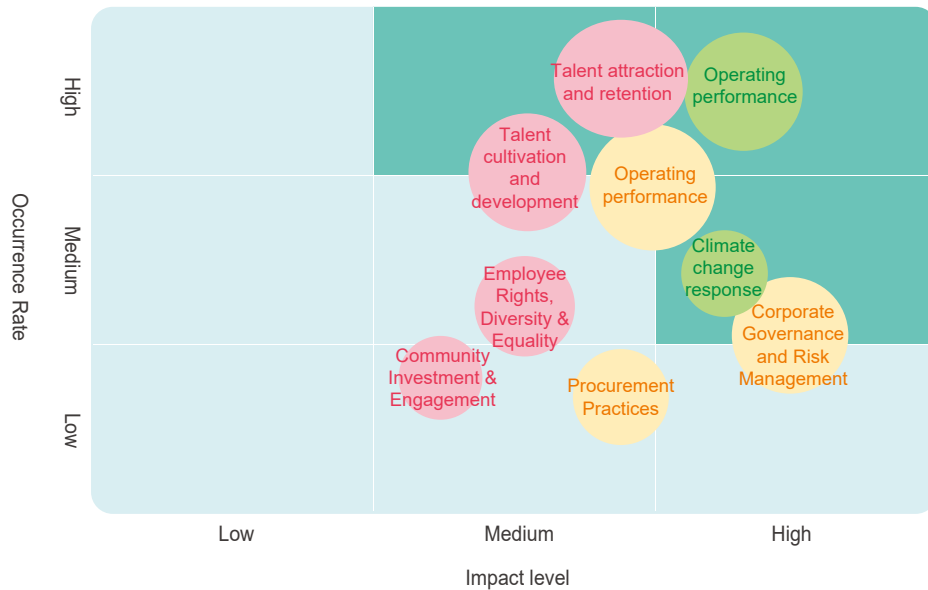
Follow the definition of materiality in the 2021 new version of the GRI General Guidelines. This year, we re-examined the materiality of the 17 sustainable topics "for Phihong" and "for the external economy, environment, and people" from the perspective of impact. The impact index of Phihong's internal assessment is the main basis of analysis, and the perspective of stakeholders is included to help us understand the external impact of Phihong.

### Survey on Topics Concerned by Stakeholders

To ensure the representativeness and significance of the survey, we focused on key stakeholders who interact closely with Phihong or possess forward-looking insights into sustainability topics. This approach ensures that the opinions collected are based on a comprehensive understanding of Phihong. Through their feedback, we aimed to understand the external impacts (economic, environmental, human rights) of Phihong. In total, we received 529 responses from stakeholders, which served as the basis for adjusting the materiality of topics and understanding the substantive impacts and potential sustainability topics that need to be addressed.

## STEP 2. Significant Impact Analysis

Following the definition of materiality in the GRI Universal Standards 2021 edition, Phihong consolidated 17 sustainability topics of stakeholder concern, assessing the organization's external impacts on the economy, environment, and people, including human rights' actual and potential impacts. Through significant issue matrix analysis and joint discussions among various units, the Sustainability Development Committee, and task forces, Phihong identified 11 highly and moderately material sustainability topics with the most significant influence as the basis for fully disclosing their management approaches and performance outcomes in the report. Compared to the previous year's report, the 2023 edition added two new material topics: "Corporate Governance and Risk Management" and "Information Security and Customer Privacy." Additionally, three previous topics, namely "Low Carbon Product Design," "Product Quality and Safety," and "Employee Care and Welfare," were still included as material topics in 2023.



































## Procurement Practices

Aspect	Sustainability Topic	Level of Concern	Occurrence Probability	Actual / Potential	Impact ( + / - )	Is it material?	Order of materiality
Environmental (E)	Climate change response	Medium	Medium	Actual	High ( + )	★	8
	Green R&D and Innovation	High	High	Actual	High ( + )	★	1
	Energy & Greenhouse Gas Management	High	High	Actual	High ( - )	★	3
	Water resources management	Low	Medium	Potential	Low ( - )		
	Hazardous Substance Management	High	Low	Potential	Medium ( - )		
	Waste management	Medium	Medium	Potential	Medium ( - )		
Social (S)	Talent attraction and retention	High	High	Actual	Medium ( + )	★	9
	Talent cultivation and development	High	High	Actual	Medium ( + )	★	10
	Employee Rights and Diversity and Equality	Medium	Medium	Actual	Medium ( + )		
	Occupational Health and Safety	High	High	Potential	Medium ( - )	★	11
	Community Investment and Engagement	Low	Low	Actual	Medium ( + )		
Governance (G)	Operating performance	High	High	Actual	High ( + )	★	2
	Corporate Governance and Risk Management	High	Medium	Potential	High ( + )	★	5
	Integrity management and compliance with regulations	High	Medium	Potential	High ( - )	★	6
	Sustainable supply chain management	High	Medium	Potential	High ( - )	★	7
	Information Security and Customer Privacy	High	High	Actual	High ( - )	★	4
	Procurement Practices	Medium	Low	Potential	Medium ( - )		







































## STEP 3. Establish and disclose material topics

### Identification of the boundaries of material topic impacts

 Actual impact
  Potential impact
  Direct impact caused by facilitation or business relationship

Material topic	Aspects	Corresponding standard	Impact significance assessment explanation	Positive / negative impact	Internal impact	External impact						Corresponding section
						Supplier	Customer	Community	Shareholder	Government	NGO	
Operational performance	G	GRI 201: 2016 Economic Performance	Actual: Robust business performance is key to Phihong's sustainable development. Through stable growth in revenue and profit, we attract talent and create economic benefits.	+								Foreword About Phihong : Operating Performance
Integrity management	G	GRI 205: 2016 Anti-Corruption GRI 206: 2016 Anti-Competitive Behavior	Potential: Integrity is the core of Phihong's corporate values, central to all activities and the foremost principle of our business philosophy. We implement high standards of ethical conduct with comprehensive whistleblowing and protection mechanisms to minimize negative impacts.	-								2.2 Integrity in Business: Anti-Corruption Advocacy
Operational performance	E、S	GRI 308: 2016 Supplier Environmental Assessment GRI 414: 2016 Supplier Social Assessment	Potential: Phihong is committed to working with suppliers to implement corporate social responsibility, promote environmental sustainability, and uphold fundamental human rights. All suppliers are required to sign sustainability-related commitment agreements, and to date, there have been no negative impacts related to suppliers.	-								4.3 Supplier Sustainability Management: Supply Chain Management
Integrity management	G	GRI 205: 2016 Anti-Corruption GRI 206: 2016 Anti-Competitive Behavior	Potential: Phihong's board of directors is independent and diverse, with extensive cross-industry experience. Coupled with a robust risk management system and implementation, this forms the foundation of Phihong's sustainable operations. To date, Phihong has not experienced any negative events related to corporate governance.	-								2.1 Corporate Governance 2.3 Risk Management
Sustainable supply chain management	G	GRI 418: 2016 Customer Privacy	Actual: In February 2023, Phihong experienced a cybersecurity incident which had no significant impact on the company's operations. The root cause investigation was completed in the same year, and ISO 27001 implementation is expected in 2024 to ensure effective information security management.	-								2.4 Information Security: Information Security Policies and Organization, Customer Privacy

 Actual impact
  Potential impact
  Direct impact caused by facilitation or business relationship

Material topic	Aspects	Corresponding standard	Impact significance assessment explanation	Positive / negative impact	Internal impact	External impact						Corresponding section
						Supplier	Customer	Community	Shareholder	Government	NGO	
Climate change response	E \ G	GRI 201: 2016 Economic Performance	Actual: Phihong is not a high-carbon emission industry. The company continuously implements reduction and renewable energy usage plans, sets reduction Targets, and actively responds to and participates in initiatives like SBTi and TCFD, taking concrete actions to mitigate the negative impacts of climate change.	⊖								5.2 Climate Change Response: Strengthening Climate Resilience
Energy and greenhouse gases	E	GRI 302: 2016 Energy GRI 305: 2016 Emissions		⊖								5.2 Climate Change Adaptation: Greenhouse Gas Inventory 5.3 Energy Resource Management: Energy Use and Intensity
Green research and innovation	E	Self-defined topic	Actual: Phihong adopts a product life cycle perspective to implement green design and develop green, low-carbon products, which positively enhances market competitiveness and revenue.	⊕								3.1 Research and Innovation 3.2 Transition to Circular Economy 3.3 Low Carbon Product Design
Talent attraction and retention	S	GRI 401: 2016 Employment GRI 202: 2016 Market Presence	Actual: Phihong has a comprehensive career planning and promotion system for employee recruitment, transfer, and retention. This not only fosters individual career development but also inspires potential, allowing employees to explore new careers and opportunities. Additionally, personalized learning and development plans are created based on individual professional skills, career interests, and work styles, enabling each Phihong employee to surpass themselves and unlock unlimited potential.	⊕								6.1 Talent Attraction and Retention: Compensation and Benefits, Employee Relations Management
Talent development and growth	S	GRI 404: 2016 Training and Education		⊕								6.2 Talent Development and Growth: Training and Development
Occupational health and safety	S	GRI 403: 2018 Occupational Health and Safety	Actual: Phihong actively strengthens risk mitigation and prevention measures and implements health promotion activities to create a sustainable and healthy workplace, ensuring the health, safety, and human rights of all workers.	⊕								6.4 Occupational Health and Safety
			Actual: In 2023, Phihong experienced some minor workplace accidents but no major occupational injuries or occupational diseases occurred.	⊖								












## STEP 4. Regularly review and continuously improve

For material topics, Phihong has established management policies and action plans. Based on data analysis, set goals and indicators to measure progress, regularly tracking progress. For other non-material topics, Phihong discloses relevant indicators to stakeholders based on existing management processes and measures, allowing them to understand Phihong's overall sustainability performance.

### Management policies

Material Topic	Policies and Commitments	Management Policies	Assessment Mechanism	Responsible unit	Annual Highlights of Performance
Operational Performance	Strengthen financial structure to ensure cost control	Establishing a robust corporate governance framework and setting up functional committees to oversee overall operations and development.	<ul style="list-style-type: none"> <li>Internal audit.</li> <li>Accountant checking and signing.</li> </ul>	Each Business Unit, Finance Department	<ul style="list-style-type: none"> <li>Gross margin 26 %, up 50 % year-on-year</li> </ul>
Integrity and Compliance	<ul style="list-style-type: none"> <li>Cultivate a culture of integrity in business operations.</li> <li>Implement corporate ethics and codes of conduct.</li> </ul>	<ul style="list-style-type: none"> <li>Integrity Management Measures</li> <li>Establishing reporting channels and a system of rewards and penalties.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Audit</li> <li>Corporate Governance Assessment</li> </ul>	Audit Department	No corruption and bribery.
Sustainable Supply Chain Management	Incorporate sustainability into the procurement process and take responsibility for the social, economic, and environmental impacts caused by procurement activities.	Supervising and managing labor rights, environmental protection, ethical standards, and safety and health risk control throughout the supply chain.	Supplier Performance Assessment, Supplier Meeting	Global Strategy & Procurement Department	<ul style="list-style-type: none"> <li>The percentage of new suppliers screened using environmental and social standards is 100%.</li> </ul>
Corporate Governance and Risk Management	Assessing risk issues and operational performance to implement sustainable business practices.	Risk management policies and procedures	Risk Identification and Assessment	Information Department	<ul style="list-style-type: none"> <li>Implement risk management procedures for risk identification and assessment</li> </ul>
Information Security and Customer Privacy	Strengthen information security management to safeguard customer privacy rights.	<ul style="list-style-type: none"> <li>Information asset risk assessment</li> <li>Implementation of personal data protection and management</li> </ul>	System Management and Vulnerability Scanning Customer Satisfaction Survey	Information Department	<ul style="list-style-type: none"> <li>Initiated the introduction of ISO 27001 information security management system</li> </ul>
Climate Change Adaptation	Following the core elements of TCFD, conducting an inventory and disclosing actions related to climate change response and mitigation efforts.	<ul style="list-style-type: none"> <li>Identify and assess climate risks</li> <li>Join the SBTi (Science Based Targets initiative) for carbon reduction goals</li> </ul>	<ul style="list-style-type: none"> <li>CDP Questionnaire Evaluation</li> <li>SBTi Carbon Reduction Target Setting</li> </ul>	Sustainability Office, Accounting Department, General (Factory) Affairs	<ul style="list-style-type: none"> <li>CDP Climate Assessment Questionnaire</li> <li>SBTi Target Verification</li> </ul>
Energy and Greenhouse Gas	Implement green sustainability practices to actively reduce the environmental impact and footprint of corporate operations.	<ul style="list-style-type: none"> <li>Methods for conserving energy and resources</li> <li>Management procedures for greenhouse gas inventory</li> </ul>	<ul style="list-style-type: none"> <li>Energy Management Baseline</li> <li>Greenhouse Gas Inventory</li> </ul>	General (Factory) Affairs Unit, EHS	<ul style="list-style-type: none"> <li>Scope 1 + 2 greenhouse gas emissions have decreased by 16.18% compared to the baseline year.</li> <li>Implementation of an energy management system.</li> </ul>
Green Research and Innovation	Leading in low-carbon electricity and sharing sustainable development.	<ul style="list-style-type: none"> <li>Design of low-carbon products</li> <li>Transition to circular economy</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D KPI Target Management</li> <li>R&amp;D Patent Awards</li> </ul>	R&D Units of Each Business Group	<ul style="list-style-type: none"> <li>Initiated product carbon footprint assessment.</li> </ul>
Employee Development and Training	Using TTQS as a benchmark for training quality, aligning it with the company's vision and goals; upholding that talent is the cornerstone of the enterprise, establishing a diverse development training system; enhancing the quality of human resources and the competitiveness of the enterprise to achieve the company's sustainable business goals.	<ul style="list-style-type: none"> <li>Management procedure for education and training.</li> <li>TTQS Talent Development Quality Management System.</li> </ul>	<ul style="list-style-type: none"> <li>TTQS Training Quality Assessment</li> <li>Training Satisfaction Survey</li> </ul>	Human Resource Department	<ul style="list-style-type: none"> <li>The average annual working hours per person is 51.4 hours.</li> <li>New employee mentor training has resulted in a 42.4% reduction in turnover rate.</li> </ul>
Talent Attraction and Retention	Carefully selecting talent and appointing them according to their suitability.	Employment management procedure.	Performance Management System	Human Resource Department	<ul style="list-style-type: none"> <li>Won the Golden Award for Happy Enterprises.</li> <li>Average salary adjustment rate is 6.64%.</li> </ul>
Occupational Health and Safety	Adhering to occupational safety and health requirements and continuously improving the work environment to prevent occupational accidents and reduce occupational health risks.	<ul style="list-style-type: none"> <li>ISO 45001 Occupational Health and Safety Management System</li> <li>Establishment of Occupational Health and Safety Committee.</li> </ul>	<ul style="list-style-type: none"> <li>External Periodic Verification</li> <li>Environmental Monitoring Exceedance</li> </ul>	General (Factory) Affairs Unit, EHS	<ul style="list-style-type: none"> <li>No occupational injuries, illnesses, or serious occupational incidents occurred.</li> </ul>







### Target Setting









Material Topics	Performance Indicator	Achievements in 2023		Future target			SDGs Link
		Target	Achievement	Short-term (2024)	Mid-term(2026)	Long-term (2030)	
Operational Performance	Gross profit margin growth	>10%	26%	>10%	>10%	>10%	Goal 8: Decent work and economic growth 
Integrity and Compliance	No corruption or bribery cases.	0	0	0	0	0	Goal 16: Peace and justice Strong institutions 
	No penalties for non-compliance with ESG-related laws or regulations	0	0	0	0	0	
Sustainable Supply Chain Management	Response rate of new supplier's Sustainability Commitment Statement	100%	100%	100%	100%	100%	Goal 12: Responsible consumption and production 
Corporate Governance and Risk Management	Corporate governance assessment	Top 20%	Top 51%	Top 20%	Top 5%	Top 5%	Goal 8: Decent work and economic growth 
Information Security and Customer Privacy	ISO 27001 Certification for Information Security Management Systems	Implement an information security management system	Initiate the implementation plan for the information security management system	Maintain certification	Maintain certification	Maintain certification	Goal 12: Responsible consumption & production 
Climate Change	TCFD Information Disclosure	TCFD disclosure	TCFD disclosure	TCFD disclosure	Issue the first independent TCFD report	Issue an independent TCFD report	Goal 13: Climate action 
Energy and Greenhouse Gases	Scope 1+2 greenhouse gases are reduced by 4.7% per year compared to the base year of 2021.	-9.4%	-16.18%	-14.1%	-23.5%	-42%	Goal 7 Affordable and clean energy 
Green R&D and Innovation	Product carbon footprint	Introduce carbon footprint	Initiated carbon footprint implementation plan	Completed carbon footprint assessment for 2 products	Established a carbon emission database for components	Linked the BOM table to the carbon emission database	Goal 12: Responsible consumption and production 
Talent Cultivation and Development	Average training hours per person per year	36	51.4	40	45	45	Goal 5: Gender equality 
Talent Attraction and Retention	New employee satisfaction score	> 8	8.9	8	8.3	8.5	Goal 8: Decent work and economic growth 
Occupational Health and Safety	No major occupational incidents	0	0	0	0	0	Goal 3 Good health and well-being 

## 1.4 Sustainability Practices

Since the United Nations released the Sustainable Development Goals (SDGs) and the Taiwanese government issued Taiwan's Sustainable Development Goals, Pihong has been actively responding to the 17 SDGs proposed by the United Nations. We follow the "SDGs Compass" guidelines, which outline 169 specific implementation indicators for businesses. Pihong evaluates the value chain operations related to the relevant targets in our industry, integrating them into our corporate social responsibility policies and operational directions.

We have identified and listed 14 specific Sustainable Development Goals (SDGs) indicators corresponding to Pihong's activities and operations for this year, demonstrating our tangible commitment to the SDGs. These indicators are integrated into our company's operational processes, and we have set targets accordingly. The Sustainability Development Task Force conducts regular performance tracking. Moving forward, we will continue to actively align our sustainability strategies with international standards through collaboration with stakeholders. We see corporate social responsibility as an integral part of our operations, aiming to strike a balance between economic, environmental, and social factors to make a significant impact on global sustainability issues.

SDGs Primary Goal	SDGs Goal	Pihong's Goal	Response to SDGs current situation	Relevant section
<b>No poverty</b> 	1.5: Empower poor and vulnerable communities to recover from disasters. Reduce the frequency and severity of their exposure to climate extremes and other disasters.	<ul style="list-style-type: none"> <li>With our "Neighborhood friendly. Caring for the disadvantaged" philosophy, we continue to help and care for disadvantaged groups.</li> </ul>	<ul style="list-style-type: none"> <li>Regular monthly monetary and nutritional products donations to the Taoyuan "Muhsiang Home" nursery and the Guishan Elementary School Little League team.</li> <li>Global charity: Simultaneous mountain cleaning and caring for the underprivileged at Dongguan and Vietnam factories.</li> </ul>	6.5 Environmental protection and social care
<b>Zero hunger</b> 	2.1: Zero Hunger. Ensure that all people, especially the poor and vulnerable (including infants), have access to safe, nutritious, and sufficient food throughout the year.	<ul style="list-style-type: none"> <li>With our "Neighborhood friendly. Caring for the disadvantaged" philosophy, we continue to help and care for disadvantaged groups.</li> </ul>	<ul style="list-style-type: none"> <li>Regular monthly monetary and nutritional products donations to the Taoyuan "Muhsiang Home" nursery and the Guishan Elementary School Little League team.</li> <li>Global charity: Simultaneous mountain cleaning and caring for the underprivileged at Dongguan and Vietnam factories.</li> </ul>	6.5 Environmental protection and social care
<b>Good health and well-being</b> 	3.8: Achieve health care goals, including financial risk protection, and access to high quality primary health care services.	<ul style="list-style-type: none"> <li>Promote a healthy workplace. Create a healthy and safe workplace for our employees.</li> </ul>	<ul style="list-style-type: none"> <li>In accordance with the labor health protection rules, we allocate full-time nurses and arrange doctors to provide medical consultation and health promotion activities for employees in our factories.</li> <li>Pihong provides free annual health checkups for all employees, in addition to the statutory requirements.</li> </ul>	6.4 Workplace health and safety
<b>Quality education</b> 	4.4: Enhance business management functions, including technical and vocational skills. 4.5: Ensure access to education and vocational training for disadvantaged groups at all levels, including the physically and mentally challenged, Aboriginal people, and disadvantaged children.	<ul style="list-style-type: none"> <li>We are committed to providing our employees with the space to learn and grow. In line with the company's overall strategy, we have developed a comprehensive education and training development system corresponding to our organizational structure and vision.</li> </ul>	<ul style="list-style-type: none"> <li>Supervisory management training to strengthen management skills. Functional professional courses to enhance work efficiency. General courses in language and health.</li> <li>We provide a variety of learning resources for self-development. In addition to career development-related skills and professional training, we also emphasize personal health and spiritual growth.</li> </ul>	6.2 Talent cultivation and development
<b>Gender equality</b> 	5.5: Ensure women's full participation in political, economic, and public decision-making. Ensure that women have equitable opportunities to participate in decision-making leadership at all levels.	<ul style="list-style-type: none"> <li>Promote the proportion of women in management, for example by promoting gender equality and women's empowerment in their published guidelines, educational training, or activities.</li> </ul>	<ul style="list-style-type: none"> <li>Human resources development policy: Focus on matching people to roles based on their abilities, prioritizing management skills without gender consideration.</li> <li>In 2023, nearly 100 female managers at or above the department level accounted for 28.37% of all managers, reaching a record high percentage of female managers.</li> </ul>	6.1 Talent attraction and retention
<b>Clean water and sanitation</b> 	6.4: Raise the efficiency of water use by industry, to ensure sustainable freshwater supply and recycling to address water shortage.	<ul style="list-style-type: none"> <li>Water saving strategy by improving water facilities.</li> </ul>	<ul style="list-style-type: none"> <li>The Taiwan plant has implemented a rainwater harvesting system, and Pihong Dongguan has constructed a rainwater and sewage separation project to improve water use efficiency.</li> </ul>	5.4 Mitigating environmental impacts

SDGs Primary Goal	SDGs Goal	Phihong's Goal	Response to SDGs current situation	Relevant section
<b>Affordable and clean energy</b> 	7.2: Significantly increase global renewable energy sharing; 7.3: Improve energy use efficiency.	<ul style="list-style-type: none"> <li>Enhanced management through regional power usage monitoring system. Reduction of energy consumption through energy saving improvements.</li> </ul>	<ul style="list-style-type: none"> <li>Chino-Navar and Phihong Dongguan have installed solar power systems to use self-generated renewable energy.</li> <li>Replaced high-energy-consuming equipment to achieve energy savings, while implementing various power-saving measures in plant and office areas.</li> </ul>	5.3 Energy and resource management
<b>Decent work and economic growth</b> 	8.5: Achieve full productive employment with equal pay for equal work regardless of gender; 8.7: Prohibit child labor policy; 8.8: Safe and healthy work environment	<ul style="list-style-type: none"> <li>Pay for equal work regardless of gender in accordance with the RBA Code of Responsible Business Practices. Prohibit child labor policy. Workplace Safety and Health Policy.</li> </ul>	<ul style="list-style-type: none"> <li>Follow the RBA Code of Responsible Business Practices to prohibit child labor and equal pay for equal work without gender discrimination. Establish an Occupational Safety and Health Committee under the Environmental Safety and Health Policy. Implement the ISO 45001 Occupational Safety and Health Management System.</li> </ul>	6.3 Human Rights Due Diligence 6.4 Workplace health and safety
<b>Industry, innovation and infrastructure</b> 	9.1: Create a high-quality, safe, sustainable, and resilient infrastructure that supports economic development and human well-being; and provides affordable and equitable opportunities for all. 9.4: Upgrade infrastructure and transform industry and commerce so that they can grow sustainably. Improve energy efficiency and move towards cleaner and greener technologies and processes.	<ul style="list-style-type: none"> <li>Commit to the research and development of high-power charging products to accelerate the charging energy and shorten the charging time. Target for outstanding achievements in the fields of smart life, medical electronics, e-sports, 5G, industrial control, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Build more fast charging stations to create a more EV-friendly environment where EV owners no longer have to worry about traveling distance and can save more time on charging.</li> <li>New technology platform with high conversion efficiency. By increasing the conversion efficiency and reducing the heat generation of components to reduce the size of the product e.g., ultra-high power GaN chargers.</li> </ul>	3.1 R&D and innovation 3.3 Low-carbon product design
<b>Reduced inequalities</b> 	10.3: Ensure equal opportunity and reduce inequality. This includes laws, policies, and practices that eliminate discrimination and promote appropriate legislation, policies, and actions.	<ul style="list-style-type: none"> <li>Respond to and support the "United Nations Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", "RBA Code of Responsible Business Conduct"</li> </ul>	<ul style="list-style-type: none"> <li>Phihong's global human rights policy implements the RBA Code of Responsible Business Conduct. We also conduct third-party verification.</li> </ul>	6.3 Human Rights Due Diligence
<b>Sustainable cities and communities</b> 	11.6: Reduce the harmful effects of urban areas on the environment, including special attention to air quality, urban management, and waste management.	<ul style="list-style-type: none"> <li>Incorporate waste disposal into management to effectively reduce the amount of waste and prevent environmental impacts.</li> </ul>	<ul style="list-style-type: none"> <li>We comply with the environmental laws and regulations of our operations and thoroughly implement a waste management system. We also reduce the amount of waste generated by acquiring and reusing scraps and paying for cleanup.</li> <li>Define the scope of product inventory and introduce product carbon footprint inventory and management.</li> </ul>	5.3 Energy and resource management 3.2 Transformation to circular economy
<b>Responsible consumption and production</b> 	12.6: Integrate Sustainability Information into the reporting cycle.	<ul style="list-style-type: none"> <li>We continue to promote environmental, social, and corporate governance-related sustainability issues into our business processes and include them in our regular reporting and disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>Prepared the Phihong Sustainability Report based on GRI 2021 General Standards and Sustainability Accounting Standards Board (SASB) Standards for Disclosing Climate Change-related Risks and Opportunities (TCFD).</li> </ul>	Editorial Policy 1.1 Sustainable Development Governance 1.3 Identification of material topics 1.4 Sustainable Development Practice
<b>Climate action</b> 	13.3: Improve education, awareness, and human and institutional capacity for climate change risk reduction, adaptation, impact reduction, and early warning.	<ul style="list-style-type: none"> <li>Disclosure of climate change related risks and opportunities (TCFD)</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure of Climate Related Risk and Opportunities (TCFD) Information.</li> <li>Develop and promote low carbon products to enhance the growth of green industries.</li> <li>Committed to SBTi's goal of 4.7% annual carbon reduction.</li> </ul>	4.1 Product quality and safety 5.2 Response to climate change
<b>Peace and justice Strong institutions</b> 	16.5: Significantly reduce all forms of corruption and bribery; 16.7: Ensure that decision-making at all levels is responsive to public opinion and is inclusive, participatory, and representative.	<ul style="list-style-type: none"> <li>Phihong's "Code of Business Ethics and Business Conduct": Anti-corruption and anti-bribery policy. Establish good and harmonious labor relations and respect the freedom of association of employees.</li> </ul>	<ul style="list-style-type: none"> <li>Implement Phihong's "Code of Business Ethics and Conduct": Anti-corruption and anti-bribery policy. There was no corruption or bribery at Phihong in 2023.</li> <li>The Labor-management meeting is held quarterly to discuss the welfare and rights of the labor force. Through reports or proposals to communicate fully.</li> </ul>	2.2 Integrity management 6.1 Talent attraction and retention



# 2

## Prudent Governance

2.1 Corporate Governance

2.2 Integrity Management

2.3 Risk Management

2.4 Information Security



## Year Performance



### Operating performance

- Gross profit grows 26%



### Corporate governance

- Directors have completed an average of 8.9 hours of training.
- Held 13 board meetings with an impressive 83.33% attendance rate by directors.



### Integrity & Compliance





- 100% coverage of anti-corruption advocacy.
- No violations of ESG-related laws and regulations.
- No incidents of corruption or bribery.



### Information security

- Implementing guidance for ISO 27001 Information Security Management System.

## Material Topic and Target Management

Material Topics	Performance Indicators	Achievements in 2023		Future target			SDGs Link
		Target	Achievement	Short-term (2024)	Mid-term (2026)	Long-term (2030)	
Operational Performance	Gross profit margin growth	>10%	26%	>10%	>10%	>10%	Goal 8: Decent work & economic growth 
Integrity and Compliance	No corruption or bribery cases	0	0	0	0	0	Goal 16: Peace and justice Strong institutions 
	No penalties for non-compliance with ESG-related laws or regulations	0	0	0	0	0	
Corporate Governance and Risk Management	Corporate governance assessment	Top 20%	51%-65%	Top 20%	Top 5%	Top 5%	Goal 8: Decent work & economic growth 
Information Security and Customer Privacy	ISO 27001 Certification for Information Security Management Systems	Implement an information security management system	Initiate the implementation plan for the information security management system	Maintain certification	Maintain certification	Maintain certification	Goal 12: Responsible consumption & production 

## 2.1 Corporate Governance

### Governance Organization

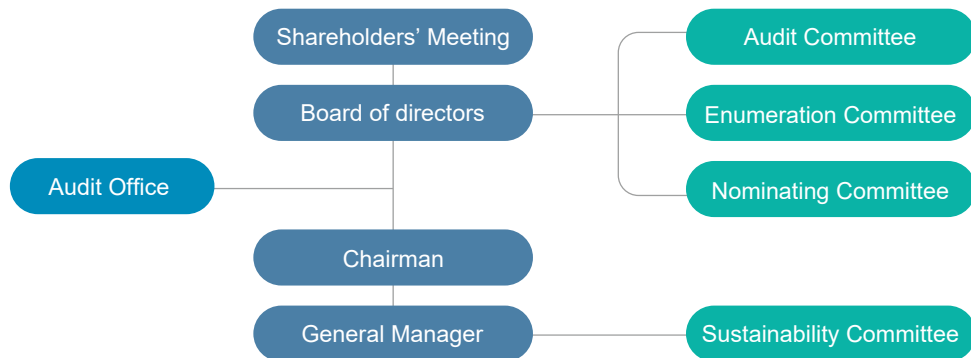
Phihong follows the "Articles of Incorporation," "Practical Guidelines for Corporate Governance," and relevant laws to establish a corporate governance framework, implement comprehensive governance systems, ensure regulatory compliance, and operate with integrity to ensure sustainable growth. Strengthening board oversight, enhancing transparency, actively communicating with stakeholders, and deepening a corporate culture of sustainability are all key aspects of corporate governance promotion.

In 2023, Phihong was ranked among electronics companies listed on the Taiwan Stock Exchange, with a score of 51%-65% in the 10th Corporate Governance Evaluation. Phihong will continue to enhance corporate governance by reinforcing board functions, safeguarding shareholder rights, strengthening internal control and risk management, enhancing information transparency, promoting sustainable development to actively improve corporate governance, and create corporate value

#### Composition of the Board of Directors

Phihong's Board of Directors serves as the highest governing body and major decision-making center for the company. Directors prioritize the long-term interests of the company and shareholders, guiding strategic direction, overseeing management, and planning and executing sustainable development initiatives. They act objectively and independently, adhering to the company's articles of incorporation and relevant laws to ensure legal compliance and accountability to the company and shareholders. Importantly, the Chairman of the highest governance unit of Phihong is not the same person as the highest level of management.

#### Corporate Governance Structure



The Phihong board of directors comprises 9 members with diverse academic and professional backgrounds, as detailed on the company's official website and in the 2023 annual report. Their term lasts for 3 years, and the selection process follows a nominee system, ensuring fairness, impartiality, and transparency. There are 4 independent directors, accounting for 44.5% of the total board, selected based on assessments of their independence in accordance with relevant regulations. Recognizing the importance of diversity, Phihong plans to appoint one female independent director in 2023, considering sustainability management expertise in the nomination and selection criteria. The board convenes at least once per quarter to oversee internal control policies and procedures, review operational performance, and discuss significant impacts and strategic issues. Managers regularly attend board meetings to report on operational and financial matters, and directors provide professional opinions on major proposals or decisions for managerial reference. In 2023, a total of 13 board meetings were held, with an impressive attendance rate of 83.33% by directors. The table below outlines the industry experience and professional expertise of the company's directors.

#### Further Education of Board Members

Each year, the board members of Phihong consistently engage in continuing education in compliance with regulatory requirements. In 2023, all 8 members continued their tenure as directors, collectively accumulating 71 hours of education, with an average of 8.9 hours per person. This exceeds the regulatory requirement of 6 hours as outlined in the "Guidelines for Continuing Education for Directors and Supervisors of Listed and OTC Companies." The educational topics cover a wide range, including corporate governance, corporate social responsibility, net zero emissions, ESG sustainability, and international tax law reforms, ensuring the board's competence in making decisions related to economic, environmental, and social issues. For detailed information on the board's continuing education in 2023, please refer to the Phihong company website.

Item Name of Director		Basic information				Industry experience				Expertise			
		Gender	Nationality	Part-time employee	Age	Electronic technology	Product design	Asset management	Others	Business management	Accounting & Finance	Law	IT
Chairman	Chung-Min Lin	M	ROC	V	71~80	V			V	V	V		V
Director	Fei-Hung Lin	M	ROC	V	41~50	V	V		V	V	V		
	Wei Feng Jiang	M	ROC		51~60	V		V	V	V	V		V
	Yang-Hong Lin	M	ROC	V	41~50	V			V	V	V		V
	Ming-ren Yu	M	ROC		51~60	V		V	V	V	V		V
Independent Director	Yu-yuan Hong	M	ROC		51~60	V			V	V	V		V
	Kui-hong Lin	M	ROC		51~60	V	V		V	V	V		
	Zhong-shu Wu	M	ROC		61~70				V	V	V		
	Zu-sheng Fu (resigned in Sep 2023) Re-election in Jun 2023	M	ROC		61~70							V	

Note: For information on the board of directors and their backgrounds, please refer to the corporate governance section in the investor relations area of the Phihong website. The capabilities of the board members are related to the major operational performance themes, corporate governance and risk management, information security and customer privacy, climate change adaptation, energy, and greenhouse gases. This encompasses representatives of shareholders/investors, customers, employees, and other stakeholders.

## Conflict of Interest Avoidance

The relevant conflicts of interest among board members (such as holding positions in other companies, etc.) have been disclosed in the Company's Governance and Financial Reports in the 2023 annual report as related-party transactions. The appointment of the company's executives is made by the board of directors, while other managerial positions are authorized by the executives. In cases where there is a conflict of interest in board meeting agenda items, the director or executive involved fully discloses their personal interest relationship during the board meeting and abstains from discussing and voting on the agenda item. After the meeting, the details of the agenda item, the director's name, their personal interest relationship, and the voting results are disclosed in the board meeting minutes to comply with the spirit of independent operation of the board.

## Functional Committee Operations

Committee	Established since	Duties	Members	2023 Committee Operations			
				Required frequency	No. of Meetings	Attendance rate	Important Resolutions
Audit Committee	2017.6	Supervise the proper expression of the company's financial statements, the selection (dismissal) and independence of certified accountants, the effectiveness of internal control, compliance with laws and regulations, and the management and control of the company's existing or potential risks.	4 independent directors make up the committee, with Independent Director Yu-yuan Hung serving as chairman.	Quarterly	9	97%	<ul style="list-style-type: none"> <li>Annual and quarterly financial reports</li> <li>Annual budget and capital expenditure proposal</li> <li>Revisions to internal control systems and management practices</li> <li>Major capital loans and endorsement guarantees</li> </ul>
Remuneration Committee	2011.12	To establish and regularly review the policies, systems, standards and structures for performance evaluation and compensation of directors and managers, and to regularly evaluate and set the compensation of directors and managers.	4 independent directors make up the committee, with Independent Director Yu-yuan Hung serving as chairman.	Annually	6	100%	<ul style="list-style-type: none"> <li>Review and adjustment of directors' operating expenses</li> <li>Manager salary adjustment and year-end bonus proposal</li> </ul>
Nominating Committee	2017.8	To nominate and confirm the qualifications of director candidates, to establish the organizational structure of functional committees, and to review the rules and regulations related to the operation of the board of directors and functional committees, and to establish and amend the code of corporate governance practices.	4 independent directors make up the committee, with Independent Director Yu-yuan Hung serving as chairman.	Bi-annually	3	100%	<ul style="list-style-type: none"> <li>Nomination of director candidates</li> <li>Evaluation of Directors' Performance</li> <li>Revision of the Code of Corporate Governance Practices</li> </ul>
Sustainable Development Committee	2014.12	To coordinate the formulation of corporate social responsibility, sustainable development direction and goals, or the proposal and implementation of related management policies and specific promotion plans, and to report regularly to the Board of Directors.	The Group General Manager serves as the Chairman, with the establishment of a Sustainability Director. First-level supervisors act as conveners for the seven major sustainability themes.	Bi-annually	12	100%	<ul style="list-style-type: none"> <li>Establish 47 ESG KPIs.</li> <li>Approval of the 2023 ESG Major Topic and Report.</li> <li>Progress report on greenhouse gas inventory for the group.</li> </ul>

## Board performance evaluation

Pihong's directors and managers' compensation is managed according to the "Regulations for the Organization of Compensation Committee." Directors receive reimbursement for actual meeting attendance, while managers receive monthly salaries. Additionally, at least one performance evaluation is conducted annually for directors, board members, and managers. Individual compensation is determined based on self-assessment results, reviewed by the Compensation Committee, and presented to the shareholders' meeting. In line with ESG integration, the CEO (also a board member) and managers have sustainability performance indicators incorporated into their personal goals, aligning them with the company's objectives and shareholder interests. These factors are considered during the annual performance review, directly influencing compensation evaluations. The compensation for directors and managers in 2023 was reviewed by the Compensation Committee and approved by the board, with details available in Pihong Technology's 2023 annual report. Total director compensation for 2023 amounted to 5,681 thousand NTD, representing 9.67% of the net profit after tax. Managerial compensation totaled 36,443 thousand NTD, accounting for -11.65% of the net profit after tax.

## Internal Performance Evaluation



The performance self-evaluation items of the board of directors include the following 5 aspects

1. The degree of participation in the company's operations.
2. Improve the quality of decision-making of the board of directors.
3. Composition and structure of the board of directors.
4. Selection and continuing education of directors.
5. Internal control.



The performance self-evaluation items of directors include the following 6 aspects

1. Master the company's goals and tasks.
2. Responsibilities of directors.
3. The degree of participation in the company's operations.
4. Internal relationship management and communication.
5. Professional and continuing education of directors.
6. Internal control.

## Internal Audit

Phihong Technology has established an Audit Department in accordance with the law, directly reporting to the Board of Directors. It comprises one full-time Audit Director and one Audit Agent. The department is responsible for supervising internal control processes across the company and its subsidiaries, executing annual audit plans, and tracking improvement effectiveness. The appointment and dismissal of the Audit Director require approval from the Audit Committee and subsequent resolution by the Board of Directors. The appointment, annual evaluation, and salary compensation of audit personnel are approved by the Audit Director and endorsed by the Chairman of the Board. The Audit Department executes audit tasks based on the audit plan, which is developed according to risk assessment results and approved by both the Audit Committee and the Board of Directors. Additionally, project audits are conducted as necessary. The results of audit plan execution are periodically or as needed reported to the Audit Committee and the Board of Directors. The Audit Department ensures that internal units and subsidiaries conduct annual self-assessments of the effectiveness of their internal control systems. These self-assessment reports are then reviewed by the Audit Department, and the combined results serve as the basis for the Board of Directors and the CEO to issue statements on internal control systems, thus upholding the spirit of corporate governance.

The Audit Unit reports on internal control execution to the Board of Directors and the Audit Committee at least once per quarter, with four reports to the Board and four to the Audit Committee in 2023. Communication with independent directors, internal audit executives, and accountants is conducted through email, meetings/discussions, and a separate meeting held once in 2023. For details on communication between independent directors and the internal audit director and accountants, please refer to the Phihong Technology website's Governance section and the company's annual report.

## 2.2 Integrity Management

Integrity is the core of Phihong's business and is the central thought behind all activities. We established the "Code of Business Ethics and Business Conduct" and require all of our employees to understand Phihong's expectations on each of them. This Code provides them with the basic concepts of ethics and moral codes, as well as general knowledge, good judgment, and integrity to deal with all business issues. We ensure that employees' decisions and actions are consistent with Phihong's values and the spirit of integrity and honesty in this Code, so that all employees can implement them consistently. In 2023, based on 52 audits conducted by the Audit Office and feedback from internal and external stakeholders, we did not have any confirmed incidents of corruption nor actions taken.

- In accordance with the "Code of Conduct for Integrity", Phihong conducts integrity management risk assessments and identifies significant risks in the area of procurement, such as inappropriate acceptance of gifts or exchange of benefits by entertainment expenses. Therefore, Phihong has designed a favor-returning mechanism for gifts from manufacturers to facilitate timely prevention of corruption, bribery, and extortion.
- Integrity and ethics clauses are included in the relevant contracts with suppliers. We establish anti-corruption and integrity requirements, explicitly oppose actions that undermine the company's integrity and corporate image. We require the signing of an "Integrity Pledge". Insider trading is strictly prohibited to enforce anti-corruption in our ordinary management and business practices.
- We have established a corporate culture of integrity management and implemented ethical and clean policies. In addition, we have established a "Code of Conduct for Employees" covering performance evaluation and reward/punishment of employees, so that our employees clearly know the rules of conduct and receive rewards/punishment following these rules.
- Phihong has established a "Code of Conduct for the Board of Directors" to regulate the operation of the Board of Directors and the recusal of interests. The "Code of Corporate Ethics and Business Conduct" is used to regulate employees to prevent conflicts of interest. The manager of the Audit Office under the Board of Directors is responsible for receiving complaints from stakeholders, handling and responding to them. We implement integrity management in a proactive manner.
- Engage in business activities in accordance with the relevant competition laws and regulations and to prohibit unfair competition practices, such as bid rigging, quota restriction, etc.
- Develop and implement a specific whistleblower system, taking into account confidentiality and reward/punishment measures.

## Anti-Corruption Advocacy

To deepen employees' understanding and implementation of integrity and honesty, Phihong includes the "Phihong Code of Business Ethics and Conduct" as a mandatory course for new employees. Additionally, annual online and in-person training sessions are held to promote awareness among all staff. Upon joining, new employees are required to sign the "Code of Business Ethics and Conduct Acknowledgment Form" and the "Intellectual Property and Confidentiality Agreement." To emphasize the importance of ethical behavior, biannual training sessions specifically address employee conduct, and periodic updates are communicated to all staff via internal bulletin boards. This approach underscores the company's strong commitment to integrity and ethics.

At our overseas factories, Phihong implements the Responsible Business Alliance (RBA) training at our Dongguan facility, incorporating it into the onboarding program for new employees. All warehouse and accounting staff are required to sign an Employee Guarantee, ensuring that new hires immediately understand Phihong's commitment to the RBA. At the Haiphong facility, Phihong integrates anti-corruption and anti-bribery policies into our company's operational philosophy and corporate culture training for new employees.

Phihong Taiwan Anti-Corruption Training Themes	Hours	Participants	No. passed
Micro-E Charging - Advocacy on Human Rights Issues	0.5	209	209
Micro-E Charging - Corporate Ethics and Business Code of Conduct	0.33	345	345
New Employee General Training: Introduction to Corporate Sustainability	1	53	53
New Employee General Training: Phihong Corporate Ethics and Business Code of Conduct	0.5	56	56

Additionally, for business partners, Phihong sends out advocacy emails every quarter to suppliers who have had commercial interactions and transactions within the past year. These emails outline anti-corruption communication and reporting channels. Furthermore, Phihong publishes its corporate social responsibility policy on its B2B website, ensuring that all business partners are fully informed about and comply with the anti-corruption policy, achieving 100% policy communication coverage.

## Reporting System

Phihong operates our business with honesty and integrity. We comply with the local legal and ethical standards of our operating locations. To strengthen compliance with laws and regulations and corporate governance, Phihong has established the "Code of Conduct for the Board of Directors" to regulate the operation of the Board of Directors and the "Code of Business Ethics and Business Conduct" to regulate employees to prevent conflicts of interest. In addition, we have established a channel for stakeholder complaints. The Audit Office Manager under the Board of Directors serves as the dedicated contact point to receive stakeholder complaints, and to handle and respond to them in a proactive manner to implement honest management.

Phihong Dongguan	Staff Category	Participants	Course hours	Passing ratio
Responsible Business Alliance Code of Conduct (RBA) and Corporate Social Responsibility Promotion	New hires	4,384	4,384	100%
	Existing	1,918	2,458	100%
Phihong Haiphong	Staff Category	Participants	Course hours	Passing ratio
Introduction of Social Responsibility System. Corporate Philosophy and Culture	New hires	1,087	8,696	100%
	Existing	180	271	100%



⊙ **Stakeholder Complaint Channel :**

Phihong's reporting channel is managed by the Manager of the Audit Office under the Board of Directors, who serves as the dedicated point of contact responsible for receiving and handling complaint cases. They also report investigation results to relevant supervisors. The company ensures the confidentiality of complainants' identities and complaint contents and actively verifies and addresses them. If you find that a person has violated the code of conduct or the relevant code of conduct, you can make a complaint through the following hotline and complaint mailbox:

Telephone: +886-3-327-9008 # 1340;  
 Email: Charles\_Wang@phihong.com.tw.

