

**SUNON®**

SUNONWEALTH Electric Machine Industry Co., Ltd.



**2020**

Corporate  
Sustainability  
Report





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## About this Report

Thank you for your interest in the 2020 Sustainability Report of Sunonwealth Group (Sunonwealth or SUNON). Sunonwealth issued its first Sustainability Report for the year 2020 in 2021 and plans to issue a report every year. This Report discloses the results of Sunonwealth's corporate governance, environmental protection, and social welfare to help stakeholders understand how we fulfill our corporate social responsibility and complete the important missions for sustainable development.



### Reporting Period

This Report discloses information from January 1 to December 31, 2020 the contents include the effectiveness of plans implemented to address major issues of concern to stakeholders such as corporate governance, sustainable environment, and social care. The next report is expected to be published in June 2022.



### Report Boundaries

The scope of disclosure in this Report includes information on the operations of the Group centered around R&D centers (Headquarters: Kaohsiung and Taipei, Taiwan) and the production sites of the Group created to meet demands for mass production (factories: Kunshan Factory in Jiangsu Province, Foshan Factory in Guangdong Province, and Beihai Factory in Guangxi Province). This report adopts the GRI Standards published by the Global Reporting Initiative (GRI) as the main principles of preparation. We follow the guidelines and structure of the GRI Standards and comply with the disclosure requirements of the Core Option.

All financial data in this Report have been converted into NTD and the financial information is based on the Group's Consolidated financial statements. Certain statistics are quoted from public information disclosed on websites of government authorities and other international organizations. They are presented in the generally accepted methods of text and numerical description and exceptions are indicated in this Report.



### Contact Information

If you have any suggestions or questions about the contents of this report, please visit Sunonwealth's website for related information or download this Report. We welcome your feedback which can help power our continuous hard work and growth in the future. Thank you.

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## Messages from the Management

**Sunonwealth** has always been committed to R&D, innovation, talent development, and cross-border cooperation in the industry. As we pursue growth in operations and profits, we also actively implement environmental protection, social inclusion, and corporate governance to ensure sustainable corporate development and fulfill corporate social responsibility. We continue to devote ourselves to the sustainable development of the earth and we believe that sustainable development will always be a core value for companies. As we pursue operational performance, we actively care about environmental and social issues. Sunonwealth has always focused on inventions and innovation in core technologies in energy-efficient motors to provide the most energy-efficient cooling and ventilation solutions in the industry. The raw materials used in each Sunonwealth product must comply with international environmental protection regulations starting from the design phase. Products must not contain harmful substances and we request suppliers not to use conflict minerals so that we can fulfill our responsibility of supervision and monitor materials at the source. We seek to fulfill goals for "energy conservation, carbon emissions reduction, environmental protection, and love the earth" to protect the earth's environment.

The global economy slumped in 2020 due to the impact of the COVID-19 epidemic, which posed severe challenges to the consumer market and industries. In times of change, rapid response becomes crucial. Sunonwealth shall propose response measures to respond to changes in the macroeconomic environment and focus on stabilizing business management to consolidate core business operations, drive business growth, and maximize the value of the Sunon brand and channels. Sunonwealth shall continue to strengthen corporate governance as we pursue the Company's business development. We shall increase the breadth and depth of ESG information disclosure from the perspectives of stakeholders and ensure full communication with stakeholders. We shall also continue to move toward sustainable corporate development with "care, support, and rapid response".

Sunonwealth has responded to the impact and effects of rapid changes in the external environment in recent years. We continue to develop specialized fans and cooling modules to reduce the pressure of overall operating costs and we actively develop energy-efficient EC motors and related products as well as ventilation products for home and industrial use. We aim to consolidate and strengthen our existing markets and we also expect to grow and thrive in new industries to power the next phase of long-term growth for Sunonwealth.

In response to the macroeconomic environment in 2021, the Company has adopted a careful and conservative view on the prospects of growth this year and should not expand based on overtly optimistic assumptions. As the world economy and environment continue to evolve, Sunonwealth has gained a firm understanding of the development of corporate social responsibility issues. We shall continue to work on issues such as a clean work environment, corporate risk management, information security, human rights, environmental protection, and supply chain management. We also encourage all employees to bear social responsibilities in all their activities. We shall make more contributions to CSR and continue to support the society and fulfill our environmental responsibilities. We aim to become a high-quality corporate citizen that cares about the earth. The Group's key ESG strategies are as follows:

## Enhance Business Performance

- 1 Continue to improve process technologies and effectively reduce unnecessary expenditures.
- 2 Follow the Group's operation policies, ensure product inventory, increase product conversion rate, and expand market share.
- 3 Meet all customer needs and actively develop high-value, energy-efficient, and environmentally friendly products.
- 4 Comply with regulations and the corporate governance guidelines and strengthen corporate governance mechanisms.

## Sustainable Environmental Issues

- 1 Continue to promote environmental policies and implement energy-saving and carbon-reduction measures.
- 2 Create a safe workplace environment and reduce work risks for employees.
- 3 Enhance waste recycling and sorting to put environmental protection values to practice.
- 4 Implement epidemic prevention and response measures to ensure the safety of production lines and employees.

## Social Care

- 1 Use internal communication channels and negotiations with factory labor unions, pay attention to employees' rights and interests, listen to employees' opinions, and create harmonious labor relations.
- 2 Continue to use social feedback mechanisms to give back to the community and care for the disadvantaged.
- 3 Support justice and order in society, take up the shared responsibilities of supply chain management, and hold ourselves accountable as high-quality corporate citizen.
- 4 Increase local employment opportunities and local procurement opportunities, and provide true support for local enterprises.

Sunonwealth pays close attention to corporate social responsibility which is key to sustainability. We will continue to promote improvement plans for commitments that have not been fulfilled. We hope that this Report can help all stakeholders understand Sunonwealth's dedication and efforts. We look forward to your continuous support and sincerely ask you for your valuable opinions which can help us grow and thrive together. We will continue to do our best to protect the environment, care for the society, make the world a better place, and fill it with endless possibilities.

Chairman/ *Ching-Shen Hong*

## 2020 Performance Highlights



### Governance

- The consolidated revenue was **NT\$12.7 billion** which was a **9.61% increase** from 2019
- The consolidated EPS after tax was NT\$3.39 which was a **25.09% increase** from 2019
- The Company ranks among the **top three leading brands** in terms of market share
- Obtained **1,723** invention patents
- Average customer satisfaction score was 5.8 points (out of 7 points) which was a 0.3-point increase from 2019
- The hazardous substance inspection passage rate was **100%** for three consecutive years from 2018 to 2020
- **0** cases of corruption



### Environment

- **Saved 227 million kWh** of electricity with product R&D
- Reduced emissions by **145 million** kilograms of CO<sub>2</sub>e
- Invested **NT\$800,000** in environmental protection and pollution prevention equipment



### Social

- Average employee training hours exceeded **15 hours**
- Training expenses totaled **NT\$2.72 million**
- **0** employee complaints or disputes
- Provided care to **6,882 households** in the "Support and Care Campaign" from 2018 to 2020

## Awards and Results

2020



2019



2018



- Received the 2020 Taiwan Excellence Award (Modern HVLS Fan)
- Received the 2020 Taiwan Excellence Award (Flow2 One-AHR Ventilation Fan Plus)
- Received the Gold Medal in the Talent Quality-management System (TTQS)
- Received the Health Promotion Label - Accredited Healthy Workplace
- 2019 Taiwan Excellence Award for Powerful HVLS Fan Series 1 Energy-Saving Ceiling Fan
- Received the 2019 Guangdong Province Health Promotion Enterprise Award
- Received the 2019 Advanced Enterprise in Entity Responsibility for Safe Production
- Received the 2018 Taiwan Excellence Award (side-suction ventilation fan)
- Received the 2018 Advanced Enterprise in Entity Responsibility for Safe Production
- Received the Gold Award in the Carbon Neutrality Awards (Best Growth Award in 2017)
- Received the Kunshan Labor Harmony Enterprise Award
- Received the Labor Harmony Enterprise Award from Kunshan Economic and Technological Development Zone
- Received the 2018 Kunshan Model Workers' Home Award
- Received the Foshan Safe Production Standard Level 3 Enterprise certification

## Stakeholder Identification and Communication Methods

Sunonwealth attaches great importance to the opinions and needs of stakeholders and actively constructs open, diversified, and smooth communication channels. Our website, annual reports, and financial statements are used as channels for communication with external entities and serve as the basis for fulfilling our social responsibility.

Sunonwealth established the Core Team and convened meetings for discussions to identify stakeholders. The Team referenced the actual interactions between internal units and external entities and identified eight major stakeholders including employees and union, partners, shareholders (Board of Directors), suppliers, customers, community residents and organizations, government authorities, non-profit organizations, and peers in the electronics industry.

Sunonwealth uses different communication channels and distributes internal and external questionnaires to learn about the ideas or needs of related stakeholders. We convened meetings of the Core Team for discussions and compiled the methods the stakeholders engage with the issues, material topics, and level of concern. The results are used as the basis for the disclosure of information in the Sustainability Report issued this year and they also help us understand the expectations of stakeholders.

### Overview of Sunonwealth's methods for communicating with stakeholders

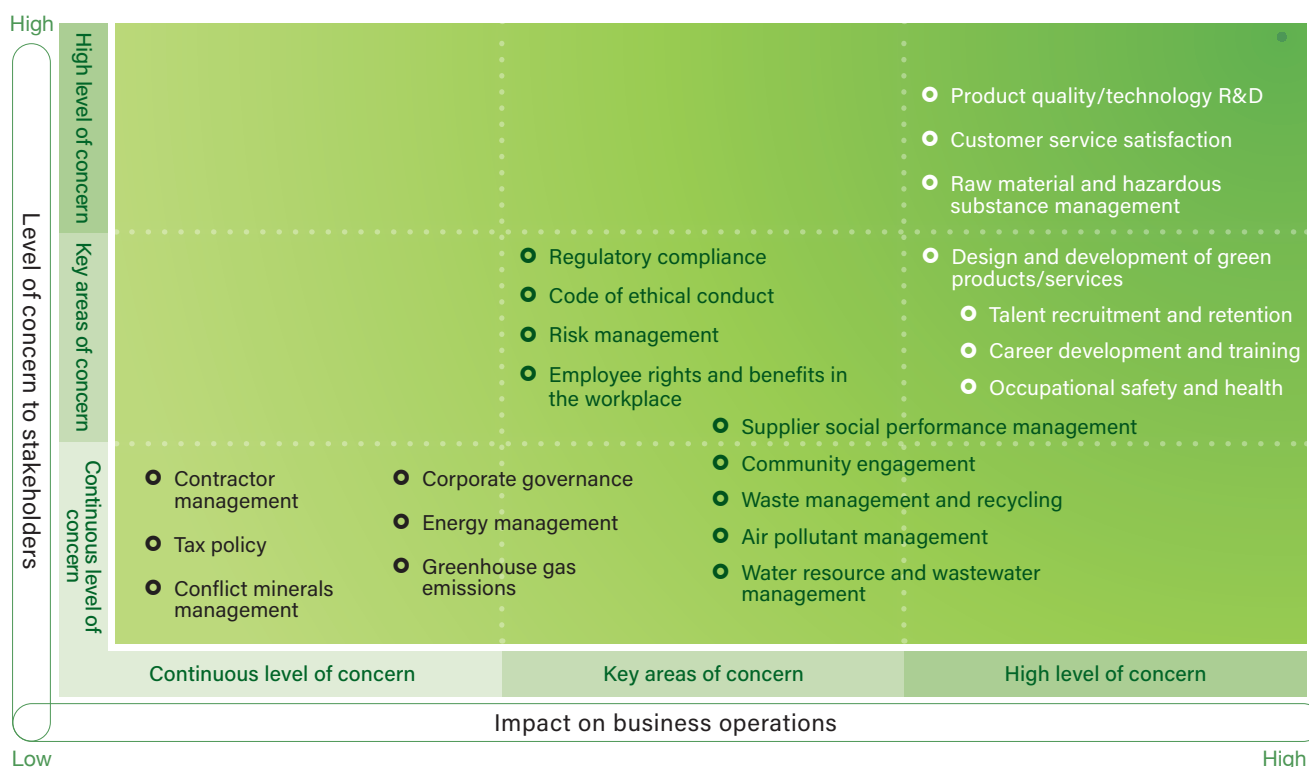
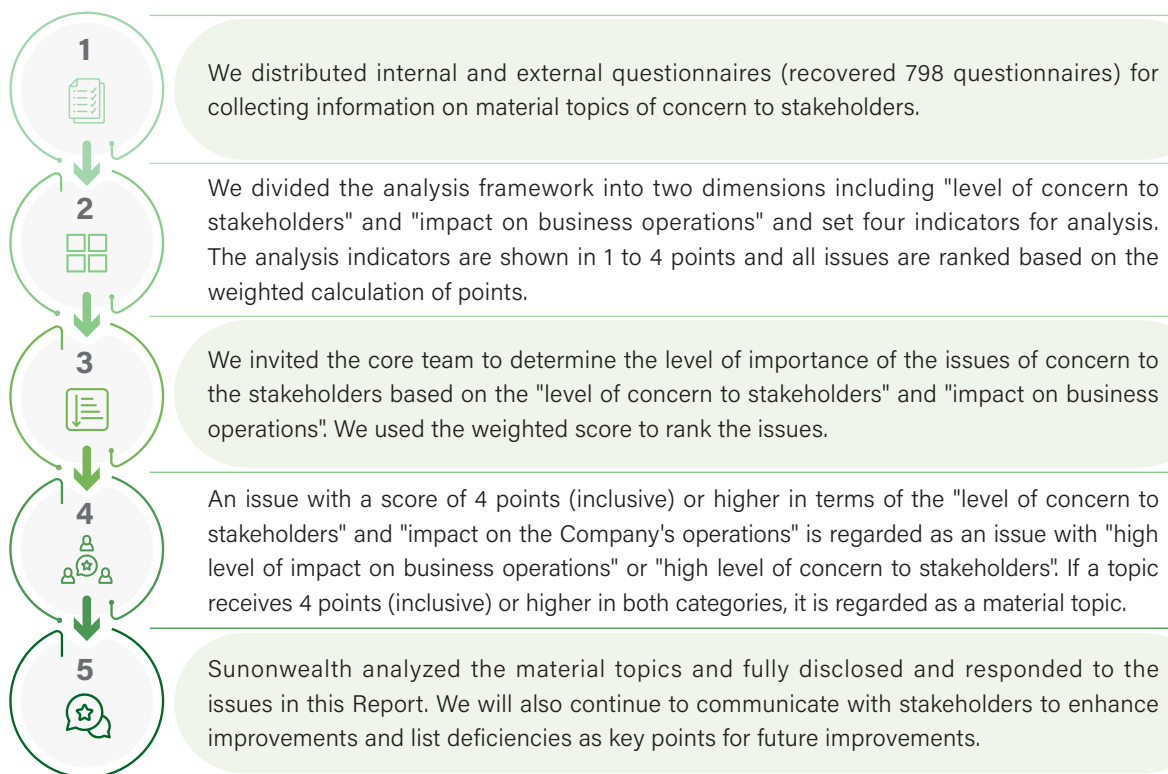
Stakeholders	Significance to Sunonwealth	Issue of Concern	Communication Method and Frequency
Employees and union	Employees have always been Sunonwealth's most important assets since the Company was founded and the Company invests sufficient resources into talent cultivation. We regularly convene meetings to discuss the opinions of employees and the union and provide prompt feedback to ensure the sustainability of the values of Sunonwealth's big family.	<ul style="list-style-type: none"> <li>Employee welfare and remuneration</li> <li>Occupational safety and health</li> <li>Career development and training</li> <li>Talent recruitment and retention</li> <li>Employee rights and benefits in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>Interactive meetings (union meetings) <b>monthly</b></li> <li>Employee complaints mailbox <b>as needed</b></li> <li>Publication of regulations and systems <b>as needed</b></li> <li>Employee Welfare Committee <b>monthly</b></li> <li>Occupational Safety and Health Committee <b>quarterly</b></li> <li>Supervisory Committees of Workers' Retirement Reserve Fund <b>as needed</b></li> <li>Sexual Harassment Complaints Committee <b>as needed</b></li> </ul>
Partners	Partners are crucial for Sunonwealth and we work together to meet the expectations of customers through a model of mutual trust and cooperation.	<ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Sustainable supply chain management</li> <li>Supplier social performance management</li> <li>Contractor management</li> </ul>	<ul style="list-style-type: none"> <li>Partner evaluation <b>annually</b></li> <li>Communication and onsite audit <b>as needed</b></li> <li>Organize occupational safety training <b>as needed</b></li> <li>Safety audit <b>as needed</b></li> <li>Project construction contracts <b>as needed</b></li> </ul>
Shareholders (Board of Directors)	Shareholders' approval and support are key to sustainable corporate development. Sunonwealth shall maintain good communication with shareholders and use the Board of Directors to fulfill management ideals for self-governance and help companies maintain stable growth.	<ul style="list-style-type: none"> <li>Business and financial performance</li> <li>Corporate governance</li> <li>Product quality/technology R&amp;D</li> <li>Regulatory compliance</li> <li>Code of ethical conduct</li> <li>Risk management</li> </ul>	<ul style="list-style-type: none"> <li>Convention of shareholders' meetings <b>annually</b></li> <li>Convention of board meetings <b>at least quarterly</b></li> <li>Issuance of the Annual Report <b>annually</b></li> <li>Financial reports audited by the CPA <b>quarterly</b></li> <li>Sunonwealth's website</li> <li>Market Observation Post System</li> <li>Issues that must be announced or reported in accordance with regulations of the competent authority <b>as needed</b></li> </ul>

Stakeholders	Significance to Sunonwealth	Issue of Concern	Communication Method and Frequency
Suppliers	Suppliers are also key partners and they provide strong support for Sunonwealth's product lines. They produce the materials and key components necessary for production. We shall grow together with suppliers and create higher values in the industry chain.	<ul style="list-style-type: none"> <li>Raw material and hazardous substance management</li> <li>Sustainable supply chain management</li> <li>Supplier social performance management</li> <li>Conflict minerals management</li> <li>Contractor management</li> </ul>	<ul style="list-style-type: none"> <li>Public tenders and tender awards</li> <li>Terms of contracts and related regulations</li> <li>Supplier system <b>daily</b></li> <li>Participation in conferences <b>as needed</b></li> <li>Supplier quality evaluation <b>monthly</b></li> <li>Supplier cost/technology/service evaluation <b>quarterly</b></li> </ul>
Customers	Sunonwealth uses a diverse range of channels to learn about market trends and customer needs. We adopt a customer-oriented approach and actively satisfy customer expectations to maximize value for customers.	<ul style="list-style-type: none"> <li>Product quality/technology R&amp;D</li> <li>Customer service satisfaction</li> <li>Design and development of green products/services</li> <li>Raw material and hazardous substance management</li> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Participation in product/technology seminars <b>annually</b></li> <li>Participation in supplier conferences <b>annually</b></li> <li>Website product introduction and description <b>as needed</b></li> <li>Product catalog <b>as needed</b></li> <li>Routine customer interviews and visits as needed <b>as needed</b></li> <li>Customer satisfaction survey <b>annually</b></li> <li>Social media platform (SUNON Green Life News) <b>as needed</b></li> <li>YouTube (SUNON Green Life/Sunonwealth) <b>as needed</b></li> </ul>
Community residents and organizations	Sunonwealth uses its core businesses to give back to communities and care about society to fulfill corporate social responsibility. We provide aid to those in need and fill the society with love.	<ul style="list-style-type: none"> <li>Community engagement</li> <li>Air pollutant management</li> <li>Water resource and wastewater management</li> <li>Waste management and recycling</li> </ul>	<ul style="list-style-type: none"> <li>Emergency relief activities <b>as needed</b></li> <li>Participation in management committees of commercial and office buildings <b>monthly</b></li> <li>Organization of factory visits <b>as needed</b></li> <li>Recruitment activities or employment seminars in nearby areas <b>as needed</b></li> </ul>
Government authorities and non-profit organizations	Sunonwealth follows government ordinances and regulations, abides by laws, and actively cooperates with government activities to perform their civic duties. We also accept requests and recommendations of NPOs as measures for improvements in future operations.	<ul style="list-style-type: none"> <li>Occupational safety and health</li> <li>Regulatory compliance</li> <li>Tax policy</li> <li>Energy management</li> <li>Greenhouse gas emissions</li> <li>Air pollutant management</li> <li>Water resource and wastewater management</li> <li>Waste management and recycling</li> </ul>	<ul style="list-style-type: none"> <li>Environmental assessment status and reports to the competent authority <b>as needed</b></li> <li>Interactions and exchange of ideas with the competent authority <b>as needed</b></li> <li>Data reporting and taxation <b>as needed</b></li> <li>Audits by government authorities <b>as needed</b></li> <li>Seminars and conferences <b>as needed</b></li> <li>Communication and interaction with experts and academics <b>as needed</b></li> <li>Participation in policy communication/legal seminars organized by government authorities <b>as needed</b></li> </ul>
Peers in the electronics industry	We increase Sunonwealth's industry competitiveness by participation in trade associations and learning from other core members of the industry chain.	<ul style="list-style-type: none"> <li>Business and financial performance</li> <li>Product quality/technology R&amp;D</li> <li>Design and development of green products/services</li> <li>Employee welfare and remuneration</li> <li>Talent recruitment and retention</li> </ul>	<ul style="list-style-type: none"> <li>Publication of information on events by organizations, associations, and academic associations <b>as needed</b></li> <li>Communicate with peers in the electronics industry through visits and announcements <b>as needed</b></li> <li>Data applications and information distribution <b>as needed</b></li> </ul>



## Analysis and Identification of Material Topics

Stakeholder participation is crucial for the analysis of material topics and the analysis of issues is the key for the issuance of the Sustainability Report. We conduct a substantive analysis of material issues of concern to stakeholders in meetings of the CSR Core Team based on the following steps:



## Material Topics and Boundaries of Impact on the Value Chain

We identified seven material topics through the materiality analysis process and categorized them based on the analysis results of the issues into economic (governance), environmental, and social aspects. We also explained the significance of each issue, including the positive and negative impacts that Sunonwealth may directly or indirectly cause to upstream and downstream industries, and the specific objectives and actions for each issue in the corresponding chapter.