⊙ **Reporting channels for illegal and unethical or dishonest conduct :**

Internal staff can also report to the Audit Office through the internal hotline by calling ext. 1340. or by e-mail at Charles\_Wang@phihong.com.tw.

⊙ **Internal Control Measures :**

To strengthen internal control management, internal audits and related education and training are conducted on a regular basis. The company's "Code of Conduct for Integrity" is regularly promoted every year so that directors, managers and employees can fully understand and comply with the Code of Conduct for Integrity. Relevant education and training courses are held to strengthen employees' awareness of compliance. To enhance the concept of integrity and self-discipline, new recruits sign the Introduction to the Code of Business Ethics and Business Conduct and the Agreement of Recognition form when they report to work, and all employees are required to sign the Intellectual Property Rights and Confidentiality Agreement, so that they understand the importance and necessity of honest business practices.

⊙ **2023 Complaint Processing Status:**

During the year 2023, there were no complaints at any of Phihong's plants.

## Compliance with Laws

Compliance with laws and regulations is a fundamental requirement of corporate governance. Phihong attaches great importance to the compliance of the company and all employees with all laws and regulations. From time to time each year, we reaffirm internally the ethical standards of business ethics, corporate governance, and employee moral conduct. In addition, Phihong is committed to comply with local laws and regulations of our operation locations with integrity. This is the role and responsibility of Phihong as a global citizen. Phihong Taiwan headquarters has a legal office to assist employees in clarifying various legal issues. If employees violate laws, labor safety rules or regulations, labor contracts and business ethics, Phihong will follow the relevant laws and disciplinary measures to pursue the case.

Domain	Description	Management System	2023 Implementation Result
Violation of Social and economic regulations	Penalties for violating social and economic related laws or regulations.	Establishing a mechanism to track revisions in social and economic regulations ensures that significant changes affecting company operations are promptly identified. This allows for the adjustment of internal operational policies and systems to mitigate legal risks and financial penalties. Moreover, it enhances the company's adherence to relevant laws, thereby promoting positive outcomes internally.	<ul style="list-style-type: none"> <li>There have been no significant revisions to social and economic regulations directly impacting company operations.</li> <li>The company has not faced any penalties for violating social and economic regulations related to its operations.</li> </ul>
Environmental Protection	Penalties for violating environmental laws and regulations.	Establishing a mechanism to track revisions in environmental regulations related to products, services, and marketing activities ensures timely identification of significant changes affecting the company. This facilitates the adjustment of policies and systems in product, service, and marketing aspects to mitigate legal risks and financial penalties. Moreover, it enhances internal adherence to environmental laws, promoting positive outcomes within the company.	<ul style="list-style-type: none"> <li>There have been no significant revisions to environmental regulations directly impacting company products, services, and marketing activities.</li> <li>Apart from the following incident, the company has not faced penalties for violating relevant environmental regulations in its products, services, and marketing activities.</li> <li>Due to administrative oversight, the company violated Article 28, Paragraph 2 of the Waste Disposal Act by failing to designate a representative within 15 days after the departure of its waste management professional and report to the competent authority for inspection. The company subsequently hired a qualified replacement within 90 days. The Taoyuan City Environmental Protection Bureau fined the company NT\$6,000 for this violation, which has been rectified.</li> </ul>
Anti-corruption and anti-bribery	The Company suffers financial or reputational damage or image damage as a result of employee corruption or suffers losses from the termination of cooperation with customers or business partners due to corruption violations.	<ol style="list-style-type: none"> <li>The Audit Office conducts corruption-related risk assessments annually for the Lin-kou headquarters, Zerova, Phihong Dongguan, and Phihong Haiphong, covering 100% of the company's operational locations, in accordance with employment contracts, employee codes of conduct, procurement management procedures, and vendor integrity commitments.</li> <li>Ethical norms such as business ethics, corporate governance, and employee moral conduct are periodically reiterated within the company each year.</li> </ol>	<ul style="list-style-type: none"> <li>Risk reports highlight significant corruption risks, primarily stemming from inappropriate gifts, money, or expenditure on entertainment expenses in exchange for goods, services, or bidding advantages within the procurement process.</li> <li>Relevant departments periodically reinforce policy advocacy and its content according to their responsibilities. There have been no reports of or incidents involving employee corruption or bribery.</li> </ul>
Anti-competitive behavior	Anti-competitive, antitrust, and monopolistic practices.	Engaging in business activities while adhering to relevant competition regulations is imperative. Prohibited actions include unfair competition practices such as price fixing, bid manipulation, quota restrictions, and monopolistic behaviors abusing market dominance.	<ul style="list-style-type: none"> <li>There have been no instances of anti-competitive or anti-trust (fair trade) behavior occurring.</li> </ul>
Prohibition of Child Labor and Forced Labor	Punishment for violating the local minimum employment age labor law; punishment for forced labor or inhumane treatment of employees.	Before hiring any job applicant, effective measures are taken to verify the age of the candidate. Prospective employees must provide identification documents for verification by the company before proceeding with the hiring process. Additionally, comprehensive training on employee rights protection is provided, along with complete occupational health and safety education.	<ul style="list-style-type: none"> <li>The company implements an identity verification mechanism when hiring employees. Both parties sign a labor contract that clearly outlines their rights and obligations, based on mutual agreement. Additionally, periodic training courses on employee rights protection and occupational health and safety are conducted.</li> <li>There have been no significant violations of labor regulations resulting in disciplinary action or litigation. Furthermore, there have been no instances of employing child labor or experiencing employment discrimination.</li> </ul>
Product liability and Marketing label	No violation of health and safety regulations during the life cycle of products and services.	From product design to manufacturing, stringent measures are implemented to ensure product safety and compliance with relevant health and safety regulations. Additionally, adherence to trademark labeling laws and related guidelines is strictly followed throughout the process.	<ul style="list-style-type: none"> <li>There have been no large-scale product recalls related to serious injuries or fatalities. Additionally, there have been no financial losses resulting from legal disputes related to product safety.</li> <li>There have been no incidents resulting in fines or warnings due to violations of regulations or voluntary agreements.</li> </ul>
Customer Privacy and Intellectual Property Rights Protection	Disclosure of customer privacy and intellectual property rights due to human negligence or poor hardware.	New employees receive training on business secrets and intellectual property rights. Contracts with clients explicitly state the obligation of confidentiality for both disclosing and receiving parties regarding business secrets. This includes ensuring that the receiving party does not disclose the confidential information to third parties. Additionally, efforts are made to strengthen information security risk management and enhance capabilities in managing and protecting confidential documents containing personal information.	<ul style="list-style-type: none"> <li>In 2021, there was a confidential leakage incident regarding charging pile technology. Phihong proactively reported the case to the investigative authorities for investigation. In 2023, two individuals involved were prosecuted for violating the Trade Secrets Act, and a special report was submitted to the Board of Directors.</li> <li>In 2023, there were no incidents of claims of breach of contract due to the disclosure of customer business secrets or personal privacy.</li> </ul>



## 2.3 Risk Management

### Risk Management Policy

Phihong is an electronic component manufacturing company that faces significant operational and financial impacts from natural disasters, human accidents, unexpected events, the introduction of new technologies, changes in international political and economic conditions, and policy and regulatory changes. To strengthen the company's operational resilience and sustainable development, Phihong has established a comprehensive risk management organizational structure and cross-organizational collaboration to build a robust Enterprise Risk Management (ERM) system. Through risk assessment, identification, integration, and management of various potential sustainable risks that could affect the company's sustainable development and profitability—such as

strategic, operational, financial, and hazard risks (including climate change, water and electricity supply, earthquakes, and fires)—Phihong employs risk reduction, avoidance, and transfer strategies and measures to keep potential risks within manageable limits and even transform them into business opportunities.

### Risk Monitoring and Identification

Phihong identifies and confirms potential risks and impacts from internal and external environments. In 2023, the company identified eight major risks related to operations, technology, information security, facilities, supply chain, finance, and personnel. For each risk, specific impact response and management responsibilities were established. Procedures for early warning, emergency response, crisis management, and recovery actions were implemented to ensure sustainable operations.

### Enterprise Risk Management Analysis Table

Aspects	Type of Risk	Impact on operations	Response strategies	Business opportunities
Environment (E)	Power and Water Disruptions	Power and water resource disruptions impacting operations.	<ul style="list-style-type: none"> <li>Develop emergency response plans to mitigate the impact of power and water disruptions.</li> <li>Install generators, uninterruptible power systems, and evaluate the implementation of energy storage facilities.</li> <li>Establish in-factory water storage and external water support mechanisms; implement water and energy conservation measures.</li> </ul>	Accelerate the improvement of energy and resource use efficiency, adopt renewable energy usage, and establish energy and resource emergency mechanisms.
	Environmental Risks	Greenhouse Gas Emission Management Energy Resource Management Air, Water, Waste, Toxic, and Noise Emission Management	<ul style="list-style-type: none"> <li>Review international environmental protection trends to formulate environmental protection strategies that meet operational needs.</li> <li>Conduct disaster prevention monitoring and drills for emergency response and recovery capabilities.</li> <li>For impacts or threats and response strategies, please refer to the "Climate Change Risks and Opportunities" section.</li> </ul>	For potential opportunities, please refer to the "Climate Change Response" section.
Social (S)	Threat of Major Infectious Diseases	Due to the spread of infectious diseases, employees are unable to come to work, and materials cannot be delivered to the company on time, leading to production line stoppages and the company's inability to meet customer demands.	<ul style="list-style-type: none"> <li>Activate quarantine organization and SOP mechanism to ensure employees are safe to come on line and restart operation.</li> <li>Diversify and off-site work to spread risks.</li> <li>Strengthen the supply chain partnership, sharing and cooperating with the supply chain epidemic prevention mechanism.</li> </ul>	A swift and prudent plan to gradually restore normal output to demonstrate crisis management capabilities and gain customer trust and more business opportunities.
	Occupational Safety Risks	Occupational injuries and public safety incidents can impact the company's normal operations. Depending on the severity, they can even lead to personnel and property losses, as well as factory shutdowns.	<ul style="list-style-type: none"> <li>Account occupational disease hazard factors to avoid employee exposure to harmful factors.</li> <li>Enhance daily security awareness and drills; in case of emergency disasters or public safety incidents, immediately activate task forces for rescue operations.</li> <li>Strengthen labor-management communication channels to establish harmonious labor relations.</li> <li>Implement regular employee health check-ups.</li> </ul>	Reducing and preventing the occurrence of occupational accidents, ensuring the safety of employees' property, and increasing stakeholders' confidence in the Company's continued operation.
	Information Security Risks	Damage caused by leaks, theft, sabotage, or natural disasters can result in abnormal company and personal information, as well as disruptions to internal and external communication systems. This can lead to operational losses and even damage to the company's reputation.	<ul style="list-style-type: none"> <li>Conduct bi-annual off-site data recovery drills to simulate data loss due to natural disasters or human factors, ensuring system operation is restored in the shortest possible time.</li> <li>Maintain backup dedicated lines with two telecom providers to ensure normal external operations. Enhance system encryption capabilities and password management.</li> <li>Implement employee training and awareness programs to strengthen information security management and promote employee compliance.</li> </ul>	To build a highly reliable information security management system to prevent any possibility of communication disruption, data loss and leakage in order to gain the trust and support of all stakeholders in the company.

Aspects	Type of Risk	Impact on operations	Response strategies	Business opportunities
Corporate Governance (G)	Ethical Risk	The Company suffered losses due to violations of the Code of Conduct and Integrity. In 2023, we conducted a corruption risk assessment for each plant and identified significant risks in the area of procurement, such as inappropriately accepting gifts, money, or exchanging social expenditures for preferential treatment in exchange for suppliers' goods and service bids.	<ul style="list-style-type: none"> <li>New employees at Phihong are required to receive training on "Corporate Ethics and Business Conduct Guidelines" and to sign a letter of approval after the training.</li> <li>From time to time, we promote the importance and practice of ethical management through education and training as well as employee advocacy.</li> </ul>	<ul style="list-style-type: none"> <li>All employees abide by the corporate ethics and code of business conduct and operate with integrity.</li> </ul>
	Financial Risk	<ul style="list-style-type: none"> <li>Changes in interest rates and exchange rates affect financial income and expenses, impacting financial leverage and inflation risk.</li> <li>Tariff barriers increase customers' willingness to place orders and production costs, and impede supply chain delivery.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate interest rate exposure items and the impact of floating interest rates.</li> <li>Use natural hedging for exchange rate risks; invest short-term funds in liquid, principal-protected, and income-secure bank financial products and fixed deposits. Avoid high-risk, high-leverage investment activities.</li> <li>Dispose of idle assets for cash inflows and apply for financing from financial institutions to support operational funds and long-term capital expenditures.</li> <li>Actively develop production bases in Vietnam to enable effective and flexible adjustments, reducing the impact of trade tariffs.</li> </ul>	<ul style="list-style-type: none"> <li>Manage the impact of changes in interest rates and foreign exchange rates on assets and cash flow, and stabilize the company's financial operations.</li> <li>Strengthen the ability to respond to changes in operations and production modes, and expand supply chain partnerships and sustainability.</li> <li>In line with the government's investment incentives, we will continue to strengthen our R&amp;D capabilities and technological talents in our Taiwan headquarters, and lay out our production bases outside of China.</li> </ul>
	Supplier Risk	Failure of suppliers to provide raw materials as scheduled, affecting normal operation and shipment.	<ul style="list-style-type: none"> <li>View inventory management mechanism and "Timely Alert System for Material Supply".</li> <li>Provide backup mechanism for substitute material suppliers to ensure stable material source and no risk of chain breakage.</li> <li>Regularly perform BCP audits on suppliers to assist suppliers in establishing risk management mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the sustainable partnership with suppliers to fulfill customers' needs and expectations, and create win-win situation together.</li> </ul>

## Organizational Risk Early Warning

The relevant units of Phihong are constantly reviewing the changes and risks of the domestic and international business environment. We comply with government regulations and Phihong's system, and continue to effectively control risks as follows:

### ⦿ Financial Risk Control

We do not engage in high-risk, high-leverage investment activities. Phihong uses natural hedges and borrowings in U.S. dollars to reduce its exposure to exchange rate risk. Short-term idle funds are invested mainly in liquid, principal- and yield-safe capital-protected bank products and time deposits. In addition, cash inflows from the private placement of common stock and the issuance of five-year fixed-rate corporate bonds, as well as financing facilities from financial institutions, were used to fund working capital and long-term capital expenditures.

### ⦿ Operational Risk Control

Phihong deeply understands that uncertain risk factors such as natural disasters and unexpected events have significant impacts on company operations and employee safety. Therefore, the company adopts a proactive approach to disaster risk management through stringent risk management plans and the implementation of safety standards, striving to achieve the highest safety standards in the power industry. To ensure the company can quickly resume normal operations after disasters (including fires, earthquakes, typhoons, water and power outages, wars, political unrest, terrorist attacks, food poisoning, statutory infectious diseases, and environmental pollution), minimize property losses for the company and customers, and maintain company reputation and employee safety, we employ insurance to manage and avoid risks. This approach ensures that during the insurance period, any unexpected incidents that lead to the damage or loss of insured property are covered. By planning for insurance and allocating fixed insurance expenses, we transfer operational risks and minimize potential losses.

## 2.4 Information Security

### Information Security Policy and Organization

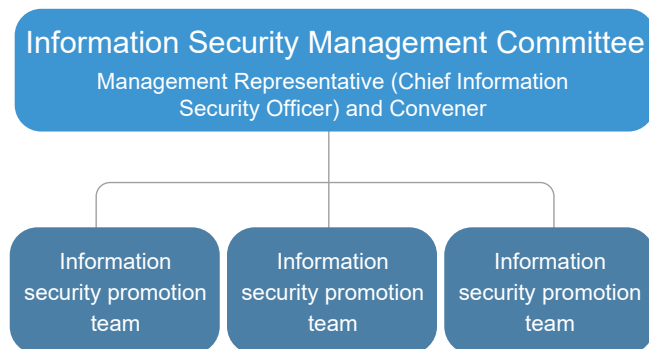
To ensure the confidentiality, integrity, and availability of Phihong's information, personnel, assets, and software/hardware, and to comply with relevant regulatory requirements, protecting against internal and external intentional or accidental threats, thus reducing the impact on operations, Phihong adopts the PDCA management model. This model comprehensively introduces an information security management mechanism to prevent unauthorized access, use, control, leakage, destruction, alteration, disposal, or other violations of information systems or information. Phihong regularly conducts internal information security drills and education and training to enhance employees' awareness and vigilance regarding information security. This ensures the security of customer and product information.

In May 2023, Phihong established the Information Security Department and appointed a dedicated Chief Information Security Officer (CISO), who reports directly to the General Manager. This department is responsible for promoting information security-related matters, formulating the group's information security policies, enhancing information security monitoring, improving employees' information security awareness and knowledge, and handling and responding to information security incidents. In conjunction with the promotion of the information security management system, Phihong established the "Information Security Management Committee," which includes roles such as the "Information Security Management Representative" (Chief Information Security Officer), the "Information Security Implementation Task Force," the "Information Security Internal Audit Team," and the "Information Security Emergency Response Team." These entities are responsible for planning, establishing, and implementing information security strategies, regularly reviewing security policies, executing various security projects, and strengthening security management measures. In November 2023, Phihong initiated the ISO 27001 Information Security Management System implementation project, with the goal of obtaining certification by 2024. This aims to enhance overall information security protection capabilities through mechanisms such as security governance, regulatory compliance, risk control, and audit reviews, supported by technological applications. Additionally, Phihong collaborates with external accounting firms to conduct regular annual audits of the information security-related aspects of the information units, tracking and improving their effectiveness. The organizational operation model employs periodic audits and cyclic management to ensure the achievement of reliability goals and continuous improvement.

#### Information Security Objective

- Protect the security of our business services and ensure that information is accessible only by authorized personnel to protect the rights of our customers, safeguard customer information and ensure its confidentiality.
- Protect the security of our business services from unauthorized modifications to ensure their accuracy and integrity.
- Establish an ongoing plan for the Company's information security operations to ensure the continued operation of the Company's business services.

#### Information Security Management Committee



### Information Security Management Measures

Category	Management Measures	Implementation Status in 2023
Privilege Management	Personnel account, authorization management and system operation behavior management measures	Internal personnel account access management and auditing
Access Control	Control measures for personnel access to internal and external systems and data transmission channels	<ul style="list-style-type: none"> <li>Internal/external access control measures</li> <li>Data leakage control measures</li> <li>Operation behavior track record analysis</li> </ul>
External Threats	Internal System Vulnerabilities, Infection Channels, and Protection Measures	Host/Computer Vulnerability Detection and Updates Virus Protection and Malware Detection
Vulnerability Scanning	Scanning for vulnerabilities in PC and server systems, followed by improvement and continuous tracking of identified weaknesses, aims to detect potential information security threats and vulnerabilities early, thereby enhancing operational and protective capabilities in information security.	Regular drills
Education & Training	Regularly educating users and colleagues on information security concepts.	Regular drills
Social Engineering Drill	To raise awareness among colleagues regarding email security and prevent potential network security risks and personal data breaches resulting from malicious email browsing, Pihong conducts at least two email social engineering drills annually. °	Regular drills

### Response to Major Information Security Incidents

In February 2023, Pihong experienced a cybersecurity incident, which had no significant impact on the company's operations. The information department detected abnormalities promptly and immediately disconnected external network connections. Simultaneously, Pihong issued a major announcement on the public information observation platform. Security defenses were strengthened promptly, and a comprehensive forensic analysis was conducted. Affected system services were restored to operation in the shortest possible time. Pihong simultaneously reported to the board of directors, reviewed and strengthened existing information security policies, system architecture security, and the implementation of employee information security. Overall, network security levels were enhanced to ensure the confidentiality, integrity, and availability of data.

In February 2024, Pihong commissioned the globally renowned cybersecurity consulting firm Mandiant to investigate the cybersecurity incident and assist in restoring the information environment.

#### Implementation Duration and Effectiveness

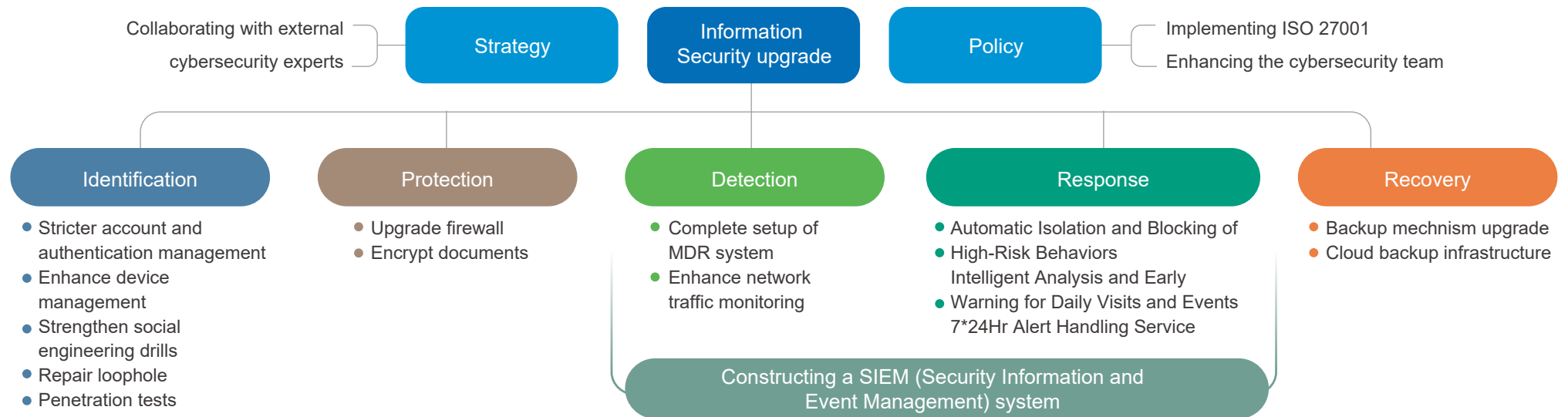
During the period of 2023/2/21 ~ 2023/9/30, we completed the investigation of the root cause of information security incidents, assisted the information team in information environment restoration and security enhancement, and improved the overall information security of the Group.

Note: Mandiant (now part of Google Cloud) is recognized as the market leader in threat intelligence and frontline cybersecurity expertise by corporations, governments and law enforcement agencies worldwide.



序號	1	發言日期	112/02/13	發言時間	08:53:03
發言人	林洋宏	發言人職稱	總經理	發言人電話	(03)3277288
主旨	本公司發生網路資安事件				
符合條款	第 26 款	事實發生日	112/02/13		
說明	1. 事實發生日: 112/02/13 2. 發生緣由: 本公司發生網路資安事件, 資訊部門於第一時間即發現異常, 並進行阻斷對外網路連結。 3. 處理過程: 本公司資訊團隊為加強資安防禦, 立刻與外部領先的資安諮詢公司合作, 共同因應此次資安事件, 並全面強化相關防禦機制與復原作業, 亦通報政府檢調單位, 至今持續保持密切連繫。 4. 預計可能損失或影響: 目前評估對公司營運無重大影響。 5. 可能獲得保險理賠之金額: 因調查持續進行中尚未確定。 6. 改善情形及未來因應措施: 本公司已於第一時間強化資安防禦, 並進行全面鑑識分析, 受到影響的系統服務均已回復運作, 我們同步檢視並強化現有的資訊安全政策, 系統架構安全性及員工資訊安全落實性, 全面提升網路安全等級, 以保護資料安全及完整性。 7. 其他應敘明事項: 無				

## Upgrade Plan for Information and Communication Management



### Specific Information Security Measures:

1. Enhancement of the information security team: The Information Security Department was established and an information security supervisor was recruited to report directly to the General Manager's Office, who is responsible for promoting information security-related issues, formulating the Group's information security policy, strengthening information security monitoring and control, enhancing the Group's employees' awareness and knowledge of information security, and handling and responding to information security incidents.
2. Introduction of ISO27001: The project will be launched in November 2023 and certified by the end of 2024.
3. Changing password length and complexity: As recommended by Mandiant's security consultant, starting from March 2023, the length of account passwords will be changed to 15 codes and the complexity will be increased. Implement the AD account protection platform to strengthen the management, monitoring, and protection of AD accounts, privileged accounts, and service accounts.
4. Implementation period: 2023/7/1 ~ 2024/6/30.
5. Introduced the Multi-Factor Authentication (MFA) mechanism in the local system: Starting from Nov. 2023, it will be gradually introduced to overseas factories and branches. Strengthening the security level of identity verification and combining with biometric authentication to get rid of weak passwords to enhance authentication efficiency and security strength.
6. Enhancement of equipment management: IP-Guard endpoint control is purchased to control employees' computer use and Internet operations to prevent improper behavior. Avoid leakage of important intellectual assets and implement effective auditing to meet internal and external regulations.
7. Enhancement of Employee Security Awareness and Knowledge Training: In August 2023, we invited Precision Technology to conduct an employee security training program for all employees of the Group in order to enhance employee security awareness and knowledge.
8. Vulnerability Patching: Regularly conduct annual vulnerability scans of the company's internal systems and network environment to identify system vulnerabilities for system patching, and produce regular reports to implement effective audits to meet internal and external regulatory requirements.
9. Firewall upgrade: Checkpoint is set up and the second firewall of the intranet is added to strengthen the protection of host system intrusion and intrusion protection between factories.
10. MDR System Deployment and Response: MDR (Real-time Detection and Response System) is implemented and commissioned to provide 7\*24 hours automatic isolation of malware attacks and notification services.

11. NDR Network Behavioral Monitoring System Construction and Response: Darktrace-TrustCSI Secure AI information security management service is introduced to use AI to automatically analyze abnormal behavioral events and automatically block the network of equipment at risk of hacking to achieve early detection of hacking and real-time response benefits.
12. Construction of SOC information security management system and response: The China plant implements Woodpecker's XVR information security solution, constructs a SOC security management system, and commissions 5\*8 response services.
13. Backup mechanism upgrade: NetAPP Storage solution is introduced to replace the old storage, reduce the risk of data destruction by hackers, and provide a quick recovery mechanism.
14. Cloud backup mechanism preparation: Upgrade SAP system from Unix to Linux, and build SAP in the cloud for off-site backup.

Progress : 2023/8 ~ 2023/12 Complete the procurement and construction of storage and hosts, and upgrade in 2024.

## Customer Privacy

To maintain the company's competitive edge, intellectual property, and customer information, "adhering to the principles of integrity and strictly safeguarding customer confidentiality" is Flyon's commitment to customer privacy rights. Flyon has established the "Company Information Processing and Customer Data Protection Procedures" in accordance with local regulations at its operating locations and the European Union's General Data Protection Regulation (GDPR), serving as the highest guiding principle for privacy protection. This policy covers Flyon, its subsidiaries, suppliers, contractors, external consultants, and other partners. Customer data protection is managed following this procedure, not only integrated into the company's operational processes but also periodically promoted to raise employees' awareness of information security. Below are the related operations and responsible units for implementing customer data protection.

- Head Office, Branch Office and Factory Information Department: Responsible for the maintenance and updating of the company's website. It also manages the user accounts, data rights, and system access rights of the enterprise's related operating systems, e-mails, and data-sharing platforms to ensure the security of customer information.
- Business Department of each business group: Responsible for the protection and maintenance of customer information, which can only be accessed by authorized personnel.
- Head Office: Responsible for the review of customer procurement (sales) contracts and confidentiality contracts, printing, contract expiration notification reminders, and contract system updates and maintenance.
- Head Office Document Control Center (DCC) Unit: Responsible for registering, listing, maintaining, and updating the system for external customer documents submitted by each business group.

Furthermore, new employees must undergo training on the "Code of Corporate Ethics and Business Conduct" and sign the "Intellectual Property and Confidentiality Agreement" to fulfill their obligations of confidentiality and data protection. Regarding customer orders and business-related confidential information and documents, except for internal circulation and transmission due to business needs, all business personnel and employees who interact with customers must strictly adhere to the "Code of Corporate Ethics and Business Conduct" and are prohibited from disclosing, distributing, or transmitting such information to competitors, business partners, suppliers, or unrelated third parties. All external documents, product technical data (such as product specifications, circuit diagrams, drawings, etc.), software, and intellectual property information provided by customers (including paper documents, CDs, USB drives, and any other storage media) should be properly logged, stored, managed, and updated in a timely manner, following the "Technical Document Control Methods" and "Document Handling Procedures." The protection, management, and use of all electronic data media within the company are based on the "Electronic Information Management Procedures". Phihong is committed to a rigorous and comprehensive protection mechanism to manage customer confidential information and privacy rights, aiming to establish trust and long-term cooperative relationships with customers, creating a win-win situation for both Phihong and its customers. For instance, in 2021, an incident involving the leakage of confidential information related to charging piles occurred. It was discovered proactively by the information department personnel, who noticed abnormal transmission records in the company's computer firewall, indicating that company files were being sent to an external server. Suspecting an inside job or commercial espionage, they reported the case to the authorities for investigation, which led to a resolution. In 2023, two individuals involved in the case were prosecuted for violating the Trade Secrets Act.

To implement privacy protection and prevent recurrence, Phihong regularly conducts privacy protection training for all personnel and evaluates the effectiveness of the training. Internally, Phihong strengthens training and awareness for all employees and upgrades information security hardware and software protection. Externally, there are channels for privacy protection feedback and reporting. If there are any potential privacy breaches or violations of privacy policies, they can be reported through the privacy protection hotline at (03) 327-7288 extension 1340, or via email at Charles\_Wang@phihong.com.tw. Phihong adopts a zero-tolerance policy towards privacy protection. Any personnel found in violation will be subject to disciplinary action in accordance with the company's code of conduct. In 2023, Phihong did not experience any customer complaints, privacy breaches, or loss of customer data incidents.

**Privacy Protection Hotline**  
03-3277288#1340

**Privacy Protection Email**  
Charles\_Wang@phihong.com.tw



# 3

## Innovation

3.1 R&D and Innovation

3.2 Transition to Circular Economy

3.3 Low-carbon Product Design

## Year Performance



### Green Innovation

- Developed the first dual-function charger "iXCharger" with 1TB storage space and 65W fast charging technology.
- Charging pile products obtained VPC certification from the Ministry of Economic Affairs and German measurement standard Eichrecht regulation certification.



### Circular Economy


- 100% model use of recyclable materials, and increase the use of Recycled plastic ratio.
- Introduced energy recovery cabinets, recycling up to 87% of the electricity used in testing and feeding it back into the grid for reuse.



### Low-Carbon Design

- Initiate the carbon footprint implementation plan
- Introduce third-generation gallium nitride (GaN) technology, take the 330W model as an example reducing volume by 49.5%, achieving the lightest weight (<800g) and a high conversion efficiency of 94%.

## Material Topics and Target Management

Material Topic	Performance Indicator	Achievements in 2023		Future Targets			SDGs Practice
		Target	Achievement	Short-term (2024)	Mid-term (2026)	Long-term( 2030)	
R&D and Innovation	Product carbon footprint	Introduce carbon footprint	Launching the Carbon Footprint Induction Program	Completed carbon footprint inventory of 2 products	Establish Component Carbon Emissions Database	BOM Table with Carbon Emission Database	Goal 12: Responsible Consumption and Production 





## 3.1 R&D and Innovation

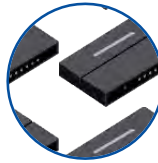
### Green Innovation for a Sustainable Future

The global trend toward net-zero carbon reduction has led to a more proactive policy of investment in green energy. Phihong has long focused on the research and development of high-efficiency power supplies, while our subsidiary, Zerova, provides fully customized EV charging solutions, combining software and hardware equipment to open up a new generation of charging modes, helping to popularize EVs worldwide and realize a green and sustainable future.

The Phihong Smart Energy Business Group continues to deepen its efforts in various high-efficiency power products based on its existing power products to meet customer and environmental needs. This includes high-efficiency miniaturized adapter power supplies, intelligent battery chargers, PD (Power Delivery) power applications and planning, construction site audio systems, household medical equipment, medical beauty equipment, robots, e-bike electric bicycles, and other diverse industrial fields.

#### 產品 Type

##### PoE Power over Ethernet



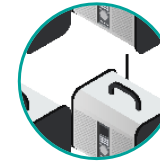
- IEEE802.3
- Standard & passive charger
- Midspan
- Splitter
- Extender

##### SMPS Switching Power Supply



- 1W - 1kW
- General charger
- Type C PD charger
- Battery charger
- Medical charging solution
- Industrial charging solution

##### Jobsite Audio



- Bluetooth speaker
- Radio and audio

##### EV Charging Pile



- 15kW - 480kW
- AC charging pile
- DC charging pile
- DC fast charging pile

### Product Applications

#### Terminal & Enterprise Application

Mobile

PoE & IoT

Home application

NB

AR/VR

POS

#### Intelligent

Medical

E-Bike

Industrial

Infrastructure

Gaming

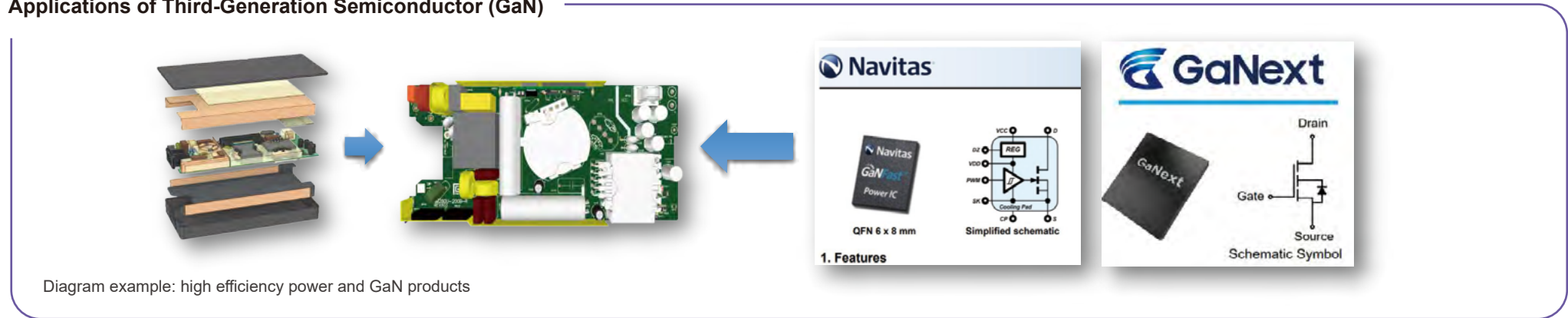
#### EV

EV Charging

### 3rd Generation Semiconductor Design and Applications

In terms of technological transformation, Phihong has extensively applied 3rd-generation semiconductors GaN/SiC in product design in recent years, increasing the power output of existing products by at least 150%. The new designs are characterized by their compact size, high-speed switching, high efficiency, and low loss. The newly designed GaN adapters/chargers offer multiple safety protection mechanisms, significantly enhancing the level of protection and meeting industry standard safety requirements, while also moving towards the trends of high power, miniaturization, and lightweight design.

#### Applications of Third-Generation Semiconductor (GaN)



In the application of third-generation semiconductor products such as GaN and SiC, not only has performance improved, but better application scenarios have also been developed. For example, GaN (Gallium Nitride) allows for broader applications below the high-frequency and kilowatt level. Notably, designs that previously utilized hard switching can now achieve near soft switching zero-voltage switching characteristics, leading to direct improvements and enhancements in efficiency. In the case of SiC (Silicon Carbide), its superior high-voltage and high-temperature material characteristics make it an excellent choice for automotive-grade products that demand extremely high safety standards. Phihong has extensively integrated SiC into their AC and DC charging stations, enhancing the reliability of these designs.

#### Compact, lightweight, and premium charging experience

In 2021, Phihong launched the smallest 280W high-power GaN gaming laptop power supply. This power supply not only surpassed the industry's limits in power density at the time but was also the same size as the typical 180W power supplies on the market. In 2023, Phihong raised the bar by introducing a 330W gaming laptop power supply, incorporating third-generation GaN (Gallium Nitride) technology. Its power density reached 14.5 W/in<sup>3</sup> (1 W/cc), making it 49.5% smaller than other products with the same output power on the market. Additionally, it was the lightest product in its category, weighing less than 800g. This more compact and lightweight design enhances user convenience and significantly reduces the product's carbon footprint. While meeting high-standard safety tests, it also fulfilled users' expectations for gaming laptop power supplies. Compared to older models, the energy conversion efficiency increased from 91% to 94%. Over an estimated three-year usage period, a single power supply can save 101 kilowatt-hours of electricity, equivalent to 364 million joules of energy savings. Thanks to these numerous advantages, it became a highlight at the 2023 Taipei International Computer Show!



## "iXCharger", a high-capacity fast charger that supports cross-device charging

In 2023, Phihong collaborated with strategic partners to address the pain points and needs of modern consumers who frequently use multiple mobile devices simultaneously. Together, they developed the first dual-function charger, "iXCharger," which combines 1TB of storage space with 65W fast charging technology. The "iXCharger" utilizes Phihong's third-generation GaN fast charging technology, offering higher power density and rapid heat dissipation while achieving a smaller form factor. This enables fast, safe, and efficient charging experiences for smartphones, tablets, and laptops. The iXCharger not only supports fast charging but also features interchangeable plugs for multiple countries, making it convenient for travel. It adopts the USB Type-C specification to enhance transmission efficiency, complying with the European Union's regulations that mandate the universal use of Type-C as a charging interface for electronic products. This move aims to reduce electronic waste and promote environmental sustainability, making the iXCharger a green product aligned with eco-friendly practices.



The first iXCharger, featuring 1TB of storage space and 65W GaN (Gallium Nitride) technology.



Foldable and convertible plugs make it convenient for on-the-go usage and portability.

## Low Earth Orbit (LEO) Satellite Power Technology

Low Earth Orbit (LEO) satellites have broad applications, addressing challenges such as poor reception due to terrain restrictions that hindered the establishment of ground stations in the past. Therefore, LEO satellites have become the preferred choice for many application areas. In terminal applications, high-efficiency, long-life, and rugged power supply technology are indispensable for combating harsh environmental conditions.

For many years, Phihong has been involved in the application of power technology for Low Earth Orbit (LEO) satellites. In 2023, Phihong formally entered the LEO satellite industry and closely collaborated with major players in the field while exchanging technical expertise. Within the LEO satellite supply chain, Phihong's power supply technology for terminal receiving devices has demonstrated excellent performance. These power supplies can meet the power needs of data modems, routers, and satellite equipment, serving as a medium to interconnect and facilitate data transmission among them. Leading operators in the global LEO satellite communications industry and major providers of broadband satellite internet services, including prominent companies in the United States, maintain stable supply partnerships with Phihong. They offer LEO satellite networks and services to enterprises, governments, and individual users. Phihong's relevant products have obtained certifications from multiple countries' safety standards and have undergone rigorous system testing specifications for client terminals. In 2024, Phihong will gradually scale up its operations, working hand in hand with global LEO satellite manufacturers to realize the vision of efficient, low-latency communication.



## A Comprehensive EV Charging Solution

Due to the wave of global green industry revolution triggered by climate change, EVs have become an irreversible trend. With the expectation of increasing global penetration rates of electric vehicles, the market size and demand for charging stations are experiencing explosive growth. Pihong's subsidiary, Zerova, stands as a leading global enterprise in charging station technology. Leveraging Pihong's expertise in power manufacturing, Zerova offers customers end-to-end electric vehicle charging solutions from design, production, validation to service. Moreover, Zerova has been honored with multiple professional certifications, including EV READY, Eichrech, and IATF 16949:2016, solidifying its commitment to quality and innovation in the EV charging industry.

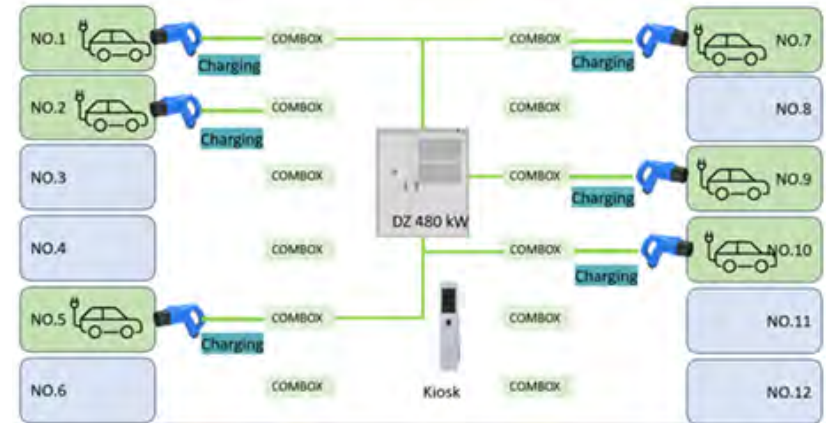
Zerova offers a variety of charging station specifications and provides flexible customization services tailored to different usage scenarios, presenting a diverse range of AC/DC charging solutions. This includes large-scale charging products, innovative water-cooled charging technology, and the development of V2H/V2G products. In 2023, Zerova introduced several new-generation charging products, including the standalone DC charging stations DQ480 and DS240, as well as the advertising charging station DA480 equipped with a 50-inch 4K screen. These advancements not only contribute to the global proliferation and promotion of low-carbon mobility through charging stations but also offer diverse charging solutions. Furthermore, according to assessments by the Society of Automotive Engineers (SAE), NACS is set to become the unified standard for the U.S. electric vehicle market, influencing the global charging standardization. In July 2023, Zerova announced the adoption of the NACS standard in the North American market, aligning with the demands of partners across various fields and charging specifications.

### Design of Large-Scale Charging Products (480KW)

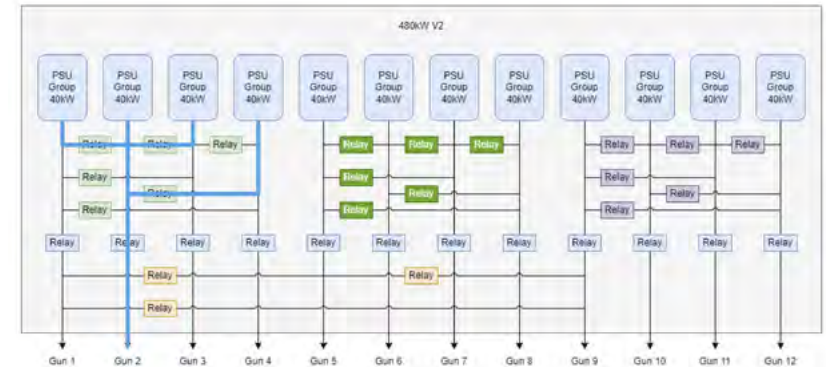
With an innovative spirit, Zerova continues to develop high-efficiency, energy-saving next-generation charging products. These range from high-power 480kW energy cabinets to 480kW integrated charging stations, and large-screen outdoor advertising charging stations for commercial use. The development of larger charging systems enables simultaneous charging of multiple electric vehicles. Zerova's "smart distribution" software technology effectively enhances the efficient allocation of charging power among multiple electric vehicles.



### Simultaneous charging of multiple electric vehicles



### Smart distribution software technology



### Green products. Protect consumer health

Pihong's Dongguan Dahong factory has achieved certification for the IECQ QC 080000 Hazardous Substance Process Management System, integrating the concept of green production into the company's daily management practices. According to the EU's RoHS directive, the content of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls, and polybrominated diphenyl ethers in electronic and electrical products must not exceed specified limits to reduce the environmental hazards posed by electronic and electrical waste.

Phihong has strengthened processes across various operations including business, research and development, procurement, production, quality control, and warehouse management. This ensures that products meet customer requirements, comply with relevant regulations and green product standards, and achieve quality and customer satisfaction goals.

### Charging Station Product Safety Certification

In 2023, several independently developed charging station products by Zerova received VPC certification from the Ministry of Economic Affairs and obtained Germany's Eichrecht measurement standards certification. These products include the high-power fast charging stations in the DD and DS series, demonstrating product safety and ensuring user safety and billing accuracy. These certifications deepen the application of charging solutions and effectively enhance the efficiency of charging station deployment.

Zerova is integrating the industry chain by partnering with charging station operators, car manufacturers, bus operators, and government entities to actively develop Taiwan's electric vehicle charging ecosystem. Additionally, Zerova plans to obtain VPC certification for the DW30kW wall-mounted charging station and the DS60kW public and commercial charging stations in Q1 2024. As more products receive VPC certification, this will inject greater momentum into the infrastructure for electric vehicle charging in Taiwan.



While expanding its market presence, Zerova continues to maintain excellent quality standards and comply with international safety standards. In addition to VPC safety certification from the Ministry of Economic Affairs Inspection Bureau, Zerova has also obtained high-standard certifications such as Energy Star, Intertek, and UL in the United States, as well as CE, CB, EV Ready, and JARI certifications in Europe and Japan respectively.

### EV Safety Certificates

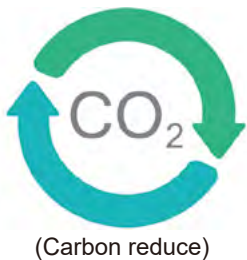


## 3.2 Transition to a Circular Economy

### Power Supply Design with PCR

The full name of PCR is Post-Consumer Resin, also known as "materials that can be reused after certain processing procedures," or recycled materials. Pihong currently uses recyclable materials in its plastic components. If PCR plastics are to be used (meeting specifications and containing a certain proportion of recycled material), besides the increase in price, their reliability and impact resistance may also be lower compared to existing materials, as PCR materials often consist mostly of composite substances. The widespread application of PCR is imminent in the future. Pihong will continue to pursue green technology and keep pace with developments. The introduction of PCR proportions will be implemented in three stages. In 2024, the focus will be on products with 30%-50% PCR content, with subsequent expansion based on customer demand. By 2026, the PCR proportion will increase to 70%, and by 2028, the aim is to promote the use of PCR materials exceeding 90%, gradually fulfilling the responsibility for environmental sustainability.

#### Plastic Recycling and Remanufacturing (PCR) Process



	kg CO2 eq. for 1kg resin material
PCR 30%	Reduce 0.5~1 kg
PCR 50%	Reduce 1.25~1.7 kg
PCR 70%	Reduce 2~2.3 kg
PCR 90%	Reduce 2.5~3kg

### Packaging Material Reuse & Energy Recovery

Implementing the use of reusable packaging materials and energy recycling equipment helps enhance product competitiveness while reducing the environmental impact of products. During transportation, products undergo multiple inspections, such as pre-shipment inspection, customer inspection, and installation transportation, all of which require unpacking inspections at different stages. In the past, single-use wooden crates required repeated assembly or remaking of packaging crates. Pihong has introduced reusable snap-lock wooden crates that are easy to assemble and disassemble. In addition to streamlining the nailing process to achieve capacity efficiency, the same wooden crate can now be used 3-5 times instead of just once, resulting in significant tangible benefits by reducing resource wastage and contributing to forest resource conservation efforts.

Furthermore, in response to the significant energy consumption during aging tests, Pihong has introduced energy recovery cabinets to recycle the consumed energy back into the power grid for reuse. This initiative greatly reduces energy wastage and effectively saves electricity costs. Each charging pile can reduce energy consumption by approximately 87%. For example, in the case of a 120kW charging pile, the measured power at the charging pile's output terminal is 120.2kW, while the power supplied from the grid is 15.3kW. This results in the recovery of 105 kWh of energy, achieving a high recovery rate of 87.3%.



#### Circular Economy Campaign

Action	DC Charging Pile Wooden Case Packaging	DC Test Power Recovery
Conventional Practice	Single use	No recycling
Circular Economy Practice	Revised packaging standards. Replace iron nails with screws in wooden crates and introduce a snap-lock design to enhance packaging protection. This allows for recyclable use for 3 or more times.	Recovered test power is fed back into the grid for reuse, significantly reducing energy wastage. Each charging pile can save approximately 87% of electricity consumption.
Specific benefits in 2023	Reduced 6,000 sets of wooden crates.	Recovered 315,000 kWh of electricity.

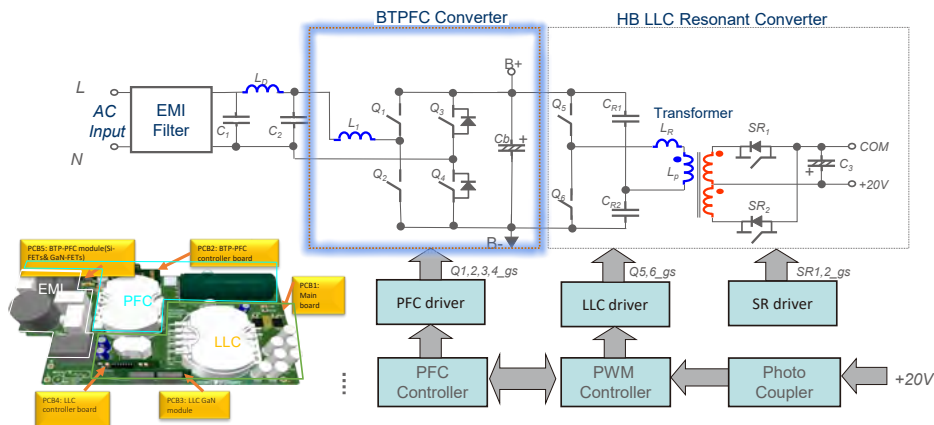
### 3.3 Low-Carbon Product Design

Phihong adheres to the belief in green innovation. In addition to the steadfast commitment to providing excellent products and services, Phihong also integrates environmental protection concepts into its green product designs. By offering high-efficiency solutions for power supplies and developing designs that require components complying with environmental and energy-saving standards (RoHS, REACH), Phihong is gradually incorporating materials that meet PCR plastic recycling and utilization standards. Phihong's goal is to collectively create a clean, green, and low-carbon future.

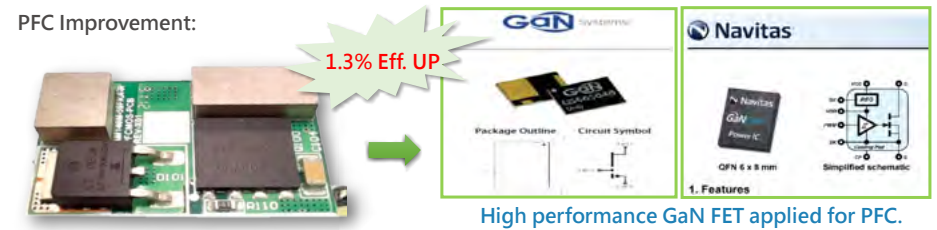
#### Application of High-efficiency Technology

Improving environmental efficiency with high-efficiency power technology is a key focus. Using new technology platforms with high conversion efficiency helps increase the efficiency of power supplies, reduce waste heat and losses generated during operation, and enhance overall power utilization. Therefore, the integration and development of third-generation semiconductors, aimed at reducing component heat generation and shrinking product size, have been significant directions for Phihong's research and development team in recent years. For example, in a 280W gaming laptop power supply, the power density of the old product is approximately 8W/inch<sup>3</sup>. However, with the introduction of GaN (Gallium Nitride) and high-efficiency conversion technology in new products, the maximum power density reaches 16W/inch<sup>3</sup>. This demonstrates that under the same output power specifications, the new product has a volume that is only 50% of the old product, a weight reduction of 30%, and a decrease of 15% in the total number of product components. This not only significantly reduces the amount of raw materials used but also greatly decreases the volume and weight of product shipments, leading to reduced transportation costs.

#### The application of Intelligent Power System (IPS) high-efficiency technology

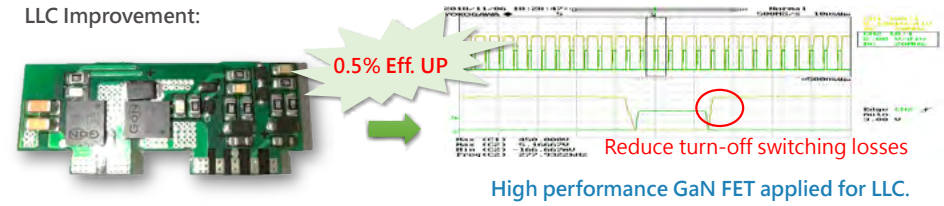


PFC Improvement:



High performance GaN FET applied for PFC.

LLC Improvement:



High performance GaN FET applied for LLC.

Aside from introducing third-generation semiconductors to enhance performance, reducing power consumption and improving efficiency from a design perspective is also the direction of Fei Hong's green R&D. By changing the bridge rectification method, which incurs the most losses in the power supply front-end, from the original diode rectification method to using power semiconductors (MOS) for rectification, overall losses are reduced by more than 50%. Advanced designs include using bridge-less rectification design, integrated and developed together with third-generation semiconductors, to manufacture smaller, more efficient, and less polluting products.

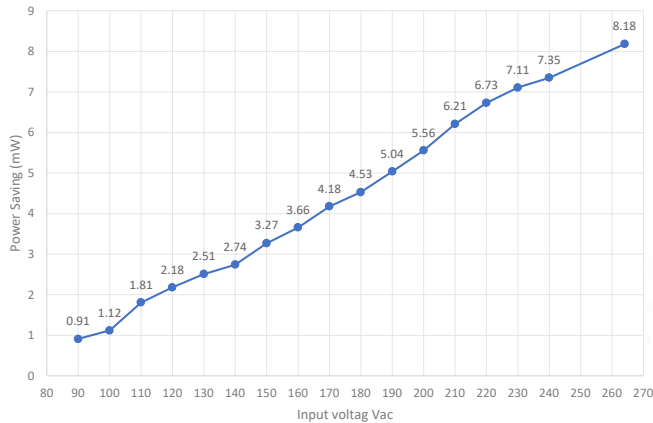
#### Low Energy Consumption Energy-saving Products

The European ErP (Energy-related Products) directive for external power supplies, Regulation No. 278/2009, has issued a draft revised version. It announces the expected new implementation requirements, which will be implemented in two stages. Details are as follows:

1. Tier 1: Compliance with the United States Department of Energy (DoE) LEVEL VI is required before January 2017.
2. Tier 2: Compliance with CoC (Code of Conduct) Version 5 Tier 2 is required before July 2018.

Therefore, for current external power supplies under 50W, standby power consumption needs to be less than 75mW. In the case of commercially available chargers, consumers typically leave them plugged into sockets for 24 hours, and the significant energy consumption caused by long-term high standby power cannot be underestimated. Fei Hong has been committed to developing highly efficient and energy-saving products for 50 years. In addition to meeting regulatory standards, our goal is to surpass these standards.

Essentially, all of our products meet energy efficiency regulations and have standby power consumption far below the regulatory requirement of 75mW. We are also dedicated to researching and developing products with standby power consumption of less than 10mW to meet the demands of high-end customers (as shown in the diagram).



Furthermore, according to the announcement by the United States Environmental Protection Agency in May 2010, the External Power and ENERGY STAR® programs ended in December of that year. As Pihong's main products are external power supplies, they adopt energy efficiency specifications that are more common in the industry and meet customer expectations; namely, the DOE-VI standards implemented by the US Department of Energy since February 2016; and the ErP (CE) specifications for external power supplies sold in the European Union. For EV electric vehicle charging pile products, ENERGY STAR® certification is primarily used. According to shipping records in 2023, a total of 85% of revenue came from products compliant with DOE-VI, ErP (CE) energy efficiency specifications, or ENERGY STAR® certification. At the same time, Pihong evaluates multiple channels to reduce operational carbon emissions, including replacing energy-consuming air conditioning and lighting fixtures, self-built solar power generation system equipment, and signing power purchase agreements. In the first quarter of 2023, the installation of a 2-megawatt rooftop solar (photovoltaic) power generation equipment in phases one to three of the Tiesong plant in Dongguan was completed and officially put into operation. The Hai Phong plant in Vietnam also plans to introduce and install rooftop solar power generation equipment simultaneously, with an expected power generation capacity of 496.8 kWp. Future plans involve self-generation for self-use, replacing petrochemical energy with renewable energy, and reducing carbon emissions.

## Circular Economy Planning

In the context of rapid global economic development, customer demands are increasing and product areas are diverse. Meeting customer expectations has always been one of Pihong's core principles. With decades of experience in the development and manufacturing of power supplies, Pihong not only continues to provide customers with high-efficiency and high-quality product services but is also actively transitioning to a circular economy. Moving beyond traditional ODM/OEM services for power supply products, Pihong has elevated itself to a leading provider of comprehensive power technology services, offering advanced technology, system application consulting, and end-to-end product services.

### Comprehensive Power Product Integration

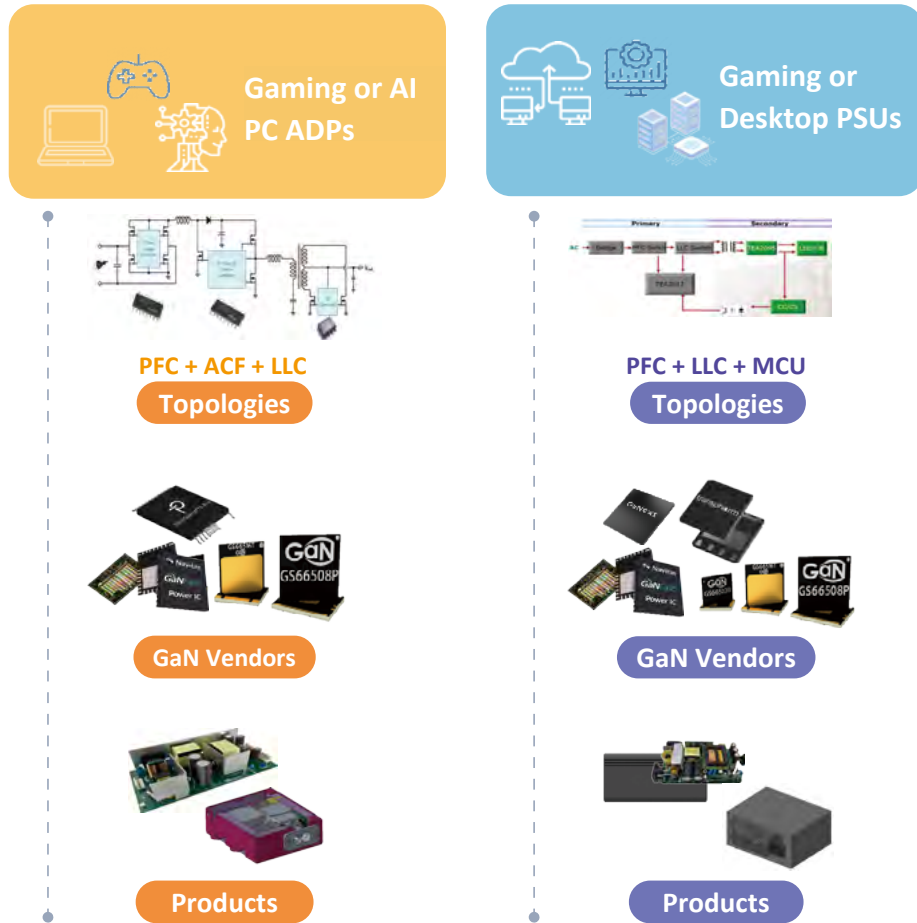
Pihong primarily focuses on the development of power products, including power adapters, advanced USB-PD (Power Delivery) adapters, chargers, ISO 13485 compliant medical products, open-frame power supplies, various battery chargers, high-performance compact desktop gaming power supplies, PoE, and smart home applications. Pihong has the capability to provide comprehensive power product integration services, offering a full range of power solutions for its customers.

After a year of preparation, in 2023 Pihong will further integrate third-generation semiconductor (GaN) technology into new project designs, truly bringing product performance into new realms. Not only will the entire product line comply with DoE (US) and CoC (EU) energy standards, but product efficiency will also improve by about 1-2%, with a significant improvement in 10% light-load efficiency. This will gradually fulfill Pihong's commitment to reducing customers' carbon emissions and thoroughly realize the green energy design concept. Through practical evaluation, taking a 65W desktop power supply as an example: products incorporating GaN design compared to the original design can reduce carbon emissions by about 40%. Pihong has now integrated the upstream and downstream supply chains, making third-generation semiconductor technology more accessible and affordable, encouraging customers to purchase and jointly realize the concept of green energy, achieving a win-win situation.





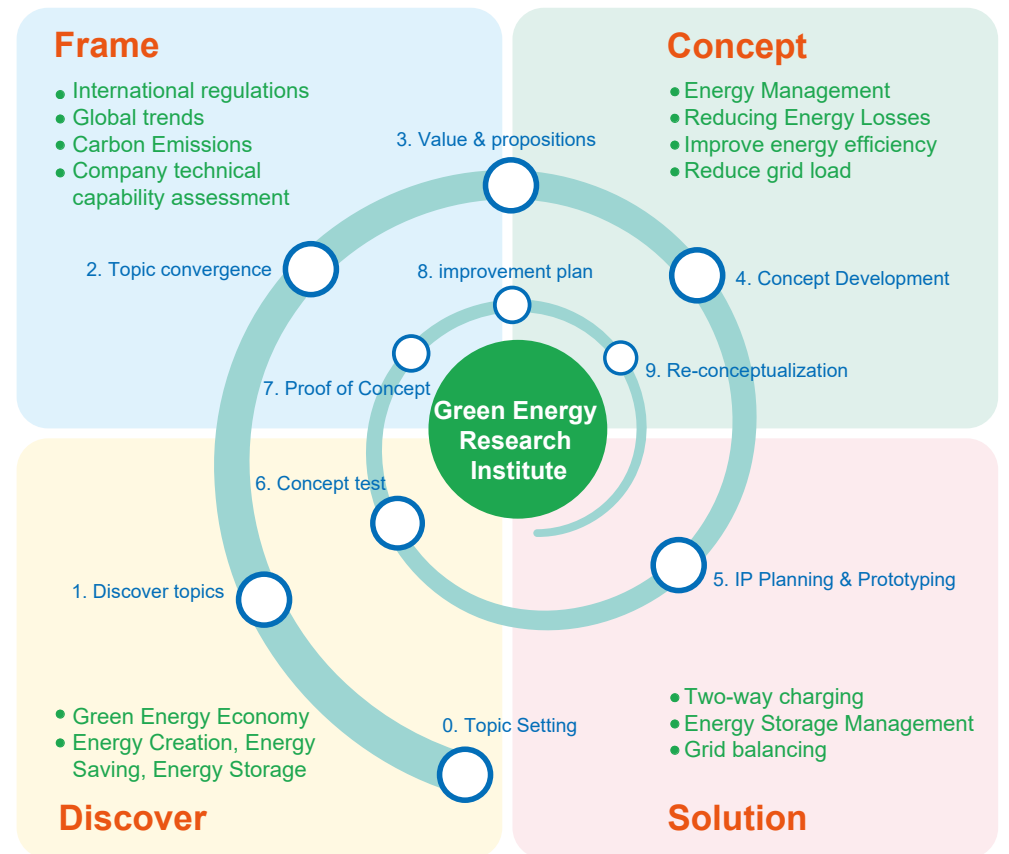
### Technical and System Applications

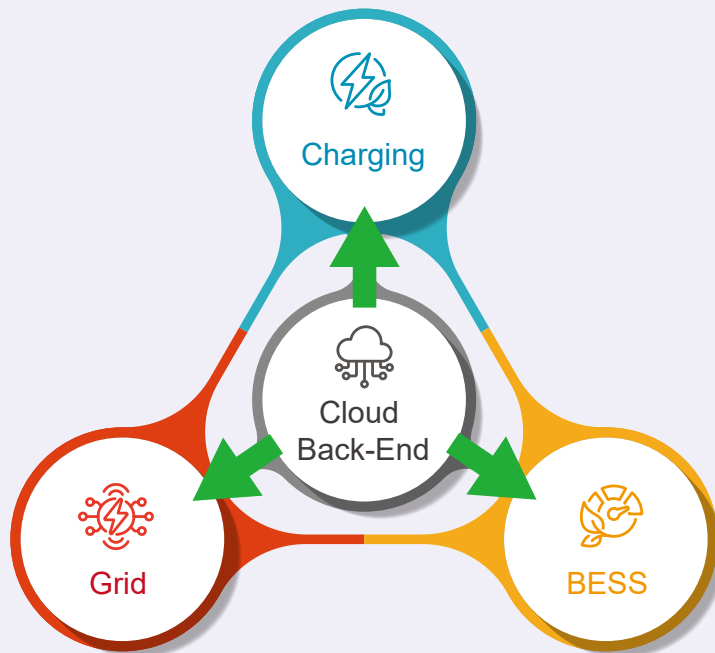


### From Energy Creation to Energy Storage - Green Energy Research Institute

Zerova offers a complete range of DC fast charging stations for electric vehicles, with advanced manufacturing technology for high-power supercharging equipment exceeding 360KW. Our products perform exceptionally well compared to industry peers, with technical maturity and practical application capabilities sufficient to design comprehensive solutions. Currently, the company primarily operates under

ODM and OEM models, structured under Business Units (BUs). Core competency units serve as horizontal design resources assisting each BU in product design, focusing on mature products, which makes it challenging to develop advanced technologies proactively. Therefore, we have established the Green Energy Research Institute. The Institute's goals include developing water-cooled bidirectional charging technology to extend the lifespan of charging systems and reduce noise, and expanding the range of feasible charging sites. By leveraging Energy Storage System (ESS) technology, we aim to enhance charging efficiency and integrate home power systems with EV home storage systems. Additionally, we plan to apply grid balancing technology to enable energy feedback for home EVs. Our efforts go beyond improving charging efficiency and extending battery life. We aim to utilize active balancing technology for battery reuse and focus on technologies related to green energy and global sustainability. By implementing early-stage research diffusion, we strive to maximize company profits through innovative technologies.





The Green Energy Research Institute focuses on the following primary goals, centered around green energy and global sustainability technologies. By implementing early-stage research diffusion, we aim to maximize company profits through innovative technologies.

1. **Development of Water-Cooled Charging Technology:** Extend the lifespan of charging system products from the original 3 years to 5-8 years. By replacing traditional air cooling with water cooling, we aim to reduce noise and minimize noise pollution.
2. **BESS Storage and Charging Technology:** Effectively reduce the power burden on the grid. Utilize BESS storage to harness solar, wind, or excess nighttime power for EV charging, thereby reducing the direct load on the national power system and alleviating grid stress.
3. **Bidirectional Power Technology for V2H and V2G Functions:** Achieving Vehicle-to-Home (V2H) and Vehicle-to-Grid (V2G) functionality is a primary research goal for Phihong in 2023. This technology enables effective use of EV power, allowing all EVs to provide feedback to the national grid during emergencies. It can also be applied to home energy storage systems. Combined with the aforementioned projects and grid balancing technology, we aim to effectively manage power systems, applicable to home power, small regional grids, or power company support.





# 4

## Partnerships

4.1 Product Quality and Safety

4.2 Customer Relationship Management

4.3 Sustainable Supply Chain Management

4.4 Initiatives and Organizational Participation

## Year Performance



### Product Quality and Safety

- 100% of models comply with WEEE
- The number of cases of halogen-free models increased by 6 from 2022.
- No violations or fines for product marketing and safety.



### Customer Service

- Phihong's customer satisfaction rate is 81.9%, while Zerova's is 80.0%. Both achieved our goals and are better than our peers.



### Sustainable Supply Chain


- The first ESG-themed supplier conference was held, with 60 core suppliers participating.
- Supplier carbon inventory and carbon footprint training
- 88% signed the Integrity Pledge, 3% more than in 2022.



### Advocacy Participation

- Complete the SBTi carbon reduction target application and officially pass the SBTi science-based carbon reduction target verification in March 2024.

## Material Topics and Target Management

Material Topic	Performance Indicator	Achievements in 2023		Future Target			SDGs Practice
		Target	Achievement	Short-term (2024)	Mid-term (2026)	Long-term (2030)	
Sustainable supply chain management	Response rate for new supplier on sustainability pledge	100%	100%	100%	100%	100%	Goal 12: Responsible consumption and production 

## 4.1 Product Quality and Safety

### Phihong Quality Policy



### Quality Policy and Service

Phihong adheres to the principle of "customer first, quality first, service innovation" and firmly believes in the quality policy of "excellent design, excellent quality, on-time delivery, reasonable price, and satisfactory service" to provide customers with first-class products and service quality.

To achieve a healthy and safe life for our customers or product users, we have appropriate management practices in each stage of the product life cycle. At the design concept stage, we consider customer requirements, "environmental management substance control standards" and national regulations. We use qualified materials in the subsequent product design to ensure that our products are HSF (Hazardous Substance Free) green products. Our products have above standard recycling rates at the end of their life cycle. During the product development process, Phihong uses conservative design specifications (e.g., introduction of higher than standard safety margin) to ensure safety compliance after mass production. Through rigorous project management, quality verification and design phase audits are conducted at each design stage. We also obtain regulatory testing and certification from a third-party certification unit prior to mass production. In 2023, Phihong had no health and safety violations nor fines.

### Green Product Management

#### Restricted Use of Hazardous Substances

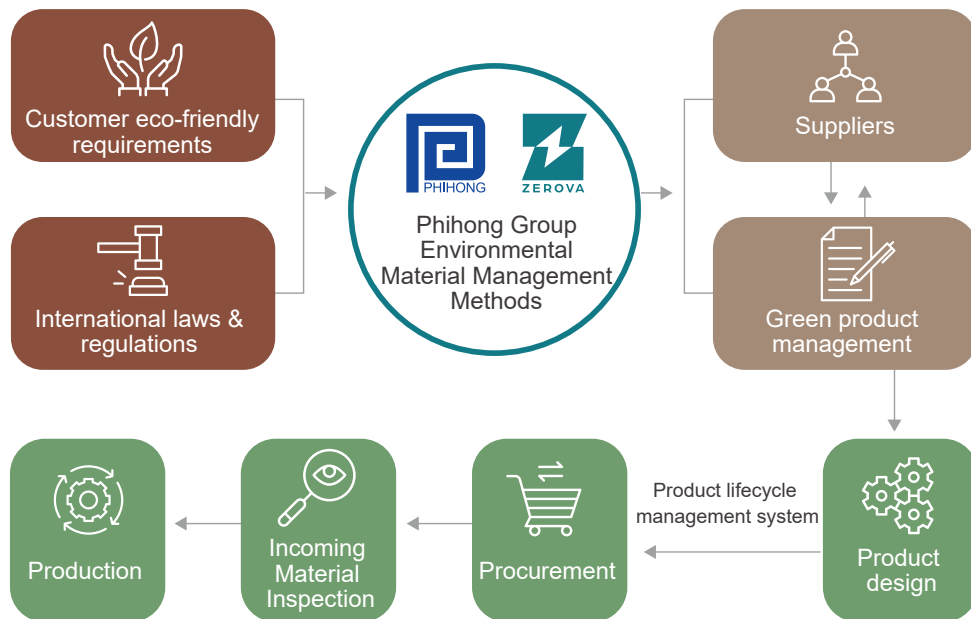
To maintain health and environmental safety, Phihong complies with the relevant requirements of various countries and customers for chemical substances, and strictly requires suppliers to limit or prohibit the use of controlled hazardous chemical substances. We refer to customers' hazardous substance control standards in accordance with international environmental protection regulations, formulate green management standards and hazardous substance-free technical standards, establish an electronic green information platform, announce hazardous substance requirements and standards on the supplier management platform, and organize internal and external education and training.

The "Environmental Management Substances Control Standard" includes RoHS, REACH, prohibition of red phosphorus flame retardants, control of halogen-free specification products, and the EU RoHS Extension Directive 2015/863 to ban 4 plasticizers (Phthalates), (BBP, DBP, DIBP, DEHP). From the end of 2017, it is mandatory for suppliers to provide test reports for the 10 banned substances in RoHS when they perform part recognition and update their reports. For the REACH Substances of Very High Concern (SVHC) established by ECHA, a new list of substances is added every six months. As of 15 Dec 2023, 29 batches of substances have been updated, for a total of 235 substances under control, all of which have been immediately updated to our standard and be implemented. In addition, 28 new items of specific phosphophthalates, including dioxotrilead, were added. Although Phihong has not been included in the IEC 62474 regulatory framework, for IEC 62474 regulated substances, excluding some controlled substances whose uses are outside the scope of the company's product applications, halogen-free products can 100% meet the IEC 62474 specifications.

In addition to controlling the update of hazardous substances, Phihong follows WEEE regulations as the minimum requirements for product development to ensure the reuse, recycling, and recovery of products in the subsequent life cycle. Not only does it meet the needs and expectations of customers and end users, but it is also Phihong's own expectations and responsibilities as a global citizen.

### Product Recyclability and Environmental Impact

Phihong 's business model is mainly B2B. To promote a circular economy, in addition to meeting the WEEE recycling ratio threshold for 100% of its models, the company also strives to increase the proportion of recycled raw materials utilized in its products, so as to alleviate the burden on the environment during the end-of-life stage of its products. Phihong mainly produces power supply products, and the main raw materials used are metals and plastics. Taking the five major models of power supply products before 2023 as an example, the total production volume accounts for 30% of the total volume of all models, using a total of 602.48 metric tons of recyclable metals, 1,544.53 metric tons of plastics, and 572.54 metric tons of other raw materials, with an Average recyclable ratio of 97.01%.



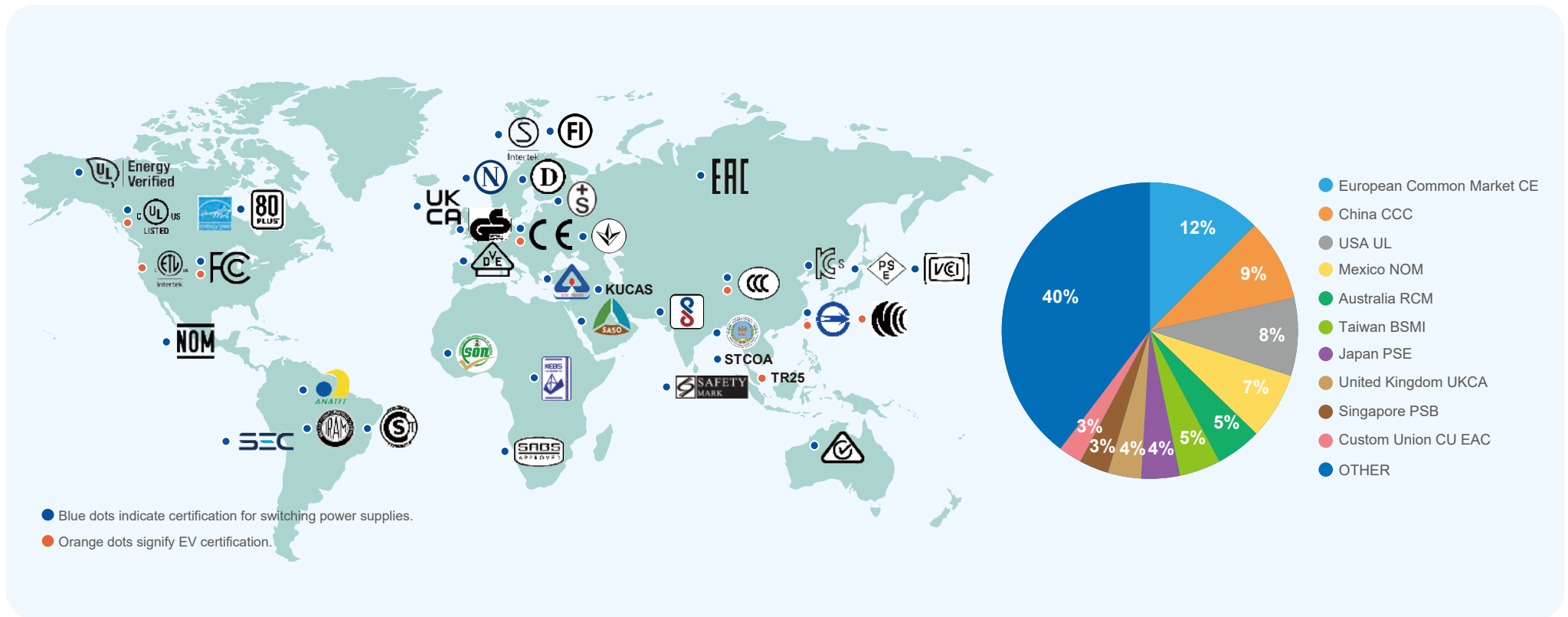
## Responsible Consumption and Production

Providing healthy and safe products is Phihong's commitment to our customers. Phihong also advocates the concept of "responsible consumption and production", which is the 12th of the 17 Sustainable Development Goals (SDGs) released by the United Nations, with the mission of producing safe and healthy products. Our quality requirements are implemented in the product design and development process, and even extend to product sales and after-sales services. Every step of the process is strictly controlled to ensure that our products meet international safety standards and environmental regulations to meet the expectations of our customers and users.

Moreover, all Phihong products, publicity items, product catalogs, foreign media promotions, or domestic / foreign exhibitions, as well as the marketing and labeling of Phihong's official website, all comply with the regulations of the trademark labeling Law and related standards. We make sure that the labeling is correct and clear. In the product labeling, power supply products for electrical applications must first comply with relevant national and international safety standards and regulations and obtain certification before they can be sold and marketed in that country.

In safety regulations, there are clear statements and definitions regarding the devices, electronic components, and testing of power products. Testing is conducted to determine whether it poses any harm to human beings, particularly under abnormal usage conditions, to prevent the risk of disasters due to poor design or improper usage, thereby preventing loss of life and property. Phihong sells products based on customer demands and certifications in different countries, aiming to provide customers with excellent product quality and comprehensive after-sales customer service.





## Product Certification

Common safety certification marks include: UL for the United States, CSA for Canada, NOM for Mexico, CE for the European Union, BSMI for Taiwan, PSE for Japan, CCC for China, PSB for Singapore, RCM for Australia, CU EAC for the Customs Union, and UKCA for the United Kingdom. In 2023, most of the products shipped were to Europe and the United States, all complying with the legal requirements of each country and obtaining safety certification before shipment. No violations or fines occurred in 2023.

Phihong focuses on the safety specifications of medical power products, mainly based on the requirements of IEC 60601-1, and further applies for European CE or North American UL certification based on customer demands. For gaming laptop power adapters, safety specifications primarily follow IEC 62368-1. Regarding lithium battery chargers for electric bicycles, the safety standards in Europe primarily adhere to IEC 60335, while in North America, they mainly comply with UL 1310, UL 1012, and IEC 62368-1. Phihong's charger products are designed with complete safety certification considerations during the product design phase, tailored to different product applications and customer sales regions. Relevant product reliability verification is completed before mass production to enhance product safety during use.

## Eco-Friendly and Energy-saving Design

In 2023, Phihong has designed and developed a total of 3009 models (products). The development results of lead-free (RoHS) and halogen-free (Halogen Free) models are as follows:

- ⊙ The number of cases of lead-free RoHS (compliant with the International Green Directive benchmark) models: 2916. An increase of 1977 newly developed cases compared to 2022.
- ⊙ The Number of Halogen Free (above the International Environmental Directive benchmark) models: 93. Compared with 2022, there are 6 new development cases. Many materials are newly designed and are currently required to comply with international environmental protection directives. In the future, we will continue to move towards the goal of being environmentally friendly and complying with halogen-free requirements.
- ⊙ All machine parts are WEEE compliant. The total recycling rate (recyclable materials) can reach more than 80%. The total recycling rate of some models can even reach 90% or more.

In addition, as ESG as the core of corporate sustainability has become a global industry consensus, corporate carbon reduction, net-zero carbon emissions, and achieving carbon neutrality are the future trend; under the wave of energy saving, carbon reduction and sustainable management, leaving a better future for the next generation is the direction of all enterprises' thinking and efforts.



## Phihong's Green Product Lifecycle

<b>01. Raw Material Selection Standard</b>	<ul style="list-style-type: none"> <li>• Comply with international environmental standards.</li> <li>• Comply with RoHS, REACH and Substances of Very High Concern SVHC and other relevant regulations.</li> <li>• According to the environmental standards of exporting countries, such as California Proposition 65, TSCA, or to meet the requirements of halogen-free specifications of customers' products, etc.</li> <li>• Promote local sourcing and supply chain for environmental sustainability and ban conflict minerals</li> </ul>
<b>02. Production Planning</b>	<ul style="list-style-type: none"> <li>• All plants are certified to ISO 14001/ISO 45001 Environmental Health Management System or equivalent. Compliant emissions.</li> <li>• Improve energy efficiency to reduce energy consumption and greenhouse gas emissions.</li> <li>• Comply with production process volatile organic compounds (VOCs) specification.</li> </ul>
<b>03. Transportation &amp; Distribution Assessment</b>	<ul style="list-style-type: none"> <li>• Optimize transportation route dispatch planning and reduce transportation trips.</li> <li>• For frequent transport routes, the transportation distance and the use of packaging materials are evaluated and recycled for reuse</li> </ul>
<b>04. Consumer Usage Safety</b>	<ul style="list-style-type: none"> <li>• Comply with the safety certification of electronic products, including UL, CE, BSMI, etc</li> </ul>
<b>05. Recycling &amp; Reuse Design</b>	<ul style="list-style-type: none"> <li>• Phihong's full range of electronic products comply with the requirements of the European Union's WEEE Directive.</li> </ul>



96.91%  
(2,916 products)

RoHS lead-free model, compliant with international environmental protection standards.

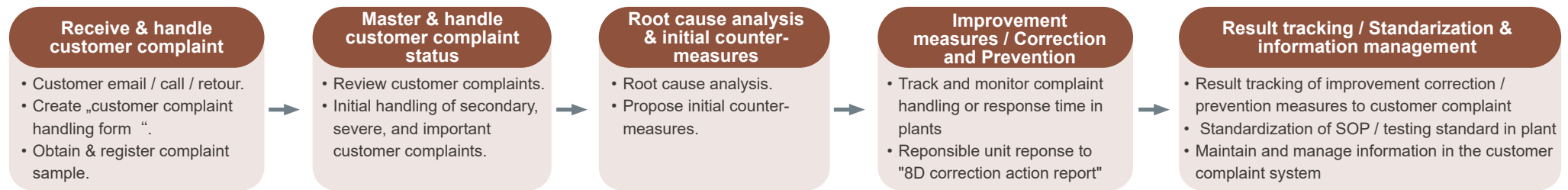


## 4.2 Customer relationship management

### Customer Service

Customer satisfaction is a core value of Phihong. Phihong has established a "Customer Feedback Handling Procedure" to ensure timely and proper responses through clearly defined responsible units. To fully understand and meet customer needs regarding product quality, delivery times, prices, technology, and services. We communicate with our customers via the following methods:

1. Establishing a dedicated Customer Quality Service (CQS) Unit as a contact point for product technical issues.
2. Forming a customer service team consisting of professionals from sales, quality assurance, and technical departments to provide complaint responses, RMA repairs, and technical support services.
3. Maintaining constant communication with customers through various methods such as regular meetings, personal visits, factory tours, phone calls/emails, and international exhibitions.
4. Sending out an annual customer satisfaction survey, allowing customers to provide their satisfaction ratings and feedback. This enables Phihong to receive customer feedback and suggestions promptly and comprehensively.

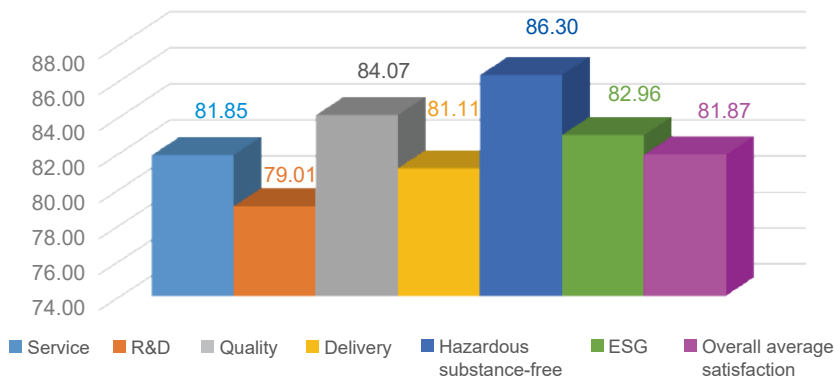


### Customer Satisfaction

Phihong conducts an annual customer satisfaction survey, using the results as a crucial foundation for improving customer relationship development. By analyzing questionnaires and interacting with key customers from the previous year, Phihong identifies potential business opportunities, refines product designs, and better aligns with customer needs. This approach fosters a win-win partnership, allowing Phihong to accurately grasp end-market demands and meet or even exceed customer expectations.

The 2023 customer satisfaction survey has been completely revamped to cover 6 major areas: service, R&D, quality, delivery, hazardous substance-free, ESG, and other improvement suggestions. The survey was conducted using a sampling method (including at least the top three customers). This year's response rate was 100% for both Phihong and Zerova. Phihong sent out 27 surveys and received 27 valid responses, while Zerova sent out 18 surveys and received 18 valid responses. The customer satisfaction rate for Phihong was 81.9%, and for Zerova, it was 80%, both surpassing industry peers. The survey results indicate that both Phihong and Zerova are trusted for their product manufacturing quality. However, there is room for improvement in project management related to product development.

#### Customer Service and Satisfaction Survey Results (Phihong)



#### Customer Satisfaction Survey Results for the Past 3 Years

Year	2021		2022		2023			
	Phihong	Industry	Phihong	Industry	Phihong	Industry	Zerova	Industry
Survey return rate	100%	-	100%	-	100%	-	100%	-
Customer satisfaction	81.8%	71.7%	84.1%	79.0%	81.9%	78.3%	80.0%	78.3%

## 4.3 Supplier Sustainability Management

### Supply Chain Management Policy

1. Supplier evaluation and risk management: new supplier operation review and existing supplier risk assessment.
2. Conflict-Free Minerals Statement: The use of conflict minerals from unknown sources or from smelters that have not been verified by the RBA is absolutely prohibited.
3. Localized procurement: Localized procurement reduces logistics and transportation to achieve cost and carbon reduction benefits.
4. Green procurement: Purchasing goods and services that meet the requirements of environmental regulations to reduce the impact on the environment.
5. Supplier Sustainability Commitment: A commitment to declare that the supplier's operations are in compliance with local regulations and to jointly abide by the RBA Code of Business Conduct.

Phihong values the importance of establishing a sustainable supply chain through our "Procurement Management Procedure" system. Suppliers are required to sign the "Integrity Pledge", "Confidentiality Agreement", "Environmental and Social Responsibility Pledge", and "Conflict Minerals Survey" to ensure understanding and control over labor rights, environmental protection, ethical standards, safety, and health risk management within the supply chain. This approach helps reduce operational risks and costs for both Phihong and its suppliers, fostering a stable and sustainable future together.

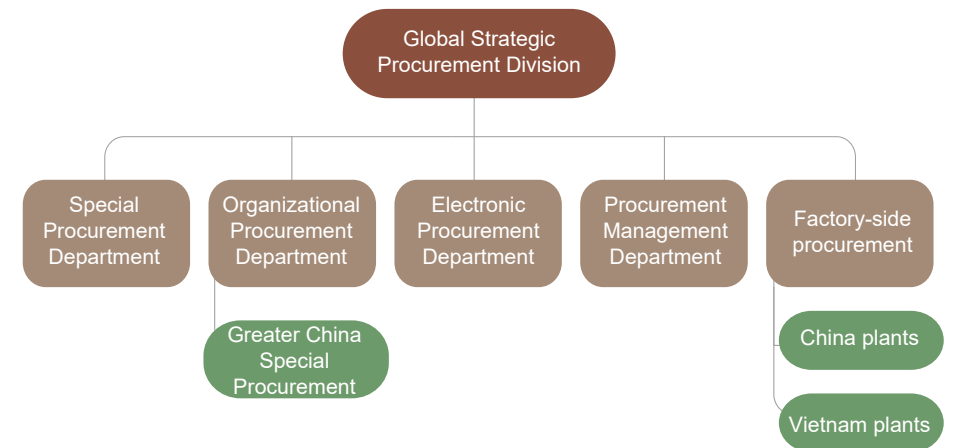
### Supply Chain Organization

Phihong's supply chain organization is evolving in response to the continued development of its Vietnam plant. The Global Procurement Division is recruiting local procurement staff in Vietnam to facilitate the localization of material sourcing. Phihong's supply chain responsibilities are divided into 3 parts:

- ⊕ Global Procurement Division: This division is responsible for developing new suppliers, arranging new supplier audits, negotiating prices, allocating orders, maintaining supplier relationships, fostering supplier collaboration, and facilitating the exchange and introduction of new technologies and processes.
- ⊕ Factory Procurement: This team handles the scheduling of material intake, expediting materials, collaborating on quality issue resolutions, and addressing issues related to vendor invoicing.
- ⊕ Supplier Quality Management (SQM): This unit assists in the evaluation and auditing of new suppliers, conducts annual reviews of qualified suppliers, provides guidance, and works on improving supplier quality.



### Global Strategic Procurement Division



## Sustainable supply chain development strategy

### Sustainability Standards

Phihong requires its suppliers to sign the "Supplier Code of Conduct". "Integrity Pledge", "Conflict Minerals Survey". "Environmental and Social Responsibility Pledge". and "Confidentiality Agreement." These documents help ensure understanding and control over labor rights, environmental protection, ethical standards, and safety and health risk management within the supply chain.

### Management Mechanism

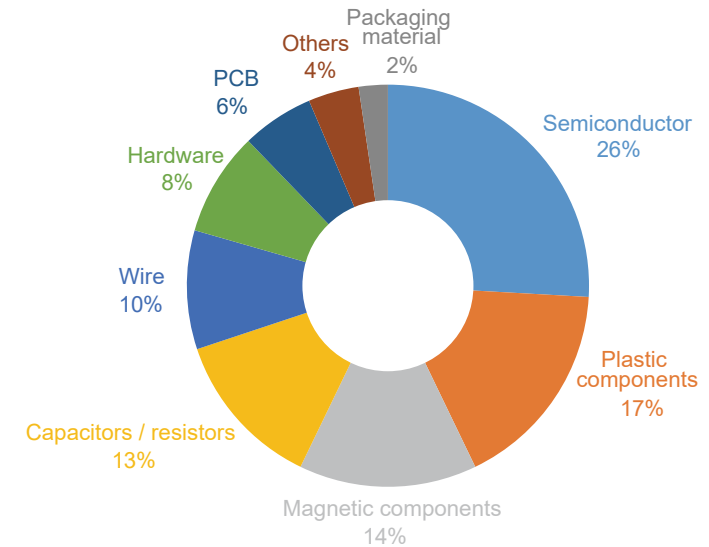
- ⊙ Supplier ESG Audit and Counseling: Audit (key) supplier proportions, the number of audits for high-risk suppliers, improvement rates for deficiencies, etc.
- ⊙ Supplier Sustainability Performance Evaluation: Operational risk management, sustainability management, environmental protection, human rights and labor guarantees, occupational safety, and health.
- ⊙ Localization Management of Procurement: Comparison of procurement amounts by supplier type, comparison of procurement amounts by region, localization ratio.
- ⊙ Supply Chain Environmental Performance: Quantitative or qualitative results of packaging material recycling, reusable carriers (plastic frames), pallet recycling and reuse.
- ⊙ Supplier Education and Training: Greenhouse gas inventory education and training, energy management education and training, RBA Responsible Business Alliance Code of Conduct, etc.