Aspect	Material Issues	Significance to Sunonwealth	Boundaries of Impact on the Value Chain		
			● Direct impact   ○ Indirect impact		
			Upstream	Sunonwealth	Downstream
Economic (governance)	Product quality/ technology R&D *	Product quality and R&D in technologies are the focus of Sunonwealth's long-term investments and the foundations of our competitiveness. We will continue to maintain our capacity for R&D and innovation to maintain our lead in the industry in terms of product quality.	○	●	●
	Customer service satisfaction *	Sunonwealth adopts a customer-oriented approach to satisfy all requirements of customers and maintain positive customer relations and customer service satisfaction.		●	○
Environmental	Raw material and hazardous substance management *	Effective raw material and hazardous substance management can reduce the depletion of resources and reduce waste generated which decreases the impact on the environment.	○	●	○
	Design and development of green products/ services *	Sunonwealth has made long-term investments in green product development and service design innovation. In addition to improving production efficiency and maintaining competitive advantages, we also aim to be more environmentally friendly in technological innovations to create sustainable business opportunities for the Company and customers.	○	●	○
Social	Talent recruitment and retention *	The Company's innovations and competitiveness are the results of the hard work of our employees. Sunonwealth provides salaries and benefits superior to industry standards to strengthen talent recruitment and retention. We also created a high-quality work environment and built a happy workplace.		●	
	Career development and training *	Employee education, training, and career development are key to the long-term plans for enhancing the Company's core competitiveness. We increase the productivity of the Company with diversified employee training, career plans, and regular follow-up on training results.		●	○
	Occupational safety and health *	Sunonwealth values employees' health and safety and is committed to providing a safe work environment for employees by reducing workplace hazards and protecting employees from occupational accidents.		●	

Note:

The Company focuses on core entities in Sunonwealth's value chain and includes all employees and supporting personnel of contractors. Upstream entities include raw material suppliers; downstream entities include customers and local communities.



# Management Guidelines of Significant Topics

## Policies, commitments, targets, and management and evaluation mechanisms

Material Issue	Product quality/technology R&D	Customer service satisfaction	Raw material and hazardous substance management	Design and development of green products/services
<b>Policy/Commitment</b>	Sunonwealth Quality Policy: High quality, advanced technology, high productivity. We meet customer requirements and exceed customer expectations. We also continue to develop and innovate technologies to ensure that the Company's products satisfy customer requirements and comply with laws and regulations.	Rapidly respond to customers' questions, enhance service quality, and maintain good relations and good product quality.	Sunonwealth implements rigorous management starting from the procurement of raw materials and does not use any hazardous substances to prevent material impact on the environment.	Continue to focus on the development and innovation of green products to provide customers with environmentally friendly and high-performance products and create benefits for all.
<b>Core Goals</b>	We pass the quality management system certification each year	At least 5.7 points in average customer satisfaction score	No Sunonwealth products contain hazardous substances	Comply with standards and obtain product certification in all markets with 100% certification rate for all products
<b>Performance Results</b>	Passed ISO 9001, IATF 16949, and IECQ QC08000 certification	The average customer satisfaction score in 2020 was 5.8 points (out of 7 points) and the satisfaction rate was medium high with a 0.1-point increase from 2019	Passed IECQ QC 080000 certification each year	<ol style="list-style-type: none"> <li>1. Obtained certification for 325 models including DC Brushless Fan (321 models) / AC Axial Fan &amp; Blower (4 models) with a product certification rate of 100%</li> <li>2. Obtained certification for 9 models of the HVAL ceiling fan with a product certification rate of 100%</li> <li>3. Obtained certification for 2 models of the EC energy-efficient fan with a product certification rate of 100%</li> </ol>
<b>Action Plans</b>	Perform regular annual internal and external audits each year and continue to track corrective measures till improvements are completed.	<ol style="list-style-type: none"> <li>1. Conduct customer satisfaction surveys every year to learn about customer opinions which are used as the basis for continuous improvements</li> <li>2. Organize two regular distributor conferences each year to provide the Company's latest products/technologies/partnership strategies so that distributors have the most efficient tools for promotion (organize one annual distributor conference in Europe/United States)</li> <li>3. Conduct technical exchanges with our strategic customers as needed to help achieve the highest level of consumer satisfaction in terms of the design and applications of products.</li> <li>4. Use patents and awards to increase customers' confidence and trust</li> <li>5. Establish customer complaint processing units</li> </ol>	<ol style="list-style-type: none"> <li>1. Require suppliers to comply with Sunonwealth's procurement regulations and sign a statement for banning the use of restricted substances</li> <li>2. Update the list of banned substances in Taiwan and foreign operations to meet regulatory requirements</li> </ol>	<ol style="list-style-type: none"> <li>1. Implement feasibility studies on international safety and environmental protection/energy efficiency regulations for project products</li> <li>2. Confirm the compliance of the product design with the international safety and environmental/energy efficiency regulations along with the development design unit during the design phase</li> <li>3. Confirm the compliance with regulatory restrictions through internal/external preliminary tests in accordance with international safety and environmental protection/energy efficiency regulations to ensure smooth certification of the product</li> </ol>
<b>Resources committed</b>	The Quality Strategy Center and the quality control departments of overseas factories promote the quality management system	CQS, business units, production units, production technology units, quality assurance units, and manpower of individual departments	Procurement units, quality assurances, and R&D units	PM / RD / set up safety compliance laboratories / EMC laboratories / reliability laboratories / material laboratories
<b>Evaluation mechanisms</b>	Internal and external audits	<ol style="list-style-type: none"> <li>1. Customer satisfaction survey</li> <li>2. Number of customer complaints</li> </ol>	<ol style="list-style-type: none"> <li>1. Internal and external audits</li> <li>2. Product certification units in Taiwan and foreign countries</li> </ol>	Customer audits / factory audits by certification institutions
<b>Feedback mechanisms</b>	Customer visits and audits provide departments with recommendations for continuous improvements and enhancement of existing procedures to improve quality	Customer services e-mail on the official website, business personnel interviews, and customer service unit contact persons	Supplier evaluation Employee complaint channels Customer audit feedback	Regular product development project meetings, customer requirements, and continuous updates of international regulations

Material Issue	Talent recruitment and retention	Career development and training	Occupational safety and health
<b>Policy/Commitment</b>	Provide comprehensive welfare systems and career plans to increase solidarity and cohesion among employees, attract more talents, and maintain long-term stable employee relations	Adopt competency-oriented training objectives and train employees to be professional elites to create the highest value in sustainable development	Comply with occupational safety regulations, implement risk management and safety inspection, care for employees' health, continuous improvement of workplace environment, and establish comprehensive occupational safety culture.
<b>Core Goals</b>	10% key talent retention rate	Maintain the TTQS gold medal certification and ensure the effectiveness of training	Zero occupational injuries
<b>Performance Results</b>	<ol style="list-style-type: none"> <li>The average salary of employees in 2020 was NT\$978 thousand which was a 6.5% increase from 2019</li> <li>The offer acceptance rate of new employees in Taiwan was 73%</li> </ol>	<ol style="list-style-type: none"> <li>The average training hours per person amounted to 15.63 hours in 2020</li> <li>In 2020, the digital course satisfaction rate was 4.52, classroom course satisfaction rate was 4.71, and overall training satisfaction rate was 4.62</li> <li>The 2020 training qualification rate was 92.6%</li> <li>The 2020 training participation rate of target employees was 92.5%</li> </ol>	Zero occupational injuries
<b>Action Plans</b>	<p>Salary and incentives</p> <ol style="list-style-type: none"> <li>Establish incentive-based compensation systems and performance management systems, year-end bonus, and performance bonus systems</li> <li>Diverse bonus systems: Research and development bonuses, patent and creativity bonuses, sales bonuses, core technology allowances, employee bonuses, language certification bonuses, etc.</li> <li>Annual salary adjustments based on employee performance and the Company's overall operations</li> </ol>	<ol style="list-style-type: none"> <li>Regularly participate in the TTQS system assessment and continue to improve training quality</li> <li>Establish R&amp;D competency training system and develop R&amp;D talents that meet the requirements of the Company</li> <li>Plan competency training courses for supervisors of all levels to cultivate management talents and achieve the Company's business objectives</li> <li>Train internal lecturers to share and pass on company knowledge</li> <li>Apply for training subsidies for the Recharge and Take Off Program and obtain funding for continuous employee training</li> </ol>	<ol style="list-style-type: none"> <li>Implement improvements for occupational safety and reduce occupational safety risks</li> <li>Apply for additional fire safety facilities and conduct maintenance and annual inspections of fire safety facilities</li> <li>Safety training</li> <li>Organize health examinations and health seminars</li> <li>Provide care for pregnant employees, general health consultation, and reinstatement evaluations for employees after recovery from injuries or illnesses</li> </ol>
<b>Resources committed</b>	Human resources units	Human Resources Department and R&D Management Office	<ul style="list-style-type: none"> <li>Occupational safety unit</li> <li>Factory nurse</li> <li>Healthcare services and onsite services provided by doctors in plants</li> <li>AED setup and leasing expenses</li> </ul>
<b>Evaluation mechanisms</b>	Performance evaluation Employee satisfaction	<ol style="list-style-type: none"> <li>TTQS external audits</li> <li>Training qualification rate</li> </ol>	Internal and external audits
<b>Feedback mechanisms</b>	Employee mailbox, labor-management meetings, Employee Welfare Committee, new employee seminars	<ol style="list-style-type: none"> <li>E-learning network satisfaction rate questionnaire: For all participating employees</li> <li>Annual training requirement survey questionnaire: For department heads</li> </ol>	Employee mailbox and employee complaint channels

## The Company's Medium and Long-Term Sustainable Development Goals

Strategy > Short-Term Goals		Medium and Long-Term Goals (3-5 Years or More)
<div> Stable business management</div>	<div><div></div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div></div></div> <div><ol style="list-style-type: none"><li>1. Comply with the standards of the Responsible Business Alliance (RBA) for the establishment of the CSR management system</li><li>2. Kaohsiung Factory completed the IATF 16949 certification and Philippines Factory completed the ISO 9001 Quality Management System certification</li><li>3. Decrease inventory turnover in all plants</li><li>4. Increase penetration tests on external service websites and repair vulnerabilities to prevent attacks on website vulnerabilities</li><li>5. 100% introduction, certification, and adoption of data loss prevention (DLP) software</li><li>6. Introduce mail audit mechanisms, enhance mail audits, prevent and record possible leaks of confidential information</li></ol></div>	<div><div></div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div></div></div> <div><ol style="list-style-type: none"><li>1. Implement supplier RBA audits and counseling</li><li>2. Strengthen audits for overseas plants to facilitate stable expansion in scale</li><li>3. Introduce different management system certification based on customer requirements</li><li>4. Continue to implement information security and revise related monitoring and control mechanisms to create a comprehensive information security system</li><li>5. Continue to provide comprehensive planning and assistance with professional installation and after-sales services</li><li>6. Continue to develop markets in Southeast Asia and work directly with important customers in Europe and Americas from operations in Taiwan to expand product lines</li></ol></div>
	<div> Products and services</div>	<div><div></div><div><div></div><div></div><div></div><div></div><div></div><div></div></div><div><div></div><div></div><div></div><div></div><div></div><div></div></div></div> <div><ol style="list-style-type: none"><li>1. Set a target for increasing the immediate customer response rate by 3% per year</li><li>2. Reduce the number of customer complaints for factory issues by 3 to 5%</li><li>3. Conduct internal pretests for all safety test items for DC ventilation fans / HVLS energy-efficient ceiling fans / EC energy-efficient fans</li><li>4. Increase the accumulation rate of patents from 2,908 in 2020 to 3,250 in 2023</li><li>5. Reduce product unit energy consumption by 2%</li></ol></div>

Strategy > Short-Term Goals		Medium and Long-Term Goals (3-5 Years or More)
 <b>Environmental protection</b>	<ol style="list-style-type: none"> <li>1. 100% signature rate of the Main Supplier Social Responsibility and Environmental Commitment Statement</li> <li>2. 100% signature of the Social Responsibility and Environmental Commitment Statement by new suppliers</li> <li>3. Reduce greenhouse gas emissions by 2% each year</li> <li>4. Zero discrepancies discovered in external audit</li> <li>5. Introduce the green product management system</li> <li>6. Zero excess usage and zero customer complaint in management of environment-related substances in products</li> <li>7. Establish a centralized material drying system to reduce exhaust emissions from equipment</li> </ol>	<ol style="list-style-type: none"> <li>1. 100% introduction of the green product management system</li> <li>2. Source plastic materials that do not require drying for injection and forming</li> </ol>
 <b>Healthy workplace</b>	<ol style="list-style-type: none"> <li>1. Maintain employees' average training hours above 15 hours</li> <li>2. 0 cases of occupational injuries</li> <li>3. 0 cases of labor disputes</li> <li>4. Increase training satisfaction rate from 90 to 92</li> <li>5. At least 92% training qualification rate</li> <li>6. Increase employee training participation rate from 70% to 92%</li> <li>7. Strengthen risk assessment of all units and improve prevention management</li> <li>8. Held monthly on-site health service, Caring for the health of employees and providing medical consultation</li> </ol>	<ol style="list-style-type: none"> <li>1. Establish diverse training platforms</li> <li>2. Improve competency training systems and establish a learning environment for all ages</li> <li>3. Maintain the key talent retention rate above 90%</li> <li>4. Implement employee health management and prevent occupational safety risks</li> <li>5. Implement four prevention plans of health protection for pregnant employees, human factors hazard, overwork and illegal injure to promote occupational health</li> </ol>
 <b>Charity event participation</b>	<ol style="list-style-type: none"> <li>1. Community cooperation and inviting community members to participate in charity events</li> <li>2. Continue to implement ethical education programs and promote the values of Liao-Fan's Four Lessons</li> <li>3. Invest in professional training resources and help local disadvantaged groups</li> </ol>	<ol style="list-style-type: none"> <li>1. Continue to promote community participation and charity events</li> <li>2. Promote the employee charity event participation program</li> </ol>



## Sustainable Development Goals (SDGs)

The United Nations proposed 17 Sustainable Development Goals (SDGs) in the Sustainable Development Summit in 2015. The 17 SDGs replaced the Millennium Development Goals of 2000 and they will be focused on achieving global sustainable development through economic growth, social progress, and environmental protection from 2016 to 2030.





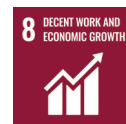
Sunonwealth responds and supports the 17 SDGs by focusing on the Company's core values and business strategies. We focus on three SDGs and included them into the Company's sustainable development strategies for the future. We continue to strengthen the social, economic and environmental dimensions of the Company's sustainable development to support global sustainable development and make the world a better place. The three main development goals in 2020 are explained below:

SDGs	Target	Material Issues for Sunonwealth	Key Points for Development in 2020 and Corresponding Chapter in the Report
 Quality Education	<b>4.4</b> Improve technical and vocational skills	Talent recruitment and retention Career development and training	<b>4.</b> Care for Employees and Sustainable Workplace
 Industry, Innovation and Infrastructure	<b>9.5</b> Enhance scientific research and upgrade the technological capabilities of industrial sectors in all countries	Product quality/technology R&D Design and development of green products/services	<b>2.</b> Innovative R&D and Sustainable Products
 Responsible Consumption and Production	<b>12.2</b> Achieve the sustainable management and efficient use of natural resources	Raw material and hazardous substance management Design and development of green products/services	<b>3.</b> Protect the Earth for a Sustainable Future

## 1



## Rigorous Governance and Sustainable Management



- 1-1 Organizational Overview
- 1-2 Business Performance
- 1-3 Ethical Corporate Management
- 1-4 Risk Management
- 1-5 IT System Security Management
- 1-6 Governance of the Board of Directors

## 1-1 Organizational Overview

Sunonwealth was founded in 1980 and has always focused on inventions and innovation in core technologies in energy-efficient motors. The Company ranks third globally in shipments of micro motor fans. Sunonwealth has continuously achieved innovation and led product development trends in the industry in solutions for motors, fans, cooling modules, ventilation, and air purification. With years of experience in developing core technologies for motors, we have developed the world's first MagLev motor fans and the world's smallest and slimmest Mighty Mini Fan. The products received wide acclaim in the industry and were designated for use by multiple international brands as we became customers' optimal heat dissipation design partner. Sunonwealth created the ultra-energy-efficient DC ventilation fans, Flow2 One-AHR ventilation fans, and ceiling fans to provide energy-efficient, quiet, waterproof, flame retardant, and minimalist designs that provide people with energy-efficient, safe, comfortable, and high-quality ventilation products.

Sunonwealth's Headquarters is located in Kaohsiung, Taiwan. The Group has subsidiaries and offices in Europe, United States, and China, more than 100 distributors across the world, and more than 1,000 sales service locations. We have created a customer service and technical support network across five continents across the world to quickly respond to customer demand.

We have established a communication platform for investors relations on the Company's website to protect the rights and interests of investors. We regularly update business information and disclose the business operations of Sunonwealth in an open and transparent manner to create long-term and stable relations with harmonious interactions between the Company and investors.

### Sunonwealth Group Overview

#### Date of Establishment

October 25, 1980

#### Headquarters address

No. 30, Lane 296, Xinya Road, Qianzhen District, Kaohsiung City

#### Capital

NT\$2.5 billion

#### Primary products

Fans, motors, cooling modules, ventilation fans, fresh air exchangers, and ceiling fans

#### Operating revenue

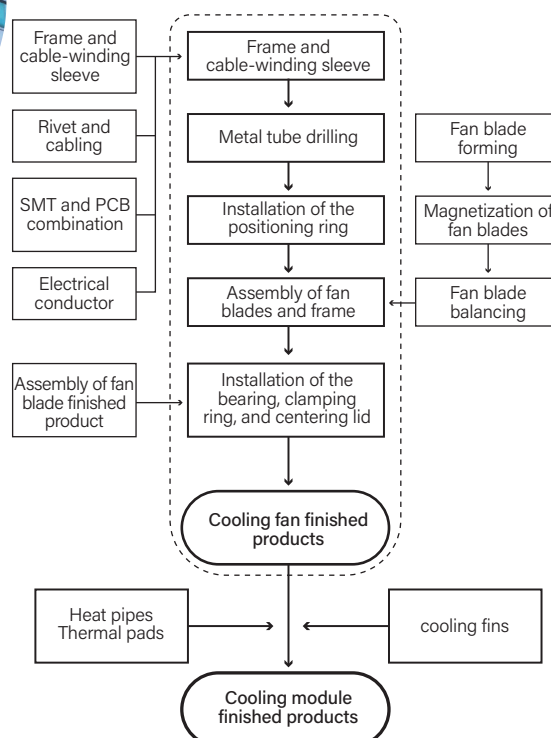
NT\$12.781 billion (2020)

#### Number of employees

8,859 (As of the end of 2020)



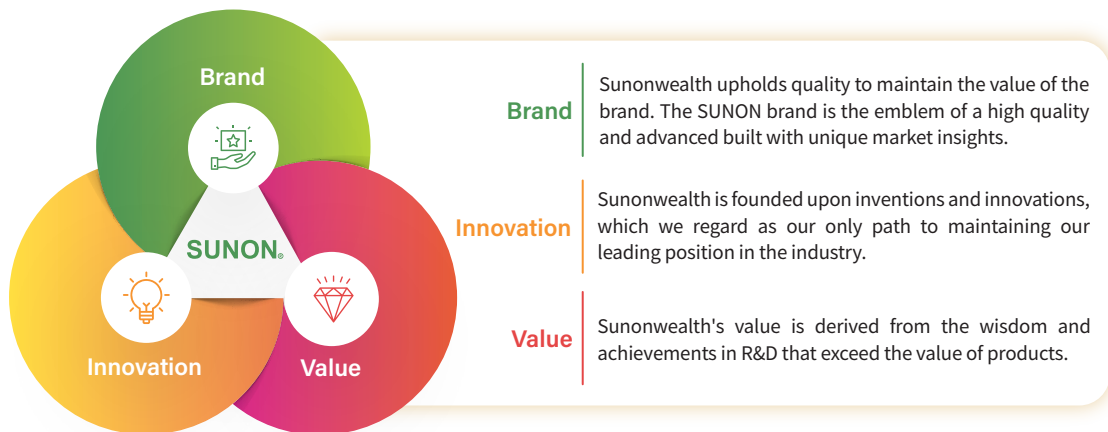
### Production process of main fan products



Sunonwealth's organization includes units established for specific functions. We set up functional committees based on business requirements in each stage. There have been no significant changes to the organization structure disclosed in 2020.