### Supply Chain Situation

Phihong's product service portfolio is diverse and highly flexible. In 2023, Phihong transacted with over 600 suppliers, with semiconductor, plastic components, magnetic components, and capacitors / resistors being the primary supplier categories, accounting for over 70% of the transaction volume.

### Supplier Conference

In Dec 2023, Phihong held its annual Supplier Conference under the theme "Co-Creating Sustainability, Setting Sail at High Speed." The conference saw the participation of over 60 core suppliers and more than 120 representatives. Phihong shared insights on global climate change trends and energy-saving strategies within the supply chain, encouraging suppliers to embrace challenges and implement low-carbon development principles. Phihong urged suppliers to actively respond to its supply chain carbon reduction policies and set carbon reduction targets. Additionally, outstanding suppliers in energy conservation and emission reduction were invited to share their experiences, fostering collaborative efforts towards sustainable development within the supply chain.



### Supplier Carbon Inventory Training

Phihong adheres to the concept of mutual growth with its supply chain partners and emphasizes the sustainable development capabilities of the supply chain. In December 2023, Phihong invited speakers to conduct greenhouse gas inventory and carbon footprint training for suppliers through both physical and online channels. The training covered topics such as GHG Protocol, ISO14064, ISO 14067 standards, emission data collection, calculation, and case studies. Phihong encouraged suppliers to conduct greenhouse gas inventories, adopt carbon foot print, and set emission reduction targets. Over 180 individuals have participated in Phihong's ESG program through specialized training sessions.



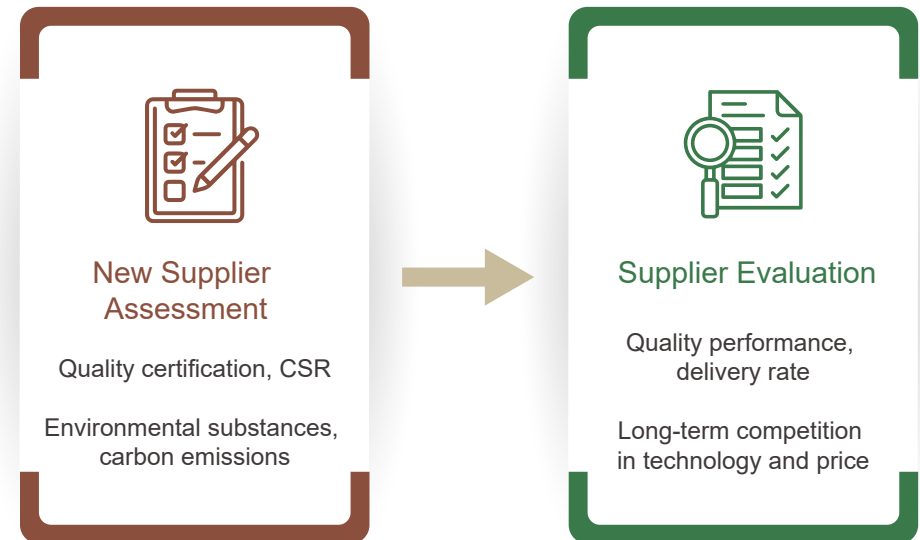
### Supply Chain Risk Management

#### New Supplier Assessment

New suppliers are required to be assessed prior to adoption to ensure product compliance and the ability to supply products without interruption, and to identify possible ongoing operational risks. Through supplier audits to ensure quality and delivery performance, and to assess the supplier's ability to make cross-functional decisions. We will verify the supplier's financial health, ethics, environmental safety management system and other related social responsibilities. We consider the complexity of the products, materials, services and technologies to be procured, examine the supplier's capabilities in personnel, equipment, manufacturing, design development, and development project progress management, change management, logistics management, customer service management, etc. Moreover, we also examine environmental substances, including RoHS, REACH, and halogen-free product requirements compliance, and conduct carbon emission surveys to identify whether the overall resources of our suppliers are suitable for Phihong's suppliers.

### Supplier Evaluation

Phihong conducts core supplier evaluations every 6 months. We establish a supplier evaluation system to improve suppliers' ability to cooperate in various aspects, maintain high-quality supplier relationship management, and then improve the company's competitiveness. We also use the evaluation result as a reference for the formulation of procurement strategies.



#### Conflict Material Management

- ⦿ Advocate for RBA's Conflict Minerals Protocol and promote its adoption among suppliers, publicly disclosing the "Conflict Minerals Management Policy" on supplier bulletin boards.
- ⦿ New suppliers must sign a "Conflict Minerals Commitment Letter" before qualifying.
- ⦿ When new or existing suppliers change smelters, they must submit a "Conflict Minerals Survey". Phihong verifies that 100% of conflict minerals originate from RBA-certified smelters. Based on the review and rectification results, suppliers must comply with removing and prohibiting the use of non-compliant smelters.

### Phihong Conflict Minerals Management

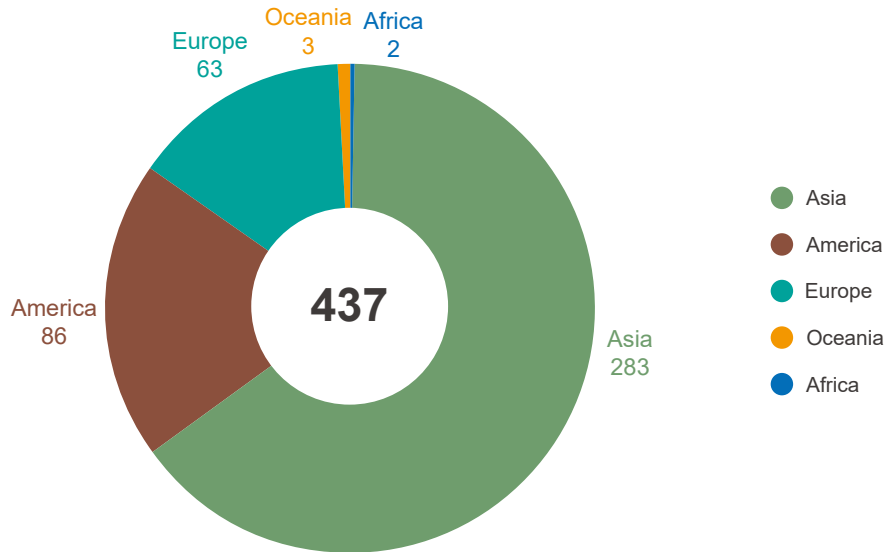
#### Conflict minerals policy

- Compliance with RBA and GeSI
- Avoid the use of conflict metals from the DRC and neighboring countries.

#### Mandatory Forms for New Suppliers

- Conflict Minerals Pledge
- Conflict Minerals Survey

### Phihong's supply chain smelter distribution map



### New supplier introduction

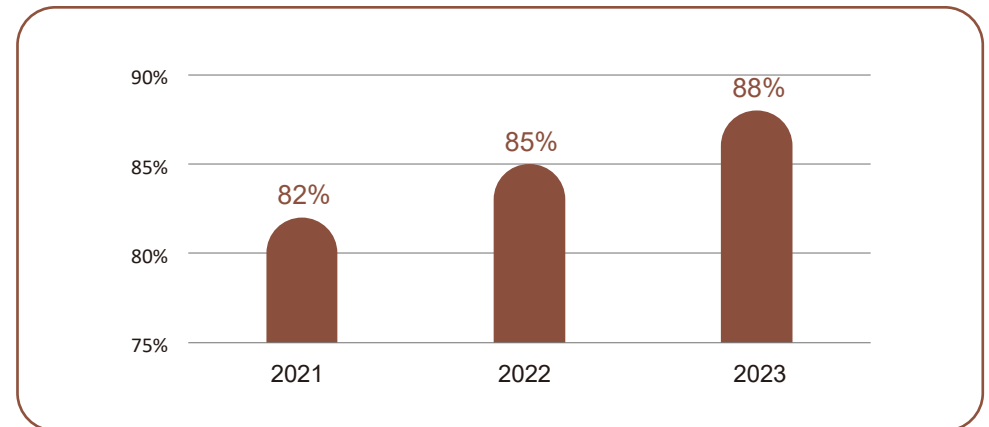
Phihong considers ESG (Environmental, Social, and Governance) as a key assessment criterion for auditing and evaluating its suppliers. New suppliers are required to sign an "Environmental and Social Responsibility Commitment," which includes adherence to the Responsible Business Alliance (RBA) standards covering labor, health and safety, environmental protection, and ethical business conduct management systems. In 2023, Phihong completed audits for 40 suppliers, with 33 passing the review, while 7 were deemed ineligible due to non-compliance with environmental management substance control. We also consider the following three indicators:

- 1.Environmental Indicators: Assessment of the environmental impact of upstream and downstream transportation, operations, and component production processes.
- 2.Business Indicators: Evaluation of capabilities, commitments, costs, efficiency, quality, technology, corporate governance, etc.
- 3.Social Indicators: Consideration of labor rights, health and safety, ethical business conduct, conflict minerals, etc.

### Supplier Integrity Pledge

The biggest risk in the procurement process is that suppliers provide gifts, money, or entertainment expenses in exchange for preferential treatment of suppliers' goods and services bids. Phihong's Code of Business Ethics and Business Conduct specifies anti-corruption and anti-bribery policies for procurement staff and suppliers. In 2023, 88% of the 175 core suppliers signed the Integrity Pledge, a 3% increase from the previous year.

### Integrity Pledge Sign-Back Ratio



### Supplier Guidance

Phihong conducts regular quality and environmental system audits and guidance evaluations for newly developed suppliers and qualified suppliers to ensure that their product quality, environmental systems, and corporate social responsibility practices meet Phihong's requirements. As many suppliers are located in China, to strengthen supplier management and reduce losses due to quality, environmental, and social responsibility risks, substantial supplier management functions and authority are delegated to the factory-side SQM (Supplier Quality Management). This is aimed at achieving on-site, on-the-spot, and on-the-spot responsiveness. The supply chain guidance team consists of three parts: SQM, technical, and procurement, responsible for conducting evaluations for newly developed suppliers. The SQM unit conducts audits, guidance, and evaluations of suppliers based on actual conditions. In 2023, Phihong conducted a total of 40 Quality System Audits (QSA) for new suppliers and 88 Quality Process Audits (QPA) for existing suppliers, while Zerova conducted 17 QSA and 12 QPA. The audit results are as follows:

#### Result of Phihong's New Supplier Quality System Audit (QSA)

Item	Qualified Suppliers	Unqualified / suspended suppliers
No. of suppliers	33	7
%	83%	17%

Note: Disqualification and suspension of audit cases are not caused by CSR issues

#### Result of Zerova's New Supplier Quality System Audit (QSA)

Item	Qualified Suppliers	Unqualified / suspended suppliers
No. of suppliers	16	1
%	94%	6%

Note: Disqualification and suspension of audit cases are not caused by CSR issues

### Result of Phihong's Quality Process Audit (QPA)

Audit Type	Result	Total	%
RBA Audit	Pass	15	17%
HSF Audit	Pass	2	2%
QPA & HSF Audit	Pass	20	23%
	Failed	1	1%
QPA & ROHS Audit	Pass	1	1%
QPA Audit	Pass	11	13%
	Failed	2	2%
RoHS Audit	Pass	1	1%
Annual Audit	Pass	24	27%
New Material Process Audit	Pass	9	10%
Supplier Guidance	Pass	2	2%
<b>Total</b>		<b>88</b>	<b>100%</b>

Note: Disqualification and suspension of audit cases are not caused by CSR issues

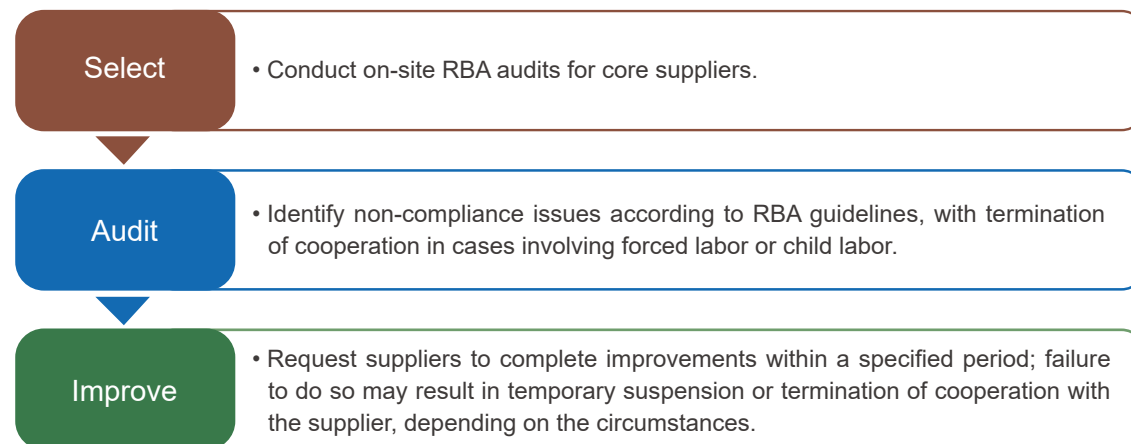
### Result of Zerova's Quality Process Audit (QPA)

Audit Type	Result	Total	%
QPA Audit	Pass	6	50%
Annual Audit	Pass	5	42%
Supplier Guidance	Pass	1	8%
<b>Total</b>		<b>12</b>	<b>100%</b>

Note: Quality/Environmental System Audit Guidance Evaluation resulted in 12 suppliers passing the audit.

### Supplier RBA-Audit




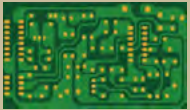
Since 2021, Phihong has conducted on-site RBA audits for suppliers with transaction amounts exceeding 10 million Taiwanese dollars and those with close cooperation. In 2023, RBA audited 15 suppliers, and no supplier had cooperation terminated due to forced labor or child labor. The overall situation is depicted by the table below. Overall, Phihong ensures that new suppliers are 100% compliant with environmental and social standards before onboarding. If there are any doubts, they are not onboarded. The same scrutiny is applied to existing suppliers. In 2023, no significant actual or potential negative impacts were found among the suppliers audited.



Aspect	Major deficiencies	Improvement action	Tracking Mechanism
Human Rights and Labor Protection	Weekly working hours (including overtime) exceed 60h during peak factory season	<ul style="list-style-type: none"> <li>• Develop a written program to control overtime and enhance training.</li> <li>• Additional staff according to actual needs.</li> <li>• Improve the technical skills of employees through training. improve production efficiency, automation, and lean production.</li> </ul>	<ul style="list-style-type: none"> <li>⊙ Audit deficiency reports adopt the SQE audit report as the standard format.</li> <li>⊙ Suppliers submit continuous improvement plans and complete deficiency improvements, and audit reports are compiled for review by the supervisor.</li> <li>⊙ The audit team decides whether to close the deficiency improvement status or require on-site confirmation of improvement results within two months.</li> </ul>
	Factory policies, practices and codes do not contain anti-discrimination provisions	<ul style="list-style-type: none"> <li>• Develop factory policies, practices, and codes to prevent discrimination.</li> <li>• Conduct employee training and record keeping according to the training plan for anti-discrimination issues.</li> </ul>	
Sustainability and Operational Risk Management	No anti-bribery, anti-corruption & information security control program in place	<ul style="list-style-type: none"> <li>• Conduct regular training and awareness-raising for employees and related stakeholders.</li> <li>• Understand the possible consequences and risks associated with a violation.</li> <li>• Information security risk identification. Education and training on information security management. policies to enhance information security capabilities and strengthen organizational resilience to information security incidents and threats.</li> </ul>	
Supply Chain Management	No investigation on conflict mineral use during new supplier introduction	<ul style="list-style-type: none"> <li>• Promise to suppliers that the company will conduct due diligence on the source of minerals and the chain of custody of production and sales in accordance with the "OECD Due Diligence Guidelines".</li> </ul>	
Occupational Safety and Health	Rotating parts and other potentially hazardous parts are not properly guarded, isolated, and maintained	<ul style="list-style-type: none"> <li>• Install equipment and protection devices. Regularly organize safety production education, training, and publicity for employees.</li> <li>• The medical kit is checked by a person to verify that the list of protective equipment is consistent with the physical.</li> </ul>	

### Key Material Risk Management

For key materials, key equipment and other important suppliers, Phihong takes the initiative to issue supplier self-assessment questionnaires, which are reviewed by the supply chain management team to implement risk control measures. In the past year, the U.S. has continued to raise interest rates to combat inflation, resulting in an economic recession and a severe impact on demand. In addition, the electronic industry is in a dilemma of excessive stocking during the epidemic, and the global economic climate has reduced demand, causing high inventory of components to emerge one after another, which has significantly eased the shortage of materials compared to 2021. Therefore, the risk management measures for key materials are as follows:

	Key component	Risk type	Strategic measures	Common management methods
Semiconductor		<ol style="list-style-type: none"> <li>1. Too many orders</li> <li>2. Factory inventory</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthen control on excess inventory</li> <li>2. Follow suppliers' direction for special usage material</li> </ol>	<ol style="list-style-type: none"> <li>1. price negotiation</li> <li>2. cross department project management team to strictly control production order quantity</li> <li>3. coordinate order cancellation or delay</li> </ol>
Plastics		<ol style="list-style-type: none"> <li>1. Manufacturer stopped production to reduce capacity</li> <li>2. Inventory reduced at a slower rate</li> </ol>	<ol style="list-style-type: none"> <li>1. Regularly verify inventory of ejection factory</li> <li>2. Regularly verify changes in production capacity of material</li> </ol>	
Metal Wire		<ol style="list-style-type: none"> <li>1. Factory personnel adjustment</li> <li>2. Raw material over-inventory</li> </ol>	<ol style="list-style-type: none"> <li>1. Regularly control manufacturer changes in personnel</li> <li>2. Regularly verify inventory of material producer</li> </ol>	
PCB		<ol style="list-style-type: none"> <li>1. Reduce factory manpower</li> <li>2. Reduce production capacity of raw</li> </ol>	<ol style="list-style-type: none"> <li>1. Regularly control manufacturer changes in personnel</li> <li>2. Regularly verify OEM production facilities</li> </ol>	

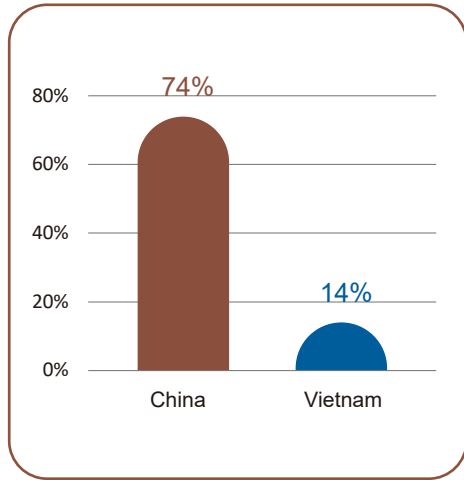
### Local Procurement

Phihong's Green Supply Chain Management strengthens its local procurement strategy, reducing supply chain risks, overall carbon emissions, and creating local job opportunities. We prioritize suppliers located in the same region as our production facilities to minimize carbon footprint. The localization ratio for 2023 is illustrated in the following diagram, with China having the highest proportion of local procurement, while efforts are ongoing in Vietnam to increase the use of local components. New suppliers are selected based on the principle of being within a 2-hour drive from the factory, whether for mechanical or electronic components, aiming to further enhance the localization ratio. Local procurement helps reduce the environmental impact of overseas logistics and transportation processes, reducing greenhouse gas emissions. If overseas procurement is necessary, we carefully consider lead times to minimize shipping frequency, reducing both inbound and outbound costs for both Phihong and suppliers.

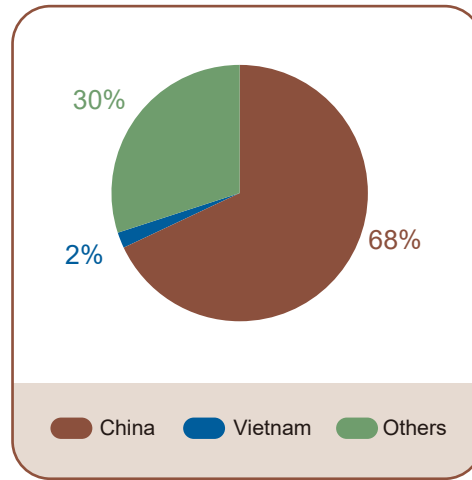


**Phihong's local procurement amount ratio in 2023**

**local procurement**

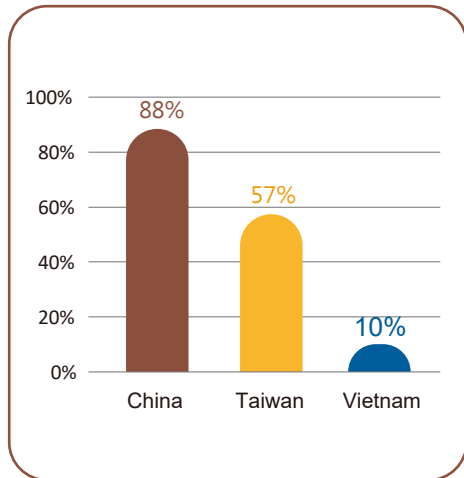


**regional breakdown of procurement**

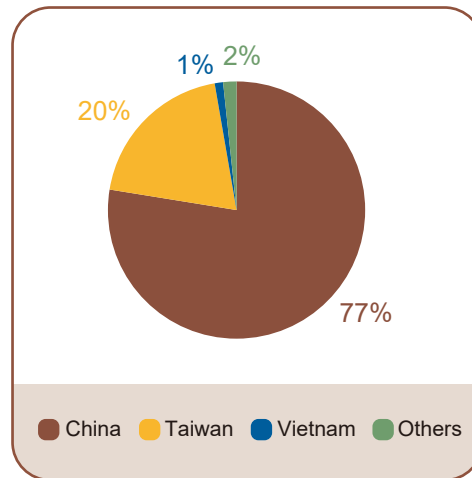


**Zerova local procurement amount ratio in 2023**

**local procurement**



**regional breakdown of procurement**



**Supplier Material meets Environmental Requirements**

Phihong pays attention to the control of environmental substances in the materials. We always pay attention to changes in important international regulations such as RoHS2.0 (2011/65/EU & 2015/863/EU), REACH-SVHC, Halogen-Free, SONY SS00259, etc. and update our internal control documents accordingly. New control standards for environmental management substances will be published in the supplier's Kanban board download area at any time with the changes of international related organizations, so that suppliers can download and inquire. To emphasize the importance of environmental substance control, the system for suppliers to upload environmental substance information also be clearly displays a reminder. During the material approval stage, suppliers are required to provide test reports from third-party accredited organizations within the validity period and upload guarantees to Phihong's environmental document system to ensure that supplier materials comply with environmental requirements. New environmental management substance control standards are also announced simultaneously with changes by international relevant organizations for supplier inquiries and downloads. To promote the importance of environmental substance control, the environmental substance data upload system prominently reminds suppliers.

**Management of environmentally related substances**

In addition to requiring suppliers to meet environmental requirements, the SQM team verifies that suppliers meet Phihong's requirements as part of green supply chain management. Before Phihong introduces new suppliers, there is a review to make sure all suppliers meet our environmental standards. 100% of our new suppliers are screened using environmental criteria. In the new supplier audit, the following environment-relevant substance management items are reviewed:

- (1) Procedures and standards
- (2) Control lists, confirmation plans and confirmation methods
- (3) Traceability
- (4) Whether the management items are propagated to the suppliers and their implementation is confirmed
- (5) Whether production equipment and fixtures are managed
- (6) Document management
- (7) Division of labor and training of professional staff

Suppliers must check whether their environmental substance management complies with Phihong's standard before the audit. During the audit, the auditor must use the audit form to verify that the various actions taken by the supplier in environmental substance management are accurate, to avoid product contamination and possible loss and damage to the environment due to inadequate management.

## Supplier ESG Implementation and Commitment

Phihong conducts regular social responsibility audits on Pass suppliers annually, identifying any existing or potential non-compliance with the code of conduct requirements during the audit process. Subsequently, improvement plans are formulated and ensured to be continuously implemented and monitored. As a leading professional in the power industry, Phihong is committed to promoting and upholding corporate social responsibility and hopes to collaborate closely with suppliers to achieve this goal. Phihong's supplier management policy, supplier code of conduct, integrity and anti-corruption advocacy, social responsibility, environmental policy, occupational health and safety policy, conflict-free metal policy, and other policies are openly displayed on the supplier portal. Suppliers are selected in accordance with these policies. Phihong's ESG policy for suppliers is as follows:

Comply with all laws and regulations signed by the company in the production and operation of the enterprise and cooperate with the occupational safety and health management system/quality management system/environmental management system to manage the company.

Respect the rights of all persons and prohibit discriminatory practices, forced labor and illegal punitive measures.

Comply with customer and industry codes of ethics and business conduct and select suppliers/outsourcers based on their ability to meet social responsibility standards.

Continuously improve management, standardize behavior, and accept external review and employee supervision in accordance with social responsibility standards.

Employee representatives have the right to communicate or negotiate with management representatives on social responsibility issues.

All employees can access information on the social responsibility system and make suggestions at any time without any negative impact.



## 4.4 Initiatives and Organizational Participation

Pihong adheres to the concept of corporate sustainability, actively responding to external initiatives, aligning with international standards, and participating in international, national, and regional advocacy organizations. Through increased engagement, we contribute our efforts to environmental, social, and economic causes, striving together to achieve sustainable development.

### Climate Action Initiative

In response to the goal of limiting global warming to below 1.5 °C as outlined in the Paris Agreement, Pihong declared its Net Zero Emissions goal for 2050 in November 2022, and it will gradually implement its "Net Zero Action" plan. To achieve Net Zero Emissions by 2050, Pihong will focus on reducing direct emissions from its operational activities (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from its value chain (Scope 3). Moreover, Pihong actively participates in various international platforms to communicate, learn, and share experiences to facilitate its sustainability initiatives. Specific action plans include participating in the Carbon Disclosure Project (CDP), responding to investor questionnaires, committing to setting science-based carbon targets (SBTi) to assess carbon reduction pathways scientifically, and planning to submit the targets application by Q3 2023, demonstrating its commitment to active carbon reduction.

Since 2018, Pihong has been actively responding to the risks and opportunities posed by global climate change and water resources through its participation in the Carbon Disclosure Project (CDP). In line with its commitment to integrity and transparency in addressing climate change, Pihong discloses information including climate change governance strategies, risk identification and opportunity analysis, greenhouse gas emissions, reduction targets, and performance. Furthermore, in 2022, Pihong officially signed its support for the Task Force on Climate-related Financial Disclosure (TCFD), aligning itself with international standards. Continuously, Pihong establishes a comprehensive process for identifying climate change risks and opportunities, utilizing quantified financial impact information to clearly understand the potential effects of climate change on the company's operations and strategies. This enables effective monitoring, control, and response to various climate-related issues, seizing opportunities for operational development and innovation, and implementing various sustainability initiatives. Pihong is actively working towards its goal and vision of transitioning to a low-carbon economy.



### The Taiwan Net Zero Action

"In 2022, we announced our goal of achieving Net Zero Emissions by 2050 and have since been progressively implementing the 'Net Zero Action.' To achieve our Net Zero Emissions target by 2050, Pihong is taking concrete actions to address direct emissions (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from the value chain (Scope 3) generated during our operations."

### Participating in the Science-Based Targets initiative (SBTi)

Pihong is committed to ensuring a low-carbon transition and addressing climate science imperatives to help mitigate the escalating risks of climate change. This initiative aims to enhance our competitive advantage in transitioning to a low-carbon economy. Pihong has submitted a commitment letter to the Science-Based Targets initiative (SBTi). By Q3 2023, we aim to complete the submission of our carbon reduction targets and officially passed the SBTi's scientific-based carbon reduction target setting process by March 2024. This effort aligns with the goals of the Paris Agreement, contributing to the collective efforts to limit global warming to 1.5 °C.



### Carbon Disclosure Project (CDP)

Since 2019, we have been actively responding to the Carbon Disclosure Project (CDP) to address the risks and opportunities related to global climate change and water resources. In 2022, we received recognition for our climate change disclosure questionnaire rating with a management level of B-, reflecting our commitment to managing climate-related risks and opportunities.



### Signing to support the Task Force on Climate-Related Financial Disclosure (TCFD)

To grasp the risks and opportunities of climate change on its operations, Pihong has been identifying and assessing climate-related risks through the Task Force on Climate-Related Financial Disclosure (TCFD) since 2021. In Oct 2022, it officially signed to support and respond to the TCFD initiative, joining climate action efforts to align with international decarbonization trends and mitigate impacts.



### List of Phihong's participation in External Organization Initiatives

Aspects	Advocacy Organizations or Conventions	Duties/Advocacy	Phihong Taiwan	Zerova	Phihong Dongguan	Phihong Haiphong
Environment (E)	Responding to Climate-related Financial Disclosures (TCFD)	Advocate	⊙	⊙	⊙	⊙
	Participate in the International Carbon Disclosure Project (CDP)	Advocate	⊙	⊙	⊙	
	Science-Based Carbon Reduction Target (SBTi)	Advocate	⊙	⊙	⊙	⊙
	Taiwan Smart Electric Vehicle and Green Energy Technology Association (TECA)	Member		⊙		
Social (S)	Global Sustainability Reporting Initiative (GRI)	Advocate	⊙	⊙	⊙	⊙
	Responsible Business Alliance Code of Conduct (RBA)	Member	⊙	⊙	⊙	⊙
	Eden Social Welfare Foundation	Donations	⊙			
	Muhsiang Home, Taoyuan City	Donations	⊙			
	Step30.Org: Old shoes save lives	Advocate & Donations	⊙			
Governance (G)	TCSF Taiwan Business Sustainability Forum	Advocate	⊙	⊙		
	Taiwan Industrial Holdings Association	Member	⊙	⊙	⊙	⊙
	Taiwan Business Council for Sustainable Development	Advocate	⊙	⊙		
Economic	Taiwan Electrical and Electronic Industry Association	Advocate	⊙			
	Taiwan Plastics Industry Association	Member	⊙			
	Taiwan Advanced Automotive Technology Development Association	Member	⊙			
	Open Charge Alliance	Member	⊙			
	Taipei Computer Association	Member	⊙			
	Tainan County Industrial Association	Member	⊙			
	Taoyuan City Hwa Ya Technology Park Manufacturer Promotion	Founding Member	⊙			
	Guangdong Guangzhou Baoguan Association	Member			⊙	
	Dongguan Taiwan Chamber of Commerce, Qingxi Branch	Member			⊙	



# 5

## Environmental Protection

5.1 Sustainable Environmental Management

5.2 Enhancing Climate Resilience (TCFD)

5.3 Energy and Resource Management

5.4 Mitigating environmental impacts

## Year Performance



### Environmental Management

- Subsidiary Zerova achieved ISO 14001 Environmental Management System certification.
- CDP environmental information disclosure rating: C.
- Awarded the highest level of UL2799 zero waste to landfi.



### Climate Change Response

- Identified 9 major risks and 3 major opportunities, and disclosed TCFD climate-related financial information.



### Greenhouse Gas Reduction



- Introduced CIRS Cloud-Service for systematic management of carbon emission information.
- Obtained third-party verification statement for 2023 carbon inventory.
- Achieved a 16.18% reduction in Scope 1+2 emissions compared to the baseline year.



### Energy management

- Phihong Dongguan completed the construction of a 2-MW solar power generation system, which can generate 2 million kilowatt-hours of green power annually.
- Implemented ISO 50001 Energy Management System.

## Material Topics and Target Management

Material Topic	Performance Indicators	Achievements in 2023		Future Goals			SDGs Practice
		Target	Achievement	Short-term (2024)	Mid-term (2026)	Long-term (2030)	
Climate Change Response	TCFD information disclosure	TCFD disclosure	TCFD disclosure	TCFD disclosure	Published the first standalone TCFD report.	Published a standalone TCFD report.	Goal 13: Climate Action 
Energy and Greenhouse Gases	Scope 1+2 greenhouse gas emissions achieved an absolute annual reduction of 4.7% compared to the baseline year 2021.	-9.4%	-16.18%	-14.1%	-23.5%	-42%	Goal 7: Affordable and Clean Energy 

## 5.1 Sustainable Environmental Management

Phihong, with the goal of environmental sustainability, actively promotes the research, development, and manufacturing of green products. The company is committed to managing hazardous substances, improving the energy efficiency of power products, and increasing the recycling rate of products. Through cross-departmental collaboration, various environmental protection measures are actively implemented and managed. Phihong hopes that all employees will enhance their environmental awareness, embrace the promotion of environmental concepts, and participate actively in setting performance goals, thereby fostering a corporate culture of environmental sustainability.

### Environmental Policy and Commitment

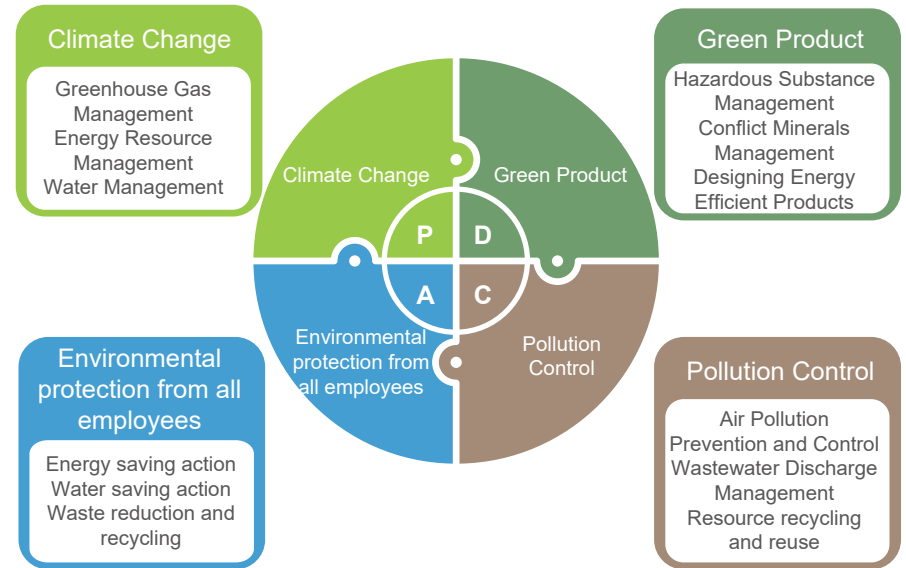
Phihong pays close attention to international environmental topics and trends. In addition to complying with environmental regulations in all global operating locations, the company takes a cautious approach to comprehensively promote environmental policies and related activities. It emphasizes pollution prevention, creates excellent working environments, protects the physical and mental health of employees, and fulfills corporate responsibilities under environmental laws and regulations.

- ✓ Promote environmental management by integrating the spirit of PDCA, aiming to reduce and prevent the generation of environmental impacts.
- ✓ Use institutionalized management to save energy and water resources and move towards the goal of net-zero carbon emissions.
- ✓ Comply with environmental protection regulations and customer environmental protection requirements, focusing on the prevention of waste (sewage) water, air pollution, waste, and noise pollution.
- ✓ Ensure whether prohibited or restricted substances, chemicals and toxic chemicals are used in the production process and products, and follow or exceed international environmental protection regulations to avoid environmental impact.
- ✓ Regularly review environmental goals, improve performance and climate risk assessment, disclose environmental results, and fulfill corporate social responsibilities.

### Management System and Certification

Phihong actively collaborates with customers and suppliers to promote environmental and green product management systems. In 2023, Zerova obtained ISO 14001:2015 Environmental Management System certification for the first time. The Group conducts regular internal audits and third-party verifications every year to ensure compliance with relevant environmental standards such as ISO 14001 and ISO 14064-1. By adhering to internationally recognized standards for sustainability verification, Phihong aims to enhance its environmental performance and strengthen its environmental management system. The company addresses 4 main aspects of environmental protection: climate change, green products, pollution prevention, and environmental awareness among all employees. It manages every aspect of the product lifecycle, from product design, raw material sourcing, manufacturing processes, factory operations, finished products, after-sales service, to waste disposal, with a focus on reducing negative impacts on climate change and environmental harm throughout the entire product lifecycle.

## 4 Aspects of Environmental Management



## CDP Environmental Information Disclosure

The Carbon Disclosure Project (CDP) is highly regarded as an internationally credible environmental sustainability assessment in the global climate arena. Phihong actively participates in the CDP Supply Chain Program. In 2023, responses to both the "Climate Change" and "Water Security" questionnaires were rated as C grade. However, the climate questionnaire's rating declined by one grade compared to 2022. Phihong will continue to review and establish areas for improvement.

In the future, we will continue to monitor global climate change trends and international response directions. We will integrate climate change into the significant topics and key major risk items of corporate sustainability development, continue to analyze and control, and strive to adapt to and mitigate greenhouse gas emissions.

## 5.2 Climate Change Response (TCFD)

### Enhance Climate Resilience

Climate change has significant impacts on the global environment, economy, and society, both now and in the future. It poses substantial risks and opportunities for businesses' financial aspects. Therefore, it is a key focus strategy in Phihong's sustainable development. In response to the challenges posed by climate change, Phihong officially signed the support for the Task Force on Climate-related Financial Disclosure (TCFD) in 2022, aligning with international standards. The company continues to establish a comprehensive process for identifying climate change risks and opportunities. By quantifying financial impacts, it gains a clear understanding of the potential effects of climate change risks and opportunities on the company's operations and strategies. Phihong effectively monitors, controls, and responds to various climate-related topics, seizing opportunities for operational development and innovation. The company also implements sustainable management practices, actively moving towards the goal and vision of transitioning to a low-carbon economy.

### Governance

#### ⊙ Board of Directors

The Board of Directors reviews and approves sustainability-related policies and proposals. Starting from 2023, the Chief Sustainability Officer will regularly report to the Board of Directors on a quarterly basis. The reports will include sustainability reports, carbon inventories and reduction initiatives and management, material topics in energy and resource management, and other pertinent matters related to sustainability.

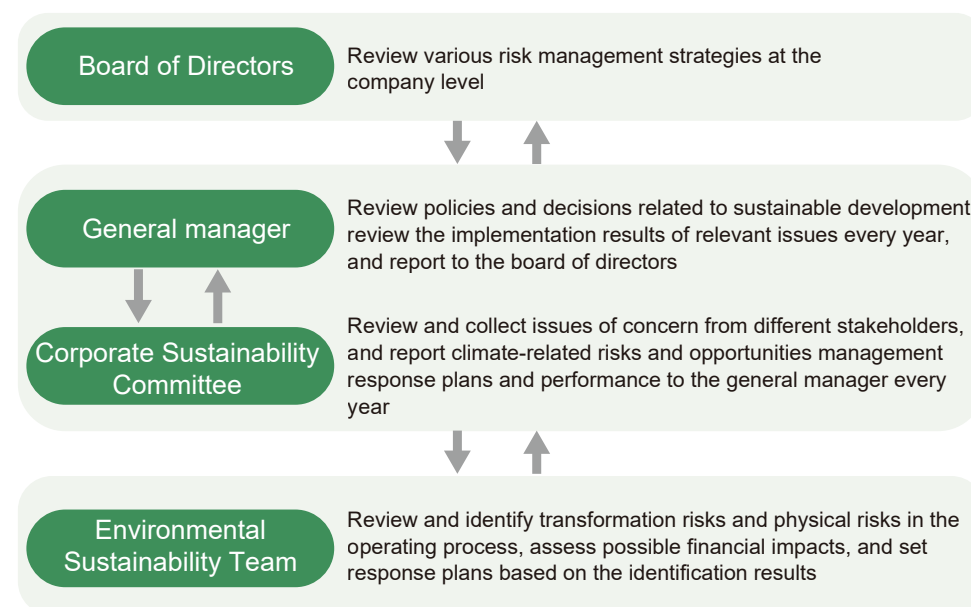
#### ⊙ Sustainable Development Committee

The "Sustainability Development Committee" is chaired by the Group's General Manager and consists of seven functional subcommittees, each comprised of department-level supervisors. The Chief Sustainability Officer convenes regular meetings every month to review the progress and planning of various ESG projects

#### ⊙ Environmental Sustainability Team

Following the TCFD framework, we identify the transformation and physical risks in our operational processes, understand climate-related topics, and devise response strategies and measures, including climate change, significant risks, business opportunities, and assess potential financial impacts. Based on the identification results, we establish response plans. Below is Phihong's climate risk management framework.

### Phihong Climate Risk Management Framework



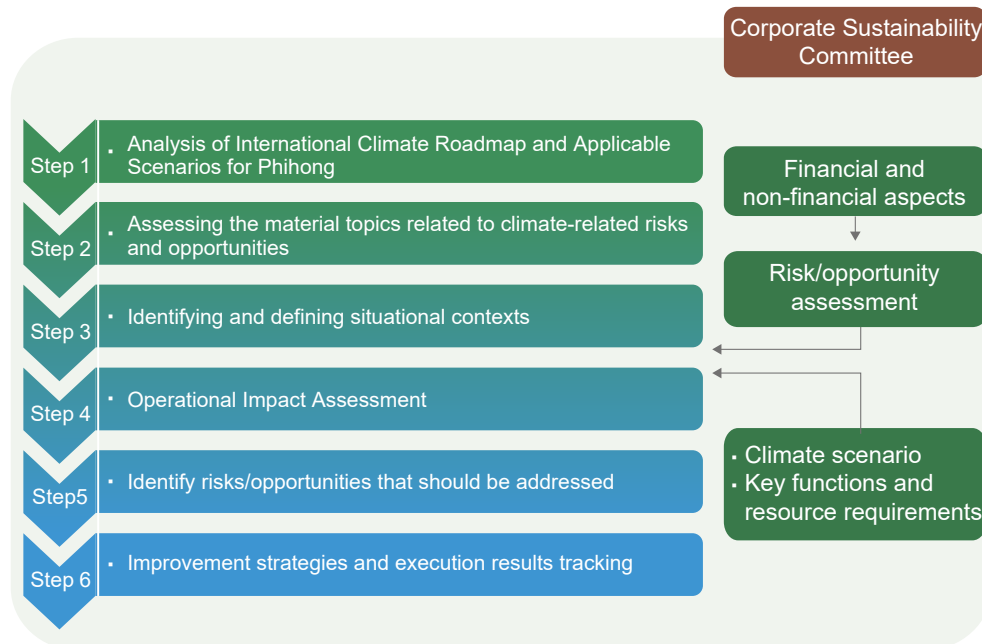


## Strategy

Phihong follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and comprehensively conducts climate risk management across four major dimensions: governance, strategy, risk management, and metrics and targets. Initially, we identify significant risks from potential impacts, assess the financial impact pathways and scales under different scenarios for each risk factor, take stock of response measures, and set indicators for regular monitoring and improvement tracking.

### ☉ Risk Opportunity Identification Assessment Process

Phihong integrates the identification of climate-related risks and opportunities with the ISO 14001 procedure, effectively integrating management mechanisms. The execution process begins by gathering information on international decarbonization pathways, scientific methods, and specific phenomena caused by climate change in recent years. This information is then categorized and summarized to identify potential topics relevant to Phihong. Subsequently, a further assessment is conducted to analyze potential risks and opportunities, along with their severity. The severity of risks considers factors such as the level of impact and the frequency or probability of occurrence. Based on the product of these factors and the position on the risk matrix chart, decisions are made regarding the handling of opportunities and risks, as well as the corresponding strategies and measures. The process for identifying and assessing climate-related topics is illustrated in the diagram below.