### Mission Statement

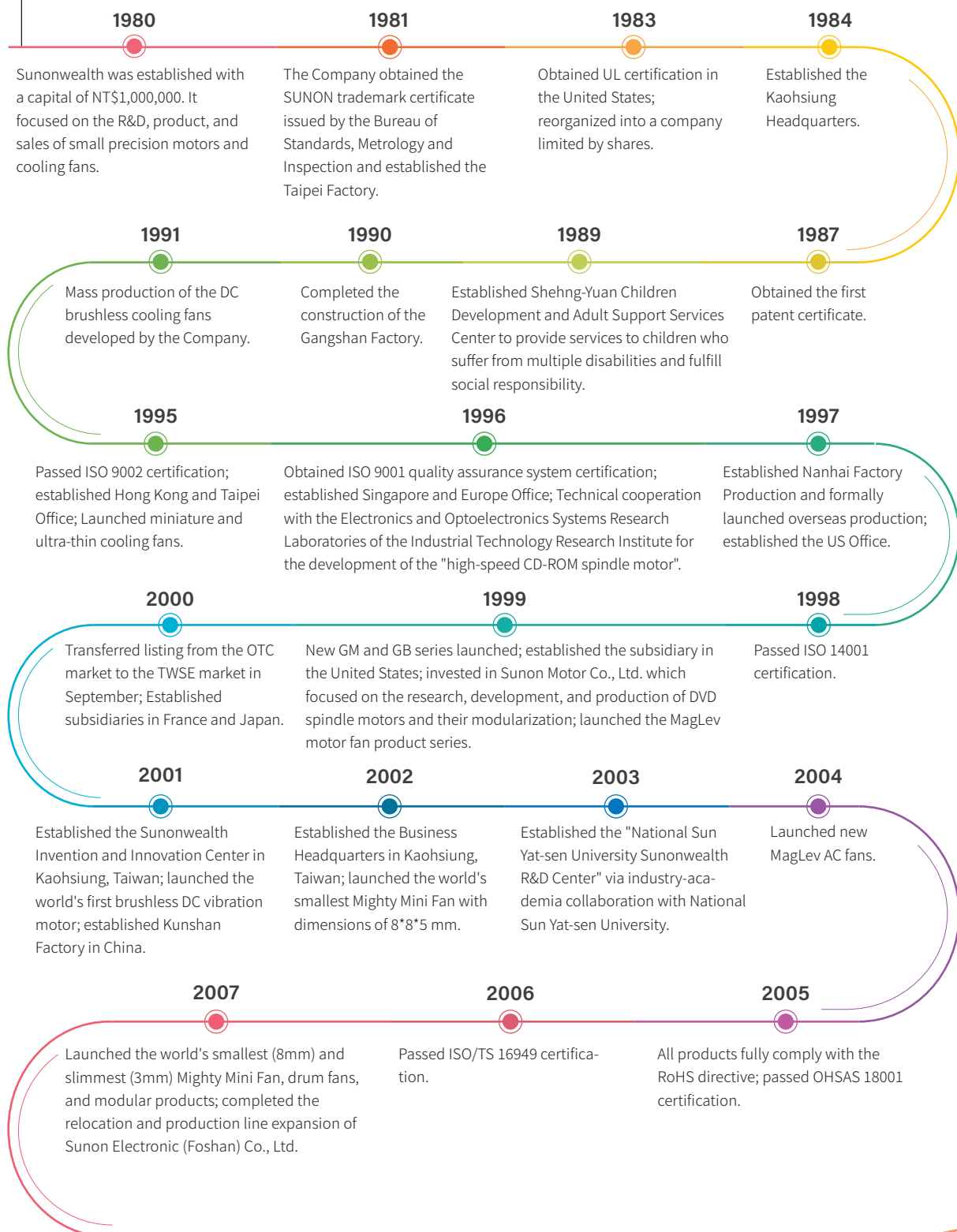


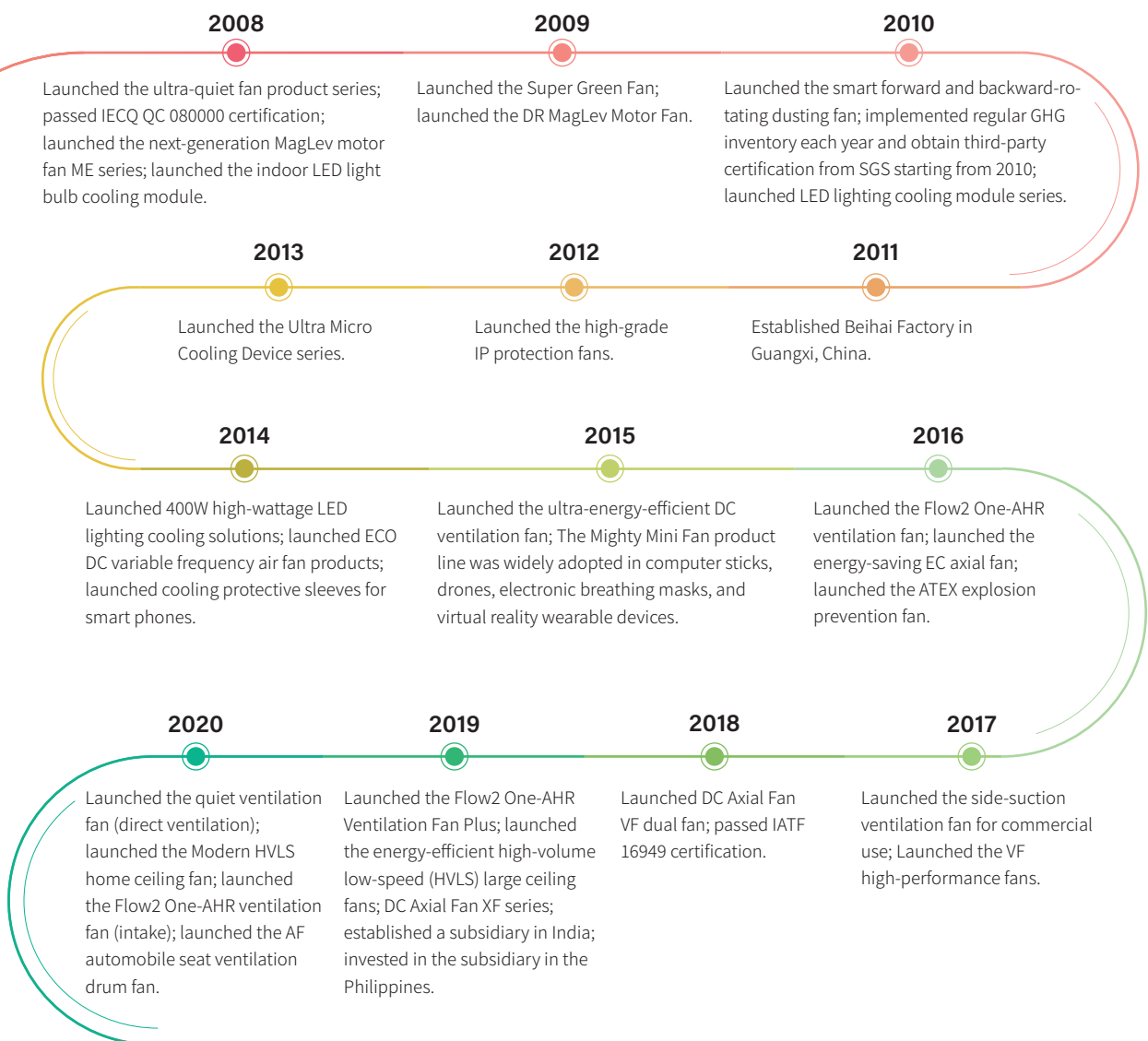
Sunonwealth has created a strong R&D team to satisfy customer requirements with the best and flexible designs. The team works with the service and marketing units as well as production and logistics units to help customer achieve innovation in the next-generation products. We use services to help customers understand Sunonwealth's mission statement of "quality, innovation, and value". We hope that Sunonwealth can put customers' minds at ease, make systems smaller and more thoughtful, and fill the society with hope.

Department Name	Main Businesses
 <b>President</b>	The President is responsible for the execution of the Group's operations. The President establishes business strategic goals and directs and manages subordinates in business operations to achieve the Company's goals.
 <b>President Office</b>	The President Office assists the President in business operations, plans for the Group's medium and long-term goals and strategies, and improves the performance of execution units; the President Office is also responsible for the management, assistance, and audit of investee businesses for strengthening the comprehensive performance of affiliated enterprises; it also manages legal and intellectual property rights.
 <b>GS Business Unit</b>	The GS Business Unit is responsible for technical support and product development for strategic applications and strategic customers; it also follows up on customer demands in projects and provide customers with solutions. The GS Business Unit manages marketing channels across the globe and strategic customers. It formulates product and marketing strategies to expand the market, maintain customer relations, and improve customer satisfaction. It also manages overseas subsidiaries for sales.
 <b>Quality Strategy Center</b>	The Center is responsible for managing quality/hazardous substances/environmental health and safety systems; assignment of management representatives and definitions of duties; formulation, amendment, and review of plans for the quality/hazardous substance/environmental health and safety systems; formulation of annual management strategies and communication and advancement of targets; implement regular audits on the performance of various systems, improvements for discrepancies, and effectiveness of improvements; regularly implement reviews & improvements for discrepancies, and effectiveness of improvements for management items; monitor the effective supervision of customer complaints; provide assistance, risk prevention, and prevent recurrence through management.
 <b>Global Production Unit</b>	It is responsible for the production of cooling fans and motors as well as comprehensive quality; it also provides customers with high-quality products and prompt delivery. The Unit oversees the Kunshan Factory, Foshan Factory, Beihai Factory, and Kaohsiung Factory.
 <b>Automated Intelligence Division</b>	It is responsible for the development of production processes for fans and motors as well as the R&D and design of various automated production equipment and tools to improve overall production efficiency.
 <b>Operating Management Division</b>	It is responsible for formulating KPI for all departments of the Group as well as their evaluations and follow-up improvement; it is responsible for the coordination and improvement of system procedures as well as the development of the management system tools.
 <b>Strategic Purchasing Division</b>	It is responsible for developing suppliers of materials and control of procurement prices; it also implements a qualified supplier system and priority supplier system.
 <b>Global Human Resource Division</b>	It is responsible for the human resources development of all subsidiaries across the globe and the administrative affairs of the parent company; its goal is to improve employee satisfaction.
 <b>IT Division</b>	It is responsible for the establishment of a corporate information system and the maintenance of stability, timeliness, confidentiality, and security of the system and information communication.
 <b>Finance Division</b>	It is responsible for maintaining records on the Group's business activities, formulating financial information and management reports, providing analytical data and suggestions for improvement in business decision-making, and controlling budgets.

## Development History

## Sunonwealth History





## External Initiatives

<b>List of initiatives</b>	Responsible Business Alliance (RBA)
	Declaration for No Use of Conflict Minerals
	REACH Compliance Declaration
	RoHS Compliance Declaration
	PFOS/PFOA Compliance Declaration



## 1-2 Business Performance

We hold an annual planning meeting in the fourth quarter of each year to discuss available information and forecasts of the industry and set management goals for the following year. We develop key performance indicators (KPIs) for each department and use them to manage and execute projects to attain annual management goals.

Unit: NT\$

2020 management policy and achievements	Target Value	Actual Value
Group revenue (fans + modules)	12.375 billion	12.505 billion
Profitability (Group earnings before income tax (EBIT))	1.336 billion	1.221 billion

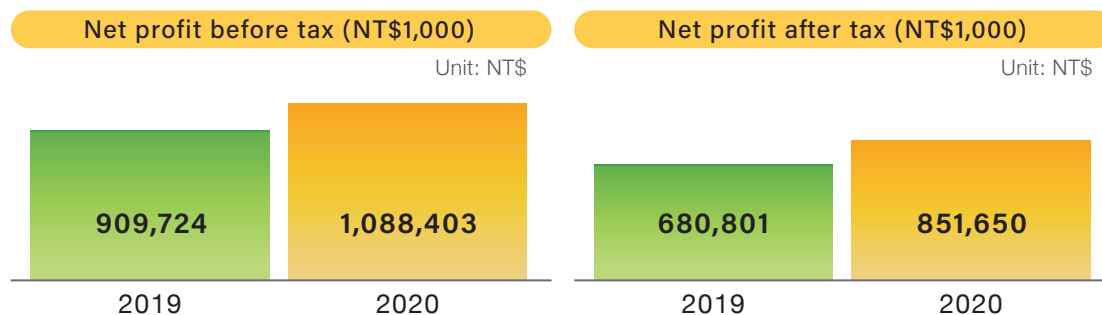
Note: The calculation of the contribution margin is for internal management purpose only that its number is not as same as the number shown on the financial statements.

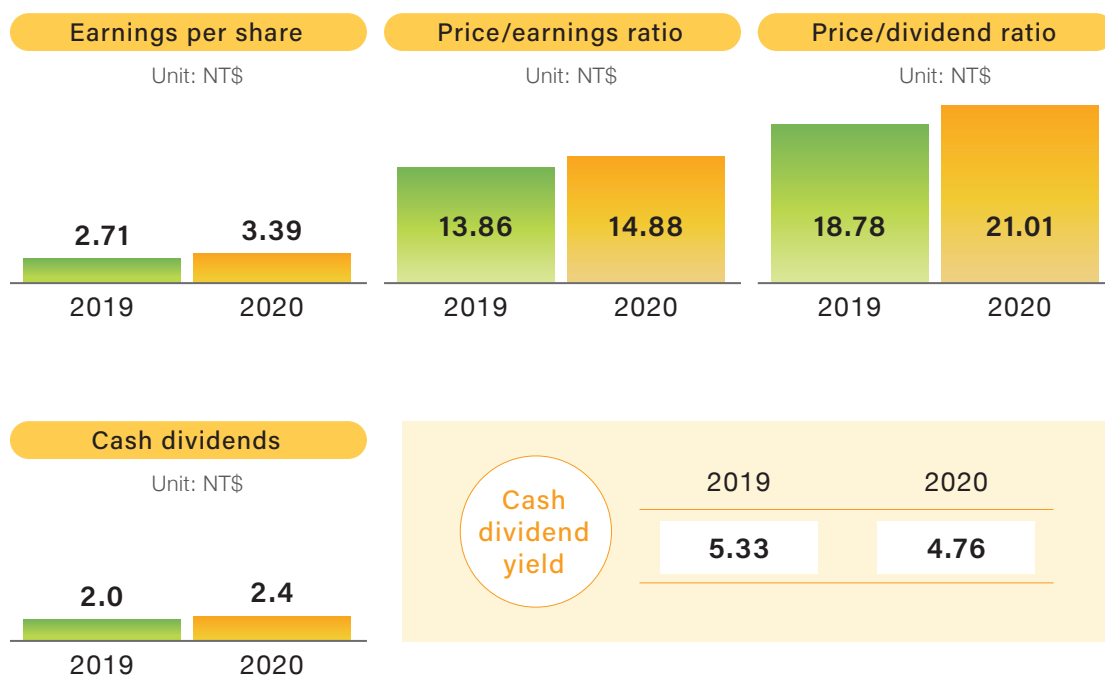
### Business performance

Unit: NT\$

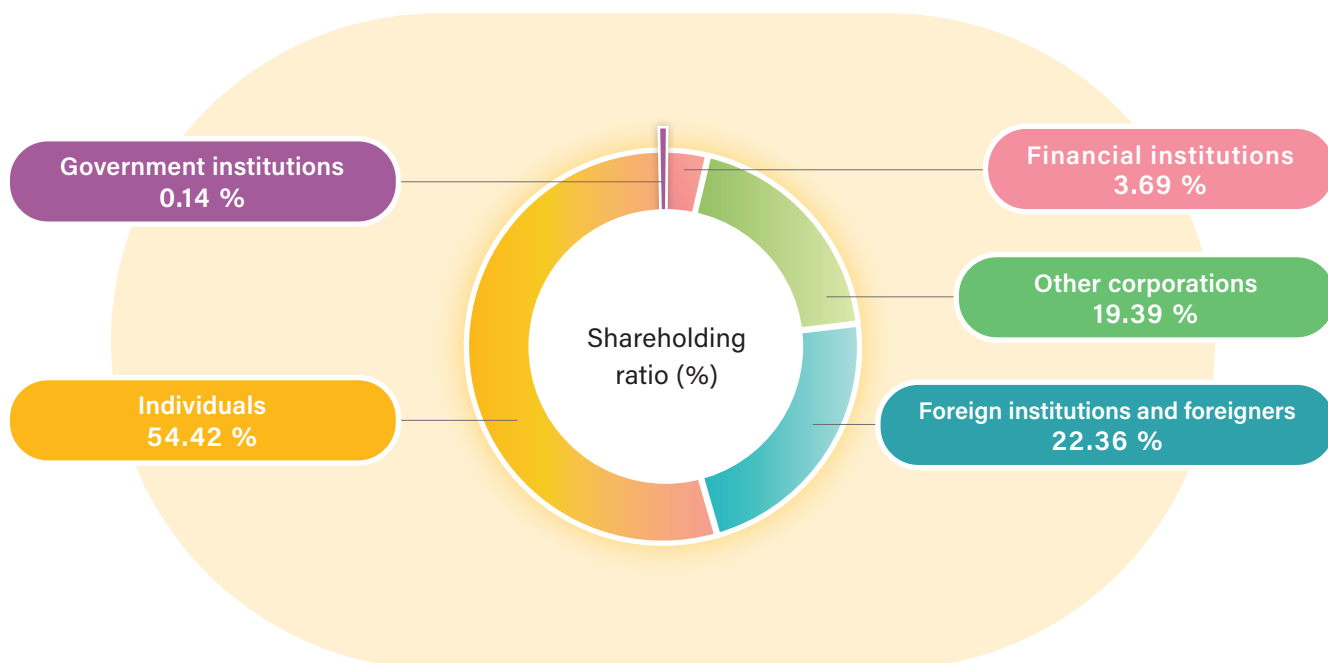
Year	2019	2020	Difference	Increase or decrease (%)
Operating revenue (NT\$1,000)	11,659,915	12,781,281	1,121,366	9.62
GROSS PROFIT (NT\$1,000)	787,252	1,114,211	326,959	41.53

### Net profit and earnings





## Shareholders



## Investee

The scope of businesses of Sunonwealth's investees in 2020 included the following:

Main Business Activities	Enterprise Name
General investment and trade	<ul style="list-style-type: none"> <li>• SUCCESSFUL CENTURY CO., LTD (BVI)</li> <li>• SUNON INTERNATIONAL LTD. (BVI)</li> </ul>
Production and sales of AC/DC motors and fans	<ul style="list-style-type: none"> <li>• Sunon Electronic (Foshan) Co., Ltd.</li> <li>• Sunon Electronic (Bei Hai) Co., Ltd.</li> <li>• SUNON Electronics Philippines Corp.</li> </ul>
Import and wholesale of various electronic and electrical components	<ul style="list-style-type: none"> <li>• SUNON SAS.</li> <li>• SUNON DEUTSCHLAND GmbH</li> <li>• SUNONWEALTH ELECTRIC MACHINE IND. (H.K.) LTD.</li> <li>• SUNON ELECTRONICS INDIA PRIVATE LIMITED</li> </ul>
Real estate development and investment	<ul style="list-style-type: none"> <li>• SUNON Electronics Philippines Corp.</li> </ul>
Production and sales of fans	<ul style="list-style-type: none"> <li>• SUNON Corporation</li> </ul>
Production and sales of brushless DC motors and fans	<ul style="list-style-type: none"> <li>• Sunon Electronic (Kunshan) Co., Ltd.</li> </ul>
Manufacturing and assembly of electronic components and import and wholesale of various electronic and electrical components	<ul style="list-style-type: none"> <li>• SUNON INC.</li> </ul>
Production and sales of heat pipes and vapor chambers	<ul style="list-style-type: none"> <li>• Suzhou Shengyixing Heat Transfer Technology Co., Ltd.</li> </ul>

For more information on the business performance of investees, please refer to Sunonwealth's 2020 Annual Report

## Government subsidies

Sunonwealth's applications for government subsidies from 2018 to 2020 are listed in the table below:

Year	2018	2019	2020	Total
Government subsidies (NT\$)	27,591,352	35,740,241	30,657,440	93,989,033

## 1-3 Ethical Corporate Management

### Ethics

Sunonwealth established the "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Operating Procedures and Code of Conduct", and "Code of Ethical Conduct" to ensure the development of an ethical management corporate culture and healthy business development. The Company requires all Directors, managers, and employees of the Group to comply with all codes of conduct and ethical guidelines, prevent all inappropriate behavior, fraud, use of company funds, or disclosure of trade secrets to gain the trust of the society and ensure the sustainable development of the Company.

The Company has set up reporting mailboxes and hotlines on its internal and external websites as complaint channels for internal and external personnel. In the event a violation of laws or ethical conduct or inappropriate behavior and such violation is deemed as severe, the violator shall be dismissed to ensure Sunonwealth's culture of integrity and ethical management. To promote ethical behavior in the workplace, Sunonwealth's Work Rules stipulate that employees must act with honesty and integrity. The Work Rules are posted on the Company's internal website for employees to view at any time. We also require every new employee to read the Work Rules when they join the Company. For ethical issues of particular concern to Sunonwealth, such as the protection of intellectual property rights, we have arranged for all employees to attend the "Trade Secret Protection" course. As of the end of 2020, 100% of the employees have completed the course.



Sunonwealth also respects market trading mechanisms and abides by the regulations of the Fair Trade Act and related accounting regulations. We treat customers, competitors, and employees fairly, and we do not seek to obtain inappropriate benefits through manipulation, nondisclosure, or abuse of information we obtain, misrepresentation of important matters, or engage in other unfair trade practices. There were no violations of fair trade practices, monopolization by means of collusion, or ethical violations in 2020.

### Honest tax payments

Sunonwealth has always upheld ethical business operations and adheres to tax laws and regulations. We pay taxes in accordance with laws and implement internal operations accordingly to fulfill our roles as corporate citizens. We have found no omissions of tax payments in 2020.



## 1-4 Risk Management

Sunonwealth has established risk management regulations to identify all types of risks to maximize the interests of the Company, employees, shareholders, and stakeholders. We reduce risks to a tolerable level through risk identification, assessment, quantification, and response strategies in the risk management process. Sunonwealth provides the following risk management measures to prevent potential crises and possible losses.

### Work safety risks

#### Execution method

- 1 Set up the internal audit team for the ISO 45001 and ISO 14001 system and complete annual audits in accordance with plans each year. Report results to senior executives in the management review meeting and follow up on the subsequent improvements.
- 2 Provide contractors who enter the factory for construction activities with hazard notification and hazardous operation confirmation to implement operation controls and risk management in advance.
- 3 Implement regular inspections inside plants and uncover potential risks to implement related improvement measures.
- 4 Conduct monthly reviews of EHS regulations and determine compliance status to ensure that we comply with all related regulations.

### Material source risks

#### Execution method

- 1 Carefully select high-quality supplier and establish long-term partnerships.
- 2 Select at least 2 suppliers for critical materials to disperse risks of unstable sources of supply.
- 3 Issue purchase orders 3-6 months in advance to respond to shortages of materials in the market and continue to follow up on suppliers to ensure timely deliveries.

### Transportation risks

#### Execution method

- 1 We require solid carton packaging and protection with boards for fragile materials that can be easily damaged to avoid risks of collision and movement during transportation.
- 2 Sign logistics contracts and process logistics in accordance with the contracts and specify related regulations and penal provisions.
- 3 Select qualified logistics companies with good track records for the transportation of finished products. Evaluate the logistics companies from time to time ensure transportation safety and reduce risks.

### Public facilities risks

#### Execution method

- 1 Enhance inspections and tests of public facilities to maintain availability of equipment.
- 2 Appoint professional institutions to inspect oil and gas equipment and power supply equipment to ensure equipment stability and reliability.
- 3 Implement management by wandering around and issue discrepancy notices whenever irregular electricity consumption is discovered to request immediate improvements and save energy.



### Market risks

#### Execution method

- 1 Actively expand automobile market and increase overall sales.
- 2 Expand distributor sales channels and increase the sources of revenue.
- 3 Add product quality insurance to improve customer satisfaction for product quality and protect customers' rights to purchase products.
- 4 Maintain two-week inventory for plants to prevent insufficient production capacity and ensure coverage for purchases by customers.
- 5 Add credit loan credit investigation insurance for business operations to ensure customer credit and smooth cooperation.

### Environmental protection risks

#### Execution method

- 1 Continue to remind employees to save energy and reduce carbon emissions to mitigate climate change risks.
- 2 Enhance waste management and recycling.
- 3 Implement recycling and reuse of process waste materials.

### Information system risks

#### Execution method

- 1 Use automation scripts for detection, analysis, and automatic response.
- 2 If normal operations cannot be restored, process the failure in accordance with the backup recovery management regulations.
- 3 Use stacked redundancy structure for planning the installation of network equipment to avoid service disruption caused by a single-point failure.
- 4 Use automation scripts to respond to known errors and detections.
- 5 After receiving an anomaly alert, the person in charge must respond within the prescribed period in accordance with regulations.
- 6 Most physical servers in the Group are organized in a cluster-based security architecture and there is no single point of failure.
- 7 Take system snapshots and backups according to the hard disk data preservation regulations and restore and activate the remote server room backup mechanisms.

### Financial risks

#### Execution method

- 1 Prioritize natural hedging policies to reduce the risks of exchange rate fluctuations.
- 2 Alternate between loans in NTD, USD, and EUR to avoid material impact caused by interest rate fluctuations.
- 3 Although consumer prices have increased moderately, they have not caused issues of inflation and have not caused significant impact on the Company's operations and profit and loss.

### Human resources risks

#### Execution method

- 1 Implement the hiring philosophy of "dedication, motivation, and integrity" and promote ethical practices so that employees abide by principles for avoiding conflicts of interest in the execution of duties and avoid meals and entertainment unrelated to work, inappropriate requests, or acceptance of inappropriate benefits or treatment.
- 2 Develop high-quality talents based on business requirements, inspire employees' potential, enhance employee loyalty and teamwork spirit, and maintain a stable supply of human resources.
- 3 Comply with labor regulations, establish diverse and open labor-management communication channels, create harmonious labor relations, and avoid disputes between labor and management.

## Internal audit and corrections

- 1 The Audit Office is governed by the Board of Directors and it helps the Board of Directors and the management check and evaluate the discrepancies of the internal control system, provides timely recommendations for improvement to ensure the continuity of implementation, and provides a basis for review and modification of the internal control system.
- 2 The Audit Office implements operations in accordance with the annual audit plan. It formulates the audit plan based on the risk assessment results and submits it to the Board of Directors for approval. Where it discovers a discrepancy in the internal control system, it shall propose recommendations for improvements, create an internal audit report, and regularly report to the Board of Directors.
- 3 The annual audit plan for 2020 included 79 items and all audits were completed before the end of December 2020. The results were delivered to related units to implement improvements and the Audit Office follows up and reviews the improvement status every quarter.
- 4 The Audit Office supervises internal units and subsidiaries in the self-evaluations of their internal control systems each year. It reviews the self-evaluation reports of all units and subsidiaries and uses the internal control discrepancies and irregularities found by the Audit Office in the past as the basis for the Board of Directors and President's evaluation of the effectiveness of the internal control system and the preparation of the Internal Control System Statement.



## 1-5 IT System Security Management

Sunonwealth has always paid close attention to information security management and implements the following control measures for information management and protection:



## 1-6 Governance of the Board of Directors

### Operations of the Board of Directors



#### Members of the Board of Directors

##### Chairman of the Board

**Yin-Su Hong** Gender M

Education and Experience

- Honorary Doctorate in management, National Sun Yat-sen University
- Chief Technology Officer, Sunonwealth Electric Machine Industry Co., Ltd.

##### Director

**Fu-Ing Hong Chen** Gender F

Education and Experience

- Yanchao Elementary School
- Senior Specialist, Sunonwealth Electric Machine Industry Co., Ltd.

##### Director

**Ching-Shen Hong** Gender M

Education and Experience

- Department of Electrical Engineering, Kun Shan University
- Department of Business Import/Export Management, Vancouver Community College
- President, Sunonwealth Electric Machine Industry Co., Ltd.

##### Director

**Ching-Liang Chen** Gender M

Education and Experience

- Department of Public Affairs, National Chung Hsing University
- President, Nice Enterprise Co., Ltd.

##### Director

**Li-Ju Chen** Gender F

Education and Experience

- Department of Information Management, Queen's College (Canada)
- Director of the Strategic Purchasing Department, Sunonwealth Electric Machine Industry Co., Ltd.

##### Director

**Tseng-Cheng Lin** Gender M

Education and Experience

- Department of Business Administration, International Business College
- Chairman, Suman Corporation

##### Independent Director

**Chun-Hao Xin** Gender M

Education and Experience

- Institute of Business Management, I-Shou University
- Independent Director, Chang Wah Electromaterials Inc.

##### Independent Director

**Mei-Hsiang Pai** Gender F

Education and Experience

- Graduate Institute of Medical Sciences, Chang Jung Christian University
- MBA, National Sun Yat-sen University
- Supervisor, Advanced International Multitech Co., Ltd.

##### Independent Director

**Chih-Ming Chen** Gender M

Education and Experience

- School of Law, Soochow University
- Master's degree, Institute of Mainland China Studies, National Sun Yat-sen University
- Managing Partner, Chih-Ming Attorneys-at-Law

The shareholders' meeting is the highest decision-making authority of Sunonwealth and the Board of Directors is the governing body responsible for implementing the decisions. The Company has 9 Directors (including 3 Independent Directors), of whom 6 are male (67% of all Directors) and 3 are female (33% of all Directors). 2 Directors are under 50 years old (inclusive) (22% of all Directors) and 7 Directors are over 50 years old (78% of all Directors). The members of the Board of Directors are elected in accordance with the "Rules Governing the Election of Directors". The Company convenes meetings of the Board of Directors at least once every quarter and established the "Regulation and Procedure for Board of Directors Meetings" to improve the operating efficiency and performance of the Board of Directors. The Board of Directors is responsible for reviewing important matters of the Company and strengthening corporate governance and operation functions. Independent Directors attend meetings of the Board of Directors to supervise the performance of the Company and they audit the Company's operational and financial conditions on a regular and ad hoc basis. A total of 5 meetings of the Board of Directors were held in 2020 and the attendance rate was 100%.

Board members have professional backgrounds in management, sales, human resources, research and development, finance, and law. They are also skilled in business judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision making required for the execution of their duties. Sunonwealth established the "Corporate Governance Best Practice Principles", "Corporate Social Responsibility Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Ethical Corporate Management Operating Procedures and Code of Conduct", and "Code of Ethical Conduct" to ensure the ethical conduct of Directors and Independent Directors in the management of business operations and corporate governance.

## Remuneration and Audit Committees

<b>Number of members</b>	3
<b>Responsibilities</b>	<p><b>Purpose of the operations of the Audit Committee:</b></p> <ul style="list-style-type: none"> <li>I. Fair presentation of the financial reports of the Company.</li> <li>II. The hiring (and dismissal), independence, and performance of certificated public accountants.</li> <li>III. The effective implementation of the internal control system of the Company.</li> <li>IV. Compliance with relevant laws and regulations of the Company.</li> <li>V. Management of the existing or potential risks of the Company.</li> </ul> <p><b>Responsibilities of the Remuneration Committee:</b></p> <ul style="list-style-type: none"> <li>I. Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers.</li> <li>II. Regularly review and adjust directors' and managers' remuneration.</li> </ul>
<b>Statistics of attendance in meetings in 2020</b>	<p>In 2020, the Audit Committee held 5 meetings and the attendance rate was 100% (There were no attendances by proxy)</p> <p>In 2020, the Remuneration Committee held 3 meetings and the attendance rate was 100% (There were no attendances by proxy)</p>

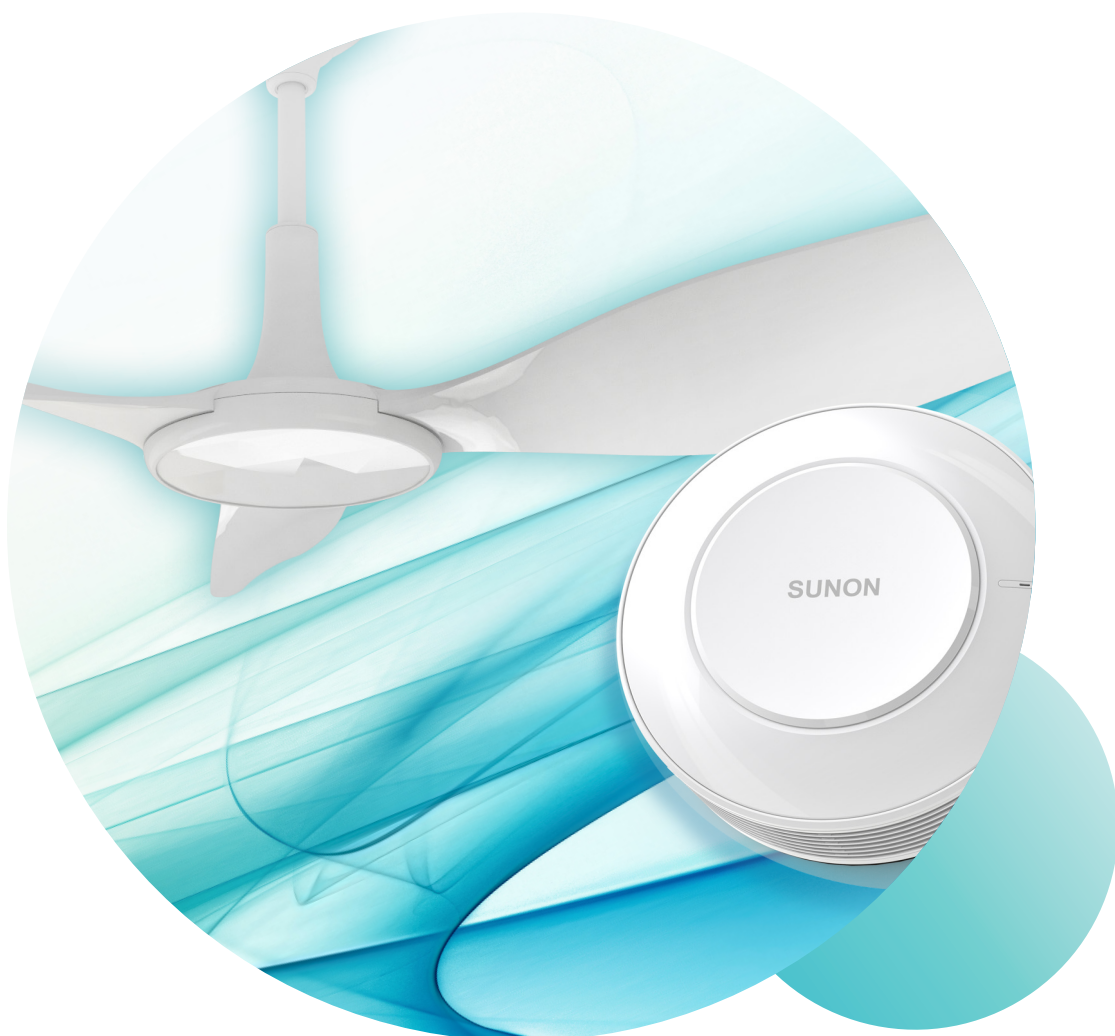
## Director's remuneration

Sunonwealth's Articles of Incorporation states that if the Company has profits in the year, it shall distribute no more than 5% of the profits of the current year as remuneration for Directors. However, a sum shall be set aside in advance to pay down any outstanding cumulative losses. The remuneration for Directors who also serve as managerial officers was processed legally.

for more information, please refer to Sunonwealth's 2020 Annual Report



## 2



## Innovative R&D and Sustainable Products



- 2-1 Products and Sales
- 2-2 Quality Management
- 2-3 R&D and Innovation
- 2-4 Patent System
- 2-5 Customer Services
- 2-6 Supply Chain Management
- 2-7 Product Energy Conservation and Environmental Performance

## 2-1 Products and Sales

### Primary Products and Purpose of Use

Sunonwealth's primary products include motors/fans, cooling modules, ventilator fans/fresh air exchangers, and ceiling fans which are widely adopted in different industries such as 5G devices, IOT, healthcare, home appliances, gaming, automotive, industrial applications, refrigeration equipment, monitoring services, portable products, and green building ventilation. Sunonwealth has focused on the development of core technologies of motors and has achieved growth by helping customers create next-generation dream products.

Sunonwealth's primary products and purpose of use are described in the table below:

<p><b>Fans</b></p> 	<p><b>Product description</b></p> <p>With the invention and innovations of core motor technologies and mini fans, the Company offers motor products for fans of all dimensions from the smallest 0.8cm fan to high-power motors that power 7-meter ceiling fans to create more energy-efficient quieter, and more durable motor/fan products.</p> <p><b>Description of use</b></p> <p>Products such as 5G equipment, IOT, servers, automotive electronics, refrigeration equipment, home appliances, industrial applications, healthcare, and portable devices.</p>
<p><b>Cooling modules</b></p> 	<p><b>Product description</b></p> <p>Sunonwealth is committed to providing customized total solutions for heat dissipation. We have accumulated 40 years of practical experience and innovative technologies in heat dissipation which effectively resolve cooling issues for products and accelerate new product development for customers.</p> <p><b>Description of use</b></p> <p>Laptop computers, PC, servers, industrial computers, automotive electronics, LED lights, projectors, and other product applications.</p>
<p><b>Fresh air exchanger</b></p> <p><b>Ventilation fans</b></p> 	<p><b>Product description</b></p> <p>The German design of the product is a perfect emblem of craftsmanship and minimalism that culminates in an efficient and artistic product. It creates a brand-new experience for good indoor air quality and aesthetics to make homes cleaner and more comfortable.</p> <p><b>Description of use</b></p> <p>It is used in residences, hotels, restaurants, commercial areas and offices, postpartum nursing centers, nursing homes, hospitals, and nurseries.</p>
<p><b>Ceiling fans</b></p> 	<p><b>Product description</b></p> <p>The product is powered by an efficient DC motor with an attractive and lightweight exterior. The fans incorporate aluminum and patented aircraft-grade blade designs that effectively reduce drag and eliminate noise to provide industrial-grade high airflow volume at low speed with high efficiency. Ventilation solution for large spaces with the lowest energy consumption.</p> <p><b>Description of use</b></p> <p>It is used in residences, factories, restaurants, exhibitions centers, sports centers, schools, and farms.</p>

## New products launched in 2020

### Flow2 One-AHR Ventilation Fan (next generation) intake type



With a minimalist design, the product weighs less and has fewer restrictions on installation. They may be installed on walls, ceilings, and windows and they can also be completely integrated into home decoration. The product uses micro positive pressure to draw in outside air which is filtered through three layers of filters to direct only pure oxygenated air into indoor spaces. With an energy-efficient design, the electric bill amounts to only NT\$2 even if the fan is activated 24 hours a day. It helps you breathe fresh air at all times in your home.

### Quiet ventilation fan (direct ventilation)



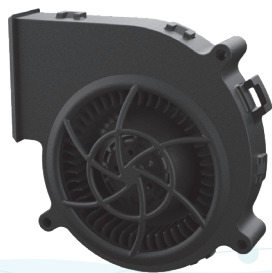
The fan's electricity consumption is reduced by 90% (NT\$2 in electric bill for 24-hour operations in 1 month) and the airflow volume is increased by 20%. It also prevents dirty air and odors from entering indoor areas. It is ultra-quiet and easy-to-install and provides people with safe, healthy, comfortable, and energy-efficient ventilation products to create a green home living environment.

### Modern HVLS home ceiling fan



The SUNON Modern HVLS fan uses its twisted airfoil design and the 31-degree tilted blades to create massive, smooth, and silent air movements at an extremely low speed. The 6-speed rotation offers extremely slow and quiet rotations with relaxing visual effects. The natural airflow is perfect for creating natural breeze in all spaces.

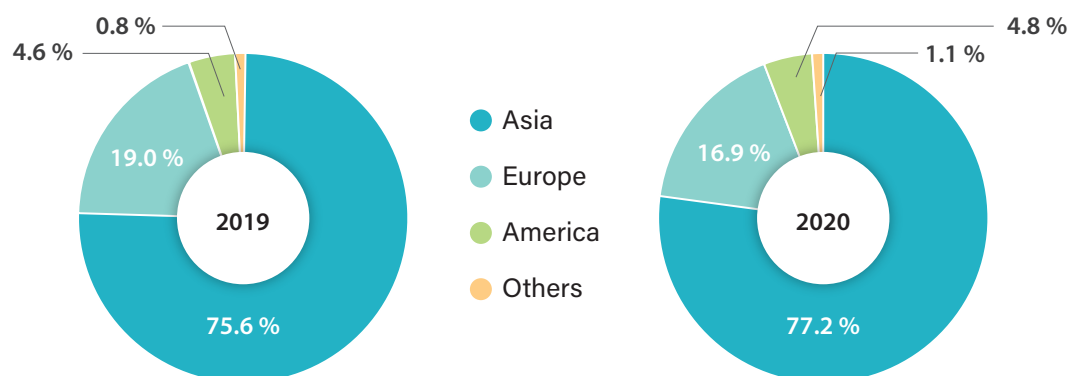
### AF automobile seat ventilation drum fan



By optimizing the air duct inside the fan, the noise is reduced by 2.0dBA under optimal air flow conditions, making the fan perfect for the automotive market which has extremely high requirements for audio quality. The AF100x100x25mm is already equipped with the AECQ100 (Automotive Electronics Council) and PWM speed control functional design and we also provide optional customized IP21/IP55 protective functions.



## Sales Regions of Primary Products



## 2019-2020 sales volume

Primary products	2019				2020			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
AC fans	419	49,862	4,295	646,905	316	39,676	5,967	780,184
DC fans	19,089	1,376,290	100,455	9,482,781	22,894	1,799,388	110,748	10,069,539
Sale of materials	-	1,489	-	102,588	-	776	-	91,718
Total	19,508	1,427,641	104,750	10,232,274	23,210	1,839,840	116,751	10,941,441

## 2-2 Quality Management

### Quality Policy

Sunonwealth is committed to implementing its quality policy and measures to provide customers with the best services and quality. We established the Quality Policy to continue to improve customer satisfaction and make SUNON a trusted brand for customers.

Advanced technology

High productivity

High quality

## Demonstrating the Quality Policy

After adequate examination and evaluation, we verify our ability to provide customers with the quality, delivery, comprehensive services, and hazardous material management in accordance with Sunonwealth's business philosophy and customer requirements for quality and hazardous material management to ensure customer satisfaction. We aim to improve the quality of all operations and hazardous substance management. We also utilize our high production and operation capacity to improve the quality of all types of fan products we produced and sold as well as our services, and ensure that they can be widely adopted for products from high-tech industries. We comply with relevant laws and regulations and customer requirements to effectively control the amount of hazardous substances in our products. We aim to create high-quality product free of hazardous substances and advance towards the goal of continuous improvement to create perfect products. We shall make the "SUNON" brand synonymous with high quality and the best services.

Quality management system target values and actual performance values 2020-2021

Year	Annual Target (KPI)	Target Value	Actual Value
2020	① Increase internal audit performance	90 points	91 points from January to December
	② Annualized failure rate (AFR) (Mighty fan)	Annual target value 0PPM	2PPM from January to December
	③ Customer audit passage rate	100 %	100% from January to December
	④ Number of products rejected by customers due to excess hazardous substances	0 cases	0 cases from January to December
	⑤ Products rejection rate by customers due to excess hazardous substances	0 %	0% from January to December
2021	① Customer satisfaction indicator		
	1.1 Product quality satisfaction rate (points)	5 points	
	1.2 Service satisfaction (points)	6 points	
	② Discrepancies involving hazardous substances in the environment	0 cases	-
	③ Reduction in the number of customer complaints involving quality	50 %	
	④ Product first pass yield (%)	97.5 %	

## Quality Management System Certification

Sunonwealth is committed to improving product quality. We introduced a quality management system in 1995 and passed ISO 9001 certification in 1996 to comply with international regulations and customer requirements. We introduced the TS/IATF 16949 management system in 2005 to gain entry into the automotive market and meet international regulations. In response to the needs based on the nature of the production lines, Kunshan Factory and Foshan Factory passed TS/IATF 16949 certification in 2006. We appoint third-party certification institutes to conduct reviews each year to maintain the effectiveness of the certification.

We planned Sunonwealth's quality management system in accordance with international standards such as IATF 16949 (including ISO 9001) and IECQ QC 080000. With quality management and quality assurance activities, we ensure product compliance with customer needs and regulations. We demonstrate our ability to continuously meet customer and regulatory requirements as well as product safety requirements. We use effective quality management system operations (including customer-oriented operations, continuous improvement of each process, and risk management) to reduce management system risks, ensure customer satisfaction, and meet product safety requirements, and satisfy the expectations of stakeholder groups.



Sunonwealth's quality management system was established in accordance with IATF 16949 (including ISO 9001) and IECQ QC 080000 international standards:

1 Meet customer requirements and exceed customer expectations

5 Maintain high performance, respond to changes in the internal and external environment, and create new opportunities

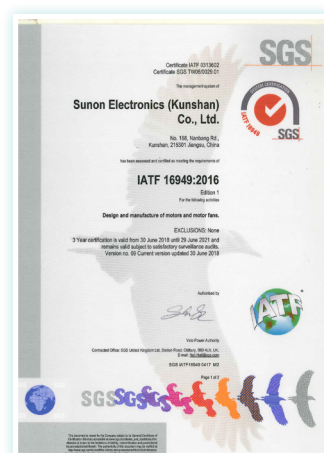
2 The management establishes consistent purposes, strategies, and methods of participation to create an environment for employees to improve quality

6 Make decisions with greater objectivity and confidence based on analyses of data and information

3 All employees are competent and authorized to enhance their value creation

7 Optimize the relationship management between suppliers and customers to achieve sustainable and successful development

4 Optimize organizational performance with process management



## Hazardous Substance Management

Sunonwealth has always paid close attention to international environmental protection development and closely monitors international environmental protection laws and requirements for chemical substance management in products (e.g., EU RoHS, EU REACH, and California Proposition 65). We pay close attention to the hazardous substances that have a significant impact on the environment and implement identification and controls to ensure that our products comply with international environmental regulations and meet customer requirements for green products. The hazardous substance management measures help us achieve the goal of zero hazardous substance in our products.

Sunonwealth introduced IECQ QC 080000 in 2007 and IECQ QC 080000 certification in 2008. We continue to implement IECQ QC 080000 regulations and we conduct regular certification to maintain the effectiveness of the certificates.



## 2-3 R&D and Innovation

Sunonwealth upholds the concept of environmentally caring to support its green research and development ideals. With exceptional R&D capabilities, we have developed products with low power consumption, long life, and low noise, and streamlined products with environmentally friendly designs. We continue to launch high-performance and environmentally friendly green products.

### R&D Philosophy and Strategy

R&D and innovation are the strong forces that power companies' sustainable development. Sunonwealth has always upheld the business philosophy for the brand, innovation, and values. We have worked hard to become a leading global company for producing precision motors, micro fans, and cooling modules. According to the latest "Comprehensive Precision Small Motor Market Survey" published by the Fuji Keizai, Sunonwealth ranks among the top three leading brands of all surveyed companies across the world in terms of shipment and market share. The Company has maintained its leading position in the world in 2020. We allocated at least 6% of revenue to R&D expenditures each year from 2018 to 2020. We actively invest vast quantities of manpower, financial resources, and time for innovation and inventions. We continue to invent smart micro motors and develop high-tech talents which will ensure the sustainable development of the Company and help Sunonwealth establish competitive advantages in R&D and Innovation.