### ☉ Summary and assessment of climate topics

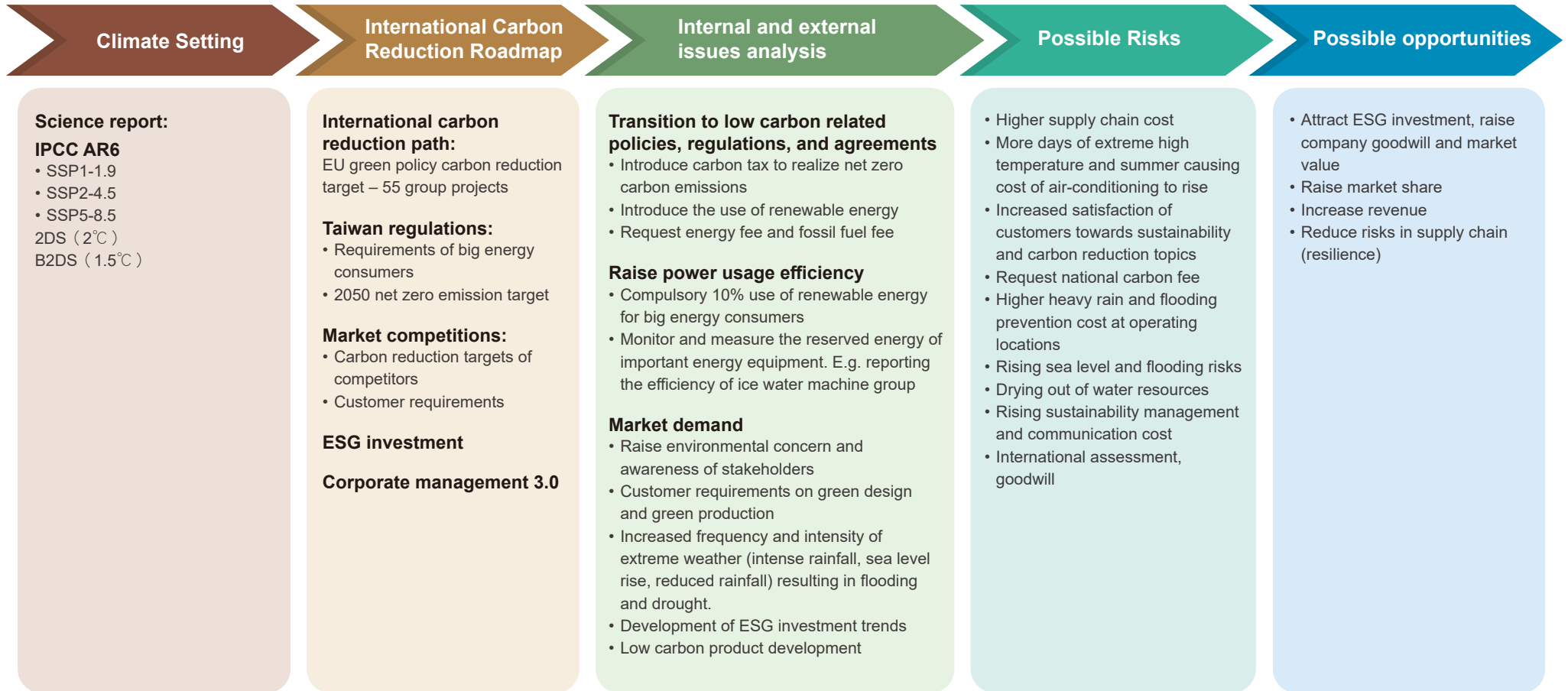
The Sustainable Development Committee conducted cross-departmental discussions to clarify existing measures, possible solutions, the format for obtaining financial quantification data, feasibility, and sources. This process aimed to consolidate Phihong's climate change risks and opportunities. The results were categorized based on the substantive content of each topic and referenced the risk and opportunity categories suggested by the TCFD framework (transition risks, physical risks, and opportunities).

The climate risk assessment process is based on the overall impact of climate change on the company's operations, taking into account the TCFD reporting framework and climate-related risks published by the Japanese Ministry of the Environment. The scenario analysis guidance ver2.0 is also incorporated into the process design. Initially, key units and facilities within Phihong's operations are identified, such as energy requirements, regulatory requirements, and decarbonization targets. Subsequently, assessments are conducted to evaluate the potential impacts and severity of these factors.

### ☉ Climate risk opportunity management integration

With regard to the climate risks and opportunities that Phihong may face, the impact of the topic on operations and the occurrence rate are considered. The scores are rated according to the scales defined in the Company's Impact and occurrence rate scale, with the impact on the financial side being given priority when considering the impact on operations. The impact on non-financial aspects being considered only when quantification of the impact is not feasible with respect to the financial information. After completing the assessment of the impact level and the occurrence rate, the Group further classifies the risks and opportunities according to their landing points by referring to the "Guidelines on Risk-Opportunity Ranking Matrix" to identify the risks and opportunities that should be dealt with and to formulate the implementation strategies.

Phihong integrates the identification of climate-related risks and opportunities with the ISO 14001 procedure to effectively integrate management mechanisms. Each year, through internal and external environmental risk assessment procedures, the Environmental Sustainability Committee jointly assesses various aspects to examine the relevance and severity of each topic to the company's operational risks. The Sustainability Development Committee reports annually to the General Manager on the execution content of climate risks and opportunities, and the General Manager reports relevant performance to the Board of Directors, ensuring continuous improvement and implementation of various management operations.



**Management**

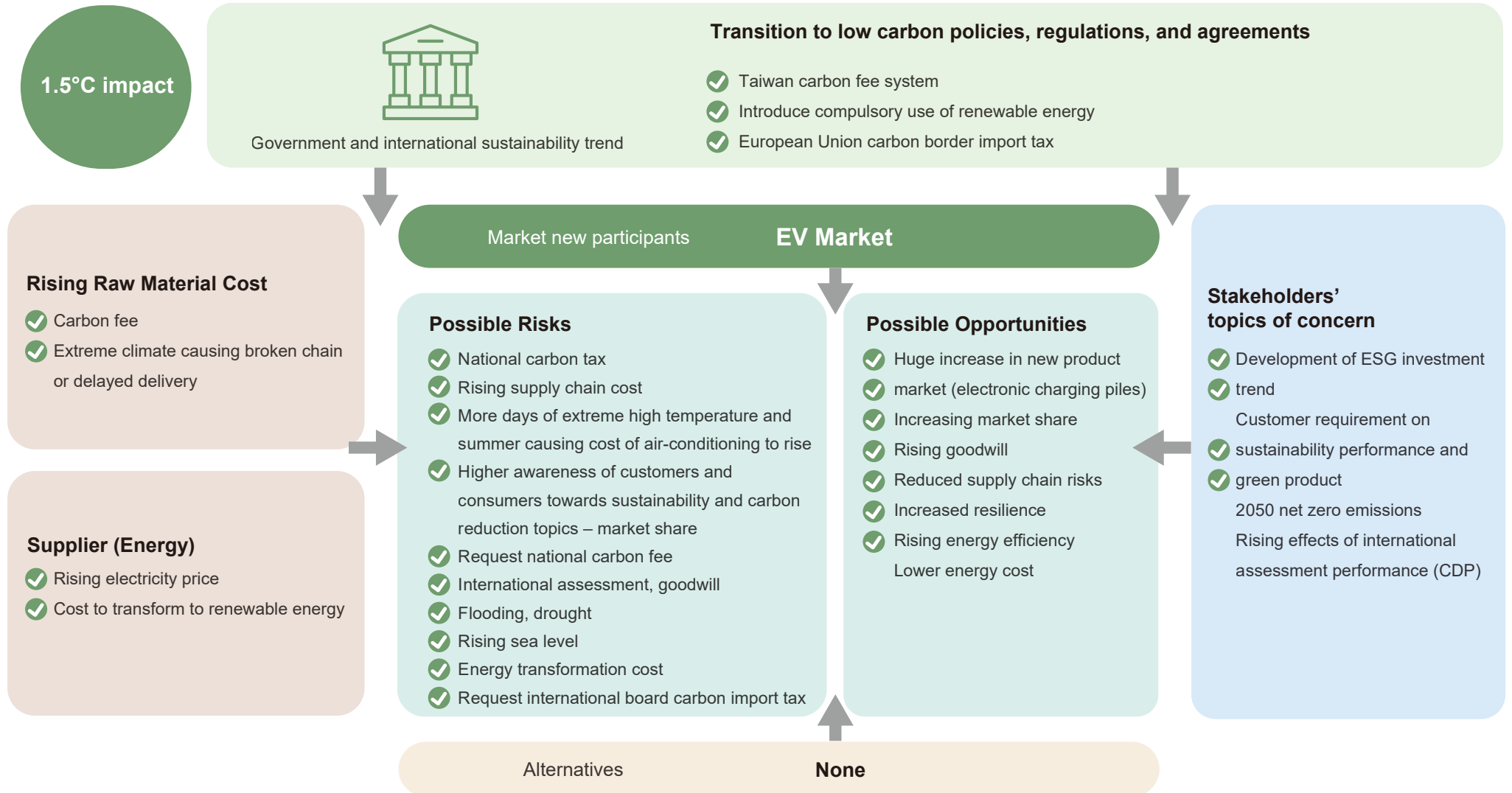
☉ Climate Scenario Simulation ( 1.5°C )

In 2023, Pihong adopted the latest Sixth Assessment Report (AR6) from the Intergovernmental Panel on Climate Change (IPCC) for its TCFD analysis. This report utilized more detailed Shared Socioeconomic Pathways (SSP), integrating qualitative socioeconomic conditions into the assessment model. Factors such as population, human development, economy, lifestyles, policies and institutions, technology, environment, and natural resources were considered. This approach resulted in five scenarios ranging from negative carbon to very high carbon emissions: SSP1-1.9, SSP1-2.6, SSP2-4.5, SSP2-7.0, and SSP5-8.5. Among these scenarios, the differences between SSP1-1.9 and SSP1-2.6, as well as SSP2-7.0 and SSP5-8.5, were not significant. Therefore, the analysis focused on three scenarios corresponding to the 1.5° C target period: SSP1-1.9, SSP2-4.5, and SSP5-8.5.

⊙ Assessment of Climate Change Operational Impact Topic

The assessment of climate change impacts considers the operational impact on profit and loss, capital expenditures, and cash flows, as well as the probability of occurrence. However, for some risks and opportunities that cannot be quantified in financial terms, the evaluation focuses on non-financial impacts. Under different 1.5° C climate scenarios, the identification results of topics impacting operations are illustrated in the diagram below, showing the effects under various scenarios.

**Analysis result of risks and opportunities of the 1.5°C scenario**

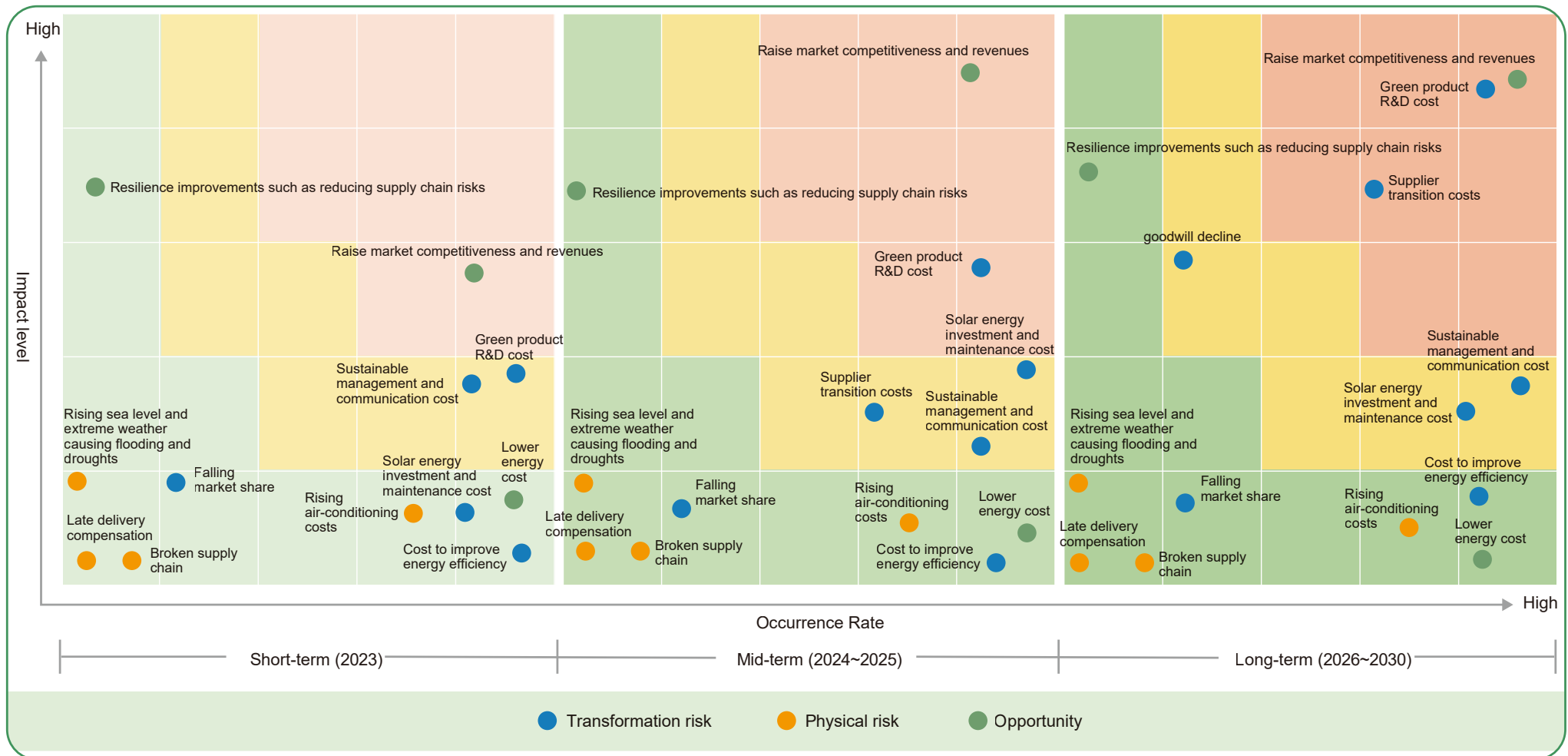


⦿ Short-, Mid- and Long-Term Climate Risks and Opportunities Matrix

In this assessment, the short term is defined as 2023, the mid-term as 2024-2025, and the long term as 2026-2030. The potential climate change risks and opportunities are evaluated based on existing measures, scenario simulations, and the intensity of their relevance to determine their impact on operations and probability of occurrence. A risk and opportunity matrix is then created. In the matrix, green areas represent low risk, yellow areas represent moderate risk, and pink-orange areas represent high risk. Based on the scores and timelines of each topic, strategies for addressing risks and opportunities are formulated.

Relevant topics with significant financial impacts:

Short-term: no significant risk topics; Mid-term: investment in research and development costs for green products; Medium-term: investment in research and development costs for green products and transformation costs for suppliers; Short-, mid-, and long-term opportunities are market competitiveness and revenue enhancement.

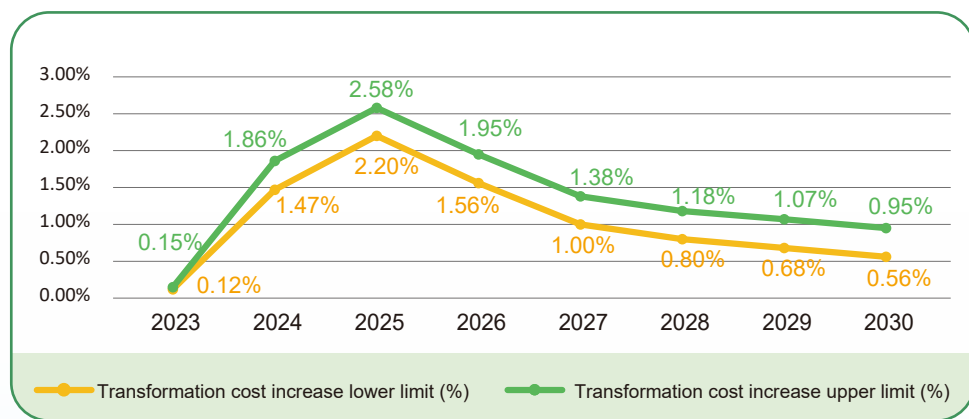


⦿ Financial Impact of Climate Risks and Opportunities on Organizations

Financial impact of climate change topics: For mid- and long-term goals, aiming to meet the requirement of keeping the average temperature rise below 1.5° C, a 4.7% annual reduction in emissions is necessary. Phihong adopts proactive measures including investing in green product development, installing solar power systems, purchasing green electricity, replacing old air conditioning units, and constructing green buildings. The impact of various climate risk topics on operating income is less than 2.6% in the short, mid-, and long term.

Financial Impact of Emission Reduction Pathways: In 2023, Phihong submitted its emission reduction targets to the Science Based Targets initiative (SBTi). Based on the climate risk identification results, topics that can be quantified into financial data are analyzed for their impact on revenue.

**The proportion of Phihong's climate transformation to revenue**



**Assessment of the financial impact of climate change on Phihong**

Climate Risks / Opportunities	Impact of operating income		
	Short-term	Mid-term	Long-term
Increased revenue from low carbon products	< 0.1%	< 1.5%	< 1%
Green product R&D costs	< 0.2%	< 0.5%	< 0.1%
Air conditioning costs	< 0.01%	< 0.01%	< 0.01%
Upstream supplier transformation costs	/	< 0.1%	< 0.1%
Renewable energy investment - solar energy	< 0.01%	< 0.01%	< 0.01%
Sustainability management and communication costs	< 0.01%	< 0.01%	< 0.01%
Replacement of high energy-consuming equipment and installation of energy monitoring equipment	< 0.01%	< 0.01%	< 0.01%

For the potential climate change risks and opportunities, Phihong systematically identifies climate risks that may be faced during its operations based on existing measures, scenario simulations, and issue correlations, in accordance with the Risk Management Guidelines. Climate risk types include transformation and physical risks, further subdivided into regulatory, technological, market, and reputational aspects, as well as immediacy and long-term impacts. Opportunities are categorized into resource efficiency, energy sources, products and services, markets, and resilience, comprising five major categories. Through the evaluation of occurrence rates and impacts, a risk and opportunity matrix is drawn up, and major risks and opportunities that Phihong may face are determined through discussions by the Environmental Sustainability Committee. Effective strategies and management measures are then adopted to capture potential opportunities, thereby strengthening the group's operational resilience and competitiveness. In 2023, we identified 9 major risk topics and 3 emerging opportunities brought about by climate change using the TCFD method. These are further categorized based on their occurrence timelines, and we will annually review response measures to establish a resilient climate change culture. The categories of climate change transformation risks, physical risks, opportunities, financial impacts, and response strategies are outlined as follows:



## Climate Risk and Opportunity Analysis and Response

Impact Events	Risk Type	Potential Financial Risk	Opportunity Type	Potential Financial Opportunities	Management Measures and Actions
Regulatory or agreement requirements	Transformation Risk -Compulsory Acts, Agreements -Technology risk	Laws, policies, reduction targets: • 2050 net zero emission • Corporate governance 3.0	Improve corporate resilience	Improve the company's ESG performance and market investment value	1.Implementing an energy management system and installing an energy management platform with monitoring system. Additionally, constructing solar power facilities on the rooftops of our own factories, with Dongguan Pihong's 2,000KWp facility officially operational in 2023. 2.Establishing a TCFD system and implementing dynamic management of short, mid-, and long-term ESG performance (ESG reporting). 3.Actively cooperating with the Financial Supervisory Commission (FSC) to strengthen corporate governance initiatives. 4.Adhering to and disclosing responses to the sustainability disclosure indicators outlined in the "Operation Regulations for Listed Companies to Prepare and Report Sustainability Reports" by the Taiwan Stock Exchange.
Supply disruption	physical risk -Immediate / long-term	Supply Chain Management: Suspension of Raw Material Supplies, Increased Sustainable Energy Costs in the Supply Chain	Resilience - supply chain risk reduction	Improve supply chain reliability and response resilience	Introduce BCM Management
Changing Market Preferences	Transformation Risk -Market -Technology	Changing Market Preferences: Customer Demands for Green Design	• increase revenue. • increase market share	Raise customer trust, competitiveness, and operating income	Raise the cost of green product development.
Increased severity of extreme weather events such as typhoons and floods	physical risk -Immediate / long-term	Impact of extreme weather events: extreme weather, heavy rainfall, typhoons, etc. cause flooding	Improving the resilience of our own and the supply chain		Insure against related disasters.
Average temperature rise	physical risk -Immediate / long-term	Impact of high temperature: Due to high temperature, the demand for air conditioning in offices and factories increases, which increases power consumption			Introduce an energy management system, namely energy monitoring system, to improve electricity consumption efficiency. Update energy equipment to improve energy efficiency.
Rainfall (water) pattern changes and climate patterns	physical risk -Immediate / long-term	Extreme weather causes drought			No production process uses water, minimal impact. Purchase of drinking water and air conditioning water supply
Sea level rise	physical risk -Immediate / long-term	Flooding caused by sea level rise			Insure against related disaster risks

## Targets and Indicators

☉Climate-Related Risks and Opportunities Indicators

To reduce the impact of climate change on operations, Pihong has set green operation targets, and carried out strategic planning and target setting on projects such as energy conservation and carbon reduction, water conservation and waste management. The achievement is reviewed every year to further develop improvement plans.

## Climate-related indicators

	Actual Result in 2023	Short-term (2024-2025)	Mid to Long-term (2026-2030)
Electricity saving rate (%) over base year 2021	-3.8%	-4.5%	-4.5%
Renewable Energy Buildings (cumulative kW)	2,000KW	1,000KW	6,000KW
Water Consumption per Capita (Million Liters/capita)	0.0947	0.0900	0.0855
Water Conservation Rate (%) in the plant area over the base year 2021	5%	5%	5%
General Waste Unit Revenue Generation (Tons/Million)	0.1415	0.1344	0.1277

🕒 Greenhouse Gas Inventory

To implement energy conservation and carbon reduction measures while fully disclosing corporate carbon emissions and reduction information, Pihong adheres to ISO 14064-1:2018 for Scope 1+2 greenhouse gas inventory operations. Organizational boundaries are established based on operational control principles, with the baseline year set as 2021 for calculating and verifying greenhouse gas emissions. In compliance with the Financial Supervisory Commission (FSC) requirements, Pihong progressively includes subsidiaries, major production sites, and offices within the inventory scope, aiming to achieve 100% site coverage by 2025 and verification by 2026. Furthermore, based on significance identification results, Scope 3 inventory scope is expanded beyond established inventory items such as waste and energy consumption to include business travel and employee commuting.

Pihong started in 2023 to implement systematic management of carbon emissions information through the carbon management online platform, CIRS Carbon-Cloud. The Sustainable Development Office oversees the inventory data and verification standards at each site. In 2023, Category 1 direct greenhouse gas emissions were 727.7034 metric tons CO<sub>2</sub>e, Category 2 (location-based) energy indirect greenhouse gas emissions were 23,853.6698 metric tons CO<sub>2</sub>e, and Categories 3-6 other indirect emissions were 2,966.0199 metric tons CO<sub>2</sub>e, all verified by third-party under ISO14064-1. The greenhouse gas inventory results for the past three years are summarized in the table below.

**Category 1-2 Greenhouse Gas Emissions (t CO<sub>2</sub>e) for the last 3 years**

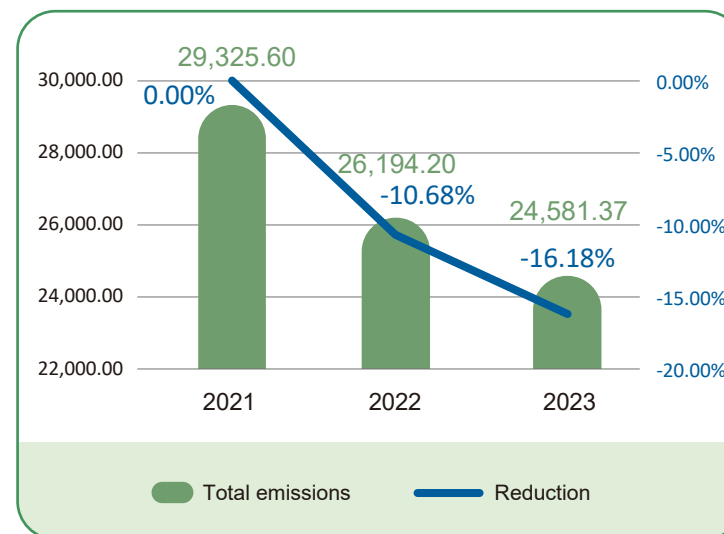
Emission category / year	Pihong Group			
	2021	2022	2023	Versus base year (2021)
Category 1 - Direct emissions	612.6	906.0500	727.7034	18.80%
Category 2 - Indirect emissions	28,713.1	25,133.9687	23,853.6698	-16.92%
<b>Total emissions</b>	<b>29,325.6</b>	<b>26,040.0187</b>	<b>24,581.3732</b>	<b>-16.18%</b>
Emission intensity (T-CO <sub>2</sub> e/ millions of revenue)	2.39	1.8064	1.9932	-16.51%

Note: The 2023 GWP values are sourced from IPCC AR6. Electricity factors used are as follows: Taiwan region uses the Ministry of Economic Affairs, Energy Bureau announced electricity factor of 0.4950 ton-CO<sub>2</sub>e per kWh for the year 111. Dongguan region uses China's Environmental Climate Bulletin (2023) No. 43 electricity factor of 0.5703 ton-CO<sub>2</sub>e per kWh. Pihong in Vietnam uses Vietnam's Ministry of Natural Resources and Environment, Climate Change Department's 2021 electricity coefficient report (p.18) electricity coefficient of 0.7221 ton-CO<sub>2</sub>e per kWh.

Unit: t CO<sub>2</sub>e

Statistics of greenhouse gas emission types in 2023 (category 1)								
Types	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	PFCs	SF <sub>6</sub>	NF <sub>3</sub>	Total
Emissions	69.6904	609.8426	0.6764	47.4940	0.00	0.00	0.00	662.7954
percentage	9.58%	83.80%	0.09%	6.53%	0.00%	0.00%	0.00%	100.00%

**Trend Chart of Total Emissions (t CO<sub>2</sub>e) for Categories 1-2 in the past 3 Years**



### Category 1-2 Greenhouse gas emissions of each plant (t CO2e)

		Linkou HQ	Zerova	Dongguan	Haiphong	Total Emission
Category 1 (Direct)	Fixed burning	0.0000	0.1737	0.0000	2.5998	2.7735
	Mobile burning	7.6923	7.8699	39.4186	11.7800	66.7608
	Process emissions	0.0025	0.0001	0.3430	0.2659	0.6115
	Fugitive emissions	31.5953	24.7574	391.8434	209.3615	657.5576
	Total	39.2901	32.8011	431.6050	224.0072	727.7034
Category 2 (Indirect)	Purchased electricity	764.9948	917.0820	12,325.2945	9,846.2985	23,853.6698
Total emissions		804.2849	949.8831	12,756.8995	10,070.3057	24,581.3732

### Category 3-4 Greenhouse gas emissions (t CO2e)

Emission sources	Description	2022 (Base year)	2023	Versus base year
Category 3 (Transport)	Business travel	76.9520	201.4096	261.73%
	Employee commuting	656.2741	695.6473	106.00%
Category 4 (Organizational Use)	Use of the product	2,127.3591	2053.0052	-3.50%
	Waste removal	91.3654	15.9578	-82.53%
Total emissions		2951.9506	2,966.0199	0.5%

Note: 2022 is used as the base year as it is the first time a Category 3-6 inventory is conducted.

### Greenhouse Gas Reduction

Based on the greenhouse gas inventory results, Phihong's main source of greenhouse gas emissions is Category 2 purchased electricity, accounting for 86.59% of the total emissions. Therefore, the primary measures for greenhouse gas reduction focus on improving energy efficiency and deploying renewable energy. In 2023, the total emissions for Categories 1+2 decreased significantly by 4,744 t CO2e compared to the baseline year of 2021, achieving a reduction of 16.18%. When converted to emission intensity, it reduced by 0.3968 t CO2e per million revenue. This reduction is mainly attributed to Phihong's initiatives such as installing solar power systems, using green electricity, replacing old air conditioning units, and adjusting product structure strategies. As a result, the overall emission intensity of the group decreased by 16.51%, demonstrating Phihong's commitment to climate change and sustainability goals through proactive actions.

### Science-Based Carbon Reduction Initiative SBTi

To address climate change risks and align with global net-zero targets by 2050, Phihong set its decarbonization pathway based on climate adaptation strategies. In 2021, Phihong formulated absolute greenhouse gas reduction targets in accordance with SBTi (Science Based Targets initiative) specifications. By November 2023, Phihong submitted its carbon reduction commitments to SBTi, and in March 2024, the targets were officially approved after review. These targets aim to achieve a 42% reduction in absolute greenhouse gas emissions for Scopes 1 and 2 by 2030 compared to the 2021 baseline year. Additionally, for Scope 3, carbon intensity emissions are targeted to decrease by 51.6% compared to the 2022 baseline year. Through rigorous greenhouse gas inventory assessments across its operations, Phihong evaluates its emission levels and formulates effective emission reduction strategies. This proactive approach underscores Phihong's commitment to carbon reduction and its ambition to achieve net-zero emissions by 2050.





## Phihong 2050 Net Zero Carbon Reduction Action



Introduce energy management system



Improve and replace high energy consumption equipment



Invest in solar photovoltaics



Low carbon product design



Construct product carbon footprint



Purchasing green electricity and carbon rights

### Sustainability Results

- Set the Group's annual carbon emission reduction target at **4.7%** (Scope 1+2, with 2021 as the base year), with a total emission reduction of **42%** by the end of 2030.
- GHG (Scope 1+2) reduction of **4,744 tCO<sub>2</sub>e** in 2023, a significant reduction of **16.18%** from the base year.
- All models are **100%** WEEE compliant with a recyclability rate of >80%, and some models >90%. We continue to develop and innovate low-carbon products to improve energy conversion efficiency and high-power density.
- Report on Disclosure of Climate Change-related Financial Information (TCFD).
- Through the SBTi target setting, we will continue the scientific carbon reduction pathway towards the net-zero goal in 2050.

## 5.3 Energy and Resource Management

### Energy Use and Intensity

Phihong practices green design and extends this policy across its primary manufacturing facilities. While developing high-efficiency, high-power density power products, Phihong enhances management through regional electricity monitoring systems in its processes. This effort aims to achieve energy consumption reduction, environmental protection, and sustainable development goals. In terms of energy consumption, Phihong relies mainly on electricity in Taiwan, supplemented by renewable energy (solar power at its Tainan plant), which is used internally and not sold externally. In Dongguan, electricity is primary, supported by fossil fuels (diesel) for backup during electricity and natural gas supply disruptions. In 2023, energy resource consumption at the Dongguan plant decreased by 25.67% compared to the 2021 baseline year. Natural gas usage was discontinued in 2023, replaced by electricity, and gasoline consumption significantly decreased by 82.62%, while diesel use decreased by 11.28% compared to the baseline year. In Vietnam, electricity supply remained stable throughout 2023, with diesel used only for generator testing and operation.

Phihong primarily consumes two types of energy in its manufacturing activities: primary energy is electricity, and secondary energy is compressed air. Currently, there has been no assessment conducted specifically for compressed air. Recognizing the positive correlation between energy usage, production volume, and revenue, Phihong avoids relying solely on absolute annual energy consumption comparisons to gauge the effectiveness of energy-saving measures. Instead, Phihong sets its annual targets based on energy intensity per unit.

#### Energy Resource Consumption Table

Unit: 1000 Joule (GJ)

Energy category	2021			2022			2023			
	Taiwan	Dongguan	Haiphong	Taiwan	Dongguan	Haiphong	Linkou HQ	Zerova	Dongguan	Haiphong
Electricity	9,954	107,409	17,973	11,201	100,327	38,331	5563.6	6.436	79,840.9	49,088
Natural	-	117	-	-	57	-	-	-	-	-
Petrol	-	5,628	-	73.9	267	130.5	-	0.109	978.1	104.5
Diesel	-	452	32	11.75	656	7.55	-	-	40.1	104.1

#### Energy Consumption Intensity Table

Energy intensity	Unit	2022		2023		Energy intensity (2023 vs. 2022)	
		Dongguan	Haiphong	Dongguan	Haiphong	Dongguan	Haiphong
Energy intensity	kWh	27,868,580	10,647,384	22,178,040	13,635,644	-20.42%	28.07%
Output value	NTD (10k)	1,015,630	236,672	463,457	228,013	-54.37%	-2.10%
Energy intensity	kWh / 10k NTD	27.44	45.71	47.85	59.8	74.38%	30.82%

Note: Phihong's manufacturing focus has gradually shifted production to Vietnam over the past 2 years. The third factory in Vietnam commenced operations in 2022, leading to a significant increase in energy consumption. Taiwan serves as the research and development operation center and does not have production lines, therefore it is not included in the energy consumption calculations.

## Energy as a percentage of total usage

Type \ Plant	Unit	Linkou HQ	Zerova	Dongguan	Haiphong	Total	% of each type of energy to total usage
Electricity	kWh	1,545,444	1,787,700	22,178,040	13,635,644	39,146,828	96.25%
	GJ	5,563.60	6,433.00	79,840.94	49,088.00	140,925.54	
Petrol	L		3,338.60	16,504.69	3,006.00	22,849.29	0.74%
	GJ		0.11	978.10	104.50	1,082.71	
Diesel	L			1,115.02	2,824.90	3,939.92	0.10%
	GJ			40.14	104.10	144.24	
Solar energy	kWh		32,443.00	1,151,493.00		1,183,936.00	2.91%
	GJ		116.80	4,145.37		4,262.17	
Total consumption	GJ	5,563.60	6,549.90	85,004.56	49,296.60	146,414.66	100.00%
Total energy % share	GJ	3.80%	4.47%	58.06%	33.67%	100.00%	

Note 1: The heat value and emission coefficient for Taiwan are sourced from the Ministry of Economic Affairs Energy Bureau's "2019 Electricity Coefficient" published on July 20, 2020. The heat value for purchased electricity is 860 kcal/kWh.

Note 2: The heat value and emission coefficient for China are sourced from the Ministry of Ecology and Environment of China's "2019 Regional Grid Baseline Emission Factor." The conversion coefficient for the Southern Region grid is 0.8042 metric tons CO<sub>2</sub>e/MWh. The emission coefficient for gasoline, diesel, and natural gas is derived from the original IPCC coefficients multiplied by the fuel heat value. The fuel heat values are sourced from the National Standard of the People's Republic of China GB/T2589-2008 "General Rules for Calculation of Comprehensive Energy Consumption." Gasoline has a heat value of 14,110 kcal/L, diesel has a heat value of 10,200 kcal/kg, and natural gas has a heat value of 8,500 kcal/m<sup>3</sup>.

Note 3: The heat value and emission coefficient for Vietnam are sourced from the IPCC National Greenhouse Gas Inventory Guidelines (2006) for purchased electricity. The coefficients for gasoline and diesel are sourced from the Cross Sector Tool, with gasoline having a heat value of 0.0447 GJ/kg and diesel having a heat value of 0.0455 GJ/kg.

## Energy Saving and Carbon Reduction, Realize Carbon Neutrality

Facing the issue of climate change, countries and enterprises worldwide are actively committing to carbon reduction. Pihong responds to the trend towards net-zero emissions, adhering to principles of circular economy, green production, and environmental friendliness. High-energy efficiency equipment is selected for Pihong's manufacturing facilities. In 2022, plans were made to implement the ISO 50001 Energy Management System and intelligent management, aiming to monitor energy usage and establish an energy management system. Completion and certification of the system are expected by 2024, with the goal of reducing energy consumption, costs, and carbon emissions through various means. This effort contributes to sustainable development and environmental protection. In 2023, Pihong's Linkou headquarters achieved energy savings of 350,600 kWh (1,262,200 GJ) compared to the baseline year, primarily due to the replacement of 150RT air conditioning units, demonstrating ongoing energy-saving benefits. Detailed information on energy-saving plans and carbon reduction projects implemented across all plants in 2023 is provided in the table below:

Plant	Energy Saving Type	Major Implementation Projects	Investment amount (NTD million)	Implementation Status	Benefits created (actual vs. expected)
Linkou HQ	Air Conditioning System	Replace energy-consuming 150RT chiller units	430	Construction will begin in Q2 of 2023, and it will be officially put into operation in June of the same year.	Expected annual electricity savings are 20,000 kWh (72,000 MJ), resulting in a yearly reduction of 12.12 metric tons of CO2e emissions.
	Air Conditioning System	Combine and regulate chilled water piping	180	Construction will begin in Q2 of 2023, and it will be officially put into operation in May of the same year.	
	Energy saving software	Implement energy management software at Linkou headquarters	200	Construction will begin in Q2 of 2023, and it will be officially opened in July of the same year.	Expected annual electricity savings are 10,000 kWh (36,000 MJ), resulting in a yearly reduction of 6.06 metric tons of CO2e emissions.
Zerova	Green power system	Installation of rooftop solar power generation system at Tainan Unit 1 and Unit 3 factories	2,500	Based on the revised planning and construction project for the Tainan plant, the original 2023 rooftop solar construction plan has been updated as follows: Phase 1 is scheduled for implementation in 2024, and Phase 3 is scheduled for implementation in 2026.	Expected annual green electricity generation after completion: Phase 1: 366,000 kWh green electricity (1,317,600 MJ), resulting in a yearly reduction of 181 metric tons of CO2e emissions. Phase 3: 467,000 kWh green electricity (1,681,200 MJ), resulting in a yearly reduction of 231 metric tons of CO2e emissions.
	Energy monitoring	Restoration and addition of power monitoring functions to the energy management platform at Tainan factory	400	Based on the re-planning of the Tainan plant area, the original 2023 Phase 1 factory energy management system plan has been updated to be implemented in 2024.	Digitized monitoring of energy management enhances the efficiency of energy use management.
	Green building	Planning and construction of Tainan Unit 3 factory according to Diamond-level green building standards	212	Confirm with the green building consultant that the project meets the standards, and the engineering unit is conducting an estimate.	Achieving the Diamond-level green building certification is under evaluation for its energy and resource-saving benefits.
Dongguan	Air compressor	Energy-saving renovation plan for air compressor in Tiesong Plant	264	Construction in December 2023, put into operation in January 2024	Expected annual energy savings are estimated to reach 400,000 kilowatt-hours (1.44 million MJ), resulting in a yearly reduction of 228 metric tons of CO2 emissions.
	Electrical equipment	Energy-saving renovation plan for wind cabinet fans in Tiesong factory area	Energy saving sharing model cooperation	Due to the rearrangement of part of the Tiesong factory area to increase production efficiency, the original planned renovation plan in 2023 has been delayed and is expected to be re-evaluated and planned in 2024.	The target remains to achieve annual energy savings of approximately 200,000 to 250,000 kWh.
	Green power system	Installation of solar power generation systems at phase 1, 2, and 3 of the factory	Energy saving sharing model cooperation	Completed in 2023, the solar power generation systems for Phase 1, 2, and 3 factory buildings were installed and connected to the grid for official power supply.	The expected annual green electricity generation is 2 million kWh (720 million MJ). In 2023, the actual total electricity generated was 1.15 million kWh (414 million MJ), resulting in a yearly carbon reduction of 949.92 metric tons of CO2 equivalent.
Haiphong	Air Conditioning System	The central air conditioning system in the plant uses magnetic bearing chilled water energy-saving air conditioning units.	2146.36	Put into use and running	Compared to traditional equipment, the annual energy savings are 1.26 million kWh (453.6 million MJ), resulting in a yearly carbon reduction of 909.8 metric tons of CO2 equivalent.
	Heat recovery	We chose an energy-saving total heat recovery air conditioning system, which recovers heat energy for domestic hot water use.	395.35	Put into use and running	Compared to traditional equipment, the annual energy savings are 2.5 million kWh (9 million MJ), resulting in a yearly carbon reduction of 1,805 metric tons of CO2 equivalent.
	Lighting device	LED lighting fixtures are used throughout the entire plant, and solar street lights have been installed.	206.17	Put into use and running	Compared to traditional equipment, the annual energy savings are 7.5 million kWh (27 million MJ), resulting in a yearly carbon reduction of 5,416 metric tons of CO2 equivalent.

### Replace inefficient 150RT air conditioning chiller (LinKou headquarters)



### Consolidation and control of chilled water piping (Linkou headquarters).



### Implementation of energy management software (LinKou headquarters)



### Installation of solar panel power generation system (Dongguan Pihong - PHCJ plant)



### Power saving results of Linkou headquarters

Year	2017 (base year)	2021	2022	2023	Versus base year	
					Difference	%
Electricity consumption (kWh)	1,896,016	1,626,500	1,650,500	1,545,444	↓ -350,572	-18.49%
Electricity cost (NTD)	5,976,380	5,178,948	5,878,507	6,395,851	↑ 419,471	↑ 6.6%

## Energy Saving Action and Promotion

According to statistics, implementing energy-saving improvements in electricity, lighting, air conditioning, and office equipment in buildings can reduce energy consumption by about 20%. To reduce energy usage in buildings, Phihong Group continues to promote electricity management in office buildings across its various facilities. In addition to implementing energy-saving improvements for energy-consuming equipment, the company also fosters consensus through internal communication and advocacy efforts.

### Phihong Daily Energy-saving Design and Specific Actions

✔ Already implemented    ✔ Under planning

Energy saving design and specific measures	Content	Implementing plant area			
		Linkou HQ	Zerova	Dongguan	Haiphong
Review contract capacity	Regularly review the reasonable power usage contract capacity value to reduce basic electricity bills and excessive over-contract fines.	✔	✔	✔	✔
Building energy saving improvement and renewal projects	Exit signs and evacuation direction indicators will continue to be replaced with LED products	✔	✔	✔	✔
Demand control load management and intelligent power management	Demand control load management and intelligent power management avoid over-contract fines.	✔	✔		
Install lighting timing control equipment	Installation of timing control equipment for garden lights and pool lighting	✔	✔	✔	✔
Install sensor lighting & set up partition lighting	Install sensor lighting in restrooms and art corridors; in offices with low access requirements, set up alternate lights or reduce the number of light tubes	✔	✔	✔	✔
Air conditioning temperature management and implementation of opening and closing time control	The ice machine is set to an outlet water temperature of 13 degrees (usually 10 degrees). It will be unloaded when the set temperature is reached, reducing energy consumption, and implementing air conditioner start-up and shut-down time control.	✔	✔	✔	✔
Add a light steel frame circulation fan to the ceiling	Light steel frame energy-saving circulation fans are added to the office area and conference room to enhance the cooling room effect and achieve energy saving.	✔	✔		
Implement daily nighttime air conditioning and lighting inspections	Carry out nighttime air-conditioning and lighting inspections after getting off work every day and register units that have not been closed. The General Affairs Department will issue a reminder notice the next day.	✔	✔	✔	✔
Replace old lamps with T5 and LED energy-saving lamps	The whole factory lighting continues to replace T5 or LED energy-saving lamps; Haiphong Phihong factory adopts solar street lights	✔	✔	✔	✔
New buildings use high-efficiency air-conditioning ice-water main unit	Zerova uses evaporative air-conditioning main units; Dongguan Phihong and Haiphong Phihong use heat recovery ice water units to convert heat energy into hot water for daily use.	✔	✔	✔	✔
Factory elevator power saving control	Freight elevators are subject to registration and use control, and passenger elevators and clubhouse elevators are set to operate with fewer units during non-peak usage hours.	✔	✔		
Use solar power generation system	Zerova and Dongguan Phihong have installed solar power generation systems. The power generation capacity in 2023 will be 28,000 kilowatt hours respectively. Haiphong Phihong is planning.		✔	✔	✔
Air conditioner ice machine replacement	Taiwan's Linkou headquarters replaced the old 150RT ice machine with Class 1 energy efficiency equipment and added pipelines connecting the 100T ice machine.	✔	✔		
Replace power-consuming equipment	Air-conditioning boxes and blowers that consume power or have poor performance should be replaced. The air-conditioning controller should be replaced.	✔	✔		
Outsourcing maintenance for air conditioners and related important equipment	Ice machines and ancillary equipment, cooling water towers, EMS software, etc. are entrusted to professional manufacturers to perform insurance.	✔	✔		
Build energy management system	Install smart meters and build a management platform for effective energy management	✔	✔	✔	✔
Improved air compressor efficiency	Energy-saving renovation plan for air compressor in Tiesong Plant			✔	

## 5.4 Mitigating Environmental Impacts

### Water Resources Management

Phihong's manufacturing sites are primarily involved in product assembly processes with no significant water demands or wastewater generation. Water usage is for domestic purposes. In Taiwan, China, and Vietnam, Phihong's facilities rely on tap water supply. At its Zerova Phase I and Phase II plants, rainwater collection systems have been installed for recycling and reuse purposes, primarily used for toilet flushing and irrigation, with future plans to utilize it for air conditioning cooling. Other sites manage water resources by improving water-saving equipment, such as installing water-saving valves in toilets and using water-saving faucets to promote water conservation practices in daily life. In 2023, Phihong Group's overall water consumption rate reached 25.23% compared with the 2021 base year, and the per capita water consumption dropped by 13.6%, achieving the goal of 20% water saving in 2025 compared with the 2021 base year ahead of schedule.

### Waste Water Management

Phihong's wastewater originates solely from daily domestic water use at its operational sites. Each site is equipped with effluent monitoring instruments to ensure that wastewater meets the discharge standards set by local sewage regulations. The water intake and discharge activities at Phihong's sites have no significant impact on water sources. In 2023, there were no incidents of non-compliance with wastewater discharge standards or penalties imposed.

### Water Pressure Assessment

To understand the pressure on water sources and the risk of water consumption at each operation and production site, Phihong identifies the potential impacts and risks of water resources at each production site, so as to facilitate the development of water risk management strategies. 2023 In Taiwan, based on the information provided by the Bureau of Water Resources of the Department of Water Resources of the Ministry of Economic

Affairs (DWR) in the North Region, the daily demand for water for industrial use in the Lin Kou Region is approximately 460 million cubic meters, while the daily demand for water for people's use in the region is approximately 1,565 million cubic meters. According to the information from the Southern Regional Bureau of Water Resources, Ministry of Water Resources, Zerova, the daily industrial water demand is about 634 million cubic meters and the daily water demand for people's livelihood is about 778 million cubic meters. We have confirmed with the Water Resources Department of the Ministry of Economic Affairs that Chenoweth is not a water-scarce area. Also, through the World Wide Fund for Nature (WWF) Water Risk Screening Program, Taiwan is considered to be a low-risk area in the water stress zone. The Dongguan Phihong Water Stress Zone is a medium-risk zone; the Haiphong Phihong Water Stress Zone is a low-risk zone (Source: Ministry of Economic Affairs, Department of Water Resources / World Wide Fund for Nature (WWF)).

### Waste Management

Phihong utilizes primary raw materials for production, including electronic components, mechanical parts, and packaging materials. It prioritizes waste reduction, carbon mitigation, and pollution prevention, adhering strictly to environmental regulations at its operational sites to manage waste effectively. Across air, water, waste, hazardous substances, and noise aspects, Phihong promotes awareness and implements "resource recycling and waste reduction concepts," encouraging all employees to participate in waste reduction efforts. Annually, Phihong undergoes third-party verification, conducts regular reviews, and publicly discloses its environmental performance.

Simultaneously, by implementing recycling of scrap materials and employing paid cleaning services, Phihong reduces the amount of waste generated. During operations, waste produced includes two categories: "domestic waste" and "industrial waste," both handled appropriately by outsourced legal vendors in compliance with local regulations. Domestic waste undergoes incineration or landfill disposal, while industrial waste is recycled or disposed of according to its type. Hazardous waste undergoes harmless treatment as per local regulations. In 2023, Phihong did not experience any significant leaks, major violations of environmental laws, environmental compliance violations, fines, or penalty incidents.

### Water Consumption Table

Energy Type ( Unit )	2021			2022			2023			
	Taiwan	Dongguan	Haiphong	Taiwan	Dongguan	Haiphong	Linkou HQ	Zerova	Dongguan	Haiphong
Water intake/use (million liters)	13.109	386.231	26.414	13.668	313.50	57.79	8.76	7.26	237.89	64.42
Number of Employees	544	3,869	962	648	3,869	1,423	394	624	2421	1,216
Water intensity (million liters/person)	0.024	0.100	0.027	0.021	0.081	0.041	0.022	0.012	0.098	0.053
Waste water discharge (million liters)	11.798	347.608	21.131	12.301	282.15	46.232	7.884	6.534	214.101	51.54

Note: Phihong Dongguan's drainage coefficient is 0.9 times the water intake (based on the evaluation coefficient of the environmental impact assessment report audited by the China National Environmental Protection Agency). The drainage coefficient for Phihong Taiwan is also 0.9 times the water intake. Phihong Haiphong's drainage coefficient is 0.8 times the water intake (based on local municipal sewage charging standards).

## Waste Classification and Statistical Table

Type of waste (tons)	2021			2022			2023			
	Taiwan	Dongguan	Haiphong	Taiwan	Dongguan	Haiphong	Linkou HQ	Zerova	Dongguan	Haiphong
Domestic Waste	20.27	345.60	18.72	26.49	410.04	311.42	9.28	13.96	200.82	47.98
General Utility Waste	6.04	738.41	70.29	25.31	788.34	421.5	0.72	48.25	571.55	456.9
Hazardous waste	0.00	265.28	88.82	-	322.74	150.59	-	-	124.01	98.13
Total weight (tons)	26.30	1,349.29	89.01	51.8	1521.12	883.52	10	62.21	896.38	603.01
Intensity (total weight / number of people)	0.06	1.36	0.43	0.1	0.40	0.60	0.02	0.2	0.37	0.46
Per capita output of domestic waste	0.05	0.35	0.09	0.05	0.11	0.21	0.02	0.04	0.08	0.04

## Waste Treatment Method

Plant	General waste	Industrial Waste	
		General industrial waste	Hazardous industrial waste
Linkou HQ	100% incineration	55% incineration 45% scrap metal recycling	-
Zerova	100% incineration	20% incinerated, 30% buried, 40% scrap metal recycling	-
Dongguan	100% incineration	100% recycling	100% harmless treatment
Haiphong	100% incineration	80% recycling, 20% incineration	100% harmless treatment

Note: Phihong adheres to local environmental regulations as follows: Taiwan: Waste Disposal Act of Taiwan; Phihong Dongguan: China's Law on the Prevention and Control of Environmental Pollution by Solid Waste; Phihong Haiphong: Environmental Protection Law of Vietnam.



## UL Zero Waste to Landfill (UL2799)

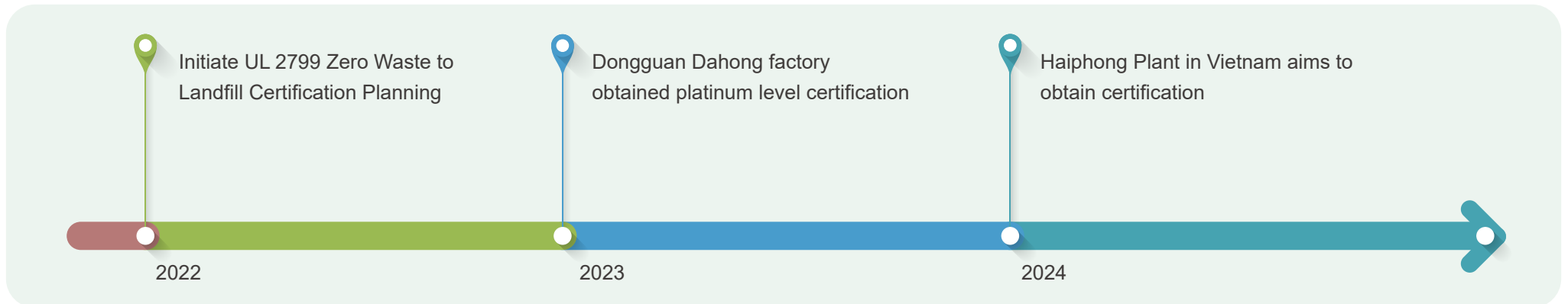
Phihong Technology promotes green manufacturing, aligning with global efforts for carbon reduction and achieving net zero emissions. It actively implements sustainable resource management with a core goal of creating zero waste factories, focusing particularly on "zero landfill" of waste materials. In November 2022, Phihong's Dahong factory in Dongguan achieved 100% waste diversion from landfill for the first time. In 2023, it officially obtained UL 2799 Platinum Certification for zero landfill waste, demonstrating concrete actions towards environmental protection commitments.

In September 2022, with assistance from UL, Phihong initiated a Zero Waste to Landfill project at its main factory in Dahong, Dongguan. By December of the same year, a preliminary review was conducted, prompting us to rethink the entire process—from the selection of raw materials at the front end, manufacturing design, to waste reduction—adopting a more proactive approach with a circular mindset. The project adheres to the UL Zero Waste to Landfill Verification (UL ECVP 2799) standard, which mandates compliant management, inspection, and audit of all waste streams within the enterprise. It ensures that waste undergoes proper processes such as recycling, reuse, and transformation, rather than direct landfill disposal. Certification is attained when the overall waste diversion rate reaches 80% or higher. Hence, Phihong's primary task is to start with waste reduction. The effectiveness of achieving Zero Waste to Landfill is assessed across several facets according to the UL standard, including: internal waste reduction or reuse rates, external diversion to recycling, composting, anaerobic digestion, biofuels, or energy conversion rates, and the proportion that cannot be diverted and enters landfill or incineration, confirming the waste diversion performance.

The newly certified Dahong facility in Dongguan, which primarily focuses on manufacturing, has achieved a "100% waste diversion rate including 8% thermal energy recovery through incineration." This accomplishment meets the highest UL2799 verification standards. It has received Platinum-level certification upon initial implementation, marking it as the first certified facility overseas within the group. The goal is to lead by example and guide other facilities towards zero-waste production, thereby implementing the United Nations Sustainable Development Goals effectively.



### The Planning Schedule for UL 2799 Zero Waste to Landfill Certification for Phihong



## Environmental Investment

With a focus on the rising trend of corporate environmental costs in the future, establishing statistics on environmental expenditure and benefits can effectively serve as a management tool for companies. In accordance with environmental accounting standards, the statistical analysis of environmental economic benefits is based on the reduction in energy, water usage, or waste generation resulting from environmental protection initiatives. It estimates the cost savings achieved, supplemented by the revenue generated from waste recycling and reuse. This report presents environmental benefits, including tangible monetary income such as revenue from waste recycling, and cost savings from other environmental programs implemented. The environmental expenditure and benefit statistics for Phihong's various plants are shown in the table to the right.

### 2023 annual environmental protection expenditure statistics table

Currency: NTD

Environmental protection cost item classification	Description	Linkou HQ	Zerova	Dongguan	Haiphong
<b>1. Direct costs of reducing environmental load</b>	(1) Air pollution prevention and control costs, water pollution prevention and control costs, and other pollution prevention and control costs	-	-	28,302	742,975
(1) Pollution prevention and control costs					
(2) Save resource consumption costs	(2) The cost of saving resources (such as water and electricity resources)	8,400,000	-	-	-
(3) Industrial waste and general office waste treatment and recycling costs	(3) For industrial waste treatment (sludge removal freight, waste solvents, waste water, general garbage processing) fees	390,864	826,886	981,675	640,339
<b>2. Reduce indirect costs of environmental load (environmental protection related management costs)</b>	(1) Environmental protection education expenditures	-	-	385,075	36,025
	(2) Environmental management system and certification acquisition fees	-	109,500		24,845
	(3) Monitoring environmental load costs	19,000	27,000	589,890	236,000
	(4) Personnel expenses related to environmental protection organizations	-	-	-	-
	(5) Increased costs for purchasing environmentally friendly products				1,154.66
<b>3. Other environmental protection related costs</b>	(1) Soil remediation and natural environment restoration costs	-	-	-	-
	(2) Environmental pollution damage insurance premiums and government-imposed environmental taxes and fees, etc.	-	-	-	-
	(3) Environmental problem settlement, compensation, fines, and litigation costs	6,000	-	-	-
<b>Total</b>		8,815,864	1,072,886	1,984,942	1,795,650

### 2023 Environmental Protection Benefit Statistics Table

Item	Description	Linkou HQ	Zerova	Dongguan	Haiphong
Industrial waste recycling (NTD)	Such as electronic parts scraps and scrap computers	-	240,210	9,369,002	1,208,717



# 6

## Social Inclusion

6.1 Talent Recruitment and Retention

6.2 Talent Cultivation and Development

6.3 Human Rights Due Diligence

6.4 Occupational Health and Safety

6.5 Environmental Protection and Public Service

## Year Performance



### Friendly Workplace

- Honored with Gold Award for Happy Enterprise
- 28.37% of executives are women, growing for the third consecutive year.
- The average salary adjustment in 2023 will be 6.64%.



### Talent cultivation

- Average employee hours per year 51.4hrs
- Counselor training reduces the turnover rate of new employees by 42.4%.



### Emphasis on human rights




- Vietnam Hai Phong plant introduced SA8000 and passed the certification.
- Dongguan Phihong obtained RBA Silver Certification.



### Social Care

- The Phihong \$100 Club had 1,059 regular monthly donations and a total of NT\$207,500 was raised and donated to the orphanage.
- Participated in the Hualien Hanben Beach cleanup activity in response to International Beach Cleanup Day.

## Material Topics and Target Management

Material Topic	Performance Indicators	Achievements in 2023		Future Targets			SDGs Practice
		Target	Achievement	Short-term (2024)	Mid-term (2026)	Long-term (2030)	
Talent attraction and retention	New employee satisfaction score	> 8	8.9	8	8.3	8.5	Goal 8: Decent Work and Economical Growth 
Employee development and training	Average training hours per person per year	36	51.4	40	45	45	Goal 5: Gender Equality 
Occupational Health and Safety	No major occupational accidents	0	0	0	0	0	Goal 3: Good Health and Well-being 

## 6.1 Talent Attraction and Retention

Phihong regards "employees" as important partners in the sustainable growth of the company, believing that "talent" is crucial to maintaining Phihong's core competitiveness. With the goal of creating employee happiness, Phihong is dedicated to building a comfortable, safe, healthy, and friendly work environment. The company aims to enhance job satisfaction by providing competitive salaries and benefits, establishing talent training programs, and implementing a sound performance evaluation system. Phihong hopes to provide outstanding talents with unlimited opportunities for development, grow together with the company, stride towards the world, and jointly create a future of sustainable talent development.

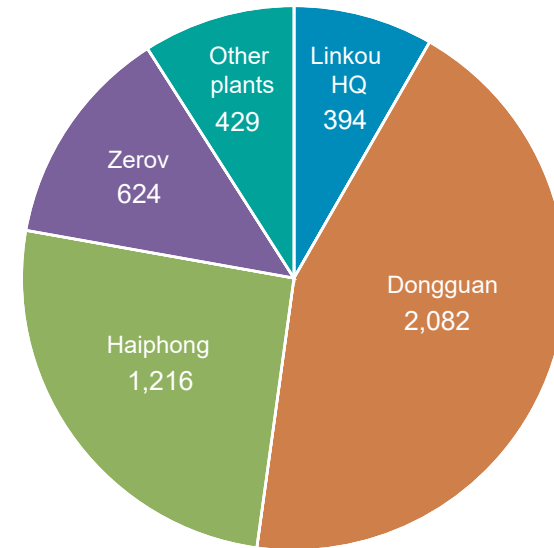
### Phihong's Human Resource Development Policy



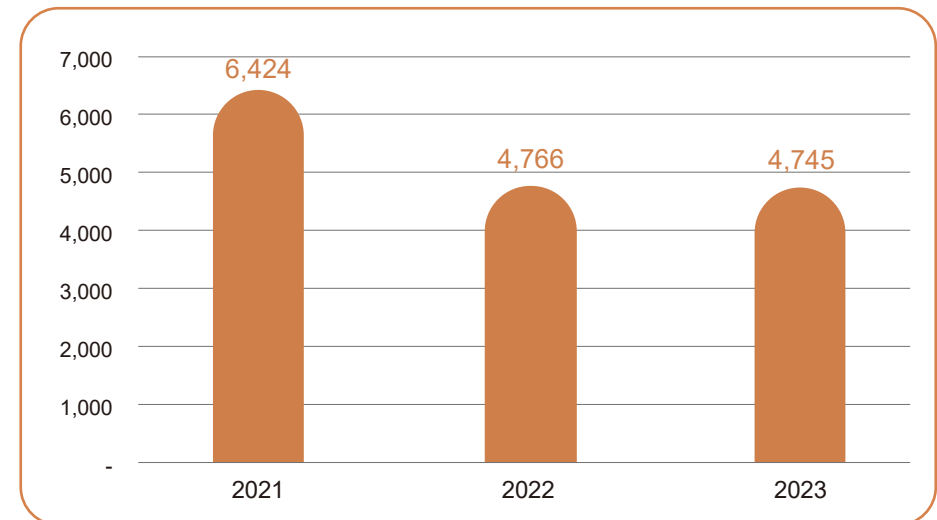
### Manpower Structure

As of the end of December 2023, Phihong's total global workforce was 4,745 people, a decrease of 0.04% compared to 2022. The Dongguan and Hefei facilities are the group's main manufacturing centers, accounting for approximately 70% of the group's workforce. In Taiwan, Phihong's main operations include the LinKou headquarters and its subsidiary, Chynovel, serving as the group's primary research and development center. Phihong prioritizes local hiring at all its global operational sites, with over 95% of employees at Chynovel being locals. The local employee hiring rate at the LinKou headquarters is as high as 97.46%, and both Dongguan and Hefei facilities employ 100% local staff, demonstrating Phihong's commitment to promoting local employment markets.

### Phihong Employee Distribution



### Number of employees of the Phihong, 2021-2023



Category	Group		Male		Female		Group Subtotal & Ratio	
			Persons	Group %	Persons	Group %	Persons	Group %
Duty	Managers		250	71.63%	99	28.37%	349	8.09%
	Other staff		2,062	51.98%	1,905	48.02%	3,967	91.91%
Work location	Linkou HQ		218	55.33%	176	44.67%	394	10.67%
	Dongguan		1,219	58.55%	863	41.45%	2,082	56.39%
	Haiphong		483	39.72%	733	60.28%	1,216	32.94%
	Zerova		392	62.82%	232	37.18%	624	15.91%
Age	≤ 30		1,277	65.15%	683	34.85%	1,960	45.41%
	31~40		622	45.63%	741	54.37%	1,363	31.58%
	41~50		305	37.65%	505	62.35%	810	18.77%
	≥ 51		108	59.02%	75	40.98%	183	4.24%
Education	Doctors		4	100.00%	0	0.00%	4	0.09%
	Masters		133	73.08%	49	26.92%	182	4.22%
	Bachelors		408	51.06%	391	48.94%	799	18.51%
	Others		1,767	53.05%	1,564	46.95%	3,331	77.18%
Nationality	Locals		2,283	53.37%	1,995	46.63%	4,278	99.12%
	Foreigners		29	76.32%	9	23.68%	38	0.88%
Employment type	Linkou HQ	Full-time	215	55.56%	172	44.44%	387	98.22%
		Part-time	3	42.86%	4	57.14%	7	1.78%
	Dongguan	Full-time	667	55.22%	541	44.78%	1,208	58.02%
		Part-time	552	63.16%	322	36.84%	874	41.98%
	Haiphong	Full-time	76	30.04%	177	69.96%	253	20.81%
		Part-time	407	42.26%	556	57.74%	963	79.19%
	Zerova	Full-time	363	62.05%	222	37.95%	585	93.75%
		Part-time	29	74.36%	10	25.64%	39	6.25%
Gender subtotal			2,312	53.57%	2,004	46.43%		
Overseas plant								429
Grand total								4,745

Note 1: Part-time staff are defined as those who work irregular hours and work fewer hours than full-time staff.

Note 2: Non-employees are dispatched staff. Duties performed by dispatched staff include: guards, cleaning staff; 9 people in 2023 at the Linkou HQ. In 2023, there are 9 people in Linkou HQ, 9 people in Zerova, 657 people in Dongguan, and no non-employee staff in Haiphong.

### Global Recruitment and Multicultural Integration

Phihong's recruitment and employment policies are fully transparent. The human resources department closely collaborates with hiring departments based on company job requirements, continuously attracting talented individuals. Phihong provides comprehensive support tailored to employees of different backgrounds and expertise, including new employee orientation training, employee care and motivation initiatives, long-term service recognition, and rewards for outstanding performance. Throughout the recruitment, selection, hiring, assignment, deployment, evaluation, and promotion processes, Phihong strictly prohibits any discrimination or differential treatment based on factors such as race, class, language, ideology, religious beliefs, political affiliation, native origin, birthplace, gender, sexual orientation, age, marital status, appearance, facial features, or physical and mental condition.

### Prioritize the Promotion of Local Management Talents

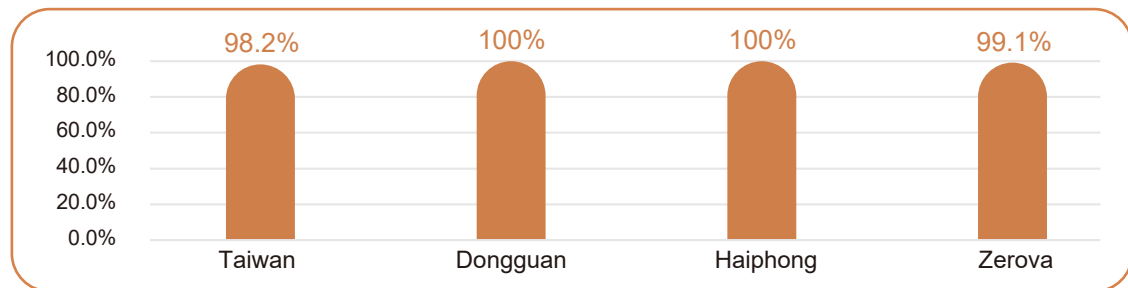
To promote local employment and economic development at its operational sites, Phihong not only provides job opportunities for local residents but also prioritizes the cultivation and promotion of local talents. In 2023, at Phihong's Taiwan locations including the LinKou headquarters and Zerova, local residents held management positions accounting for over 90% of the workforce. In Dongguan and Hefei, all management positions were filled by local colleagues, achieving a 100% local management ratio.

### Diversity, Inclusion, Gender Equality and Friendly

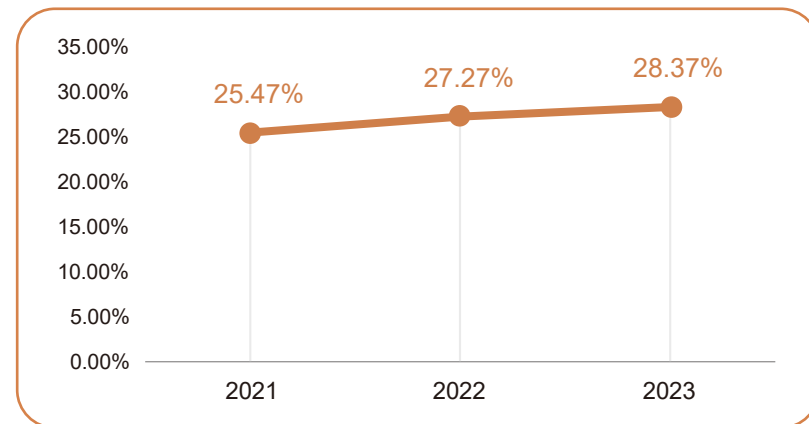
Phihong is committed to creating a diverse, equal, and inclusive workplace environment, prioritizing gender equality in its hiring practices. Regardless of recruitment or talent development, the primary considerations are skills and potential. We actively promote and support the upward development of outstanding partners, irrespective of gender.

In 2023, Phihong's workforce comprised 53.57% male employees and 46.43% female employees. Among them, Zerova had 34 female executives or higher-ranking positions, accounting for 30.36% of managerial roles. The gender ratio among employees is steadily approaching balance year by year. In managerial positions across Phihong, nearly a hundred female executives or higher-ranking staff account for 28.37% of management roles, marking repeated records of female leadership representation.

### Proportion of local hiring of Phihong Group's management in 2023



### Proportion of female managers at Phihong Group in the past 3 years



### Ratio of men and women in management positions at Phihong Group

Rank	Phihong Group				
	Male	Ratio	Female	Ratio	Total
Basic to Section Level	89	64.49%	49	35.51%	138
Mid-level to Associate level	128	74.85%	43	25.15%	171
Intermediate to Division	24	85.71%	4	14.29%	28
Senior to Vice President or above	9	75.00%	3	25.00%	12
<b>Total</b>	<b>250</b>	<b>71.63%</b>	<b>99</b>	<b>28.37%</b>	<b>349</b>

註：管理階層男女 Ratio 計算 = 各階層之男女分別 Persons / 各階層男女總 Persons \* 100%。

**Ratio of men to women in management positions in each plant area**

Rank	Linkou HQ					Zerova				
	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total
Basic to Section Level	22	59.46%	15	40.54%	37	22	56.41%	17	43.59%	39
Mid-level to Associate level	44	75.86%	14	24.14%	58	43	76.79%	13	23.21%	56
Intermediate to Division	10	83.33%	2	16.67%	12	8	88.89%	1	11.11%	9
Senior to Vice President or above	4	100%	0	0.00%	4	5	62.50%	3	37.50%	8
Gender ratio	80	72.07%	31	27.93%	111	78	69.64%	34	30.36%	112
All staff ratio	15.84%		6.14%		21.98%	12.50%		5.45%		17.95%

Rank	Dongguan					Haiphong				
	Male	Ratio	Female	Ratio	Total	Male	Ratio	Female	Ratio	Total
Basic to Section Level	34	69.39%	15	30.61%	49	11	84.62%	2	15.38%	13
Mid-level to Associate level	30	66.67%	15	33.33%	45	11	91.67%	1	8.33%	12
Intermediate to Division	5	83.33%	1	16.67%	6	1	100%	0	0.00%	1
Senior to Vice President or above	0	0.00%	0	0.00%	0	0	0	0	0	0
Gender ratio	69	69.00%	31	31.00%	100	23	88.46%	3	11.54%	26
All staff ratio	1.29%		0.58%		1.87%	1.71%		0.22%		1.93%

Note: Gender ratio = number of men and women in management positions / total number of men and women at all levels \* 100%; All staff ratio = number of men and women in management positions / total number of employees \* 100%.



## Appropriate appointment

Phihong adheres to the principle of "selecting talents wisely and deploying them appropriately". We adhere to labor regulations at all operational sites and align internationally with trends. Through diverse recruitment channels, Phihong actively recruits outstanding talents, ensuring openness and transparency in the recruitment and selection processes, providing equal opportunities for all candidates. We are committed to expanding recruitment efforts for information and data talents, as well as recruiting outstanding talents from overseas, to invigorate the industry's employment market and collaborate with Phihong to create excellent lifestyles.

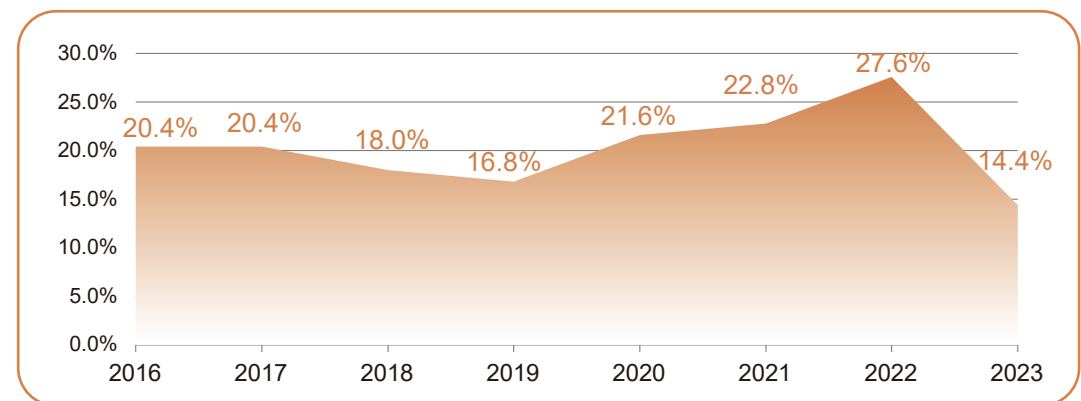
We believe that employees are best equipped to understand company culture and to recommend individuals based on their capabilities and personalities. Therefore, in 2023, we expanded the employee referral incentive program, offering generous referral bonuses to encourage employees to recommend outstanding talents, thereby enhancing the quality and competitiveness of our workforce.



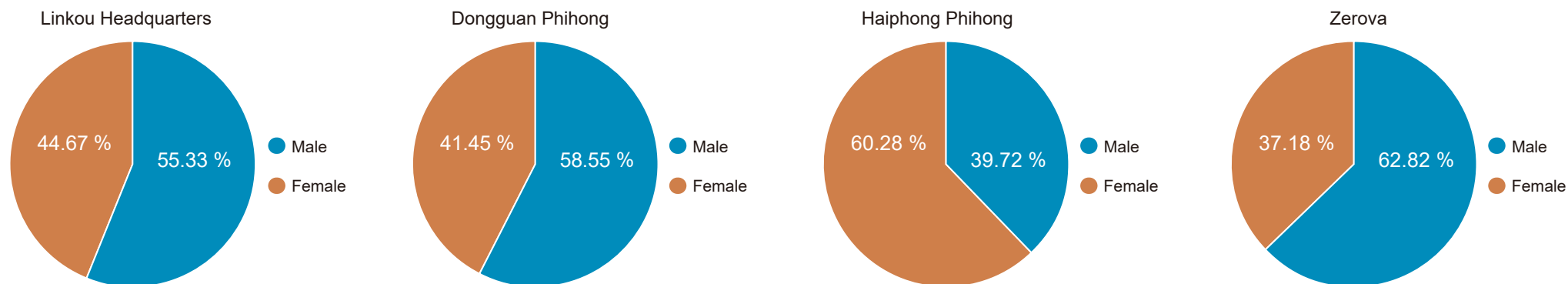
## Talent Movement

In 2023, Phihong experienced relatively stable overall operational conditions, achieving a significant reduction in turnover rate by 13.2% through the implementation of retention incentive projects, marking a near eight-year low. We place great importance on all new colleagues, providing comprehensive onboarding training upon arrival and assigning dedicated mentors. Additionally, we offer a three-month functional training program to help new hires integrate quickly into their new environment. Apart from daily mentorship by assigned mentors, the human resources department conducts interviews with new employees upon completion of their probationary period. These interviews aim to listen to feedback regarding job adaptation and team dynamics, offering assistance as needed. Furthermore, to understand employee feedback and reasons for leaving, these interviews before departure provide crucial insights for future talent development and retention strategies. This approach assists colleagues in overcoming challenges and reducing turnover rates effectively.

Phihong Linkou HQ's annual average resignation rate



### Phihong manpower gender ratio in 2023

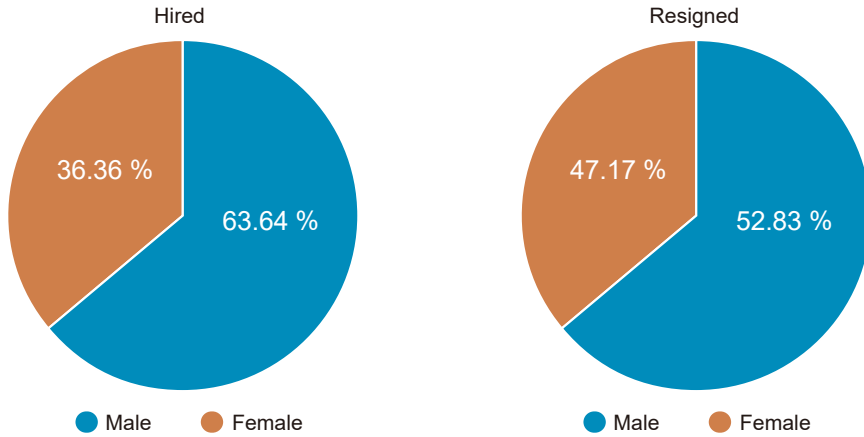


### Summary table of employment/resignation age and gender in 2023

Plant	Linkou HQ		Dongguan		Haiphong		Zerova	
	Employment	Resignation	Employment	Resignation	Employment	Resignation	Employment	Resignation
Persons	77	53	4,384	4,389	1,056	620	484	401
Male count	49	28	3,067	3,039	572	349	346	308
Female	28	25	1,317	1,350	484	271	138	93
Aged 30 or below	33.77%	11.32%	39.83%	42.47%	68.18%	69.03%	46.49%	61.10%
Aged 31-40	35.06%	41.51%	51.85%	46.09%	28.88%	29.03%	32.85%	24.44%
Aged 41-50	24.68%	32.08%	8.21%	10.59%	2.75%	1.61%	19.21%	13.22%
Aged 51 or above	6.49%	15.09%	0.11%	0.84%	0.19%	0.32%	1.45%	1.25%
Male Ratio	63.64%	52.83%	69.96%	69.24%	54.17%	56.29%	71.49%	76.81%
Female Ratio	36.36%	47.17%	30.04%	30.76%	45.83%	43.71%	28.51%	23.19%

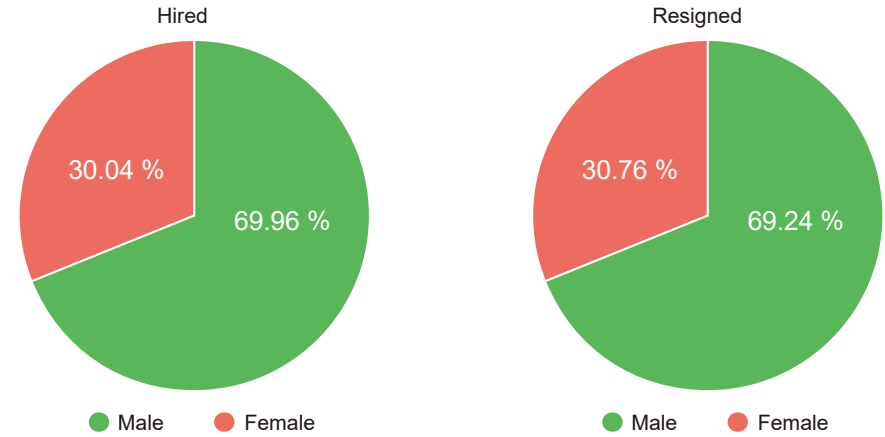
**Structure of hired and resigned employees at Pihong’s operating bases in 2023 – male to female ratio**

Linkou Headquarters



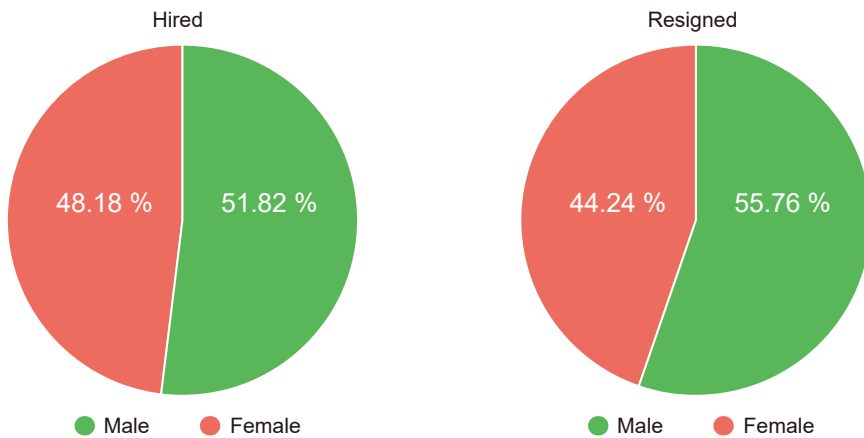
Note: 49 men and 28 women were employed. 28 males and 25 females left the headquarters.

Dongguan Pihong



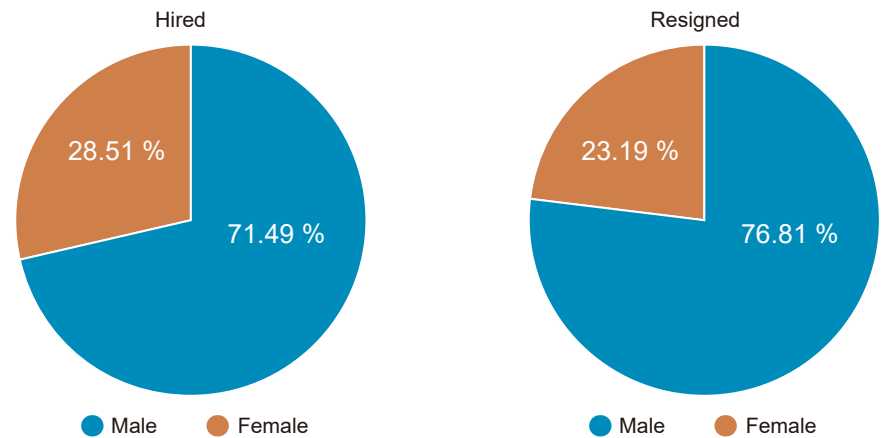
Note: 3067 men and 1317 women were employed. 3039 males and 1350 females left Dongguan

Haiphong Pihong



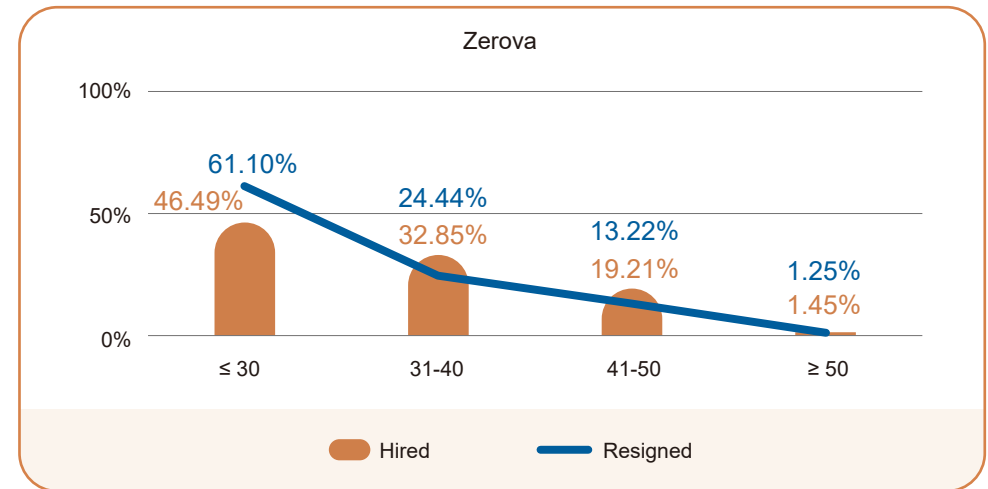
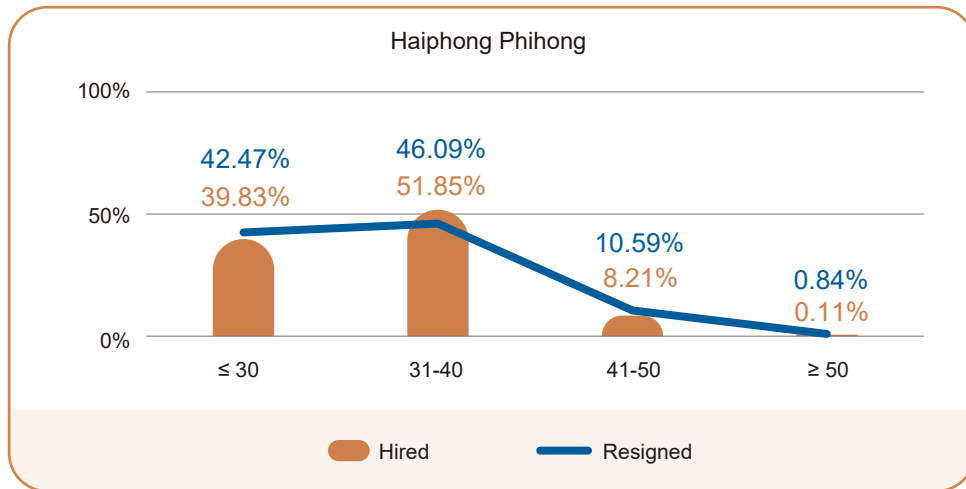
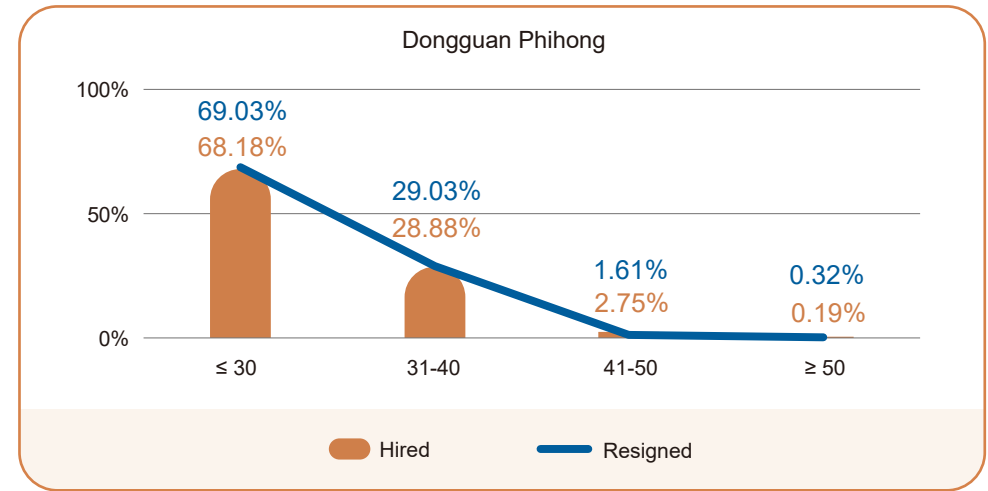
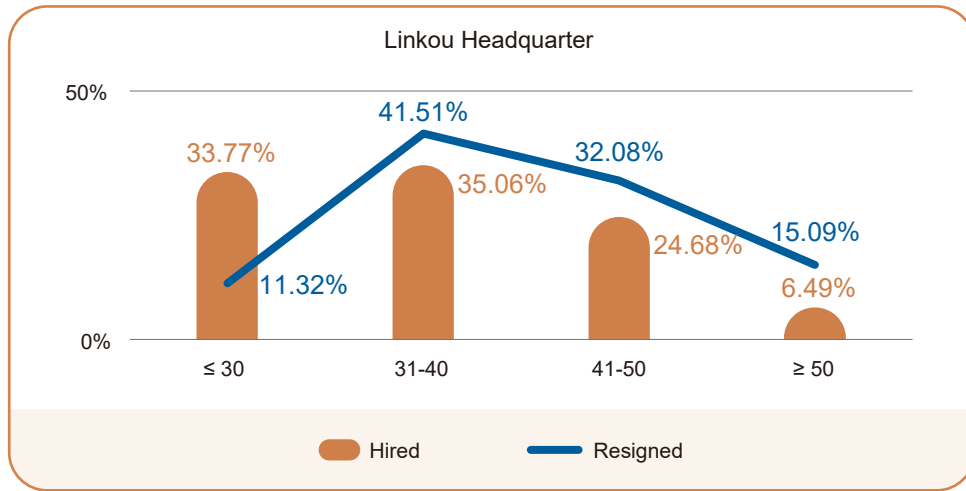
Note: 346 men and 138 women were employed. 308 males and 93 females left Zerova

Zerova



Note: 572 men and 484 women were employed. 349 males and 271 females left Haiphong.

### Structure of hired and resigned employees in 2023 – age-specific ratio



Note 1: Calculation of the ratio of men and women by age group = no. of men and women of each age group / total no. of employees hired (resigned) \*100%; the high % of departures of factory employees was mainly due to the shortage of direct employees.

Note 2: The total no. of employees hired at Phihong Taiwan was 77, and the total no. of resignation was 53; the total no. of employees at Zerova was 484, and the total no. of resignation was 401; the total no. of employees hired at Phihong Dongguan was 4,384, and the total no. of resignation was 4,389; and the total no. of employees hired at Phihong Haiphong was 1,056, and the total no. of resignation was 620.

## Remuneration and benefits

### Remuneration policy

- Salary according to ability: According to the degree of employees' fulfillment of their duties, and in accordance with the local laws and regulations, the salary is approved.
- Fairness and reasonableness: Salaries are determined in accordance with the principle of internal fairness and in consideration of the balance of salaries in the market and outside.
- Annual Salary Adjustment: Based on the company's operating results, employee performance, salary positioning in the market, external competitiveness of talents, and annual price index.
- Operational Feedback: Project bonuses, bonuses, and year-end bonuses are awarded to employees based on the previous year's overall business achievement rate and growth rate.

Phihong is committed to providing salaries that are competitive and in line with the local living wage benchmark (according to IDH Benchmark finder) to attract and motivate outstanding talents to ensure organizational competitiveness and achieve sustainable development goals. According to the actual monthly salary record of all Phihong employees in 2023, it is 100% higher than the local living wage standard. Among them, the minimum salary of all employees of Phihong in Taiwan, direct employees of Phihong in Dongguan and Phihong in Haiphong is higher than the local basic wage by 1.06~1.1 times.

The compensation of Phihong's senior managers is closely tied to the company's performance, taking into account both the company's operational status and individual performance. Each year, based on performance indicators, proposals for managerial compensation are made and reviewed by the Compensation Committee before being submitted to the Board of Directors for approval and implementation. Starting from 2023, senior managers also participate in the equity trust long-term incentive plan, aligning their interests with the company's long-term performance and shareholders' rights.



### Rewards motivate retention

Despite the slight overall revenue growth in 2023 due to global supply chain shortages and inventory reduction, employee welfare remains Phihong's top priority. We actively provide career development opportunities and have established a transparent promotion mechanism. Based on outstanding performance, we promote employees with high potential, assigning them greater responsibilities and higher compensation to drive the positive development of the entire organization.

At the same time, considering market salary levels and inflation, we conducted a comprehensive review and adjustment of all salaries. To retain key talented employees, we introduced an employee stock ownership plan, with 100% of the stock funds allocated to individual accounts. In 2023, the average salary increase was 6.64%, aimed at attracting more outstanding talent to join Phihong and motivating current employees to perform excellently, thereby achieving the goal of talent retention.

To fulfill our corporate social responsibility, Phihong regularly reviews salary levels and is committed to providing competitive compensation to our employees. Each year, we engage accountants to conduct audits and certification of "full-time employee compensation for non-managerial positions" to ensure that salaries are fair, transparent, accurate, and fully disclosed. Since 2018, the average annual salary for non-managerial employees has steadily increased, with a 15.6% rise in 2023 compared to the average annual salary in 2021. This demonstrates Phihong's high regard and care for its employees. In the 2023 "Additional Disclosure Information" statistical analysis, the following specific records are noted:

### Gender Equality and Fair Pay

Operating entity	Median ratio	Median increase ratio
Linkou HQ	19.01 : 1	2.65 : 1

Note 1: Median ratio = Annual total compensation of the highest-paid individual / Median annual total compensation of other employees.

Note 2: Median increase ratio = Percentage increase in annual total compensation of the highest-paid individual / Median percentage increase in annual total compensation of all employees (excluding the highest-paid individual).

### 2021- 2023 Taiwan Phihong additional disclosure

Unit: NTD/1000

Item	2021	2022	2023	Versus last year
Non-supervisory employees (persons)	517	369	382	▲ 3.52%
Non-supervisory employees (total salary)	451,204	339,138	385,933	▲ 13.80%
Non-supervisory employees (average annual salary)	873	919	1,010	▲ 9.90%
Non-supervisory employees (median annual salary)	744	794	877	▲ 10.45%

Note: Managerial positions refer to executives (Vice President level and above) as defined by the directive No. 920001301 issued on March 27, 2003, by the Taiwan Ministry of Finance.