For more information on Sunonwealth's R&D achievements, please refer to

<http://www.sunon.com/tw/pro.php>

#### EC energy-saving fans



The high-performance energy-saving EC fan is equipped with DC motor and rotation speed control functions which can be directly used with A/C power supply. The EC high-efficiency motor reduces electricity consumption by 80% compared to regular AC motors. It also offers IP21, IP55, and IP68, and ATEX anti-explosion protection to ensure the durability and safety of the product.

#### Mig



The Company launched the Mighty Mini Fan heat dissipation technology for the mass production of micro fan cooling products with dimensions under 3cm. We provide the world's smallest (8mm) and slimmest (3mm) innovative design with the lowest power consumption. The technology has matured and passed rigorous reliability tests. We also offer flexible customization and designs to successfully resolve heat dissipation issues for micro devices of customers across the world. We have become the optimal heat dissipation design consultant for customers' development of next-generation micro electronics products.

### IP68 Dust-proof and waterproof fans



The Company's innovative "Dust-proof and Waterproof IP 68 Fan Series" is equipped with patented motor protection technology that covers the entire motor and effectively protects it from dust and water. It facilitates durable and stable operations of the fan in harsh environments such as deserts, polar regions, mountains, and coastal areas, and provides high performance heat dissipation. The product fully demonstrates the Company's leading competitive advantage in the industry.

### 400W high-wattage LED lighting cooling solutions



The Company adopted active cooling design for the DR MagLev magnetic motor fan, which offers more than four times the effectiveness of passive cooling designs. The active heat dissipation module can be equipped with a special air duct to direct the airflow for dissipating the heat of the LED power source, which extends the overall useful life of the LED lamp. As the heat dissipation efficiency increases, the volume and weight of the 400W high-wattage LED lighting can be reduced by an astounding 90%. We also offer customized IP68 designs to satisfy dust-proof and waterproof requirements for outdoor lighting.

### Energy-saving quiet high airflow volume ventilation fans



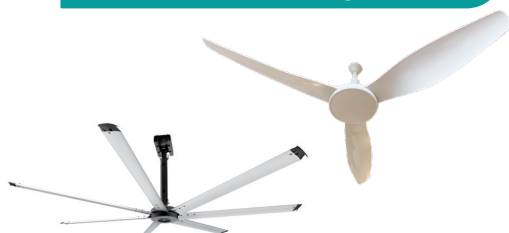
Sunonwealth has developed DC ventilation fans with greater energy efficiency, lower noise, and waterproof functions for the ventilation of buildings. The product has a clean and attractive side-suction design with high-grade safety and fireproof plastic materials. It also passed dust-proof and waterproof certification. We provide safe, healthy, comfortable, and energy-saving ventilation products which prevent the backflow of exhaust, block odors, vent humid air, and purify the air to maintain a clean and comfortable home environment.

### High-efficiency oxygen and purification Flow2 One-AHR ventilation fan



The Company uses DC energy-saving motor technologies to reduce operating noise and minimize energy consumption. The two built-in fans direct airflow and exchange air with greater speed and the product uses the circulation of fresh air to continuously discharge dirty air, enhance air purification for indoor areas. Users can also use smart remote detection to monitor indoor air quality, adjust the airflow volume based on requirements, and maintain good air quality at home.

### Ultra-energy-saving high airflow volume ventilation industrial ceiling fans



The Company developed a light, slim, small, ultra-quiet, and low-speed motor and incorporated aircraft-grade aluminum and patented blade designs that effectively reduce drag and eliminate noise. It offers high airflow volume, ultra-energy-efficient, and value to satisfy ventilation requirements for large spaces with lower energy consumption.

## Short, Medium, and Long-Term Development Plans

### • Short-term plans

#### R&D Program (Project) Content

- |   |   |
|---|---|
| 1 Low-noise and low-vibration DC fan product development                                | 12 Home environment and commercial ceiling fan/ceiling fan motor development              |
| 2 Durable and energy-efficient fan and module product development                       | 13 Industrial/commercial ceiling fan product development                                  |
| 3 High-performance large-scale DC fan product development                               | 14 High-performance cold-water cold panel module design and development                   |
| 4 Energy-efficient environmentally friendly DC fan product development                  | 15 Smart online air quality Flow2 One-AHR Ventilation Fan product development             |
| 5 Industrial/commercial high-performance smart control EC motor fan product development | 16 Micro high-load axial fan film system development                                      |
| 6 High-grade IP protection/salt spray resistance fan motor development                  | 17 Smart control module development   |
| 7 High-performance DC automotive brushless motor development                            | 18 IoT module and motor applications and research   |
| 8 IoT high-performance heat dissipation module development                              | 19 Industry 4.0 light-weight motor development  |
| 9 Vehicle-mounted heat dissipation module development                                   | 20 Automotive communication protocols circuit design and development                      |
| 10 5G communications equipment system heat dissipation modules                          | 21 Low-noise and high-heat dissipation thin fan module product development                |
| 11 Air quality sensors and fan products for air quality management                      | 22 Cost-efficient thin heat dissipation module development                                |
|   | 23 Environmentally-friendly low-resistance heat dissipation module technology development |

### • Medium and long-term plans

#### R&D Program (Project) Content

- |   |  |
|---|--|
| 1 Continuous R&D for high-performance heat-dissipation module solutions | 8 Research in programmable control for smart motor fans                |
| 2 Continuous R&D for high-reliability component and technologies        | 9 Development of overall control modules for one-to-multiple equipment |
| 3 Continuous R&D for slim, lightweight, precision, and durable products | 10 Smart remote-control module development                             |
| 4 Nano heat dissipation technology development                          | 11 IoT control system development                                      |
| 5 R&D for Green energy technologies and products                        | 12 High-weather resistance and high-reliability ventilation equipment  |
| 6 Continuous development of heat-resistant cooling materials            | 13 High-performance quiet water pump product development               |
| 7 Heat dissipation modules for communication and transmission           |  |

## 2-4 Patent System

We encourage employees to engage in R&D and innovation to increase Sunonwealth's R&D and innovation capacity for products, technologies, processes, or equipment. The Company has thus accumulated abundant intellectual property rights and continues to expand R&D and innovation capabilities.

Employees can use the internal "Patent Proposal and Application System" to file patent application requests. After a proposal is passed, the employee shall be granted rewards and incentives in accordance with the "Employee Invention and Reward Regulations". The Company also commends the top three employees in innovative R&D patent applications in the year-end talks before Chinese New Year each year to encourage employees to create valuable assets with their professional R&D and innovation capabilities.

In addition, the Company convenes the "Company Patent Technology Seminar" each year to help engineers and project managers understand the scope and applications of the Company's patents. We also organize the "Competitor Invention Patent Technology Analysis Seminars" to help employees learn about current technology trends and development by analyzing the technical preparation of competitors and inspire employees' R&D and innovation.

As of 2020, Sunonwealth has accumulated 1,723 patents and ranked 70th in the "Top 100 Domestic Institutions in Invention Patent Applications". According to the statistics of the Intellectual Property Office, the Company has ranked among the Top 100 Domestic Institutions in Total Number of Patent Certificates from 2018 to 2020. It is evident that Sunonwealth pays close attention to patent rights and has high expectations for R&D and innovation.

### Patent Output

Category	2018	2019	2020
Invention patents obtained (cumulative)	1,485	1,611	1,723
Rank in the "Top 100 Domestic Institutions in Invention Patent Applications"	59	37	70

## 2-5 Customer Services

### Customer Relations Management

1

The Company has established a customer service unit to provide customers with comprehensive and professional services. The Company can respond to customer inquiries on any product with the professional team.

3

We provide professional heat flow simulation services to shorten customers' development schedule and increase system operation efficiency.

2

The Company convenes routine/ad hoc product seminars or technology seminars to help customers and distributors quickly gain product information and increase customers' knowledge of the products.

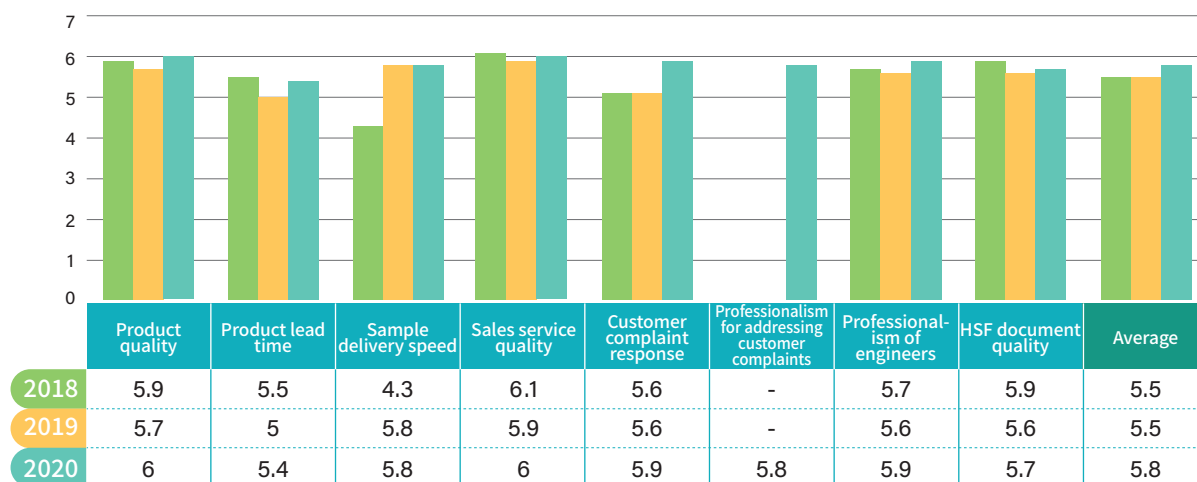
4

The Company established the field application engineer (FAE) system for individual customers. The customer can immediately provide design and technical assistance for emergency development or issues in applications.

## Customer and Distributor Satisfaction

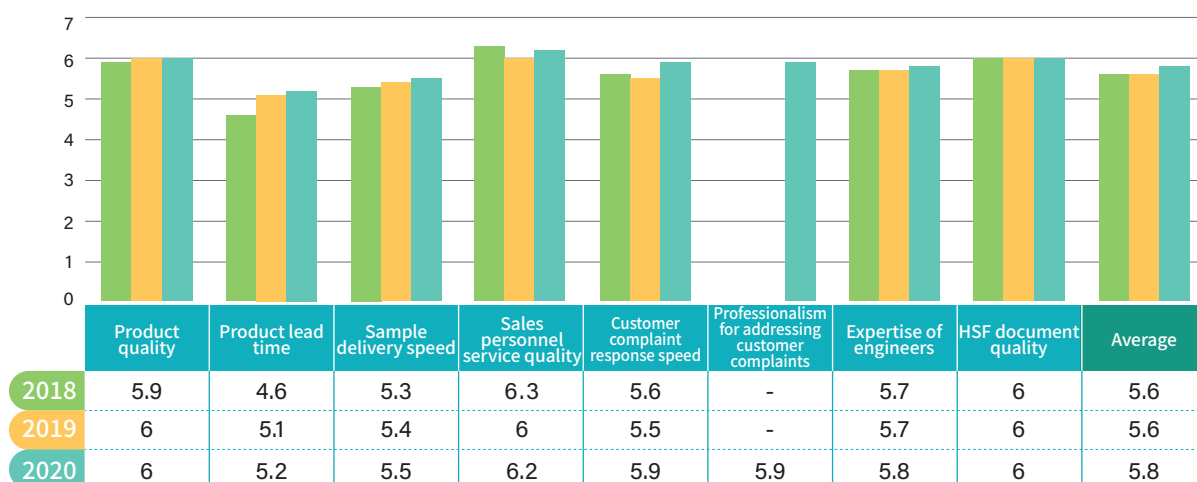
We conduct an annual customer satisfaction survey to obtain information on customers' satisfaction with Sunonwealth's products and services, understand customer needs, and resolve product complaints. We classify customers into direct customers and distributors based on their attributes, and rate them based on the five major criteria including "quality", "delivery", "service", "technology", and "environment". We present the results with data to review and improve results with the responsible units. We shall continue to provide better products and services to our customers and distributors in the future. We have defined the satisfaction indicators based on the different requirements and characteristics of customized products of the customers and standardized products of distributors. The results of the 2020 customer and distributor satisfaction survey showed the recognition and support of customers and distributors for the Company's efforts in product quality and services. Sunonwealth customer and distributor satisfaction (out of 7 points) from 2018 to 2020 is detailed in the figure below:

### Customer Satisfaction



Note: All customer satisfaction indicators in 2020 were above the target value of 4.9 points which showed customers' satisfaction with Sunonwealth's services.

### Distributor Satisfaction



Note: All distributor satisfaction indicators in 2020 were above the target value of 4.9 points which showed distributors' satisfaction with Sunonwealth's services. (Starting from 2020, the Company added professionalism for addressing customer complaints)



## Customer Privacy

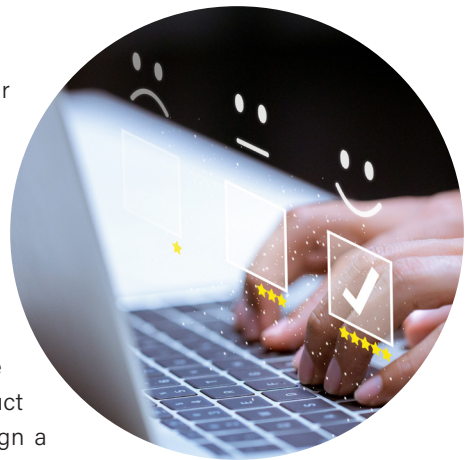
Sunonwealth has always paid close attention to innovation and R&D and retains a healthy awareness of intellectual property rights and patents. We pay even more attention to the protection of customer privacy. In addition to signing confidentiality agreements for any development project with customers, we also use the information security system to process important documents used in the partnership to prevent irregular dissemination or leaks of information and protect customer privacy.

We use the detailed designs and applications of the Information security system to call attention to the confidentiality of data/information and the purpose for cutting of connections in use to ensure data/information security and meet customers' expectations for privacy. For the dissemination of information on products jointly developed by the Company and customers, we also respect customers' wishes and obtain their approval before organizing product seminars or technical exchanges to show our compliance to the duties of protecting customer privacy.



## Addressing Customer Complaints

Sunonwealth pays close attention to product quality and customer services and we have always managed and improved quality and services based on high standards. Where a customer is dissatisfied or has recommendations, the customer can respond or file a complaint in the customer section on the Company's website and the Company shall assign dedicated personnel to help resolve issues. If a customer is dissatisfied, the Company shall immediately process the incident and implement adequate after-sales services to mitigate customer complaints or dissatisfaction and maintain the partnership between the parties. If a customer states that the product specifications do not meet requirements, the Company shall assign a dedicated internal unit to analyze, review, and verify the specifications and system compatibility issues to mitigate concerns and inconveniences in vehicle or personal safety applications. We also assign professional third-party laboratories to conduct comprehensive examinations of products to help screen products with potential irregularities. We seek to protect end consumers' right to use and implement the customer service motto of "zero failure rate".



## 2-6 Supply Chain Management

Sunonwealth has created long-term partnerships of trust with suppliers and protects the partnerships with qualified suppliers. We do not terminate partnerships without justifiable cause and we seek to learn and grow with suppliers based on mutual trust, shared risks, and shared knowledge and information. Sunonwealth's procurement policy is based on creating profits for the Company while promoting local economic and social development. We support the development of local suppliers, particularly companies that meet the environmental protection standards of advanced countries such as the United States and the EU. We provide them with prioritized opportunities for cooperation which help support local economic development and reduces transportation costs. We thus play a crucial role in the supply chain of the industry and sustainable development.

### Green Procurement Policy

Sunonwealth selects environmentally friendly green materials starting from the product R&D stage. We established the environmental substance control procedures and a comprehensive hazardous substance management system which we request suppliers to follow. We implement these regulations to ensure that the materials we purchased meet regulations for restricted substances in international environmental protection regulations and satisfy customer requirements for green products so that we can protect the earth.

- ① When purchasing raw materials, components, and auxiliary materials, we use the following methods to confirm the supplier's ability to provide green products:
  - ① To ensure the protection and respect for human rights, Sunonwealth requires suppliers to pledge and guarantee that their products meet Sunonwealth's requirements for hazardous substance management, provide test reports, quality assurance statements, safety data sheets (SDSs), and certification of materials from third-party certification units, and provide documents such as a declaration for no use of conflict minerals for confirmation and verification by Sunonwealth.
  - ② The raw materials, components, and auxiliary materials purchased must be tested once each year or whenever necessary to ensure the suitability of the raw materials and auxiliary materials.
  - ③ Suppliers are obligated to actively disclose information on substances of very high concern (SVHC) in products based on the EU REACH regulation. They should also reduce the use of SVHC or develop other alternative materials to reduce or stop the use of SVHC.
- ② If there is any change in the source of raw materials, the supplier must inform Sunonwealth in writing in advance and provide certification information of the materials, third-party test results, and the EU REACH SVHC survey form to Sunonwealth's quality assurance department for review and approval before the change can be implemented.
- ③ Sunonwealth is committed to its duties for protecting the earth. As the top performer in the cooling fans and modules industry, the Company integrates the energy of its global R&D team and uses energy-efficient motors to initiate the "quiet revolution", "energy conservation revolution", "performance revolution", and "miniature revolution" with the aim of bringing quiet, comfortable, and smart green innovative technologies for producing products. All sources of materials meet RoHS international standards and regulations to fully implement environmental protection and green procurement ideals.



## Supplier Quality Management

Sunonwealth's procurement standards are based on the good relations between the buyer and the seller. We ensure that raw materials, components, and materials outsourced for processing are purchased at reasonable prices and reduce the potential safety and health hazards or risks in products or services. We also ensure that they are delivered on time based on the right quality, and quantity for production requirements to ensure timely delivery. We protect the safety and health of our personnel, and ensure that they meet the safety and health regulations of the products/services purchased.

Sunonwealth has established comprehensive supply chain management regulations and measures including

new supplier evaluations, supplier management, and supplier audits and counseling to provide customers with products and services of value. We use supplier evaluation mechanisms to select companies whose quality and technical requirements meet Sunonwealth's requirements. Where a supplier is dissatisfied or has recommendations, the supplier can respond or file a complaint in the supplier section on the Company's website and the Company shall assign dedicated personnel to help resolve issues. Sunonwealth shall continue to work with suppliers to jointly construct a satisfying and stable supply chain, achieve corporate sustainable development and growth, and create sustainable supply chain partnerships that benefit all parties.

### Qualified supplier evaluation mechanisms



1

We select suppliers that meet ISO system requirements and implement the quality system audit (QSA) and supplier risk control self-assessment (RCSA) for substances that impact the environment.



3

The Company requires service providers, particularly waste management and transportation companies or companies engaging in construction in factories, to comply with environmental protection, safety, and health regulations and requires compliance with related operating regulations for worker safety.



2

We require the suppliers of raw materials and components to fulfill their duties for environmental protection by minimizing pollution in materials and production processes.



4

Qualified suppliers must first sign contractual documents such as the Integrity Statement, Quality Statement, and Procurement Agreement before transactions.

## Supplier Audit and Counseling

- 1 To increase the overall competitiveness of the supply chain, the Company implements continuous evaluations of suppliers each month which include the quality, lead time, services, and technical know-how of suppliers for evaluation and joint scoring by relevant departments. The scoring results are given A, B, C, and D ratings.
- 2 The results of the monthly supplier evaluation are included in the annual supplier evaluation. Suppliers with evaluation results of C and D will be provided with counseling. Where a supplier is rated D in quality in four out of six months after receiving counseling, the supplier shall be deemed as disqualified and the Company shall immediately obtain supplies from other qualified suppliers.
- 3 A total of 391 companies were included in the evaluations in 2020. The Company implements continuous evaluations of suppliers each month which include the quality, lead time, services, and technical know-how of suppliers for evaluation and joint scoring by relevant departments to increase the overall competitiveness of the supply chain. According to the results of the supplier evaluations from 2018 to 2020, there were no disqualified suppliers. The results of supplier evaluations in past years are provided in the table below:

Year	2018	2019	2020
Number of suppliers evaluated	344	337	391
Number of disqualified suppliers	0	0	0

## Green Supply Chain Management

- 1 Sunonwealth uses the hazardous substance process management system IECQ QC 080000 to establish a hazardous substance management system. We have implemented a green product management system that connects the main processes of procurement, R&D, manufacturing, and customer requirements with the goal of meeting international regulations and customer requirements. Sunonwealth monitors international environmental regulations and restricted substances with significant impact on the environment such as EU RoHS, EU REACH, and international regulations. We pay close attention to international environmental protection development trends and strictly control restricted substances.

Sunonwealth has set up X-ray fluorescence (XRF) equipment for detecting hazardous substances. It is used to detect the presence of hazardous substances in the material intake, production, and shipping procedures. If one disqualified product is discovered, the entire batch shall be returned for full re-inspection to ensure 100% compliance with the EU's RoHS requirements.

Number of inspections for hazardous substances by the XRF from 2018 to 2020

Year	2018	2019	2020
Number of inspections	176,453	178,268	336,539
Number of qualifications	176,453	178,268	336,539
Inspection passage rate (%)	100	100	100

## 2 Requirements for conflict minerals

As a world citizen, Sunonwealth supports human rights and we have declared and committed to refrain from the use of metal sourced from conflict mines. We also require suppliers to follow Sunonwealth's policy for not using conflict minerals. Sunonwealth does not purchase minerals directly from mines, smelters or refineries. To ensure that the tin (Sn), tantalum (Ta), tungsten (W), gold (Au), and cobalt (Co) provided by suppliers are not sourced from conflict areas, Sunonwealth has adopted the following measures:

- ① New suppliers are required to agree to Sunonwealth's policy for not using conflict minerals and sign the Quality Statement.
- ② When providing new materials that contain specific materials (tantalum, tin, gold, tungsten, and cobalt) for certification, the supplier must provide a statement on no-use of conflict minerals and the latest version of the survey form. Sunonwealth shall review the production site of the minerals used in the raw materials and regularly review updates of the list of qualified refineries of the Responsible Minerals Initiative (RMI) to ensure that suppliers implement Sunonwealth's policy for not using conflict minerals.

Sunonwealth will also continue to monitor the supply chain and require suppliers to source materials from refineries certified by the RMI in order to support improvements in the society, environment, and human rights issues.

## Local Procurement

Sunonwealth is a reputable company with a long history of development in Taiwan. We purchase materials from local suppliers in Taiwan for factories in Taiwan and we also purchase materials from local suppliers in China to meet the production needs of our factories in China. The Company continues to uphold the spirit of localization by supporting local

procurement and increasing the ratio of local procurement. We also reduce the risks of relying on long-distance deliveries from foreign suppliers to meet customers' expectations for lead time and services. Sunonwealth purchased 100% of its raw materials from local sources for production from 2018 to 2020 to support the local procurement policy.