### Gender Equality and Fair Pay

Phihong adheres to the principle of non-discrimination based on gender, age, education, nationality, or political stance. When hiring employees for the same positions and grades, the basic salary ratio for male and female employees is maintained at 1:1, with salary levels adjusted according to raises, benefits, and annual promotions. The Linkou headquarters serves as Phihong's R&D center, where there are relatively more male employees in professional technical and managerial roles. Consequently, the basic salary and overall compensation ratios are slightly higher for male employees. In 2023, the basic compensation ratio of female to male employees saw a slight decrease compared to the previous year, actively demonstrating Phihong's commitment to fairness in its overall compensation policy.

#### Linkou headquarters

##### Basic salary ratio for women to men

Rank \ Year	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Mid-level/senior managers	1	1.26	1	1.41	1	1.38
Others	1	1.13	1	1.13	1	1.22

##### Basic salary ratio for women to men

Rank \ Year	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Mid-level/senior managers	1	1.28	1	1.16	1	1.16
Others	1	1.13	1	1.14	1	1.05

## Dongguan Phihong

### Basic salary ratio for women to men

Rank \ Year	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Mid-level/senior managers	1	1.06	1	1.35	1	1.11
Others	1	0.97	1	0.98	1	0.92

### Basic salary ratio for women to men

Rank \ Year	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Mid-level/senior managers	1	1.06	1	1.40	1	1.07
Others	1	0.98	1	0.99	1	0.86

## Haiphong Phihong

### Basic salary ratio for women to men

Rank \ Year	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Mid-level/senior managers	1	NA	1	NA	1	NA
Others	1	1.05	1	1.08	1	1.05

### Basic salary ratio for women to men

Rank \ Year	2021		2022		2023	
	Female	Male	Female	Male	Female	Male
Mid-level/senior managers	1	NA	1	NA	1	NA
Others	1	1	1	1.03	1	1

## Zerova

### Basic salary ratio for women to men

Rank \ Year	2021		2023	
	Female	Male	Female	Male
Mid-level/senior managers	1	1.18	1	1.21
Others	1	1.11	1	1.09

### Basic salary ratio for women to men

Rank \ Year	2022		2023	
	Female	Male	Female	Male
Mid-level/senior managers	1	1.33	1	1.25
Others	1	1.14	1	1.09

Note: Basic salary refers to the recurrent salary.

Note: Basic salaries refer to both recurring and non-recurring salaries.

## Employee Relationship Management

### Communication without barriers

Phihong establishes comprehensive communication platforms and diverse channels such as regular department meetings, labor-management meetings, electronic platforms, employee complaint channels, and satisfaction surveys to listen to and address employees' needs and opinions. In addition to daily communications, we continually interact with employees to optimize the work environment, strengthen team cohesion, resolve issues, and achieve mutual benefits between labor and management. These efforts lay the foundation for fostering positive employee relations.

Communication Channel	Board of Directors / Management	Managers at all levels	Human Resources Department	Employee Grievance System
Communication methods	<ul style="list-style-type: none"> <li>Senior Management Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face communication</li> <li>Employee performance reviews</li> <li>Cross-level communication in department meetings</li> </ul>	<ul style="list-style-type: none"> <li>Electronic bulletin board</li> <li>Employee suggestion box</li> <li>Labor-management meetings</li> <li>Human resources team</li> <li>Ad-hoc communication meetings</li> <li>Employee welfare committee meetings</li> <li>Sexual harassment prevention policy</li> </ul>	<ul style="list-style-type: none"> <li>Factory health promotion center</li> <li>Legal counseling services</li> <li>Communication skills workshop</li> </ul>

### Labor relations

We are committed to harmonious labor relations and respecting employees' freedom of assembly and association. In accordance with Taiwan's labor laws and regulations, Phihong holds regular labor-management meetings every quarter to report on and discuss issues related to workers' welfare and rights, ensuring full communication. We strive to implement a robust labor-management meeting system, fostering consensus and pooling wisdom to jointly create an ideal of mutual benefit for labor and management. In 2023, a total of 25 opinions expressed by colleagues regarding the company were received and responded to promptly.

To establish harmonious communication channels within the factory area, Phihong Dongguan holds monthly centralized meetings with employee representatives, providing a direct platform for dialogue with the leadership team. All representative colleagues have the opportunity to fully express their opinions during these meetings, addressing issues of concern to employees. In 2023, a total of 104 issues were collected and each one was responded to with improvement measures and strategies. Phihong Haiphong has established a union, with all regular employees participating in the signing of the collective bargaining agreement, achieving a participation rate of 100%.

Item/Plant	Linkou HQ	Dongguan	Haiphong	Zerova
Freedom of association and right to collective bargaining (%)	100	100	100	100
Number of violations of employee association and collective bargaining	0	0	0	0
Labor-management meeting	Quarterly	Yearly	Yearly	Quarterly
Employee union	No	No	Yes	No



Case source	Total	Resolved
Labor-management meeting	7	7
Employee suggestions	11	11
Employee mailbox	7	7
Total	25	25



## Employee care

### Retirement Plan

Pihong complies with legal requirements to allocate (contribute) retirement funds for each full-time employee, regularly reviewing the retirement readiness and wishes of employees nearing retirement age, and providing career planning counseling and advice. At the Linkou headquarters and Zerova, a Labor Retirement Fund Supervisory Committee has been legally established to handle retirement applications and payout standards. Employees who joined before June 30, 2005 (inclusive) are entitled to the old retirement fund system. Under this system, retirement funds are deposited monthly into a retirement account at Taiwan Bank, equivalent to 2% of each employee's monthly salary. Actuaries provide annual actuarial reports to ensure sufficient funds to protect employees' rights and interests under the old retirement fund system. In 2023, the total provision for retirement expenses amounted to NT\$61,813,566. Employees eligible for the new retirement fund system have 6% of their labor retirement funds contributed monthly to their individual accounts. They also have the option to voluntarily contribute 0-6% of their retirement funds to their personal retirement accounts. When employees meet retirement conditions, they can legally claim their personal retirement funds to protect their rights and interests.

All other operational locations adhere to local regulations in establishing retirement systems, ensuring each employee receives retirement contributions. Pihong Dongguan complies with local laws by insuring employees with endowment insurance and making adequate contributions. Employees at Pihong Haiphong participate in social insurance to ensure they have security upon retirement. In the event of significant operational changes, Pihong will notify employees in advance according to local regulatory requirements, providing necessary assistance such as internal transfers or assisting with government subsidy applications.

Location	Retirement Scheme	Contributor	% of salary
Pihong Taiwan	Old system: Company pension account	Employer	2%
	New system: Employee pension account	Employer	6%
		Employee	0 ~ 6%
Pihong Dongguan	Pension insurance: Employee pension account	Employer	14%
		Employee	8%
Pihong Haiphong	Social Insurance: Employee Pension Account	Employer	17.5%
		Employee	8%

### Building a Happy Enterprise

Pihong's Linkou headquarters and Zerova both received the prestigious "2023 Happy Enterprise Award - Gold Award" from 1111 Job Bank, with Linkou headquarters achieving its fourth consecutive win. This award recognizes Pihong as a model in achieving employee happiness and highlights its outstanding performance in social responsibility, innovation, and sustainable development. Pihong has always regarded employees as its most valuable asset, striving to create a friendly work environment and continuously optimizing comprehensive welfare measures. Through actions that acknowledge employees' contributions and provide substantial support, Pihong enhances employee happiness at work, reduces family burdens and stress, allowing them to fully dedicate themselves to their jobs with peace of mind, and collaborate effectively with the company.



### Thoughtful Benefits in Pihong

Pihong offers a range of welfare benefits that exceed legal requirements. In addition to social insurance, medical insurance, and vacation systems, Pihong upholds the principle of caring for employees and profit sharing. According to the "Employee Welfare Law," it has established an Employee Welfare Committee (Welfare Committee) to allocate funds based on monthly revenue for various welfare measures, club activities, family days, and competitions. Apart from basic allowances for weddings, funerals, celebrations, emergency assistance, and childbirth subsidies, special holiday bonuses are also provided during major festivals such as Labor Day, Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year, tailored to different occasions throughout the year.

### Festival Subsidies (Taiwan)

Pihong is always present for significant milestones in employees' lives. In addition to subsidies provided by the Welfare Committee, Pihong offers a wedding gift of NT\$12,000 for employees getting married. In times of bereavement, a condolence payment of NT\$10,000 is prepared. For childbirth, there is a maternity allowance, and hospitalized employees receive consolation payments for their illness or injury. Pihong is ready to provide support whenever employees need it, as a gesture of care and support.

### Paid Birthday Leave

Employees at Pihong can enjoy a "Birthday Leave" of one day during their birth month to celebrate with family and friends, enhancing interaction in their family life. The Welfare Committee also gives a birthday red envelope, adding warmth and happiness to Pihong's workplace. In the Dongguan factory, birthday cakes and gift cards are provided to celebrate the birthdays of employees, ensuring that they feel blessed and joyful throughout their birthday month. Additionally, we allocate funds for socializing, allowing department teams to organize occasional dinners and social activities. This initiative aims to foster team cohesion and enhance interaction and communication among colleagues.

### Diversified Clubs

Pihong's domestic and overseas factory locations host various static and dynamic clubs, while also seeking subsidies from the Welfare Committee for these clubs. These efforts are aimed at promoting colleagues' social networks and cultivating diverse interests. Additionally, they provide opportunities for colleagues to relax and engage in cross-departmental communication and exchange during their leisure time. This year, the Vietnam factory organized large-scale sports events such as women's soccer matches and tug-of-war competitions, among others. These activities not only add fun but also allow colleagues to see another side of their peers beyond the workplace.

### Double Care for Expatriates

Pihong ensures peace of mind for its employees stationed abroad by providing comprehensive group insurance and 24-hour overseas medical services. In addition, the company has formulated the "Overseas Personnel Management Regulations," which specify various subsidies for rental accommodations, transportation, home visits, and family support, among other measures.

### End of year party. Have fun together

As we bid farewell to the pandemic, we have returned to our normal pace of life. To express gratitude for the hard work and dedication of our colleagues over the past year, and to celebrate our achievements together, we have allocated ample funds. We are meticulously planning a rich and exciting year-end celebration, featuring enticing performances, attractive prizes, and delicious meals. This event aims to bring all colleagues together to create wonderful memories and enjoy each other's company.



### Senior Role-Model and R&D Patent Recognition (Taiwan)

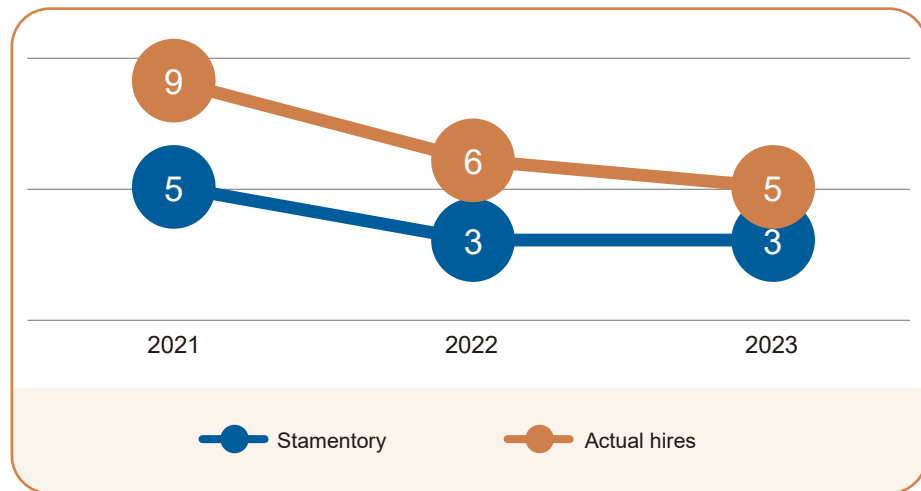
To appreciate the dedication of our senior employees, for nearly fifty years in Taiwan, we have held an annual year-end celebration where we carefully prepare commemorative coins for employees reaching every five-year milestone of service. This gesture aims to recognize and acknowledge their commitment and hard work for the company. In addition, for outstanding performance throughout the year, we organize an annual selection process

for "Outstanding Employees." This is a publicly conducted voting event where all colleagues participate by voting for the employees they believe deserve recognition. The winners are announced during the year-end celebration, where they receive accolades from their peers, along with substantial cash rewards, special vacations, and medals to encourage their exemplary contributions. Furthermore, we highly value and appreciate our R&D team's dedication to innovation in new technologies and products. In 2023, employees who excelled in research, innovation, and patent achievements were publicly recognized by the General Manager during the annual celebration. They were awarded prizes to express the company's recognition and encouragement for their innovative ideas and technical advancements.

### Phihong with Love. Accessible Environment

We welcome individuals with disabilities to join the Phihong family. Our company provides long-term and stable job opportunities for individuals with disabilities. At all operational locations of Phihong, there are accessible ramps at all entrances and internal floors, as well as multiple elevators with sufficient space for wheelchair access. We value diversity among our employees and respect various cultural backgrounds. We adhere to a fair employment policy for all employees, placing particular emphasis on the hiring of vulnerable groups. In Taiwan, Phihong consistently employs individuals with disabilities above the legal quota stipulated by the Disability Rights Protection Act. Each quarter, we receive additional employment incentives for surpassing the quota. In 2023, Phihong Taiwan employ 5 employees with disabilities, Phihong Dongguan employ 24 employees with disabilities, and Phihong Vietnam employ 3 employees with disabilities. A total of 32 people with disabilities will be hired.

### Hiring of persons with disabilities to the Headquarters in the past 3 years



### Perfect facilities. Leisure and fun

Phihong's factory premises are equipped with a variety of comprehensive hardware facilities, including a gym, table tennis room, basketball court, showers, library, and employee lounge. This year, we have renovated the gym with brand-new fitness equipment, allowing colleagues who enjoy exercising to do so without the crowds of external gyms. Our employee cafeteria offers a wide range of dining options, including buffet meals, noodle stations, quick meals, vegetarian choices, coffee machines, and vending machines for beverages and snacks. The coffee machines have been upgraded to capsule machines this year, offering multiple flavors to satisfy everyone's taste buds and energize them with the aroma of freshly brewed coffee every day.

### Food, Clothing, Housing and Transportation. Factory-stationed Service

In the second half of the year, Phihong gradually resumed on-site vendor services, including holiday foods, group insurance, banking services, travel agencies, merchandise sales events, exhibition discounts, and book fairs. This year, we introduced food trucks on-site, providing an extra bit of joy to colleagues during busy afternoons, allowing them to recharge before continuing their work. What's special this year is our collaboration with sheltered workshops as part of our on-site services, enabling everyone to support those in need through practical actions.

### Parenting Care. Breastfeeding Support

Phihong cares deeply for our mothers in the workforce, supporting and encouraging breastfeeding. We have established a bright, spacious, safe, and comfortable lactation room on-site. The room is regularly cleaned and sanitized by our cleaning staff, and it is equipped with a dedicated refrigerator to ensure the hygiene of breast milk storage. This allows mothers to use the facilities with peace of mind and confidence. To further ease the burden on our colleagues, we have partnered with nearby childcare facilities to offer special enrollment discounts. This additional support ensures that our employees can focus on their work without worries about childcare, providing them peace of mind along their parenting journey.



## Parental Leave

Based on the regulations of the Gender Equality in Employment Act, Phihong has established the "Childcare Leave without Pay Management Procedure." Regardless of gender, employees are eligible to apply for childcare leave without pay for up to 2 years, until their child reaches the age of 3, based on their needs. Upon completion of the childcare leave, Phihong assists employees in arranging their return to their original position and department, ensuring that employees with childcare needs can balance family responsibilities with work commitments.

Item	Gender	2021	2022	2023
Maternity leave / persons	Female	68	43	66
Paternity (examination) leave / persons	Male	39	54	65
Menstrual leave/days	Female	104	88	72
Family care leave/days	Male	35	22	60
	Female	17	20	43



## Gender ratio for applying for parental leave (Taiwan)

Item	Gender	2021	2022	2023
Number of people eligible to apply for parental leave in the current year	Male	24	18	9
	Female	23	20	13
	Total	47	38	22
Actual number of applicants for parental leave in the year	Male	0	1	9
	Female	5	5	5
	Total	5	6	5
The number of people who are expected to return to work in the current year on parental leave ( A )	Male	0	0	0
	Female	4	7	2
	Total	4	7	2
The number of people returning to work in the current year of parental leave ( B )	Male	0	0	0
	Female	2	4	3
	Total	2	4	3
Reinstatement rate ( B/A )	Male	NA	NA	NA
	Female	50%	57%	150%
	Total			
The actual number of people returning to work on parental leave in the previous year ( C )	Male	0	0	0
	Female	4	2	4
	Total	4	2	4
The number of people who continued to work for one year after returning to work after parental leave in the previous year ( D )	Male	0	0	0
	Female	3	2	0
	Total	3	2	0
Retention rate ( D/C )	Male	NA	NA	NA
	Female	75%	100%	0%

Note 1: Retention Rate = Number of employees who continue working for more than 1 year after returning from parental leave without pay / Number of employees who actually returned to work in the previous year.

Note 2: Number of applicants for parental leave without pay: Number of employees still on parental leave without pay during the reporting period.

Note 3: Number of eligible employees for parental leave in the current year: Number of employees eligible for maternity and paternity leave.

**Work-life balance**

Phihong adheres to the regulations of the Gender Equality Act, promoting work-life balance by providing stamentory leaves such as maternity leave, paternity leave, menstrual leave, epidemic care leave, family care leave, and prenatal rest leave. This year, Phihong Taiwan has introduced flexible working hours to accommodate parents who need to pick up their children and alleviate the commuting stress for long-suffering commuters. Flexible shifts are available from 07:30 to 09:30 in the morning, allowing employees to adjust their work hours according to their needs, thus assisting them in achieving a balance between work and family life.

**Employee travel. Full of fun**

Provide annual travel subsidies to allow colleagues to freely plan domestic and international travel itineraries, enabling them to relax and rejuvenate outside of work hours, balancing their mind and body.



## Employee Satisfaction

Phihong values the feedback from every employee to the company. Each year, surveys are conducted on job satisfaction for new colleagues or all regular employees. Quarterly labor-management meetings collect various opinions from colleagues, which are further understood and compiled. These insights are accurately conveyed to relevant units for evaluation, processing, and response, fostering a friendly workplace environment. This approach develops competitive systems and enhances comprehensive welfare planning, ensuring continuous mutual growth for both the company and its employees. Additionally, important matters and promotional content are promptly communicated through bulletin boards to keep all colleagues informed, facilitating immediate and accurate understanding of the company's latest policies for mutual benefit.

### Satisfaction Survey Purpose

- Proactive Care: Empower employees to feel involved and valued.
- Genuine Kindness: Ensure employees clearly perceive the company's goodwill.
- Two-way Communication: Help employees understand that the company is willing to listen to their feedback.
- Timely Resolution: Make employees feel the company is committed to continuously building a friendly environment.
- Satisfaction Improvement: Ensure employee satisfaction to foster peace of mind and enjoyment at work.

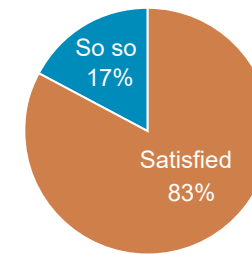
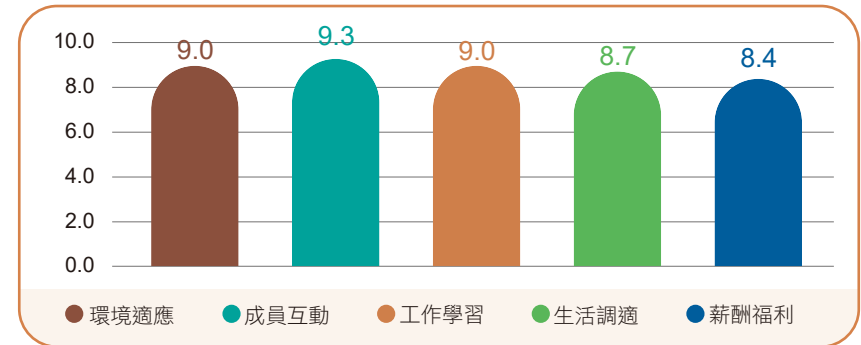
### New employee satisfaction survey (Taiwan Phihong)

Phihong assigns a dedicated mentor to each new employee to enhance their sense of security, belonging, and stability. This mentor addresses any needs or issues regarding the new employee's food, clothing, housing, transportation, and job responsibilities, providing appropriate guidance and assistance. Additionally, the HR team conducts one-on-one care interviews with new employees after three months to assess their adaptation to the job and environment, ensuring the company stays up-to-date in continuously recruiting outstanding talents.

- Survey target: Colleagues who have been promoted to full-time positions after the probationary period
- Investigation period: Jan~Dec 2023
- Questionnaire response rate: 100%
- Number of valid questionnaires: 44



### 2023 New Employee Satisfaction Survey Results



## 6.2 Talent Cultivation and Development

Phihong regards talent development as a key to its core competitiveness. To encourage employees to continuously enhance their professional knowledge and demonstrate personal growth, Phihong integrates learning hours into its promotion criteria through the "Education, Training, and Promotion System Framework". This initiative aims to foster a conducive learning environment and promote a culture of continuous learning within the organization. In enhancing the quality of education and training, Phihong adheres to the TTQS Talent Development Quality Management System by the Ministry of Labor, Executive Yuan. Phihong has been recognized with the TTQS Silver Certification, affirming its commitment to quality talent development.

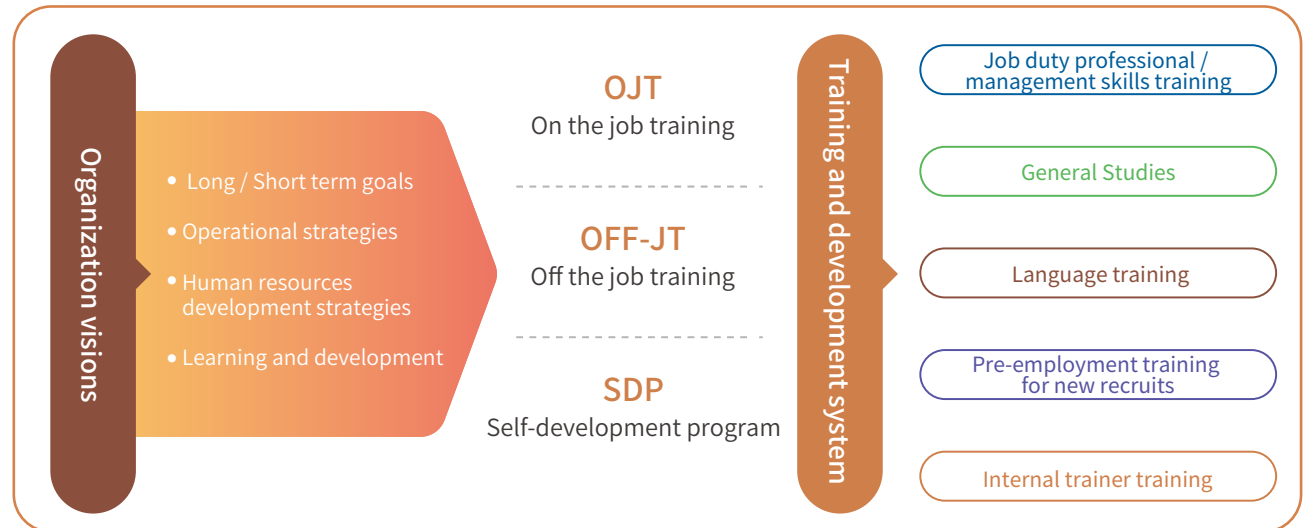


## Training and Development

Phihong utilizes the PDDRO cycle as a robust framework to construct a comprehensive training and development system, ensuring the stability and accuracy of training quality. We provide a diverse range of courses, including professional skills training, orientation for new employees, managerial training, general education courses, language training, and internal trainer development. Through our internal training and knowledge management platform, employees can engage in flexible online and offline learning, fostering internal knowledge creation and innovation. Additionally, we actively offer external training, micro-courses, book clubs, and learning circles to provide comprehensive learning resources and promote a learning organization culture. In 2023, we placed a special focus on balancing employees' life and work by organizing a series of general education seminars. These covered topics such as health, finance, self-defense, public welfare, and awareness against illegal activities. This initiative strengthens employees' abilities to cope in both daily life and the workplace, promoting personal growth and injecting a more positive and healthy energy into our overall work environment. This effort aims to cultivate a harmonious and inclusive atmosphere at Phihong.

To foster long-term harmonious labor relations, Phihong Taiwan actively conducts in-depth interviews with employees approaching retirement or departure to understand their future plans. The company proactively provides information about external free learning platforms to encourage continuous learning and maintain competitiveness, adhering to the lifelong learning philosophy. For employees involuntarily leaving the company, Phihong not only calculates severance pay according to legal requirements but also offers two paid job-seeking days per week to assist them in finding their next job. Additionally, we provide assistance for employees to apply for unemployment benefits and share information on vocational training courses to continually enhance their professional skills during the job search process. We are committed to supporting our employees in their future endeavors.

### Phihong Education and Training System



## Newcomer Mentor Training

In 2023, Phihong implemented a new mentorship training program aimed at enhancing support and professional guidance for new employees. This initiative included guidelines for mentorship management, training courses, and clear mentoring protocols to ensure quality training. The successful cultivation of 40 professional mentors resulted in a significant decrease in the new employee turnover rate by 42.4%. This reflects Phihong's commitment to employee development and underscores the effectiveness of the mentorship training program in achieving its objectives.



## Internal instructors: Key Network for Knowledge Transfer

Phihong values its internal instructor system as one of its most important assets, essential for sustaining company operations and promoting innovative research and development. It plays a pivotal role within the overall talent development and training framework. In the course of corporate development, the transfer of experience and knowledge is central to maintaining competitiveness. Phihong's internal instructor system is dedicated to facilitating the transfer of internal knowledge. In addition to regularly conducting internal instructor training courses, the company publicly acknowledges and appreciates its internal instructors on Teacher's Day each year, expressing gratitude for their contributions to nurturing talent within the company.



## Coping with the Challenges of the AI Digital Era

In the digital age, talent development requires rapid adaptation to new trends, bridging the gap between talent supply and demand, while maintaining innovative thinking. Phihong provides diverse learning resources to help employees strengthen their skills, enhance job engagement, and elevate their self-worth, thereby cultivating abundant human resources.

- Learning Platform Upgrade: Enhancing the digital learning platform by integrating multimedia formats to create a highly interactive learning environment.
- Introduction of Microlearning: Introducing short educational modules to promote immediate and flexible learning experiences, thereby increasing learning efficiency.
- Online Collaborative Learning: Shifting physical courses online to encourage employees to participate in online collaborative learning, fostering knowledge sharing and collaboration.
- Specialized Learning Activities: Encouraging all employees to participate in learning activities across different fields to cultivate interdisciplinary knowledge and innovative thinking.
- Establishment of a Learning Culture: Cultivating a proactive learning culture by promoting learning as a lifelong value, encouraging employees to pursue continuous education.

These strategies assist Phihong in swiftly and flexibly addressing the challenges of the digital age, while fostering a conducive environment for professional growth and innovation.





### Employee Training Hours Statistics

Rank	Region		Linkou Headquarters				Overseas joint factory area (Dongguan + Haiphong)				Zerova							
	Number of employees		Annual cumulative hours		Number of employees		Annual cumulative hours		Number of employees		Annual cumulative hours							
Total	394		20261.8		6267		152801.9		384		9905.8							
Hours per person	51.4				24.4				25.8									
Training Information for Men and Women	Male		Hours per person	Female		Hours per person	Male		Hours per person	Female		Hours per person	Male		Hours per person	Female		Hours per person
	Hours	Persons		Hours	Persons		Hours	Persons		Hours	Persons		Hours	Persons		Hours	Persons	
General Staff	7668.83	138	55.57	6585.04	145	45.41	91416	3,598	25.4	58540.3	2,557	22.9	3963.2	178	22.27	2346.3	107	21.93
Basic Supervisor	1283.87	22	58.36	1016.01	15	67.73	827	29	28.5	645.0	17	37.9	949.0	19	49.95	504.4	16	31.53
Mid-Level Supervisors	2231.47	44	50.72	835.32	14	59.67	900	45	20.0	363.0	16	22.7	1252.7	35	35.79	485.2	12	40.43
Mid- to senior-level executives	400.61	10	40.06	40.50	2	20.25	95	4	23.8	16.0	1	16.0	244.2	8	30.53	23.8	1	23.83
Senior Executives	200.15	4	50.04	0.00	0	N/A	0	0	N/A	0.0	0	N/A	68	5	13.60	68.92	3	22.97

**Notes:**

1. The annual hours for the Taiwan region include internal/external training, new employee training, and e-Learning online courses; for overseas regions, it includes internal/external training and new employee training.
2. Employee numbers for the Taiwan region are based on the number of employees in Dec 2023 (including Taiwanese expatriates); for overseas regions, it is based on the total number of employees who were employed during year 2023.
3. Phihong allows both male and female employees to participate in relevant external training courses. The average annual training hours for male employees at the Linkou headquarters are significantly higher than those for female employees, mainly because most R&D engineers are male, and regular internal seminar courses are held weekly.



Item	Description	Target participants	2021 learning achievements	2022 learning achievements	2023 learning achievements
Micro e-charging	Work&Life's multi-oriented micro courses create healthy careers for employees	All employee	22 micro-courses, totaling 6,153 views.	24 micro-courses, totaling 6,195 views.	23 micro-courses, totaling 5,061 views.
Digitalized physical courses	Convert physical courses to online courses and learn without restrictions.	All employee	19 courses, with a total of 664 participants.	87 courses, with a total of 3650 participants.	46 courses, with a total of 2037 participants.
Top 100 CEOs Online Co-Learning	Top 100 external CEOs share their management experience and business management tips.	Elite managers	9 courses, with 275 participants.	33 courses, with 1598 participants.	45 courses, with 1211 participants.
External Learning Platform Promotion	<ol style="list-style-type: none"> <li>1. TaiwanLIFE</li> <li>2. www.smelearning.org.tw</li> <li>3. portal.wda.gov.tw</li> <li>4. TaiwanJobs</li> <li>5. hahow</li> <li>6. YOTTA</li> <li>7. dada-master.com (enrollment courses)</li> </ol>	All employee	39 participants, totaling 280.5 hours of learning.	844 participants, totaling 3545.8 hours of learning.	625 participants, totaling 3105.2 hours of learning.
Happy e-Learning Phihong Elite Learning Platform	The internal learning platform, in addition to online learning module courses, also has functions such as training and learning records, course notifications, and external training applications.	All employee	Total hours: 18,924.5 hours, with 544 employees, averaging 34.79 hours of learning per employee annually.	Total hours: 25,855 hours, with 648 employees, averaging 39.9 hours of learning per employee annually.	Total hours: 20,261.8 hours, with 394 employees, averaging 51.4 hours of learning per employee annually.

Note: In 2023, as the pandemic eased, online courses gradually transitioned back to in-person training. Despite a decrease in the number of employees, some metrics were adjusted downwards. However, the overall average learning hours per employee significantly increased.



## Build a Global Village and Connect with International Standards

Phihong aims for international development and has long been committed to enhancing employees' foreign language skills. Each year, professional language training institutions are invited to conduct courses. In recent years, influenced by the pandemic, Phihong has actively promoted digital learning, allowing employees to learn autonomously anytime and anywhere via the internet. This approach not only increases the flexibility of learning but also ensures social distancing. Employees are encouraged to continuously improve their language skills, strengthening their workplace competitiveness while broadening their horizons and career development.



## Reading Club - the Leader in Key Cultivation

To cultivate a learning organization, Phihong has established the "Phihong Book Club" under the guidance of the Group General Manager since 2020. Led by senior management, the initiative encourages team consensus through shared reading, delving into book theories and their practical applications within the organization. By the end of 2023, the book club had held 38 sessions with 921 enthusiastic participants. The book club not only facilitates the exchange of ideas and mutual learning among team members but also provides ample space for dialogue, fostering innovation. This collective reading process transcends the conventional training framework, encouraging employees to engage in personalized learning based on departmental or individual needs. Remarkably, we have established a book club information platform, integrating virtual and physical resources to create a sustainable learning knowledge base. This initiative is a key strategy in actively nurturing the company's critical talent.



Item/Year	2021	2022	2023
Language	Online English	Online English	Online English
Participants	50	67	32
Funding	\$240,000	\$301,500	\$144,000

## Performance-linked Rewards

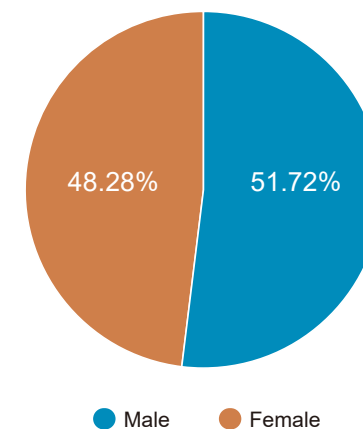
Phihong implements a performance management system based on annual operational strategies and personal goals. Through an e-performance management system, goals are set and discussed with immediate supervisors to ensure alignment with organizational strategies. Progress towards these goals is reviewed and evaluated semi-annually, with supervisors providing real-time feedback, offering guidance, encouragement, and career counseling to objectively and accurately monitor work outcomes, assisting employees in advancing towards their goals. Regular evaluations serve as a crucial basis for employee development and career advancement, linking to promotions and job adjustments to ensure employees are in roles that suit their abilities for sustained development. Additionally, fair distribution of rewards is linked to performance evaluations, divided into three stages: probationary period, mid-year, and year-end, motivating employees to enhance productivity, achieve excellent performance, and perfect the performance management system. During profitable periods, in accordance with the company's bonus distribution policy, annual bonuses, employee dividends, or stock options are awarded based on performance evaluations to incentivize and retain outstanding employees, effectively enhancing corporate competitiveness. Phihong's performance evaluation procedure:

- Goal Management: Goal setting → Supervisor confirmation
- Review and Maintenance: Reviewing goals → Maintaining progress
- Annual Evaluation: Mid-year evaluation → Year-end evaluation

**The number of employees evaluated for performance in 2023**

Year / Gender	Linkou Headquarters				Dongguan Phihong				Haiphong Phihong				Zerova (Taiwan)			
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Evaluation item	Mid-year		Year-end		Mid-year		Year-end		Mid-year		Year-end		Mid-year		Year-end	
Manager (division level & above)	73	24	80	32	69	30	67	30	0	2	0	2	4	14	52	34
General employee	113	134	115	128	698	579	591	503	503	743	466	709	139	89	248	169
<b>Total</b>	186	158	195	160	767	609	658	533	503	745	466	711	143	103	300	203
% of the total number of persons evaluated	47.2%	41.2%	49.5%	40.6%	36.8%	29.3%	31.6%	25.6%	41.4%	55.7%	38.3%	58.5%	22.9%	16.5%	48.1%	32.5%

**The ratio of male to female employees in the 2023 Phihong Group appraisal**



### 6.3 Human Rights Due Diligence

Phihong is committed to upholding and safeguarding the basic human rights of its employees. It adheres strictly to labor-related regulations in all global operational locations and pledges to support and comply with internationally recognized human rights conventions and guidelines such as the United Nations Universal Declaration of Human Rights, the UN Global Compact, and the International Labour Organization conventions. Phihong ensures fair and equitable treatment, dignity, and respect for all employees.

#### Human Rights Management Policies and Mechanisms

- Phihong adheres to and follows the United Nations Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the International Labour Organization standards, and the Responsible Business Alliance (RBA) Code of Conduct as the highest guiding principles for human rights protection.
- All operational locations of the group strictly prohibit any infringement or violation of human rights and actively implement human rights protection measures.
- Phihong recognizes and complies with relevant local laws and regulations concerning human rights protection at each factory site, thereby promoting awareness of human rights among employees and stakeholders.
- We respect the differences among individuals worldwide and treat all employees with dignity and respect, without discrimination based on race, gender, age, religion, nationality, or political affiliation.

## Management Mechanism

We use the Responsible Business Alliance (RBA) Code of Conduct as our management mechanism. Through the formulation of various management methods and the auditing of internal control procedures, we conduct regular internal and external audits of social responsibility at each factory site. This is to establish, implement, and maintain a robust social responsibility management system. In the future, we aim to extend these requirements to our suppliers and contractors.

## Internal Implementation Measures

Item	Content
1. New hires sign the "code of ethics and business conduct".	1. Labor and Human Rights 2. Health and Safety 3. Environmental Protection 4. Management Systems 5. Business Ethics
2. Interviewees sign the "confidentiality agreement".	For job applicants, we respect and protect the privacy of both parties. We do not disclose any confidential information, trade secrets, intellectual property, or any other information that cannot be disclosed about current or former employers to applicants.
3. All employees sign the "intellectual property and confidentiality agreement" and the "code of conduct".	Intellectual Property and Confidentiality Agreement: Reaffirming relevant laws, both parties agree that any trade secrets of Party A (including all related entities) known or held during the course of employment, as well as any intellectual property rights developed during the tenure with the company, are closely related to the company's interests. Both parties hereby agree to the terms of this agreement.
4. Implement the "rba and code of ethics and business conduct digital course".	Promoting Awareness of RBA Basics and Phihong Corporate Code of Ethics and Business Conduct

## Human Rights Due Diligence

In 2023, following the established human rights due diligence procedures, Phihong conducted investigations to identify potential human rights issues. Through risk assessments, measures were planned and implemented to mitigate or continue improving conditions, fulfilling the commitment and responsibility to uphold human rights.

- Identify Human Rights Risks: Based on international human rights guidelines, gather issues related to fundamental human rights, working conditions, organizational safety, and other human rights concerns to create a list of human rights risk issues.
- Assess Risk Management: Evaluate and discuss issues such as human rights protection, child labor, freedom of assembly and association, discrimination, workplace health, etc., defined as potential risk issues based on the human rights risk issue list.
- Track Risk Improvement: Based on potential human rights issues identified through risk assessment, plan and design human rights due diligence questionnaires, compile results, define human rights due diligence issues, assign responsibilities, propose improvement measures, and track progress.
- Regular Monitoring and Disclosure: Execute this process annually to monitor for new emerging human rights issues, effectively prevent and resolve them, and disclose and explain findings regularly to external stakeholders.



Human rights issues of concern	Countermeasures
Human rights protection knowledge	Phihong responds to and supports international human rights norms, strictly adhering to local laws regarding human rights protection at operational sites. We prohibit any actions that violate human rights, ensuring the protection of human rights and enhancing awareness among employees and stakeholders. We respect the diversity of individuals worldwide and treat all employees with dignity, without discrimination based on race, gender, age, religion, nationality, or political beliefs.
Prohibition of child labor	Upon recruitment, we verify identities and ages. During the registration process, we conduct identity card checks in compliance with the Labor Standards Act, International Labour Organization (ILO) guidelines, and labor-related regulations of the production countries. We strictly adhere to not employing individuals below the legal working age, and in 2023, there were no incidents of child labor employment.
Working conditions (wages, hours, benefits)	Every employee has the right to fair and living wages. Through labor-management meetings, the company's work rules regarding working hours, rest periods, vacation policies, wages, allowances and bonuses, records, attendance, leave, rewards and disciplinary actions, promotions, hiring, termination, layoffs, resignations and retirements, compensation for work-related injuries and illnesses, and welfare measures are discussed and decided upon.
Prohibition of forced labor	Following local labor laws and regulations, we establish employee work hours and statutory holidays. Through the HR attendance system settings, we prevent employees from working overtime and attending work on holidays. We review employees' card-swiping data daily to promptly monitor their attendance status and enhance management's awareness of prohibiting forced labor practices.
Eliminate workplace discrimination	Recruitment and employment policies are open and transparent, following a selection process based on company job requirements, considering candidates' work experience, potential, and achievements. We conduct evaluations for recruitment, trials, employment, deployment, allocation, performance reviews, and promotions without discrimination based on race, class, language, ideology, religion, political affiliation, native place, birthplace, gender, sexual orientation, age, marital status, appearance, facial features, or disabilities. In 2023, 3 employees with disabilities were hired.
Prohibition of discrimination against indigenous peoples	In 2023, there were no cases involving discrimination against indigenous rights or any human rights-related cases filed through formal mechanisms. Additionally, there were no incidents of violations resulting in penalties, nor were there any reviews or impact assessments related to human rights. Upon joining Phihong, each employee signs a written labor contract on their first day of employment, stipulating that the employment relationship is established based on mutual agreement. These contracts are regularly reviewed and managed to uphold the rights and interests of both labor and management.
Eliminating Workplace Misconduct	We declare a "zero tolerance" policy towards workplace misconduct, establishing preventive measures and handling procedures for such incidents. These are outlined in our workplace regulations to maintain a friendly work environment and foster an organizational culture against misconduct. Our aim is to safeguard the equal treatment and personal dignity of all colleagues during their duties. Employees are assured guidelines for preventing and reporting misconduct, and for disciplinary actions. We do not tolerate any misconduct by our management or supervisors, nor do we tolerate any misconduct between colleagues, customers, clients, or strangers towards our employees.
Diversified communication channels	<ol style="list-style-type: none"> <li>1.Regularly convene labor-management meetings to facilitate open and inclusive communication channels, ensuring bilateral communication mechanisms. Address and vote on various issues related to labor rights, conditions, benefits, systems, employment status, work environment, and promoting labor-management harmony.</li> <li>2.Utilize communication mechanisms such as "all-staff meetings, employee suggestion boxes, and HR director's mailbox" to ensure all colleagues receive appropriate care and attention.</li> <li>3.Fully respect employees' freedom of speech, assembly, and association, safeguarding them from retaliation or threats for participating in any activities or organizations.</li> <li>4.Conduct monthly care interviews with new employees to understand their adaptation to work and life situations, providing timely feedback to department heads and assisting in resolving related issues.</li> <li>5.Clearly define employee communication channels and complaint mechanisms in the workplace regulations.</li> </ol>
Work Life Balance and Employee Assistance Program	<ol style="list-style-type: none"> <li>1.Arrange for an onsite physician monthly to provide health consultations, and based on employees' health check results, offer comprehensive care and management plans.</li> <li>2.Provide birthday leave and travel subsidies to allow employees to engage in cultural, artistic, and sporting activities outside of work for holistic well-being.</li> <li>3.Offer subsidies for departmental gatherings and organize diverse company events to foster camaraderie among colleagues and enhance unity.</li> <li>4.Provide onsite services for food, clothing, housing, and transportation, creating a diverse workplace environment.</li> <li>5.Implement employee assistance programs including a health promotion center at the facility, legal counseling services, and policies to prevent and address sexual harassment.</li> </ol>

## Human Rights Due Diligence Report

In 2023, all results of the human rights risk assessment indicated low risk. We aim to enhance employee awareness of human rights issues through education and training, thereby raising overall awareness of human rights protection among all employees and reducing the likelihood of risks. We will regularly review the legality of our human rights policies and management mechanisms, implement necessary improvements, and provide regular reports to the management team on the results of due diligence investigations and progress in improvements. This is to effectively fulfill our social responsibility and enhance human rights awareness among managers and employees.

At the same time, we are committed to establishing a sustainable business and corporate social responsibility management system, adhering to standards beyond local regulations and societal ethical norms. While continuously developing high-quality green products and services, we also prioritize environmental conservation, employee health and safety, and human rights to safeguard the interests of stakeholders. In 2023, Phihong's Haifeng factory introduced SA8000 and obtained certification in early 2024. We have developed a "Corporate Social Management Manual" in accordance with SA8000 requirements, international standards on corporate social responsibility, including International Labour Organization conventions and the UN Declaration, and relevant local labor laws. We have set forth our vision and policies on corporate social responsibility. Following the Responsible Business Alliance (RBA) Code of Conduct and SA8000 international standards, we conduct regular inspections to monitor system performance and control potential risks, fulfilling our commitment to sustainability.

## Responsible Business Alliance (RBA)

The Responsible Business Alliance (RBA) is the largest corporate social responsibility alliance in the global industrial supply chain, dedicated to establishing standardized codes of conduct for social responsibility worldwide. In today's global trend of emphasizing corporate social responsibility, obtaining RBA VAP (Validated Assessment Process) certification has become a significant indicator of a company's commitment to social responsibility. Phihong adheres to the belief in corporate social responsibility and sustainable development, striving to achieve shared outcomes with employees, customers, suppliers, and society. In 2022, Phihong became a certified member of the Responsible Business Alliance (RBA), actively supporting RBA's vision and goals, and promoting its code of conduct.

Phihong's main factory sites in Dongguan (PHC/PHPJ) underwent the Validated Audit Process (VAP) by the Responsible Business Alliance (RBA). In end of 2022, the RBA VAP audit assessed the internal systems' compliance and implementation of Phihong's social responsibility values. By fully adhering to the RBA 7.0 standards, Phihong achieved the prestigious Silver Certification with a score of 161.2 points on its first attempt. Phihong firmly believes in continuous improvement of its internal management systems in alignment with RBA's code of conduct and sustainability benchmarks. It aims to communicate the awareness of sustainable development to its supply chain partners, collaborating upstream and downstream to strengthen enterprise risk management and resilience. This proactive approach is expected to garner recognition for global customers and generate more sustainable business opportunities for Phihong in the future.