## Supply Chain Safety Management

All raw materials imported and products exported by Sunonwealth are transported by high-quality and legal logistics service providers to ensure transportation safety and management. The Group's three production factories in China have received Authorized Economic Operator (AEO) certification for high-quality enterprises. In addition to compliance with supply chain security management requirements, the Group also assumes supervisory responsibilities for risk management. Sunonwealth selects logistics and transportation partners based on an integrated logistics management system that ensures quality, efficiency, punctuality, and confidentiality. The Company requires partners to maintain the safety, quality, and timely delivery of products, ensure that transportation vehicles are in good conditions, watertight, clean, free of oil and chemical contamination and other irritating odor residues, and free of damage or contamination of products. In order to maintain environmental sustainability, we also require vehicles to reduce fuel consumption and carbon emissions to reduce air pollution.

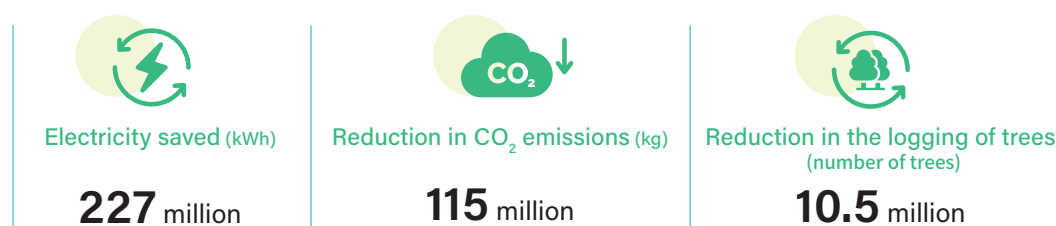
Sunonwealth's logistics partners did not cause significant impact or influence on the environment or society in 2020. In the event that a supplier commits a violation of laws or regulations or leaks confidential business information, the Company shall, based on the impact of the incident on Sunonwealth, require the supplier to provide a detailed report on the incident and response measures or terminate the contract between the parties in order to fulfill Sunonwealth's mission for transportation risk control and safety management.



## 2-7 Product Energy Conservation and Environmental Performance

Sunonwealth has always been committed to product development. we believe that improved technologies can create more convenience for humans and reduce the impact on the environment. As a supporter of planet earth, we fulfill our environmental protection ideals for energy conservation and carbon emissions reduction and make contributions to support environmental protection and protection of the earth. We hope that the society and consumers can understand Sunonwealth's continuous contributions to environmental protection in addition to product R&D and energy conservation. The environmental protection performance of Sunonwealth products in terms of energy conservation and carbon emissions reduction in 2020 is explained in the table below:

### Energy conservation performance of Sunonwealth product development in 2020



Note: Calculated based on the latest (2019) electricity carbon emission coefficient of 0.509 announced by the Bureau of Energy, Ministry of Economic Affairs.

Note: According to the research data of the Environmental Quality Protection Foundation, a single tree absorbs approximately 0.03 kg of carbon dioxide per day and approximately 10.95 kg of carbon dioxide per year.

## 3

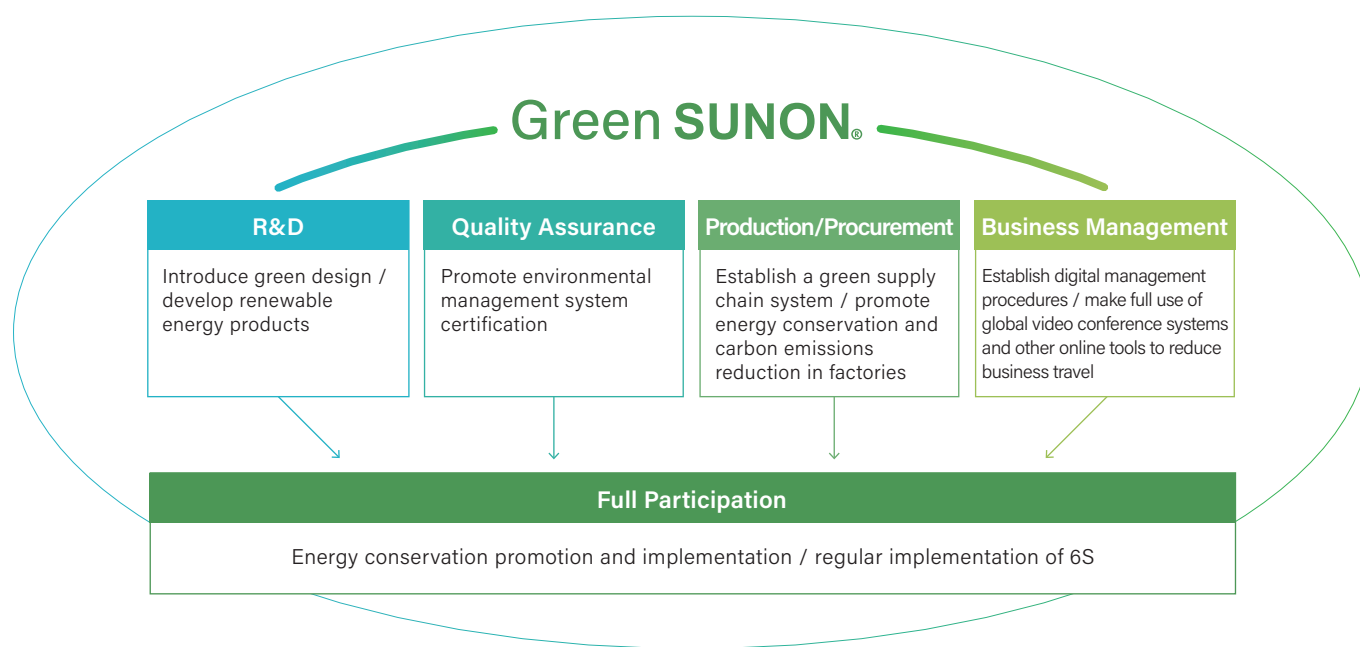


## Protect the Earth for a Sustainable Future



- 3-1 Energy and Resource Management
- 3-2 Water Resource Management
- 3-3 Air Pollution Prevention
- 3-4 Waste Management
- 3-5 Reduce Impact on the Environment
- 3-6 Environmental Protection
- 3-7 Compliance

**"Energy conservation, carbon emissions reduction, environmental protection, and loving the earth"** are the Company's goals for protecting the earth's environment. We formulate plans with the R&D, quality assurance, production, procurement, business, and management units and we encourage all employees to participate in the plans to achieve full implementation. Let's make the earth greener and healthier every year.



### Compliance with environmental assessment commitments

Sunonwealth is committed to creating a friendly environment and creating high-quality living conditions by giving back to local residents. We aim to create a high-quality shared environment of coexistence and care about the health of residents in nearby areas to fulfill our environmental protection and sustainable development goals. Sunonwealth's production sites comply with environmental assessment commitments by taking the following steps:

- 1 All business activities in plants must meet environmental protection regulations and specific requirements for environmental assessments. All discharges must meet environmental protection requirements and environmental assessment commitments.
- 2 The Company shall continue to perform energy conservation, emissions reduction, and pollution prevention tasks and fulfill our requirements in compliance with environmental protection laws and environmental assessment commitments.

### Ten declarations for supporting energy conservation and carbon emissions reduction

In response to increasingly severe global warming and climate change caused by greenhouse gases, the Environmental Protection Administration aims to encourage the public to support energy conservation and carbon emissions reduction in their lives by promoting the "Energy Conservation and Carbon Emissions Reduction Citizen Action Plan" for reference and implementation by the public. It also encouraged the public to support low-carbon life to reduce greenhouse gas emissions. As such, Sunonwealth also actively implements specific measures or launch campaigns for energy conservation (e.g., encourage employees to switch off lights when they are not used and installing motion detection lights), water conservation (e.g., installing sensor-activated faucets and water conservation devices, LED lights, and ventilation fans), controlling air-conditioning temperature, encouraging employees to take stairs, recycling resources, practicing green procurement, encouraging employees to eat more vegetables and take care of plants, and installing automatic hand dryers to reduce the use of paper towels. We encourage employees to take care of the earth's valuable resources and do their part to protect the planet.

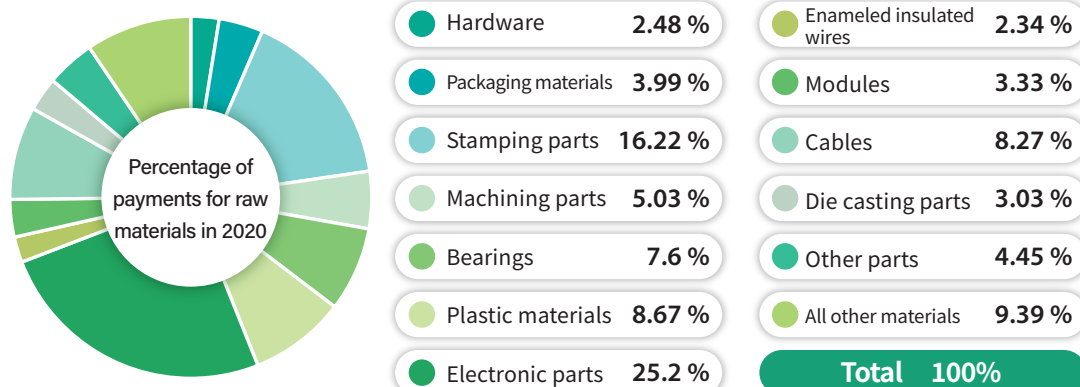


## 3-1 Energy and Resource Management

### Sources of Raw Materials and Energy

#### 1 Sources of raw materials

The main raw materials for Sunonwealth's production process include hardware, enamel insulated wires, packaging materials, cables, bearings, plastic materials, electronic parts, and parts produced in the stamping, die casting, and machining processes. Sunonwealth's current procurement method involves signing a procurement contract with a qualified supplier before exporting the materials to the factory for production and delivery to the customer.



#### 2 Sources of energy

Sunonwealth's production sites including the Kunshan Factory, Foshan Factory, and Beihai Factory in China rely on energy sources in the production process. The sources of energy are different due to the nature of production operations in each factory. The main energy we used mainly included electricity, diesel, gasoline, and coal gas. All production factories purchase electricity for 100% of their electricity consumption. In the event of a power outage due to emergency conditions, the factories activate backup generators to fill the gap in electricity supply. Sunonwealth's main sources of energy from 2018 to 2020 are listed in the table below:

Unit: (MJ)

Year	2018	2019	2020
<b>Electricity</b>	103,621,860	110,751,026	126,330,404
<b>Gasoline</b>	1,075	10,972	7,509
<b>Diesel</b>	418,261	220,862	408,132
<b>Coal gas</b>	11,157	170	2,324

Note: The aforementioned data disclosure is based on data from the Group's production sites.

## Energy Consumption and Management Strategy

The rising cost of energy has become uncontrollable and effective reduction and management of energy costs have become more important than ever before. We have implemented technical renovation for energy conservation of the main energy-consuming equipment in factories

(e.g., replacing regular motors in the molding machines to inverter motors which reduce energy consumption by up to 75%). We also introduced energy-efficient air compressors to reduce electricity consumption and implemented comprehensive energy-saving management measures.

## Greenhouse gas emissions

Sunonwealth's factories strive to comply with environmental assessment regulations and we are committed to reducing carbon emissions to protect the earth's environment. We voluntarily monitor and inventory total greenhouse gas

emissions on every year. The results of the inventory of greenhouse gas emissions from 2019 to 2020 are shown in the table below:

Item	2019				2020			
	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs
Scope 1 (T-CO <sub>2</sub> -e)	207.93	380.12	4.74	92.15	165.62	507.88	3.95	30.49
Scope 2 (T-CO <sub>2</sub> -e)	28,938.6	-	-	-	32,211.67	-	-	-
Total	29,146.53	380.12	4.74	92.15	32,377.29	507.88	3.95	30.49

Note 1: The gradual increase in production volume of factories and increase in electricity consumption of production processes (100% electricity purchased from external sources) has increased indirect GHG emissions and we plan to improve the process and replace energy-consuming equipment to reduce GHG emissions.

Note 2: The aforementioned data disclosure is based on data from the Group's production sites.

Note 3: Inventory has not yet been conducted for Scope 3 emissions.

## Energy Conservation Performance

### Save energy and protect the earth

We support the Earth Hour 60+ campaign launched by the World Wide Fund for Nature (WWF) in Sydney, Australia in 2007. More than 188 countries and over 100 million people have pledged to turn off lights across the world on Earth Day to increase the awareness of the public for climate change. The Society of Wilderness has worked with the World Wide Fund for Nature since 2010 and organized the "Earth Hour" event in Taiwan. Sunonwealth has always been dedicated to energy conservation and environmental protection. In addition to providing energy-efficient products, we also actively participate in "Earth Hour" and encourage all employees to take part in the event.

Sunonwealth also encourages employees to switch off lights in the office for one hour during lunch break, control air-conditioning settings to ensure energy efficiency, use LED lighting ventilation fans, and press buttons for just one elevator when using an elevator. We also remind employees to switch off lights, air-conditioning, and photocopiers and implement other energy-saving measures to reduce unnecessary electricity consumption and help protect the earth.



## 3-2 Water Resource Management

### Current State and Trends

All production factories of Sunonwealth use tap water for 100% of their water consumption to meet customer requirements. The process does not create industrial wastewater and the factories only produce domestic wastewater which does not cause negative impact in the form of water pollution. Factories appoint third-party certification companies to monitor the discharge of domestic wastewater from factories each year. As of today, the results of domestic wastewater inspections have met environmental protection emission requirements each year. In addition to continuous compliance with inspection standards, we will continue to accept the intensive supervision and management based on the regulations of local governments to fully implement all environmental protection requirements for water resources.

Total water consumption of Sunonwealth factories from 2018 to 2020

Unit: million liters

Year	2018	2019	2020
Headquarters	0.0059	0.0065	0.0056
Kunshan	129.13	126.07	135.61
Foshan	75.10	67.29	61.70
Beihai	42.59	47.79	75.80
Total	246.8259	241.1565	273.1156

### Water Conservation Improvement Performance

#### Water conservation

Sunonwealth installed sensor-activated faucets and water conservation devices to implement automatic control of water consumption and reduce unnecessary waste of water. We also promote the importance of water conservation by posting water conservation signs.









## 3-3 Air Pollution Prevention

### Air Pollution Management Strategy

To implement environmental protection ideals, Sunonwealth will continue to monitor the industrial waste gas and air pollutant emissions from factories and appoint third-party certification companies to monitor the industrial waste gas emissions from factories each year. As of today, the results of hazardous substance inspections for industrial waste gas emissions have met environmental protection emission requirements each year. In addition to continuous compliance with emission standards, we will continue to accept the intensive supervision and management based on the regulations of local governments to reduce air pollutant emissions.

### Air Pollutant Emissions and Prevention Strategies

Volatile organic compounds (VOCs) are the air pollutant emissions from production factories of Sunonwealth Group that have more significant impact on air pollution. The emission volume of VOCs from the factories in 2020 amounted to 42.9 tons. We have indirectly reduced the damage caused to the ozone layer by collecting VOCs through air collection ducts and using UV irradiation photodegradation equipment to process VOCs before releasing them in high altitude to reduce VOC emissions. We implemented the following preventive measures for sources of air pollution in the factories to continue to monitor air quality in factories and learn about the impact of the Company's operations on the environment:

Source of Air Pollution	Explanation of Preventive Measures
 <b>Production equipment</b>	The waste gas that contains plastic from the injection machine of the production lines and the copper/lead fumes from welding in the factory are extracted by the ventilators and the dust collection system for treatment before they are concentrated and emitted at a high altitude. We also appoint third-party verification company to conduct regular inspections.
 <b>Public facilities</b>	<ol style="list-style-type: none"> <li>1 We install flammable gas alarms to effectively monitor the gas leak and volatility in the chemical storage area and gas storage area. In the event of an anomaly, the server alerts the on-duty personnel to pay attention and notifies the responsible personnel in the factory to resolve the anomaly.</li> <li>2 We install smoke detectors and sprinklers which automatically detect fires and activate alarms or sprinkler functions to reduce the damage of high temperatures caused by fires.</li> </ol>
 <b>Employee cafeteria management</b>	We use electric cooking fume purification equipment to reduce cooking fume emissions in the employee cafeteria. We also appoint third-party verification company to conduct regular inspections.
 <b>Vehicle management</b>	<ol style="list-style-type: none"> <li>1 We prohibit drivers from leaving vehicle engines idling after they enter the factory to prevent exhaust gas emissions.</li> <li>2 Company vehicles must be periodically maintained and cleaned. Reduce inappropriate use of automotive coolant and reduce the damage to the ozone layer.</li> <li>3 Clean roads in factories regularly to reduce dust on roads.</li> </ol>

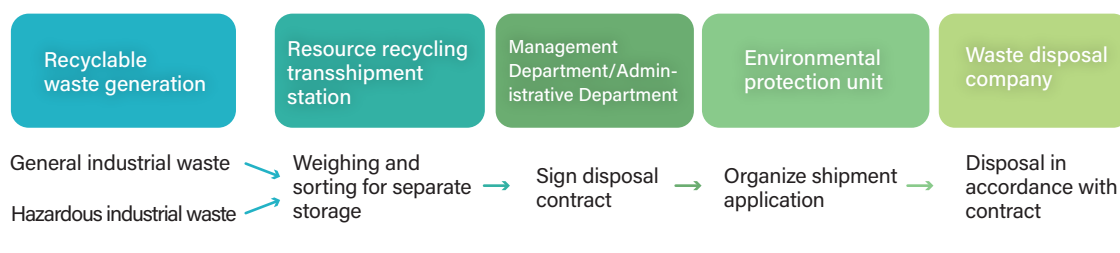
## 3-4 Waste Management

Sunonwealth divides waste into industrial waste and domestic waste based on the operational requirements of the production sites and the Headquarters. All hazardous industrial waste is recycled and stored in the factories before they are disposed by qualified waste disposal companies. No waste is transported to foreign countries. In addition, we also sign contracts with qualified waste disposal companies to effectively process domestic waste. We implement waste recycling, sorting, storage, and reuse within the factories to reduce the production of domestic waste.

### Waste Treatment and Recycling

#### 1 Operation Model and Process

Sunonwealth's industrial waste is processed by qualified waste disposal companies. We sign contracts with such companies through legal and reasonable channels use the recycling system we established to process the industrial waste more quickly and effectively. We also control the quantity of restricted industrial waste to ensure the legal disposal of industrial waste by the waste disposal companies. The operating procedures are as follows:



#### 2 Recycling of recyclable waste inside and outside of factories

Factory	Item	Recycling Operation Description
Beihai	Cardboard boxes, plastic spools, pallets	After materials are used, they are sorted, separated, and temporarily stored before they are sold to recyclers.
Kunshan	Cardboard boxes, vacuum trays, plastic frames	Disposal companies assign dedicated personnel to process recycling operations and use the recyclable packaging materials to reduce the output of recyclable waste.
Foshan	Paper, waste plastics, plastic boxes	The factory set up a dedicated recycling area, assigned dedicated personnel for management, and established a recycling management log
Headquarters	Paper/bottles/iron cans/aluminum cans	The recycling waste produced by all units are collected and placed at designated locations on each floor. Dedicated personnel remove them from each floor and place them in warehouse storage before notifying the waste disposal companies to remove them from the plant.

### Recycling Effectiveness

Sunonwealth processes all types of recyclable waste in accordance with laws each year and have achieved significant results. Local regulations and different process requirements of each plant require different waste disposal procedures. Hazardous industrial waste is carefully processed in accordance with laws. Other types of general domestic waste (e.g., as paper, plastic, wood, iron, tin, tin slag, iron cans, aluminum cans, and PET bottles) are also processed by local legal waste disposal companies.

## 3-5 Reduce Impact on the Environment

### Investment in Pollution Prevention

Sunonwealth continues to invest in measures to ensure safety and health, environmental protection equipment, and a green environment. We understand the importance of a green environment and we have planted green plants in the factories and Headquarters as well as assigned dedicated personnel to maintain the attractiveness and vibrancy of the green environment. The investments from 2018 to 2020 are listed in the table below:

Unit: NT\$1 Million

Year	2018	2019	2020
Investment in environmental protection and pollution prevention equipment (NT\$)	13	12	0.8
Investment in safety and health equipment (NT\$)	19.4	20.2	28.5

Note: The aforementioned data disclosure is based on data from the Group's production sites.

### Recycling and reusing packaging materials

The packaging materials used for products sold by Sunonwealth include cardboard boxes, vacuum trays, and plastic boxes. All items are sorted and stored in the recycling station in the factories before they are sold and reused. Materials with damaged packaging are classified as general industrial waste and they shall be recycled and disposed by the waste disposal company.

### Noise in Factories

Sunonwealth appoints a third-party certification company to inspect the noise levels at the boundaries of the factories and monitor the noise level inside the factories each year to comply with regulations and customer requirements. In addition to meeting all requirements in all noise inspection results from 2018 to 2020 and continuous compliance with inspection standards, we will continue to accept the intensive supervision and management based on the regulations of local governments to fulfill our environmental responsibilities.

## 3-6 Environmental Protection

"Energy conservation, carbon emissions reduction, environmental protection, and loving the earth" are Sunonwealth's goals for protecting the earth's environment. We formulate plans with the R&D, quality assurance, production, procurement, business, and management units and we encourage all employees to participate in the plans to protect the earth. To mitigate the negative impact of climate change on the earth's environment, we continue to promote energy conservation and carbon emissions reduction, reduction of greenhouse gas emissions, water conservation, and monitoring of waste and hazardous substances.

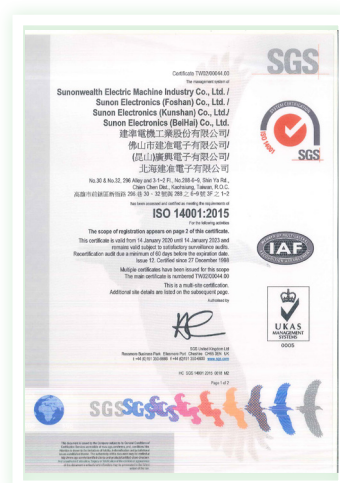
### Environmental Policy

Sunonwealth is committed to implementing its environmental policy and measures to care for the earth's environment and protect the natural ecology. We established and published the Environmental Policy and require employees to support environmental protection and fulfill their duties to protecting the environment.

Legal and regulatory compliance	We commit ourselves to compliance and adherence to domestic and international environmental protection regulations or directives or customer requirements.
Comprehensive company support	All members of the Company from the highest-ranking manager to entry-level employees must fully support the Environmental Policy.
Sort and recycle waste	Implement the sorting and recycling system to ensure appropriate disposal of industrial waste.
Effective resource utilization	We seek to implement energy conservation and effectively manage the use of energy and resources.
Communication by office and field personnel	We facilitate communication between employees and suppliers and neighbors on environmental issues.
Full implementation of policies	The Company must fully implement environmental policies and directives to meet requirements.
Support for occupational safety and health	Ensure environmental management operations and implementation and connect all occupational safety/health tasks.
Clean and maintain a comfortable environment	The Company cleans and maintains the work environment to ensure work quality.
Consistency in environmental protection	Maintain the policy and resolve for protecting the environment without exception.
Maintain consistent performance	Continue to maintain environmental management and improvement performance without interruption.

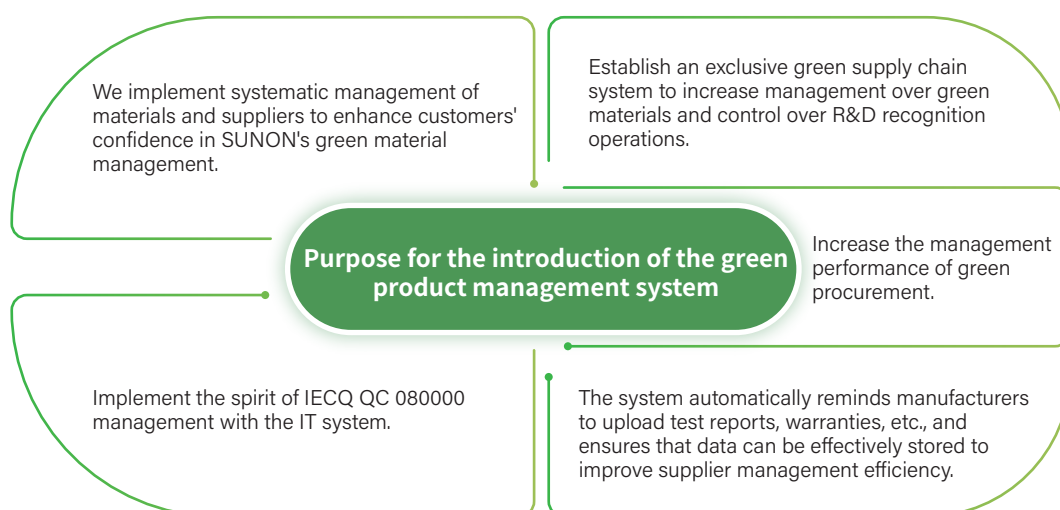
### Environmental Management System Certification

Sunonwealth introduced the Environmental Management System in 1997 and received ISO 14001 certification in 1998. We have appointed third-party certification institutes to conduct regular reviews and we have maintained the effectiveness of the certification. All recommendations and observations have been completed to ensure the smooth operations of the Environmental Management System.



## Green Product Management System

To ensure that products completely meet international environmental protection regulations and satisfy customer demand for green products, Sunonwealth established an exclusive green supply chain system for the Group and fully introduced green procurement procedures. We require the suppliers of materials from using or including substances banned or restricted by Sunonwealth and we require them to submit certification documents for non-use of hazardous substances.



## Product Safety Regulations Energy Efficiency Certification

Sunonwealth follows customers' safety requirements for products and appoints international standard certification institutions (e.g., UL in the United States and TÜV Rheinland in Germany) to test products for their electrical properties and safety. Our products met the safety standards set by international standard certification institutions or governments and received safety compliance certificates.

To meet the specific product safety requirements of Taiwan's Bureau of Standards, Metrology and Inspection (BSMI), all products have complied with BSMI-recognized safety requirements and obtained safety certifications. They ensure product safety and help Sunonwealth's products meet requirements and obtain energy efficiency certification in Taiwan. There were no incidents of non-compliance with product, service, or marketing regulations in 2020.



## Climate Change and Response Actions (TCFD)

The increasing severity of global disasters due to climate change has forced national governments to pass mandatory laws on each industry's climate-change related activities; these regulations have become major challenges for businesses. In response to climate change issues, Sunonwealth has identified potential climate change risks and opportunities and formulated corresponding action plans to mitigate the impact of climate change on the Company's operations and ensure the sustainable development of the Company.

Main Climate Change Risks		Potential Operational and Financial Impact	Sunonwealth Response Strategies
<b>Policy and regulatory risks</b>	<ul style="list-style-type: none"> <li>Total greenhouse gas emissions management</li> <li>Current regulations require major electricity users to use a certain percentage of renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Increase in operating costs</li> </ul>	<ul style="list-style-type: none"> <li>Set annual carbon emissions reduction targets and implement carbon management</li> <li>GHG inventory</li> <li>Review the renewable energy plan and develop measures for harnessing green energy</li> </ul>
<b>Market risks</b>	Changes in customer and market demand may increase environmental protection requirements for products and increase overall development and production costs	<ul style="list-style-type: none"> <li>Declining sales</li> <li>Increase in R&amp;D costs</li> <li>Increase in operating costs</li> </ul>	<ul style="list-style-type: none"> <li>Continue to invest in green product development to reduce the consumption of production resources and improve product performance</li> <li>Gradually establish a green supply chain by selecting raw materials with low impact on the environment starting from the source</li> </ul>
<b>Extreme weather risk</b>	Extreme weather causes power outages, power shortages, water shortages, flooding, and other disasters that affect the Company's normal operations and cause delays and interruptions in production	<ul style="list-style-type: none"> <li>Decrease in business performance</li> <li>Declining customer satisfaction</li> <li>Increase in operating costs</li> <li>Employee safety issues</li> </ul>	<ul style="list-style-type: none"> <li>Establish disaster response measures and implement advanced preparation</li> <li>Introduction of the business continuity plan (BCP)</li> <li>Strengthen employees' environmental safety training to reduce the occurrence of disasters</li> </ul>

Main Climate Change Opportunities		Challenges and Opportunities	Sunonwealth Response Strategies
<b>Changes in policies and regulations</b>	Government institutions provide incentives to encourage businesses to use renewable energy	The use of renewable energy reduces environmental impact and meets the expectations of the public	<ul style="list-style-type: none"> <li>Development of green energy projects</li> <li>Actively participate in green energy projects of the government</li> </ul>
<b>Market opportunities</b>	Customers and the market have high demands for low carbon and low energy consumption products, and green products have become mainstream	The Company must be the first to understand the changes in customer and market trends, and continue to innovate products to become the leader in the industry	<ul style="list-style-type: none"> <li>Continue to develop low carbon and low energy consumption products</li> </ul>
<b>Resource efficiency</b>	Due to the scarcity of resources caused by the impact of climate change, energy conservation and carbon emissions reduction have become a key strategy for businesses	Businesses actively improve the efficiency of resource use and reduce the impact on the environment	<ul style="list-style-type: none"> <li>Replace old and inefficient equipment with energy-efficient equipment</li> <li>Improve the manufacturing processes and ensure low-carbon production</li> <li>Set up energy conservation and carbon emissions reduction plans and regularly review the effectiveness of their implementation each year</li> </ul>

## 3-7 Compliance

### Regulation Identification

Sunonwealth is committed to complying with all regulations and regularly identifies related regulations and other requirements. Sunonwealth's units responsible for compliance regularly use the Internet to collect and inquire information on laws and regulations announced by the government so that factories can respond in advance and implement plans based on related amendments in the future.

Number of audits on Sunonwealth's compliance with environmental protection, safety, and health regulations from 2018 to 2020

Year	2018	2019	2020
Environmental protection compliance review (number of cases)	307	327	367
Occupational safety and health compliance review (number of cases)	266	281	307

### Regulatory compliance

Sunonwealth has always been committed to international environmental protection, safety and health, and socioeconomic regulations, government regulations, and customer requirements. We also enhanced the internal audit and maintenance management mechanisms to continue to strengthen improvements for discrepancies and comply with all audit items. There were no violations of environmental protection, safety and health, and socioeconomic regulations from 2018 to 2019 (0 cases). There was only one minor environmental protection penalty in 2020 (violation of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste; a major violation refers to a violation with a penalty amount greater than NT\$1 million). The Company immediately completed related improvement measures. We will continue to propose improvement measures for environmental protection, safety and health, and social and economic management to prevent the recurrence of related incidents.

Number of violations of environmental protection, safety and health, and socioeconomic regulations and penalties from 2018 to 2020 Unit: cases, NT\$

Violation Category \ Year	2018		2019		2020	
	Number of Cases	Amount	Number of Cases	Amount	Number of Cases	Amount
Environmental protection	0	0	0	0	1	270,000
Safety and health	0	0	0	0	0	0
Socioeconomic	0	0	0	0	0	0
Subtotal	0	0	0	0	1	270,000

### Responsible Business Alliance Code of Conduct

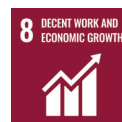
Sunonwealth's Kunshan Factory and Foshan Factory support and adopt the Responsible Business Alliance Code of Conduct (RBA CoC) of the Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition (EICC)). We complete verification with third-party certification companies and implement continuous improvement through corrective action audits. We also require all employees, suppliers, and other partners to follow relevant regulations and we expect all partners in the supply chain to comply with the ethical management principles. We comply with the requirements of local government and international regulations, and we are committed to compliance and the disclosure of our performance in labor rights, environmental protection, and health and safety standards. We seek to jointly fulfill our corporate citizenship responsibilities and create a business model that supports sustainable development.



## 4



## Care for Employees and Sustainable Workplace



- 4-1 Employee Care
- 4-2 Occupational Safety
- 4-3 COVID-19 Epidemic Prevention Measures and Actions



## 4-1 Employee Care

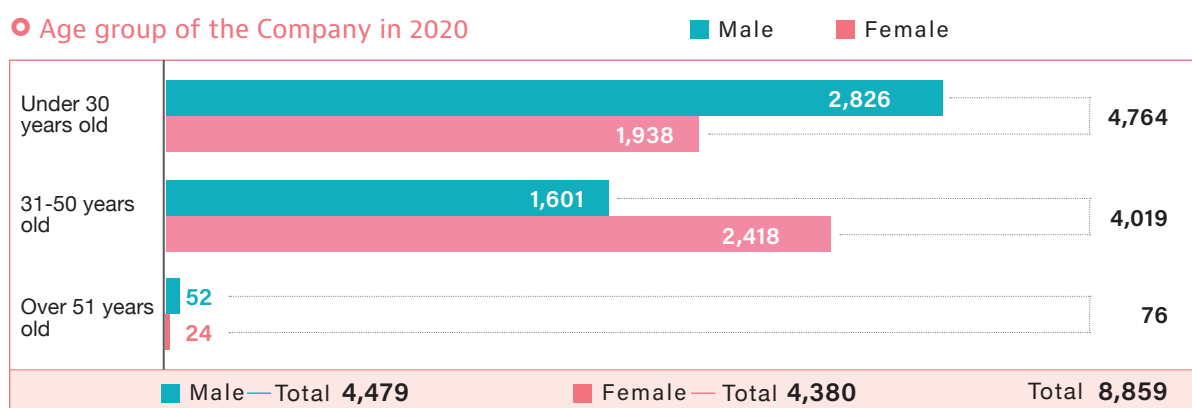
### Human Resources Management

#### Recruitment and hiring

##### 【1】 Overview of employees

As of the end of 2020, Sunonwealth had 8,859 regular employees, including 4,479 men and 4,380 women with an average age of 31 years for men and 33 years for women. All employees are local citizens from Taiwan and China. The Company did not hire child labor, indigenous peoples, or foreign workers. The age and job distribution of Sunonwealth's existing employees in 2020 are shown in the figure below:

##### Age group of the Company in 2020



##### Job titles of employees in 2020

	Male	Female	Total	Level and corresponding title	
				Level	Title
Entry level	3,648	3,838	7,486	Entry-level positions	Grade 3 (inclusive) or lower
Specialist	651	417	1,068	Specialist positions	Grade 4 (inclusive) or above and non-management
Management	180	125	305	Managerial positions	Grade 4 (inclusive) or above and management
Total	4,479	4,380	8,859		

##### Employee categories of the Company

Year		2018	2019	2020
Number of employees	Direct employees	5,601	5,826	6,499
	Indirect employees	2,358	2,255	2,360
	Total	7,959	8,081	8,859

Note: Other employees refer to contracted employees such as consultants

## 【II】Talent recruitment

Sunonwealth recruits new employees in accordance with laws and regulations. We recruit employees with a fair and open recruitment process that takes into account professional ability and unique characteristics and we have adopted employee selection mechanisms that are not affected by race, ideology, religion, party affiliation, nationality, gender, sexual orientation, or marital status. There have been no human rights violations or other cases of discrimination and we have provided fair and equal employment opportunities for all. In addition, Sunonwealth expressly prohibits the use of child labor and implements regulations to meet international human rights standards. Sunonwealth continues to recruit new employees each year despite global economic decline or poor performance of the overall economy. We seek to satisfy internal manpower requirements and support the employment and career development of local residents. According to the total number of current Sunonwealth employees as of the end 2020, the gender ratio of new employees recruited in 2020 was approximately 53:47.

### ○ Total number and percentage of new employees

Region	Taiwan				China			
Age	Male	Percentage of new recruits	Female	Percentage of new recruits	Male	Percentage of new recruits	Female	Percentage of new recruits
< 30 years old	55	9.58%	30	5.23%	1,353	16.33%	975	11.77%
31-50 years old	26	4.53%	20	3.48%	559	6.75%	728	8.79%
> 51 years old	1	0.17%	0	0.00%	3	0.04%	0	0.00%
Total	82	-	50	-	1,915	-	1,703	-

Note: Percentage of new employees (%) = number of new employees in the category in the current year / total number of employees at the end of the year.

### ○ Total turnover and percentage

Region	Taiwan				China			
Age	Male	Turnover percentage	Female	Turnover percentage	Male	Turnover percentage	Female	Turnover percentage
< 30 years old	27	4.70%	10	1.74%	2,156	26.02%	1,483	17.90%
31-50 years old	34	5.92%	22	3.83%	928	11.20%	1,161	14.01%
> 51 years old	5	0.87%	1	0.17%	21	0.25%	7	0.08%
Total	66	-	33	-	3,105	-	2,651	-

Note 1: 2 employees reached retirement age in 2020.

Note 2: As the lease of plant buildings used for the Foshan Factory cannot be renewed, the production was transferred to other plants and the turnover rate in China thus increased.

Note 3: Turnover rate (%) = number of turnover in the category in the current year / total number of employees at the end of the year.

## Remuneration Policy

Sunonwealth's remuneration for employees includes the basic salary (base salary, meal allowances, and transportation allowances), bonuses, and rewards. The basic salary is determined based on prevailing rates in the overall industry in Taiwan as well as the Company's financial and business performance. The distribution of bonuses and rewards are closely associated with business performance and earnings. The remuneration for employees of the same position and seniority is the same for both genders.

Sunonwealth determines the total remuneration for employees based on their individual professional functions, duties, performance, and attainment of business targets. We do not allow any difference based on gender, race, or party affiliation. The base salary of new employees must also meet the minimum wage requirements in the regulations of the local government. The salaries must be determined based on professional skills and the position and no gender-based differences are permitted. After an employee is hired and passes the probation period, the unit manager may adjust the salary based on the employee's work performance. The Company also determines the distribution of bonuses based on the performance management schedule, the professional skills of employees, and results of the performance evaluation.

- The average salary and percentage of Sunonwealth's female/male employees in 2020 are shown in the table below:

Factory	Headquarters		Kunshan		Foshan		Beihai	
	Male	Female	Male	Female	Male	Female	Male	Female
Remuneration and percentage by positions								
Managerial positions	0.76	1	0.94	1	1.06	1	0.96	1
Specialist positions	1.08	1	1.21	1	1.19	1	1.14	1
Entry-level positions	1.34	1	1.27	1	1.20	1	1.05	1

- The median salary and percentage of Sunonwealth's female/male employees in 2020 are shown in the table below:

Factory	Headquarters		Kunshan		Foshan		Beihai	
	Male	Female	Male	Female	Male	Female	Male	Female
Remuneration and percentage by positions								
Managerial positions	0.99	1	0.90	1	1.07	1	0.97	1
Specialist positions	1.15	1	1.23	1	1.19	1	1.34	1
Entry-level positions	1.28	1	1.19	1	1.16	1	1	1

- Average and median of 2020 salaries for full-time employees of the Headquarters not in a management position

Total salary of full-time employees not in a management position (NT\$1,000)		Number of full-time employees not in a management position	
2019	2020	2019	2020
445,369	477,281	485	488
Average salary of full-time employees not in a management position (NT\$1,000)		Median salary of full-time employees not in a management position (NT\$1,000)	
2019	2020	2019	2020
918	978	767	810

Note: The information is disclosed in accordance with the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" published by Taiwan Stock Exchange Corporation.

## Talent development and employee growth

Sunonwealth has established a series of multi-faceted talent development programs in response to business strategy and development requirements to actively develop internal talents who will support the growth and advancement of Sunonwealth.

Orientation	Professional competency training	Management competency training	Other training
<ul style="list-style-type: none"> <li>General knowledge courses</li> <li>Basic professional courses for different positions</li> </ul>	<ul style="list-style-type: none"> <li>Product R&amp;D</li> <li>Marketing</li> <li>Production</li> <li>Quality Management</li> <li>Computer information</li> <li>Finance and accounting</li> <li>Human resources</li> </ul>	<ul style="list-style-type: none"> <li>Senior management training</li> <li>Mid-level management training</li> <li>Entry-level management training</li> </ul>	<ul style="list-style-type: none"> <li>Internal instructor training</li> <li>Corporate culture</li> <li>Healthcare and insurance</li> <li>Policies and regulations</li> </ul>

After new employees report for duties, Sunonwealth organizes general knowledge courses for new employees based on the training program (e.g., company overview, human resource operations, occupational safety and health training, labor human rights protection, compliance with ethical standards, and computer system operations) and basic professional courses for different positions (e.g., R&D system operations, safety regulations, environmental protection regulations and materials, and quality/environment/safety and health management system). These two types of orientation courses help new employees adapt to their work environment quickly and meet the requirements and targets set by the Company. In terms of talent training, Sunonwealth reviews the work competencies required of each employee based on their duties and nature of business operations. We use Sunonwealth's internal training system to gradually expand training courses to improve the knowledge and skills necessary for employees' work.

Sunonwealth has arranged work studies and job rotations to develop management talents as well as training on management awareness and management methods and technique (including training courses on management approach, ideas, and skills) for managers of all levels. We hope the career development plans can motivate managers to continue learning and development, and effectively lead their teams to implement company strategies and plans, and achieve business targets.

Sunonwealth is committed to improving employees' work knowledge and skills. We arrange annual training programs based on the nature of business operations and work requirements of each employee. We continue to provide different types of training courses including self-organized training and training programs organized by external professional training institutions. Our internal training courses in 2020 consisted mainly of professional competency training. Our external training consisted mainly of courses for professional licenses. The average training hours per person amounted to 15.63 hours in 2020, including an average of 16.91 hours for male employees and 12.97 hours for female employees. The training expenditures in 2020 amounted to NT\$2,723,661.

2020	Male			Female			Number of hours	Number of trainees	Average training hours
	Number of hours	Number of trainees	Average training hours	Number of hours	Number of trainees	Average training hours			
Managers	981.81	78	12.59	354.5	22	16.11	1,336.31	100	13.36
General	3,444.27	181	19.03	1,275.84	102	12.51	4,720.11	283	16.68
Direct	20.5	4	5.13	17	3	5.67	37.5	7	5.36
Total	4,446.58	263	16.91	1,647.34	127	12.97	6,093.92	390	15.63

## Employee welfare

### Employee Welfare Committee

Sunonwealth Headquarters established the Employee Welfare Committee in 1987 to improve the welfare of employees and their dependents, increase employee motivation, and enhance labor relations. We also use labor unions in Kunshan and Foshan Factories to provide employees with more diversified welfare measures and maximize employee benefits. The specific benefits provided by the Headquarters and factories for employees are as follows:

<b>1 Employee cafeteria</b>  Factories provide employees with a diverse range of meal options	<b>2 Library</b>  The library provides employees with books, newspapers, and magazines	<b>3 Employee dormitory</b>  Factories provide employees with high-quality accommodations with all necessary functions and convenient transportation.
<b>4 Self-service laundry</b>  Factories provide employees with affordable self-service laundry services in employee dormitories	<b>5 Employee recreation center</b>  We set up yoga classrooms and fitness equipment to provide employees with equipment and venues for enhancing fitness	<b>6 Employee store</b>  We set up employee stores in factories to provide general products and we organize promotions from time to time
<b>7 Subsidies for club activities</b>  Factories provide items necessary for club activities as well as subsidies each year	<b>8 Annual employee travel subsidies</b>  The Headquarters allocates employee travel subsidies in accordance with the benefit budget	<b>9 Annual employee dinner party subsidies</b>  The Company provides dinner party subsidies for each unit to strengthen the bond between employees
<b>10 Marriage gifts</b>  Employees may apply for wedding monetary gifts when they get married	<b>11 Childbirth gift money</b>  Employees may apply for childbirth gift money when they give birth	<b>12 House purchase gifts</b>  Employees of factories may apply for subsidies when they purchase a house
<b>13 Bereavement subsidies</b>  The Company distributes bereavement subsidies for the death of employees, their spouse, or a lineal family member	<b>14 Consolation injury or illness</b>  The Company distributes consolation money for employees who suffer from injuries or illnesses	<b>15 Family day events</b>  The Headquarters organizes family day events each year to help employees and their dependents learn about the corporate culture
<b>16 Year-end dinner party</b>  The Company organizes year-end dinner parties to thank employees for their hard work throughout the year	<b>17 Gift money for important holidays and birthdays</b>  Gift money/gift certificates are distributed for important holidays and employees' birthdays	<b>18 Children's education scholarships</b>  The Headquarters set up rewards for outstanding academic performance of senior employees' children
<b>19 Contracted stores</b>  The Headquarters sign discount deals with contracted stores to provide employees with information on discounts	<b>20 Senior employee rewards</b>  The Headquarters distributes a gold medal for employees who have worked at the Company for ten years	<b>21 Group insurance/social security subsidies</b>  Guarantee employee workplace health and safety and provide suitable insurance claim options



## Friendly leave and attendance system

### 1

#### Headquarters

- According to laws, male or female employees may apply for leave for childbirth. Male employees may apply for 5 days of paid paternity leave and female employees may apply for 56 days of paid maternity leave.
- Sunonwealth respects and supports male or female employees' applications for unpaid parental leave, and encourages them to return to work after the parental leave. 5 employees applied for unpaid parental leave in 2020 (0 male and 5 female employees). The reinstatement rate after the end of the unpaid parental leave was 100% and the retention rate was 50%. The retention rate is not calculated separately for employees who have not yet worked for one year after their parental leave in 2020.
- To take care of employees' health, if an employee applies for occupational injury leave and the injury is verified as an occupational injury, the Company shall provide paid leave in accordance with laws to help employees recover and rest.