## 6.4 Workplace Safety and Health

### Occupational Safety and Health Management

To ensure factory safety, work environment, and employee health, Phihong integrates occupational safety and health management into its key strategies for sustainable development. We have formulated an "Environmental Safety and Health Policy" and established an Occupational Safety and Health Committee in accordance with the "Occupational Safety and Health Management Regulations." This committee drives the occupational safety and health management system, undergoes annual verification, and strives to create a healthy and safe workplace for employees. To prevent occupational accidents, we thoroughly inspect and supervise workplace safety, aligning with local government regulations and company policy requirements across all factory locations.



In 2021, Phihong completed the transition verification of its Occupational Health and Safety Management System to ISO 45001:2018 standards and obtained the certification. This new management system covers all employees and contractors within the Phihong Group. In 2023, Zerova established a dedicated EHS unit responsible for promoting occupational health and safety management matters. By December of the same year, Zerova underwent its first Occupational Safety and Health Management System (ISO 45001) verification and received certification. To prevent occupational accidents, each factory thoroughly inspects and supervises workplace safety. They conduct hazard identification and risk assessments regularly based on different operations or environmental conditions. Priority is given to addressing significant risks, and these improvements are tracked within the occupational safety management system. Regular internal and external audits are conducted to ensure compliance with local government regulations and company policy requirements across all factories, continuously mitigating potential occupational hazards in the workplace. In 2023, Phihong Group did not experience any fatalities, occupational diseases, or serious occupational injuries resulting from occupational hazards. Phihong remains committed to providing a safe and secure working environment for its employees, aiming for a workplace free from accidents as the ultimate goal.



ISO 45001:2018 certificate (Zerova)



## Lost work rate/absence rate/number of accidents for employees in 2021-2023

### Linkou Headquarters

Item	2021		2022		2023		Calculation formula
	M	F	M	F	M	F	
Occupational injury rate	0.63	0.44	0.00	0.00	0.46	0.00	(Disabled) Workplace Injury Cases / Total Working Hours * 200,000
Lost workday rate	7.92	0.44	0.00	0.00	0.92	0.00	Total Days of Disability Injury Claims for the Year / Total Days Worked by Employees for the Year * 200,000
Employee absenteeism rate	0.01	0.04	0.01	0.01	0.01	0.01	Total Absentee Days for the Year / Total Days Worked for the Year (Absenteeism rate includes statistics such as disability leave, personal leave, and sick leave)
Number of employee accidents	2	1	0	0	1	0	Total Number of Workplace Injury Cases for the Year

Note 1: GRI: 200,000 coefficient refers to the calculation base of 2000 hours worked per year per 100 employees

Note 2: In 2023, male employees worked a total of 432,512 hours, and female employees worked a total of 349,184 hours.

Note 3: In 2023, there was a total of 1 accident among employees, involving 1 case of sprain. There were no accident injuries involving non-employees.

### Dongguan Phihong

Item	2021		2022		2023		Calculation formula
	M	F	M	F	M	F	
Occupational injury rate	0.32	0.18	0.06	0.10	0.33	0.23	(Disabled) Workplace Injury Cases / Total Working Hours * 200,000
Lost workday rate	5.25	1.71	12.51	18.83	9.22	14.07	Total Days of Disability Injury Claims for the Year / Total Days Worked by Employees for the Year * 200,000
Employee absenteeism rate	0.03	0.03	0.03	0.02	0.04	0.04	Total Absentee Days for the Year / Total Days Worked for the Year (Absenteeism rate includes statistics such as disability leave, personal leave, and sick leave)
Number of employee accidents	9	3	3	5	4	2	Total Number of Workplace Injury Cases for the Year

Note 1: GRI: The coefficient of 200,000 refers to the calculation based on every 100 employees working 2,000 hours per year.

Note 2: In 2023, male employees worked a total of 2,428,248 hours, and female employees worked a total of 1,719,096 hours.

Note 3: In 2023, there were a total of 6 employee accidents, all of which were machinery-related. There were no accidents involving non-employee workers.

### Haiphong Phihong

Item	2021		2022		2023		Calculation formula
	M	F	M	F	M	F	
Occupational injury rate	0.00	0.23	0.23	0.06	0.17	0.00	(Disabled) Workplace Injury Cases / Total Working Hours * 200,000
Lost workday rate	0.00	35.55	6.09	2.03	0.83	0.00	Total Days of Disability Injury Claims for the Year / Total Days Worked by Employees for the Year * 200,000
Employee absenteeism rate	0.04	0.03	0.01	0.02	0.13	0.12	Total Absentee Days for the Year / Total Days Worked for the Year (Absenteeism rate includes statistics such as disability leave, personal leave, and sick leave)
Number of employee accidents	0	1	4	1	1	0	Total Number of Workplace Injury Cases for the Year

Note 1: GRI: The coefficient of 200,000 refers to the calculation based on every 100 employees working 2,000 hours per year.

Note 2: In 2023, male employees worked a total of 1,205,568 hours, and female employees worked a total of 1,829,568 hours.

Note 3: In 2023, there was a total of 1 employee accident, which was a scald burn incident. There were no accidents involving non-employees.

### Zerova

Item	2023		Calculation formula
	M	F	
Occupational injury rate	1.54	1.30	(Disabled) Workplace Injury Cases / Total Working Hours * 200,000
Lost workday rate	19.51	10.65	Total Days of Disability Injury Claims for the Year / Total Days Worked by Employees for the Year * 200,000
Employee absenteeism rate	0.03	0.02	Total Absentee Days for the Year / Total Days Worked for the Year (Absenteeism rate includes statistics such as disability leave, personal leave, and sick leave)
Number of employee accidents	2	0	Total Number of Workplace Injury Cases for the Year

Note 1: GRI: The coefficient of 200,000 refers to the calculation based on every 100 employees working 2,000 hours per year.

Note 2: In 2023, male employees worked a total of 778,904 hours, and female employees worked a total of 460,288 hours.

Note 3: In 2023, there were a total of 2 employee accidents: 1 scald burn incident and 1 traffic accident during a business trip. There were no accidents involving non-employees.

## Occupational Safety & Health Organization and Operation

Pihong complies with the Occupational Safety and Health Management Regulations by establishing an Occupational Safety and Health organization. The committee is responsible for advising on the safety and health policies and management systems proposed by the company, and it reviews, coordinates, and advises on safety and health-related matters. The committee includes a chairman (Assistant Manager or Plant Manager) and members (department heads, EHS specialists, and labor representatives), with labor representatives selected by employees. The Zerova committee consists of 26 members, including 11 labor representatives, which exceeds one-third of the statutory seats. In Dongguan Pihong, the committee comprises 69 members, including 17 managers and 52 other members, with managers constituting 25% of the committee. The committee meets quarterly, where the EHS department updates members on the implementation of occupational safety and health matters in the plant. Department representatives discuss plant safety and health management issues, provide feedback, and foster an environment of full participation among all employees.

## Hazard Identification and Risk Assessment

To prevent hazards to personnel safety and health, as well as potential financial losses to the company due to operational activities or services and facilities, Pihong conducts continuous hazard identification and risk assessment. This includes implementing appropriate preventive measures, executing necessary control methods or hazard elimination, and identifying opportunities for improvement to keep risks within acceptable limits. Additionally, every three years, comprehensive hazard identification and risk

assessments are conducted for all current, potential, and temporary changes in operational activities within the plant and external hazardous materials. A baseline review team, trained in process safety assessment, uses semi-quantitative and qualitative methods to assess and classify identified risks. Based on this classification, control measures are established according to graded controls, occupational safety and health objectives, and management plans. These measures include elimination, substitution, engineering controls, signage/warning systems, administrative controls, and personal protective equipment, prioritized to reduce risks. The goal is to seek optimal risk reduction solutions and continuously improve them. For employees engaged in operations with high incidence rates of occupational diseases or high risks, appropriate personal protective equipment is provided. Health checks to prevent occupational diseases are arranged, and workplace environmental monitoring is conducted. Abnormal monitoring results trigger follow-up management and necessary individual health consultations, care, and guidance. In 2023, there were no cases of occupational diseases reported across Pihong's facilities for the year.

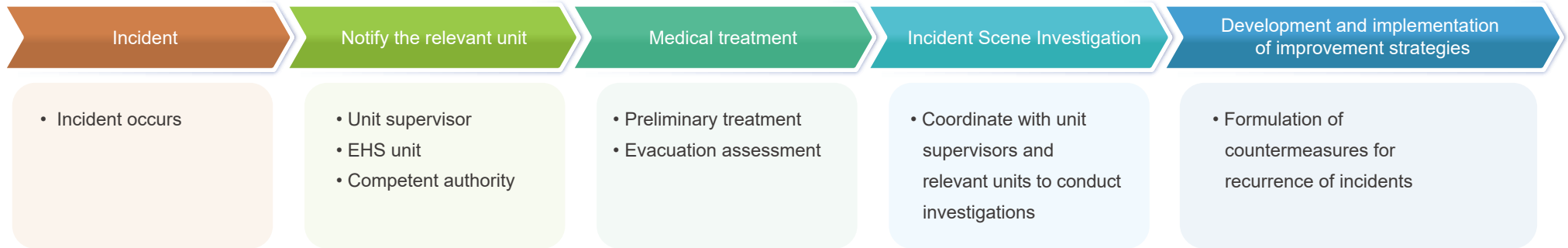
## Occupational Accident Notification and Investigation Process

To ensure swift response to occupational accidents, prevent their escalation, and conduct root cause analyses, Pihong has established emergency response and accident investigation procedures. Regular drills and training sessions are conducted for emergency response to ensure employees are capable of responding promptly and understanding procedures for evacuating to safe locations during emergencies. Immediate accident investigations are carried out post-incident to review causes and develop preventive measures to avoid recurrence. Actions are implemented to improve operations, and the effectiveness of these improvements is verified to identify and mitigate any remaining risk factors. Continuous efforts are made to enhance the working environment for employees.

## Risk Assessment Levels and Management Principles

Risk Level	Risk Score	Risk level description	Management principles
Level 1	> 100	Listed as a significant source of risk and tracked for improvement	The risk level value greater than 100 and the severity of the consequences greater than or equal to 10: identified as an important risk source, included in the "List of Important Hazard Sources and their Control Measures". The methods of control and improvement are: elimination, replacement, engineering control improvement, etc.
Level 2	81~100	Significant risks that need to be controlled through corrective actions	Risk level values 81-100: If the hazard source has implemented operation control on the existing basis and there are improvement measures to control it, there is no need to upgrade the occupational safety and health OHS management plan. If the hazard source has not implemented operation control or can continue to reduce the risk of injury, Then it is necessary to raise the target improvement plan and control
Level 3	51~80	Risks that need to be controlled through training and production safety regulations	Risk level values 51-80: Control through education, training and production of safety practices
Level 4	21~50	Risks that need to be controlled by labeling	Risk level values 21-50: Controlled by warning signs and use of protective equipment
Level 5	≤ 20	Acceptable risks	Risk level value less than or equal to 20: Acceptable risk, just keep watching

### Occupational accident notification and investigation process



### Occupational Safety Education and Training

Phihong provides comprehensive training for all new employees, including specific job hazard education prior to undertaking specialized tasks. Regular and ad-hoc safety and health training sessions are organized periodically. Both domestic and overseas Phihong facilities conduct annual safety, health, and fire safety drills. In Taiwan, Phihong organized two sessions in 2023, each comprising 4-hour fire drill and training courses. These activities aim to enhance occupational safety awareness, fire prevention, and management strategies to ensure the safety of employees and occupants in the event of a fire. Additionally, CPR first aid training courses are implemented to enhance employees' knowledge and operational procedures in emergency situations. Training also covers self-defense fire brigade preparedness and emergency response protocols, including fire brigade formation, disaster reporting, and evacuation drills.

In 2023, Phihong Dongguan completed a total of 19 sessions of safety and health training, with 4,849 participants accumulating a total training duration of 7,016 hours. Meanwhile, Phihong Vietnam has engaged government-certified professional units to conduct occupational safety and health education training. This ensures the presence of qualified and sufficient professional safety and health management personnel to safeguard both production and life safety, prevent occupational injuries. Currently, Phihong Vietnam has 30 volunteer firefighters, 20 volunteer first aiders, and 15 EHS auditors.



## Employee Health Promotion

Phihong values the health of its employees by legally establishing medical rooms and lactation rooms within the factory premises. Dedicated nurses and monthly visiting doctors are employed to provide health services. Every year, the company commissions health check-ups from accredited institutions, exceeding legal requirements in terms of frequency and scope of examinations. After receiving the reports, a tiered management approach is adopted, including consultations with physicians to assist employees in understanding their health status. In Phihong's Dongguan factory, all employees who have completed their probationary period receive a free health check-up annually. In 2023, a total of 1,306 employees underwent examinations.

To implement employee health services effectively, the Taiwan factory of Phihong complies with the four major labor health protection plans mandated by law: human factors engineering hazards, abnormal workload, occupational illegality infringement, and maternal health protection. Corresponding measures are taken to reduce workplace risks, ensuring the safety, health, and well-being of employees. This initiative aims to create a work environment that promotes physical and mental health and safety.

### Phihong's 3 major aspects of health promotion

#### Healthcare & Emergency Care

- Factory doctor on-site health consultation service
- Health management risk classification and assessment
- Emergency and general injury and illness treatment
- First aid personnel education and training

#### Healthy Workplace

- Host health promotion events
- Health education promotion
- Infectious disease prevention and control
- Provide health measuring instruments

#### 4 Major Labor Protections

- Prevention of human hazards
- Abnormal workload prevention
- Unlawful infringement prevention
- Health protection for maternal workers

## Physical & Mental Health Seminar

Organize health promotion activities, seminars, vaccination events, and periodically share health education knowledge on the electronic bulletin board within the factory to enhance employees' awareness and concepts of self-managed health. There were a total of 2 sessions with 57 participants.

## Group Insurance

Phihong has always upheld the principle of "doing everything with care to the best of our ability". In addition to complying with legal requirements such as employee labor insurance, national health insurance, and contributions to labor retirement funds, we also have comprehensive planning for employees' group medical insurance. Every year, we review and evaluate the insurance coverage and service teams to select the most suitable group insurance for our employees. This approach allows our employees to dedicate themselves fully to their work and strengthens their loyalty and commitment to the company.

### Overview of Employee Health Check

Targets	Types	Period	Method	Description
New employee	General bodycheck	Completed during probation	New employees go to medical institutions on their own for examination	<ol style="list-style-type: none"> <li>1. When a medical examination reveals that the employee is not suitable for a certain job, a job evaluation of the job selection is performed.</li> <li>2. Check records kept in accordance with the Occupational Safety and Health Management Act stipulated format and retention period. Body-check Fee: Maximum subsidy of NT\$600.</li> </ol>
	Special bodycheck	Use only lead-free soldering since 2012, and there is no special health hazard in the factory.		
Regular employee	General health check	Once a year, additional to the statutory requirements	Arrange the qualified hospital designated by the Labor Affairs Commission to come to the factory	<ol style="list-style-type: none"> <li>1. When a health check reveals that a worker is not suitable for a certain type of work, a job selection assessment is conducted.</li> <li>2. Check records kept in accordance with the Occupational Safety and Health Management Act stipulated format and retention period. Health-check fee: paid in full by the company</li> </ol>
	Special health check	No special health hazards in the operating environment		

### Health and wellness seminars and vaccination events



## 6.5 Environmental Protection and Social Care

Giving back to society and integrating with the community have always been core principles of Phihong's commitment to corporate social responsibility. We strive to fulfill our social duties with a focus on sustainability, local cooperation, and social integration. Our social service plan is centered around three main areas: "Friendly Neighborhood," "Care for the Underprivileged," and "Ecological Environment." While exploring future development, we actively participate in various charitable and public welfare activities, encouraging our employees to join in these efforts. By putting corporate social responsibility into action, we aim to benefit the community. Through these public welfare activities, we hope to transform love into blessings and pass them on, concretely implementing Phihong's commitment to the United Nations Sustainable Development Goals (SDGs) and corporate responsibility.

### Waste Reduction, Beach Cleanups, and Coastal Adoption

On April 22, 2023, marking the 53rd anniversary of Earth Day, Phihong and Zerova, in collaboration with Taiwan Cement Corporation and the Environmental Protection Bureau of Yilan County Government, organized the "Hanben Waste Reduction and Beach Cleanup Earth Day Challenge" at the Hanben Ocean Station in Nan'ao Township. This event brought together around 150 employees and their families, demonstrating their commitment to honoring the ocean and protecting the Hanben beach environment. During the 2-hour cleanup, participants collected approximately 10 kilograms of general waste and 200 kilograms of recyclable materials, restoring the beach to a cleaner state. In conjunction with the cleanup, marine education activities were conducted, teaching the public about marine life, sustainable fish consumption, and the reuse of marine waste. These educational initiatives aimed to deepen the understanding of our living environment, emphasizing the importance of not just cleaning up but also reducing waste and reusing materials to protect our planet. Additionally, Phihong has a longstanding tradition of organizing beach cleanups at Baliiao Beach. In response to the coastal adoption program initiated by the New Taipei City Government, Phihong participated in the signing ceremony in April 2023, reinforcing its commitment to protecting the coastal environment through public-private partnerships.



## Building the Foundation of National Sports. Support the Little League

In Nov 2021, Phihong discovered the Guishan Elementary School baseball team, composed of talented children mostly from indigenous or underprivileged families. The school fully supports these young players who are passionate about baseball, covering all costs associated with joining the team. Unlike professional baseball teams with various resources, the school's team relies solely on educational funding, making local business support crucial. Upon presenting the situation to the company's leadership, Phihong decided to provide long-term, consistent donations and nutritional supplements to the team starting in 2022. The students' hard work paid off when they represented Taiwan in the Asia-Pacific region and advanced to the Little League World Series in Williamsport, Pennsylvania, in 2023, securing an impressive third-place finish. Witnessing these children shine on the field, pushing their limits and embodying the spirit of baseball to achieve victory, fills us with immense pride. Phihong remains committed to nurturing the dreams and talents of these young athletes, fostering a sense of community and national pride through our continuous support.



## Warm Christmas: "Friendly Neighborhood" and "Care for the Disadvantaged"

Mu Xiang Orphanage mainly shelters children from disrupted families, providing them a temporary refuge during their growth to protect them from life's harsh realities. Due to legal restrictions, Mu Xiang cannot actively seek external funding and can only passively accept donations, resulting in limited resources. Aligned with our "Friendly Neighborhood" and "Care for the Underprivileged" principles, Mu Xiang Orphanage has become a long-term concern for Phihong. The end-of-year festive season, especially Christmas, is a time for spreading love. Beyond our employees' monthly donations that support the basic needs of the orphanage, we took special care to bring warmth and joy to the children during Christmas 2023. We prepared heartfelt Christmas gifts and warm tangyuan (glutinous rice balls) and personally delivered them to the orphanage. Our goal is to ensure that the children grow and learn in a nurturing environment and feel the warmth and happiness that Phihong brings to them.



**Reduce waste and clean beaches, adopt coastal areas**

Timeline Yearly

Extent 31 persons

Went to Hanben Ocean Station in Yilan to conduct waste reduction and beach cleanup, marine environmental education, and waste reuse education.



**Support sports development and support Guishan Elementary School Little League**

Timeline Year-long

Extent Monthly donations & sponsored travel to US competitions

Express support for the development of sports in Taiwan and support the local Guishan Elementary School Little League team in Taoyuan to advance to the 2023 Williamsport World Series. We hope that the young players can shine on the court without worries.



**Nursery Christmas Warm Delivery**

Timeline Dec

Extent 25 children in nursery

Donate Christmas gifts and Phihong peripheral souvenirs to the children, and share warm afternoon tea snacks with teachers and students.



**"Across the visual barrier" employs visually impaired masseurs to provide on-site services**

Timeline Year-long

Extent Total of 264 hours

We encourage long-term employment for individuals with disabilities by hiring visually impaired massage therapists, providing them with stable job opportunities.



**PHIHONG's "100 NTD donation with Love"**

Timeline Year-long

Extent 1,059 persons

The "Phihong NT\$100 Club" involves colleagues making regular contributions, amounting to a total of NT\$207,200 in 2023 to assist children in the Mutianyu Nursery Home who are unable to live with their families due to various reasons.



**"Art and Enterprise in Harmony" : Art Corridor**

Timeline Year-long

Extent 6 sessions

The theme "Art and Enterprise in Harmony" represents our long-term collaboration with the RY Education Foundation for nearly two decades. Together, we promote art corridors, showcasing artworks in the company's main passageways. This initiative allows employees to relax and cultivate an interest in art, encouraging them to spontaneously engage in and support more external arts and cultural activities. Complemented by artist lectures, our goal is to bring more artistic inspiration to our colleagues in the workplace.



## Global Charity

In 2023, Dongguan Phihong organized a total of 2 elder care visits and 1 mountain cleanup environmental activity, aiming to practice their social care philosophy overseas. They distributed items like milk, tissues, and cooking oil to elderly individuals and encouraged extensive employee participation in environmental protection efforts. Through activities such as hiking and garbage cleanup, they fostered an appreciation for nature and heightened awareness of ecological conservation. At their Haifeng plant, they held quarterly community events totaling 4 sessions to support vulnerable groups, including visits to elderly and disabled children, providing them with love and warmth. Additionally, the company extended necessary assistance to colleagues and their families facing significant accidents or illnesses.

### Dongguan Phihong's Care for the Underprivileged and Mountain Cleanup Environmental Activities





### Haiphong Phihong Caring for the Disadvantaged Charitay Activities





# Appendix

## Appendix 1 AA1000 AS Verification Statement

### 獨立保證意見聲明書

#### 2023 飛宏科技永續報告書

英國標準協會與飛宏科技股份有限公司(簡稱飛宏)為相互獨立的公司，英國標準協會除了針對 2023 飛宏科技永續報告書進行評估和查證外，與飛宏並無任何財務上的關係。

本獨立保證意見聲明書之目的，僅作為對 2023 飛宏科技永續報告書所界定範圍內的相關事項進行保證之結論，而不作為其他之用途。除對查證事實提出獨立保證意見聲明書外，對於其他目的之使用，或閱讀此獨立保證意見聲明書的任何人，英國標準協會並不負有或承擔任何法律或其他之責任。

本獨立保證意見聲明書係英國標準協會審查飛宏提供之相關資訊所形成之結論，因此審查範圍乃基於並侷限在這些提供的資訊內容之內，英國標準協會認為這些資訊內容都是完整且準確的。

對於這份獨立保證意見聲明書所載內容或相關事項之任何疑問，將由飛宏一併回覆。

#### 查證範圍

飛宏與英國標準協會協議的查證範圍包括：

1. 查證作業範疇與 2023 飛宏科技永續報告書揭露之報告範疇一致。
2. 依照 AA1000 保證標準 v3 的第 1 應用類型評估飛宏遵循 AA1000 當責性原則(2018)的實質和程度，不包括對於報告揭露的資訊/數據之可信程度的查證。

本聲明書以英文作成並已翻譯為中文以供參考。

#### 意見聲明

我們總結 2023 飛宏科技永續報告書內容，對於飛宏之相關運作與永續績效則提供了一個公平的觀點。基於保證範圍限制事項、飛宏所提供資訊與數據以及抽樣之測試，此報告書並無重大之不實陳述。我們相信有關飛宏的環境、社會及治理等績效資訊是誠實且無誤地呈現。報告書所揭露之永續績效資訊展現了飛宏對識別利害關係人的努力。

我們的工作是由一組具有依據 AA1000 保證標準 v3 查證能力之團隊執行，以及策劃和執行這部分的工作，以獲得必要之訊息資料及說明。我們認為就飛宏所提供之足夠證據，表明其符合 AA1000 保證標準 v3 的報告方法與自我聲明所依據 GRI 永續性報導準則係屬公允的。

#### 查證方法

為了收集與作成結論有關的證據，我們執行了以下工作：

- 對來自外部團體的議題相關於飛宏政策進行高階管理層訪談，以確認本報告書中聲明書的合適性；
- 與管理者討論有關利害關係人參與的方式，然而，我們並無直接接觸外部利害關係人；
- 訪談 15 位與永續性管理、報告書編製及資訊提供有關的員工；
- 審查有關組織的關鍵性發展；
- 審查內部稽核的發現；
- 審查報告書中所作宣告的支持性證據；
- 針對公司報告書及其相關 AA1000 當責性原則(2018)中有關包容性、重大性、回應性及衝擊性原則之流程管理進行審查。

#### 結論

針對 AA1000 當責性原則(2018)之包容性、重大性、回應性及衝擊性與 GRI 永續性報導準則的詳細審查結果如下：

#### 包容性

2023 年報告書反映出飛宏已持續尋求利害關係人的參與，並建立重大永續主題，以發展及達成對永續具有責任且策略性的回應。報告書中已公正地報告與揭露環境、社會及治理的訊息，足以支持適當的計畫與目標設定。以我們的專業意見而言，這份報告書涵蓋了飛宏之包容性議題。

#### 重大性

飛宏對利害關係人之評估、決策、行動和績效會產生實質性影響與衝擊之重大主題，永續性資訊揭露使利害關係人得以對公司之管理與績效進行判斷。以我們的專業意見而言，這份報告書適切地涵蓋了飛宏之重大性議題。

#### 回應性

飛宏執行來自利害關係人的期待與看法之回應，飛宏已發展相關溝通政策，作為提供進一步回應利害關係人的機會，並能對利害關係人所關切之議題作出及時性回應。以我們的專業意見而言，這份報告書涵蓋了飛宏之回應性議題。

#### 衝擊性

飛宏已識別並以平衡和有效之量測及揭露方式公正展現其衝擊。飛宏已建立監督、量測、評估和管理衝擊之流程，從而組織內實現更有效之決策和結果管理。以我們的專業意見而言，這份報告書涵蓋了飛宏之衝擊性議題。

#### GRI 永續性報導準則

飛宏提供有關依據 GRI 永續性報導準則 2021 之自我宣告，並對每個涵蓋其行業準則和其相關性的 GRI 主題準則之重大主題，其揭露項目依據全部報導要求的相關資料。基於審查的結果，我們確認報告書中參照 GRI 永續性報導準則之永續發展相關揭露項目已被報告，部分報告或省略。以我們的專業意見而言，此自我宣告涵蓋了飛宏的永續性主題。

#### 保證等級

依據 AA1000 保證標準 v3 我們審查本聲明書為中度保證等級，如同本聲明書中所描述之範圍與方法。

#### 責任

這份永續報告書所屬責任，如同責任中所宣稱，為飛宏負責人所有。我們的責任為基於所描述之範圍與方法，提供專業意見並提供利害關係人一個獨立的保證意見聲明書。

#### 能力與獨立性

英國標準協會於 1901 年成立，為全球標準與驗證的領導者。本查證團隊係由其專業背景，且接受過如 AA1000AS、ISO 14001、ISO 45001、ISO 14064 及 ISO 9001 之一系列永續性、環境及社會管理標準的訓練，更有種族員資格之成員組成。本保證係依據 BSI 公平交易準則執行。

For and on behalf of BSI:



Peter Pu, Managing Director BSI Taiwan



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## Appendix 2 GRI Content Index

<b>Statement of use</b>	Phihong follows the GRI standards to compile our 2023 Sustainability Report, covering data and information from January 1, 2023, to December 31, 2023.
<b>GRI 1 version</b>	GRI 1: Foundation 2021
<b>Applicable GRI sector standards</b>	None

### GRI 2 : General Disclosures 2021

Index	Disclosure	Corresponding section / description	Notes and omissions	Page
<b>Organization and reporting</b>				
2-1	Organizational details	About Phihong		9
2-2	Entities included in the organization's sustainability reporting	Editorial Policy		4
2-3	Reporting period, frequency and contact point	Editorial Policy		5
2-4	Restatements of information	Editorial Policy		5
2-5	External assurance	Editorial Policy Appendix 1		5、137
2-6	Activities, value chain, and other business relationships	About Phihong, 4.3 Supplier sustainability management		9、66
2-7	Employees	6.1 Talent attraction and retention: human resources structure		102
2-8	Workers who are not employees	6.1 Talent attraction and retention: human resources structure		102
<b>Governance</b>				
2-9	Governance structure and composition	2.2 Corporate Governance: Governance Organization		34
2-10	Nomination and selection of the highest governance body	2.2 Corporate Governance: Governance Organization		34
2-11	Chair of the highest governance body	2.2 Corporate Governance: Governance Organization		34
2-12	Role of the highest governance body in overseeing the management of impacts	1.1 Sustainable Development Governance		16

Index	Disclosure	Corresponding section / description	Notes and omissions	Page
2-13	Delegation of responsibility for managing impacts	1.1 Sustainable Development Governance: Sustainable Development Committee		16
2-14	Role of the highest governance body in sustainability reporting	Editorial Policy: internal management, 1.1 Sustainable Development Governance: Sustainable Development Committee		5、16
2-15	Conflicts of interest	2.2 Corporate Governance: Avoidance of benefits		35
2-16	Communication of critical concerns	1.2 Stakeholder dialogue, 2.2 Corporate Governance: Governance Organization, Information & communication management	2 events	19、40、44
2-17	Collective knowledge of the highest governance body	2.2 Corporate Governance: Governance Organization		35
2-18	Evaluation of the performance of the highest governance body	2.2 Corporate Governance: Governance Organization		36
2-19	Remuneration policies	2.2 Corporate Governance: Governance Organization		36
2-20	Process to determine remuneration	Omit disclosure	The salary decision process is confidential information of the organization	
2-21	Annual total compensation ratio	2.2 Corporate Governance: Governance Organization		36
2-22	Statement on sustainable development strategy	Message from the Management		6、7
2-23	Policy commitments	1.3 Identification of Material Topics: Management policies		28
2-24	Policy commitment practice	1.3 Identification of Material Topics: Target setting		29
2-25	Processes to remediate negative impacts	2.2 Integrity management, 6.3 Human rights due diligence		39、125
2-26	Mechanisms for seeking advice and raising concerns	2.2 Integrity management: reporting mechanism, 6.3 Human rights due diligence		39、125
2-27	Compliance with laws and regulations	2.2 Integrity management: implement legal compliance		40
2-28	Membership associations	4.4 Initiatives and organizational participation		75-76
2-21	Annual total compensation ratio	2.2 Corporate Governance: Board performance evaluation		36
<b>Stakeholder engagement</b>				
2-29	Approach to stakeholder engagement	1.2 Stakeholder dialogue: Stakeholder discussion		18
2-30	Collective bargaining agreements	In compliance with national laws, collective bargaining agreements are adhered to, and there are no signed collective bargaining agreements.		112

**GRI3**

Index	Disclosure	Corresponding section / description	Notes and omissions	Page
3-1	Process to determine material topics	1.3 Identification of material topics: Materiality analysis process		21
3-2	List of material topics	1.3 Identification of material topics: STEP3. Identify and disclose material topics		26
3-3	Management of material topics	1.3 Identification of material issues: Management policy, Target setting		28-29

GRI Topic	Disclosure	Corresponding section / description	Notes and omissions	Page
<b>Material topic - GRI 200 series (Economic)</b>				
<b>Integrity management, corporate governance and risk management</b>				
	3-3 Management of material topics	1.3 Identification of material issues: Management policy, Target setting, 2 Prudent Governance		28-29 \ 33
GRI 205 2016 Anti-corruption	205-1 Operations assessed for risks related to corruption	2.2 Integrity management: Implementing legal compliance-anti-corruption and anti-bribery		40
	205-2 Communication and training about anti-corruption policies and procedures	2.2 Integrity management: Anti-corruption propaganda		38
	205-3 Confirmed incidents of corruption and actions taken	2.2 Integrity management: Implementing legal compliance-anti-competitive behavior		40
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.2 Integrity management: implement legal compliance		40
<b>Operating performance</b>				
	3-3 Management of material topics	1.3 Identification of material issues: Management policy, Target setting, Foreword: About Phihong		28-29 \ 33
GRI 201 2016 Economic performance	201-1 Direct economic value generated and	Foreword: About Phihong		11
	201-3 Defined benefit plan obligations and other retirement plans	6.1 Talent attraction and retention		113
	201-4 Financial assistance received from government	Foreword: About Phihong		11
<b>Sustainable supply chain management</b>				
	3-3 Management of material topics	1.3 Identification of material issues: Management policy, Target setting, 4 Partnerships		28-29 \ 60
GRI 308 2016 Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	4.3 Supplier sustainability management : new supplier import		69
	308-2 Negative environmental impacts in the supply chain and actions taken	4.3 Supplier sustainability management : Supplier coaching		70

GRI Topic	Disclosure	Corresponding section / description	Notes and omissions	Page
GRI 414 2016 Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	4.3 Supplier sustainability management		69 、 71
	414-2 Negative social impacts in the supply chain and actions taken	3.3 Sustainable supply chain management		71
<b>Information Security and Customer Privacy</b>				
3-3 Management of material topics		1.3 Identification of material issues: Management policy, Target setting, 2 Prudent Governance		28-29 、 33
GRI 418 2016 Customer Privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.4 資通安全：客戶隱私權		46
<b>Material topic - GRI 300 series (Environmental)</b>				
<b>Climate change response, energy and greenhouse gases</b>				
3-3 Management of material topics		1.3 Identification of material issues: Management policy, Target setting, 5 Environmental Protection		28-29 、 78
GRI 302 2016 Energy	302-1 Energy consumption within the organization	5.3 Energy and resource management		90-91
	302-3 Energy intensity	5.3 Energy and resource management		90
	302-4 Reduction of energy consumption	5.3 Energy and resource management		92
	302-5 Reductions in energy requirements of products and services	3.1 R&D and innovation, 3.3 Low-carbon product design		49-55 、 56-58
GRI 305 2016 Emissions	305-1 Direct (Scope 1) GHG emissions	5.2 Climate Change Response (TCFD)		87-88
	305-2 Energy indirect (Scope 2) GHG emissions	5.2 Climate Change Response (TCFD)		87-88
	305-3 Other indirect (Scope 3) GHG emissions	5.2 Climate Change Response (TCFD)		87-88
	305-4 GHG emissions intensity	5.2 Climate Change Response (TCFD)		87
	305-5 Reduction of GHG emissions	5.2 Climate Change Response (TCFD), 5.3 Energy and resource management		88-89
<b>Green R&amp;D and Innovation</b>				
Self-proposed topic		5.1 R&D and Innovation		49-53

GRI Topic	Disclosure	Corresponding section / description	Notes and omissions	Page
<b>Material topic - GRI 400 series (Social)</b>				
<b>Talent Attraction and Retention</b>				
3-3 Management of material topics		1.3 Identification of material issues: Management policy, Target setting, 6 Social inclusion		28-29 \ 100
GRI 401 2016 Employment	401-1 New employee hires and employee turnover	6.1 Talent Attraction and Retention: Talent Mobility		107-108
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.1 Talent Attraction and Retention: Compensation and Benefits		109-111 \ 113
	401-3 Parental leave	6.1 Talent Attraction and Retention: Maternity and Parental Leave		116
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	6.1 Talent Attraction and Retention: Compensation and Benefits		110-111
	202-2 Proportion of senior management hired from the local community	6.1 Talent Attraction and Retention: Workforce Structure		103
<b>Talent Cultivation and Development</b>				
3-3 Management of material topics		1.3 Identification of material issues: Management policy, Target setting, 6 Social inclusion		28-29 \ 100
GRI 404 2016 Training and Education	404-1 Average hours of training per year per employee	6.2 Talent cultivation and development: training and development		121
	404-2 Programs for upgrading employee skills and transition assistance programs	6.2 Talent cultivation and development: training and development		122-123
	404-3 Percentage of employees receiving regular performance and career development reviews	6.2 Talent Cultivation and Development: Performance-Linked Rewards		124
<b>Occupational health and safety</b>				
3-3 Management of material topics		1.3 Identification of material issues: Management policy, Target setting, 6 Social inclusion		28-29 \ 100
GRI 403 2018 Occupational Health and Safety	403-1 Occupational health and safety management system	6.4 Workplace health and safety: occupational safety and health management		128
	403-2 Hazard identification, risk assessment, and incident investigation	6.4 Workplace health and safety: occupational safety and health management		130
	403-3 Occupational health services	6.4 Workplace health and safety: occupational safety and health management		131
	403-4 Worker participation, consultation, and communication on occupational health and safety	6.4 Workplace health and safety: occupational safety and health management		132
	403-5 Worker training on occupational health and safety	6.4 Workplace health and safety: occupational safety and health management		131
	403-6 Promotion of worker health	6.4 Workplace health and safety: occupational safety and health management		132
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.4 Workplace health and safety: occupational safety and health management		131
	403-8 Workers covered by an occupational health and safety management system	6.4 Workplace health and safety: occupational safety and health management		129
	403-9 Work-related injuries	6.4 Workplace health and safety: occupational safety and health management		129
	403-10 Work-related ill health	6.4 Workplace health and safety: occupational safety and health management		130

GRI Topic	Disclosure	Corresponding section / description	Notes and omissions	Page
<b>General Topics</b>				
GRI 301: Materials 2016	301-1 Materials used by weight or volume	4.1 Product quality and safety		62
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	5.4 Mitigating environmental impacts: water resources management		95
	303-4 Water discharge	5.4 Mitigating environmental impacts: water resources management		95
GRI 306: Waste 2020	306-3 Waste generated	5.4 Mitigating environmental impacts: waste management		96
GRI 402: Labor/Management Relations 2016	402-1 Minimum Notice Periods Regarding Operational Changes	6.1 Talent attraction and retention: employee care		113
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of Governance Bodies and Employees	6.1 Talent attraction and retention: human resources structure		102
	405-2 Ratio of Basic Salary and Remuneration between Men and Women	6.1 Talent attraction and retention: compensation and benefits		110-111
GRI 406: Non-discrimination 2016	406-1 Incidents of Discrimination and Corrective Actions Taken	6.3 Human Rights Due Diligence		126
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and Suppliers at Significant Risk for Incidents of Freedom of Association and Collective Bargaining Violations	6.1 Talent attraction and retention: labor relations		112
GRI 408: Child Labor 2016	408-1 Operations and Suppliers at Significant Risk for Incidents of Child Labor	6.3 Human Rights Due Diligence		126
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labor	2.2 Integrity management: implementation of legal compliance, 6.3 human rights due diligence		40 、 126
GRI 417: Marketing and Labeling 2016	417-1 Requirements for Product and Service Information and Labeling	2.2 Integrity management, 4.1 Product quality and safety		40 、 62
	417-2 Incidents of Non-compliance Concerning Product and Service Information and Labeling	2.2 Integrity management: implement legal compliance		40
	417-3 Incidents of Non-compliance Concerning Marketing Communications	2.2 Integrity management: implement legal compliance		40

## Appendix 3 SASB Index

### Industry standard: Electrical & Electronic Equipment

**Table 1 Sustainability Disclosure Topics**

Disclosure topic	Accounting metrics	Code	Unit	Corresponding section	Page
Energy Management	(1) Total energy consumption	RT-EE-130a.1	Gigajoules (GJ) Percentage (%)	5.3 Energy Resource Management	90-91
	(2) Ratio of grid power				
	(3) Ratio of renewable energy				
Hazardous Waste Management	Amount of hazardous waste generated; percentage recycled	RT-EE-150a.1	Percentage (%)	5.4 Mitigating Environmental Impact	96
	Number and aggregate quantity of reportable spills, quantity recovered	RT-EE-150a.2	Metric tons	5.4 Mitigating Environmental Impact	96
Product Safety	Number of recalls issued; total units recalled	RT-EE-250a.1	Unit	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40
	Total amount of monetary losses as a result of legal proceedings associated with product safety	RT-EE-250a.1	Amount	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40
Product Lifecycle Management	Percentage of products by revenue that contains IEC 62474 declarable substances	RT-EE-410a.1	Percentage (%)	4.1 Product Quality and Safety	62
	Percentage of eligible products, by revenue, which meet Energy Star® criteria	RT-EE-410a.2	Percentage (%)	3.3 Low-Carbon Product Design	57
	Revenue from renewable energy-related and energy efficiency-related products	RT-EE-410a.3	Amount	3.3 Low-Carbon Product Design	57
Materials Sourcing	Description of the management of risks associated with the use of critical materials	RT-EE-440a.1	-	4.3 Sustainable Supplier Management	72
Business Ethics	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	RT-EE-510a.1	-	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	RT-EE-510a.2	Amount	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40
	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	RT-EE-510a.3	Amount	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40

**Table 2 Activity Metrics**

Disclosure topic	Accounting metrics	Code	Unit	Corresponding section	Page
Activity Metrics	Number of units produced by product category	RT-EE-000.A	Unit	About Phihong: Operating performance	11
	Number of employees	RT-EE-000.B	Number of People (Persons)	About Phihong: Company overview	9



### Appendix 4 Sustainable Disclosure Indicators – Electronic Components Industry

No	Metric	Metric category	Unit	Response
1	Total energy consumption, percentage of purchased electricity and renewable energy usage rate	Quantitative	Gigajoule (GJ), percentage (%)	146,414.66GJ 、 96.25% 、 2.91%
2	Total water intake and total water consumption	Quantitative	Thousand cubic meters (m3)	200.92 M3
3	Weight of hazardous waste generated and percentage recycled	Quantitative	Metric tons (t), Percent (%)	Weight: 222.14 metric tons Recycling percentage: 100%
4	Explain the types, number and ratio of occupational accidents	Quantitative	Ratio (%), count	Number of people: 10 (all are general occupational accidents) Work injury rate: 0.50%
5	Disclosure of product life cycle management: including the weight of end-of-life products and electronic waste and the percentage of recycling	Quantitative	Metric tons (t), Percent (%)	Weight: 2719.55 metric tons Recycling percentage: 97.01%
6	Description of risk management associated with the use of critical materials	Qualitative description	N/A	Please refer to 4.3 Supplier Sustainability Management
7	Total pecuniary losses resulting from legal proceedings related to anti-competitive conduct regulations	Quantitative	NT	0 NTD
8	Output of main products by product category	Quantitative	Unit	Power supply products: 55,797,363 Electric vehicle energy products: 472,522

## Appendix 5 ISO 26000 Guidance on Social Responsibility

	Topic	Corresponding Section	Page	Remark
<b>Organizational governance</b>	System by which an organization makes and implements decisions in pursuit of its objectives	About Phihong: Company Overview	7	
		1.1 Sustainable Development Governance: Sustainable Development Committee	16	
		2.1 Corporate Governance: Board of Directors	34	
<b>Human rights</b>	Due diligence	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40	
	Human rights risk situations	6.3 Human Rights Due Diligence	126	
	Avoidance of complicity	2.2 Integrity in Business Operations: Implementation of Legal Compliance	40 42	
	Resolving grievances	2.3 Risk Management	40	
	Discrimination and vulnerable groups	2.3 Integrity in Business Operations: Implementation of Legal Compliance	126	
	Civil and political rights	6.3 Human Rights Due Diligence	126	
	Economic, social and cultural rights	6.3 Human Rights Due Diligence	126	
	Fundamental principles and rights at work	6.3 Human Rights Due Diligence	126	
<b>Labor practices</b>	Employment and employment relationships	6.1 Talent Attraction and Retention: Thoughtful Benefits at Phihong	103-108	
	Conditions of work and social protection	6.1 Talent Attraction and Retention: Salary and benefits	109-111	
	Social dialogue	6.1 Talent Attraction and Retention: Employee Relations Management	18-20	
	Health and safety at work	6.1 Talent Attraction and Retention: Workforce Structure	128-132	
	Human development and training in the workplace	1.2 Stakeholder Dialogue: Stakeholder Meetings	119-123	
<b>The environment</b>	Prevention of pollution	5.4 Mitigating environmental impacts: waste management	96	
		5.4 Mitigating environmental impact: zero waste to landfill	97	
	Sustainable resource use	3.2 Transformation to circular economy	54-55	
	Climate change mitigation and adaptation	5.2 Climate Change Response (TCFD)	80-88	
Protection of the environment, biodiversity and restoration	6.5 Environmental protection and social care	133-135		

	Topic	Corresponding Section	Page	Remark
Fair operating practices	Anti-corruption	2.2 Integrity management: implementation of legal compliance	31	
	Responsible political involvement			6.5 Environmental protection and social care
	Fair competition	2.2 Integrity management: implementation of legal compliance	31	
	Promoting social responsibility in value chain	4.3 Supplier sustainability management: Supplier ESG implementation and commitment	63	
	Respect for property rights	2.2 Integrity management: implementation of legal compliance	31	
Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices	2.2 Integrity management: implementation of legal compliance 2.2 Integrity management: implementation of legal compliance	31 31	
	Protecting consumers health and safety	4.1 Product quality and safety: responsible consumption and production	53	
	Sustainable consumption	4.3 Supplier sustainability management	56	
	Consumer service, support, and complaint and dispute resolution	4.2 Customer relationship management	55	
	Consumer data protection and privacy	2.2 Integrity management: implementation of legal compliance 2.4 資通安全：客戶隱私權	31 37	
Community involvement and development	Community involvement	6.5 Environmental protection and social care	109	
	Education and culture	6.2 Talent cultivation and development: training and development	96	
	Employment creation and skills development	6.2 Talent cultivation and development: training and development	96	
	Technology development and access	3.1 R&D and innovation 3.2 Transformation to circular economy 3.3 Low-carbon product design	40 45 47	
	Wealth and income creation	About Phihong: Operational Performance	9	
	Health	6.4 職場健康與安全：職業安全衛生管理	106	
	Social investment	6.5 Environmental protection and social care	108-111	



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