#### Parental leave statistics

Year	2018			2019			2020		
Gender	Male	Female	Total	Male	Female	Total	Male	Female	Total
Employees eligible for applying for unpaid parental leave	10	11	21	10	9	19	5	5	10
Employees who have actually applied for unpaid parental leave	1	5	6	0	6	6	0	5	5
Total number of employees reinstated after parental leave (a)	1	8	8	0	4	4	0	2	2
Total number of employees that should be reinstated after parental leave (b)	1	10	10	0	5	5	0	2	2
Reinstatement rate (%) =a÷b	100%	80%	80%	N/A	80%	80%	N/A	100%	100%
Total number of employees reinstated from parental leave in the previous year (c)	0	3	3	1	6	7	0	4	4
Number of employees who applied for reinstatement in the previous year and have worked for more than one year (d)	0	3	3	0	3	3	0	2	2
Reinstatement and retention rate after parental leave (%) =d÷c	N/A	100%	100%	0%	50%	43%	N/A	50%	50%

- Number of employees who applied for unpaid parental leave: <leave provided for male and female employees due to childbirth>
  - Number of employees eligible for application: Calculated based on the number of employees who had applied for maternity leave or paternity leave from 2018 to 2020
  - Actual number of applicants = number employees who have applied for unpaid parental leave in 2020 and are on unpaid parental leave
  - The number of employees is calculated based on the number of employees in Taipei Office, Kaohsiung Factory 1 and 2, Headquarters, and Factory 6.
  - Taiwan: The number of employees is calculated based on the number of local direct/indirect full-time employees (including Taiwanese managers, contracted, and dispatched employees)

## 2 Factories in China

- According to laws, male or female employees may apply for leave for childbirth. Male employees may apply for 15 days of paternity leave and female employees may apply for 98 days of basic maternity leave. The salary is paid for the childbirth leave.
- According to laws, the Work Injury Center determines the level of injury (level 1-10) of the employee. If the employee is covered by social insurance, he/she will receive a one-time disability benefit, a one-time medical subsidy for work-related injuries, and a one-time disability employment subsidy based on the results of the occupational injury determination. The Company provides at least 3 months of paid leave for recovery based on the conditions of the injury.



## Retirement plan

### 1 Headquarters

#### 1 Labor pension appropriation

The Headquarters appropriates pension each month in accordance with the Labor Standards Act of Taiwan. It also established the Employee Retirement Regulations and established the "Supervisory Committees of Workers' Retirement Reserve Fund" to supervise the appropriation of the pension. For employees who opt for the old pension system, the Company appropriates a pension reserve within 2% of the actual salary and deposits it into the dedicated account in the Central Trust of China. Pension is paid from this account and the Company provides supplementary payment for any shortfall when the pension is paid. For employees who opt for the new pension system, the Company sets aside 6% of the salary as pension. The parts contributed by employees are deposited in accordance with their wishes within the legal specified scope of 6%. Two employees applied for retirement in 2020 and the Company has appropriated pension in accordance with related regulations in the Labor Standards Act.

#### 2 Retirement pension application

Sunonwealth supports and respects employees' life plans for voluntary early retirement. Employees who have worked in the company for 15 years or more whose years of service plus age exceeds 60 may apply for the preferential retirement plan and collect pension based on their personal wishes.

### 2 Production factories

Production factories implement retirement regulations in accordance with the social security system of China. Employees who have paid 15 years of social security payments and reached the legal retirement age (60 years of age for men or 50 years of age for women) shall receive a monthly pension from the social security fund until their death. Retired personnel may continue to work and they will not be required to continue to pay social security premiums. Their pension will also remain unaffected. Ten employees applied for retirement in 2020 and the Company has appropriated pension in accordance with related social security regulations.



## 🍎 Food safety

Due to the large number of employees in Sunonwealth's production factories, they set up employee cafeterias within the factory for employees to take their meals in the factories. They hire high-quality vendors who specialize in preparing sanitary and delicious meals for employees. They offer a wide selection of tasty and affordable meals to meet the dietary habits of employees from different regions and satisfy the demand for a substantial number of meals during meal time. The Company also provides employees with meal allowances or meal subsidies to reduce the financial burden on employees and help them to enjoy healthy meals without worries.

We have set up a convenience store in each production site to meet the shopping needs of employees and avoid the hassles of commuting. They are open during the employees' break and meal time to provide all kinds of beverages, food, daily necessities, and stationery. Although they are small convenience stores, they are still able to provide employees with affordable and diversified shopping options so that employees have more time to rest without having to go out to shop.



## 🍎 Recreation center

Employees are vital company assets and the Company benefits from employees who can relax their hearts and minds after work. We hope to provide employees with a place to unleash their energy, release stress, and enjoy exercising. The Headquarters, Kunshan Factory, and Foshan Factory are equipped with fitness and leisure areas which provide facilities for yoga, dance, running, cycling, table tennis, billiards, and other sports facilities. We provide complete equipment and sufficient space to promote the concept of healthy living, meet employees' needs for exercise, and implement workplace health management.

We also established libraries in the Headquarters and Kunshan Factory to provide employees with a quiet and comfortable reading environment. The books, newspapers, and magazines are neatly arranged for employees and we often update the collection to broaden employees' knowledge and perspectives. We hope that employees can release stress and relax after a busy day at work and prepare themselves for work on the next day.



## 🍎 Employee dormitory

To provide employees with a safe and comfortable living environment, each production site has a dormitory located nearby to shorten employees' commute to and from the factories. They are equipped with air conditioning, showers, drinking water, hot water, toilets, storage lockers, balconies, beds, and other facilities. We provide sufficient living spaces for employees and provide fire safety equipment as well as regular supervision and management by dedicated personnel. Dormitories are located in areas with convenient transportation and access to amenities to provide employees with peace of mind and a happy life.



## Human Rights Protection

### Protecting employees' interests

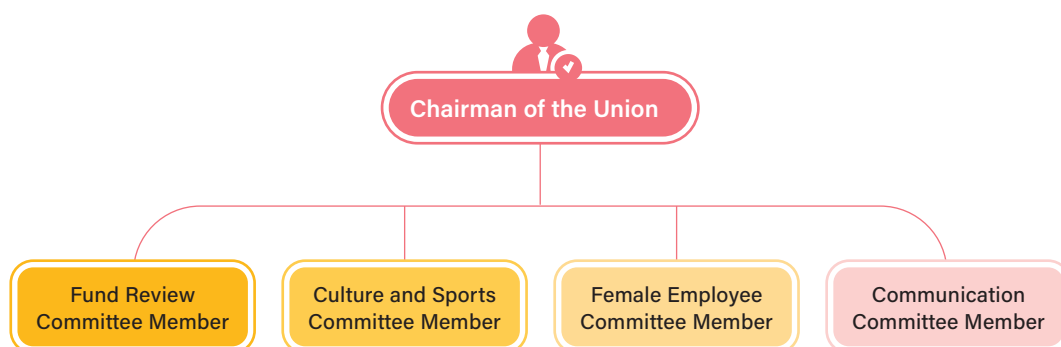
To establish positive labor-management communication mechanisms, Sunonwealth signs employment contracts/agreements with new employees that meet local regulations when they report for duties. The contracts/agreements stipulate related rights and obligations to protect the interests of both parties and ensure compliance by both the employee and the employer. In the event of material changes in the Company's operations that renders the employment contract/agreement unenforceable, the Company shall communicate with employees in advance in accordance with the local laws and regulations. The Company shall also communicate and explain to affected employees and protect their legal interests.

A union meeting is convened every month to protect the rights and interests of all employees in the production factory. The committee members discuss the rights, interests, and benefits of employees and reach a consensus before implementation. It is committed to maximizing benefits and protecting the rights of all employees in the factories.

### Union operations

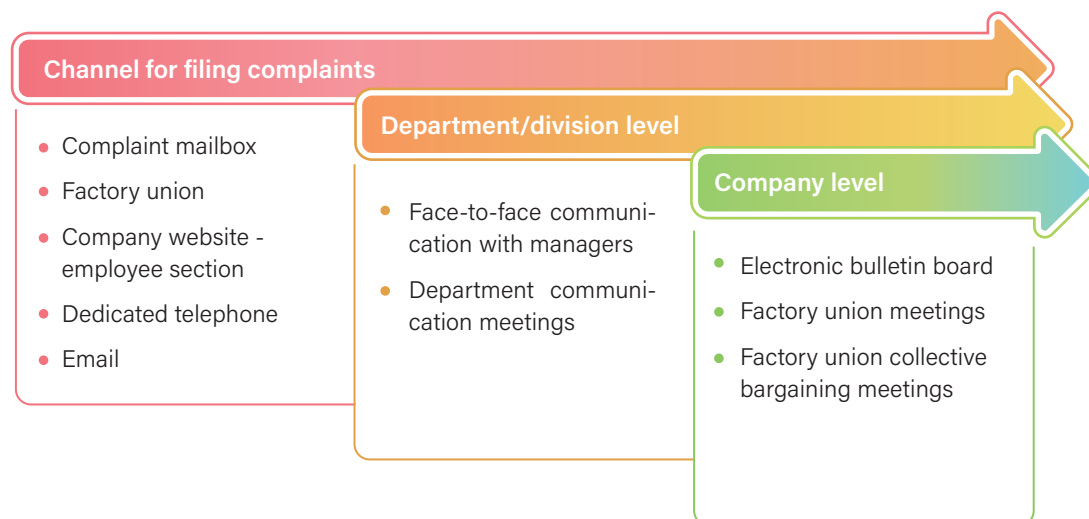
Sunonwealth has established the Sunon Electronic (Kunshan) Co., Ltd. Worker Union Committee and Sunon Electronic (Foshan) Co., Ltd. Worker Union Committee in accordance with laws. The unions are established to help Sunonwealth develop production businesses, promote teamwork and cooperation between member groups, protect members' work interests, improve members' life, support government directives, and help increase the knowledge and skills of members.

The unions of Sunonwealth's Kunshan and Foshan Factories were established in accordance with the law. They elected a chairman and functional members of different levels of operation to organize and operate different functions such as funding review, rights of female workers, mediation, life, culture and sports, production, awareness campaigns, and supervision. They convene monthly union meetings to build harmonious relations between labor and management in the factories. The primary functions and organizational chart of factory unions are detailed in the figure below:



## Communication channels

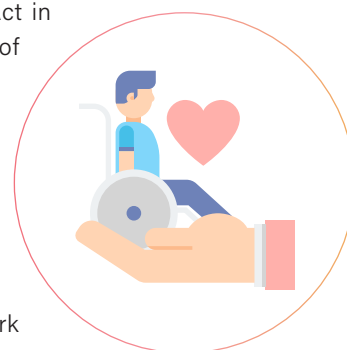
Sunonwealth is committed to promoting harmonious relations and interactions between labor and management. We have set up communication channels to listen to employees' opinions and ideas and help them solve problems to increase employee loyalty. We have established a wide range of communication channels and mechanisms:



Where an employee's legal rights are violated or where the employee faces discrimination, or illegitimate or unfair treatment, the employee may report or file the matter through communication channels. The unit receiving the report shall process the case in accordance with regulations until the complaint case is successfully closed. We will respect the complainant's wish to remain anonymous or file the complaint under his/her name and keep his/her identity confidential. We are committed to listening to the opinions of employees to resolve their concerns and difficulties in work and life. There were 0 cases of complaints in Sunonwealth in 2020.

## Employment for the disabled

The Company abides by the People with Disabilities Rights Protection Act in Taiwan and the Law of the People's Republic of China on the Protection of Disabled Persons and fulfills corporate social responsibility by recruiting people with disabilities for current openings. As interviewees sign up for interviews and report for duties based on their free will, 8 people with disabilities reported for duties at Sunonwealth in 2020. If the Company does not attain the required percentage for appointing people with disabilities based on regulations, the Company shall make contributions to the Employment Security Fund or People with Disabilities Employment Guarantee Fund in accordance with regulations. We shall continue to work hard to appoint sufficient number of employees with disabilities.

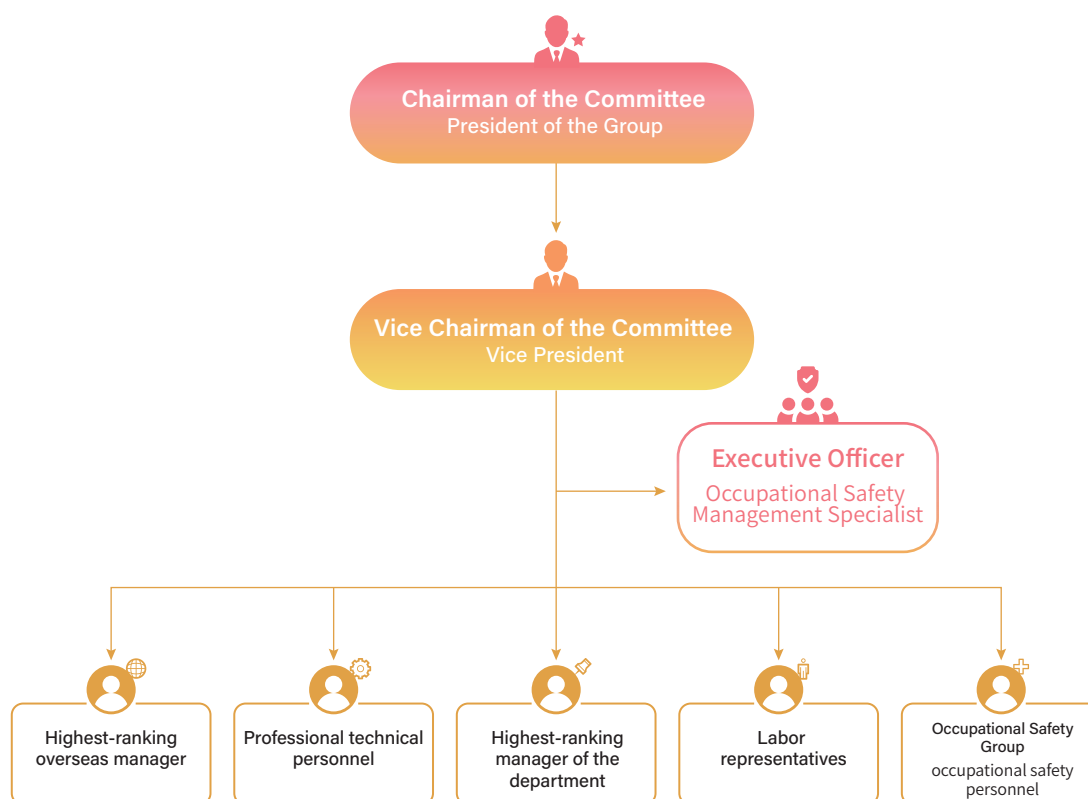


## 4-2 Occupational Safety

### Basic Ideas of Occupational Safety and Health

Sunonwealth has established the Occupational Safety and Health Committee to strengthen occupational safety and health management and operations. We discuss safety and health policies and follow up on improvement for deficiencies to strengthen safety management.

- The organization chart of Sunonwealth Occupational Safety and Health Committee is as follows:



## Safety and Health Policy

Sunonwealth is committed to implementing its safety and health policy and measures to ensure employees' workplace safety and health. We established and published the Safety and Health Policy and increase employees' safety awareness to strengthen work safety and prevent accidents.

### Regulatory compliance

We comply with regulations and uphold our Occupational Safety and Health Policy. We established the "Safety and Health Work Rules" and related regulations for compliance by all employees.

### Health promotion

We support health promotion activities, create a safe and healthy work environment, and promote employees' physical and mental health to prevent occupational injuries and diseases.

### Intensified communication

We use appropriate communication channels to encourage employee participation. We ask employees for their opinions to ensure the sustainability of the occupational safety and health management system.

### Risk management

We assess occupational safety and health risks and take effective measures to prevent recurrence, eliminate hazards, and reduce risks.

### Implementing security inspections

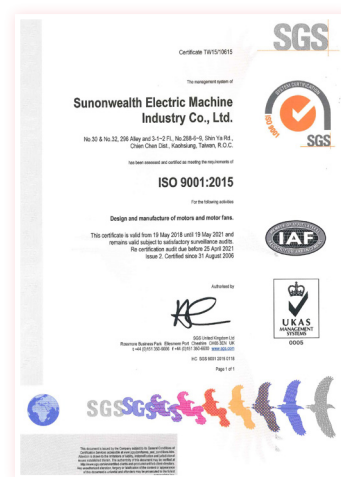
We take the initiative to conduct performance evaluations for occupational safety and health management, and inspect automatic operation checkpoint of machinery and equipment.

### Continuous improvements

We actively prevent accidents and continue to improve workplace safety and health.

## Safety and Health Management System Certification

Sunonwealth introduced the Occupational Safety and Health Management System in 2004. We have appointed third-party certification institutes to conduct regular reviews and we have maintained the effectiveness of the certification. All recommendations and observations have been completed. We completed the audits for the official update of the OHSAS 18001 certification to ISO 45001:2018 for all factories in 2020. We passed the certification in the same year and obtained the ISO 45001 certificate to continue the smooth operations of the safety and health management system and meet the requirements in the latest international regulations.



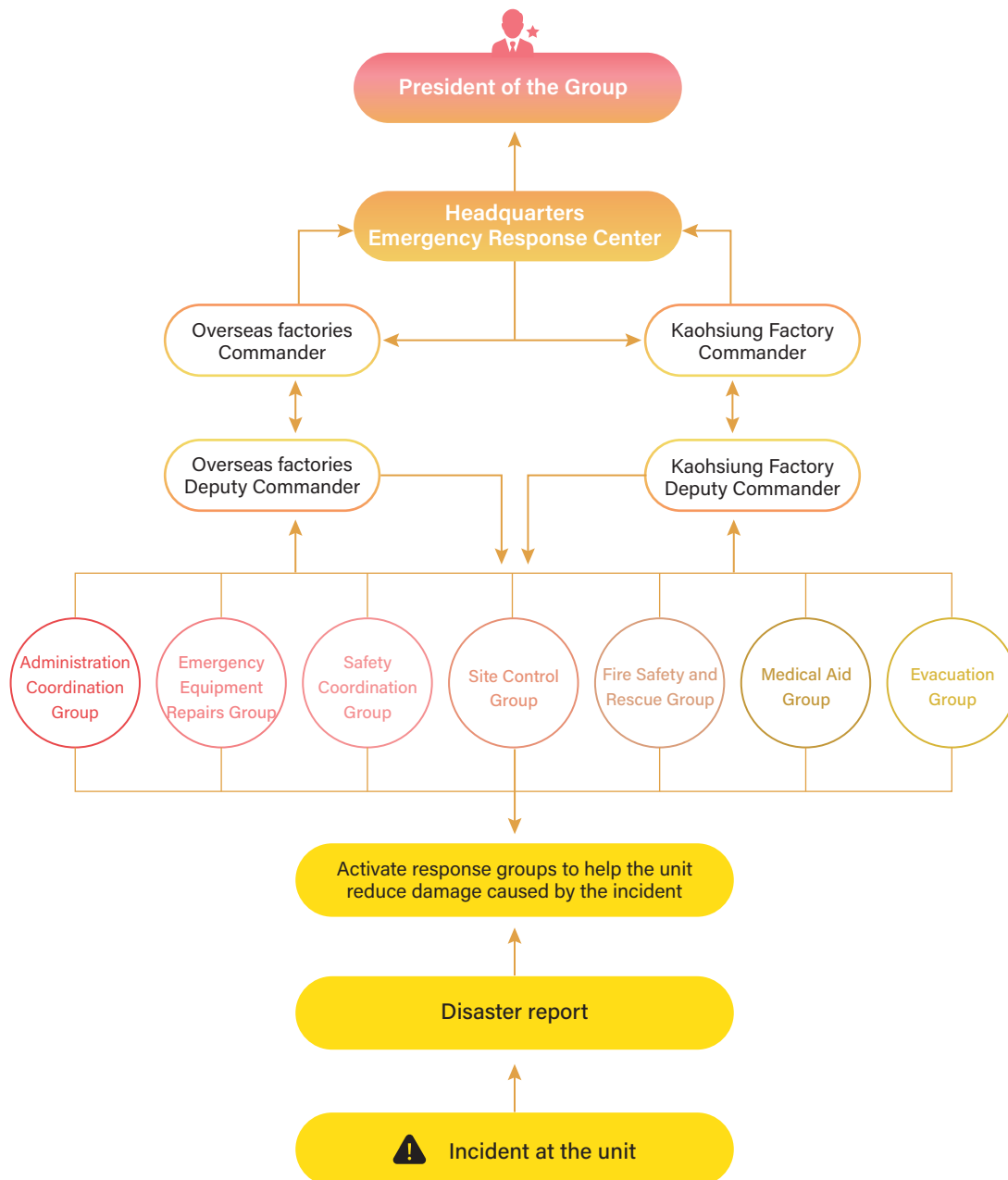
## Emergency Response Measures

In the event of an emergency at a factory, reports shall be filed in accordance with the emergency response organization and the teams shall be notified to perform disaster relief and assistance tasks.

### Explanation of emergency response mechanisms

When a disaster occurs, the unit where the incident occurred must file a report as quickly as possible to facilitate the activation of protection mechanisms. After receiving an emergency report, the Emergency Response Team shall immediately respond in accordance with the assignments for each group and start evacuation, protection, rescue, equipment repairs, and disaster information preparation to reduce injuries and property losses.

- The organization of the Emergency Response Team (ERT) is shown in the figure below:



### Occupational accident response mechanisms

In the event of an occupational safety incident, the unit must first notify the Occupational Safety Group and control the site. Where there is an injury, the injured must be provided with necessary care. Onsite personnel may implement necessary relief and protection tasks. The Occupational Safety Group shall investigate the incident and review the cause of the incident and improvement measures. It shall also propose feasible prevention measures and organize training to increase employees' awareness and prevent the recurrence of the incident.

## Workplace Safety Management

Sunonwealth provides a good and safe work environment for our employees. We set appropriate safety and health work rules based on ISO management system verification mechanisms. The Company also reduces hazards through hazard identification and risk assessment indicators to create a safe and comfortable work environment for employees.

Sunonwealth arranges safety and health training for new employees and provides training for employees on workplace safety regulations such as the maintenance and inspections of machinery, equipment, or devices, general work safety and health standards, and accident notification and reporting requirements in accordance with safety and health work rules. We help employees familiarize themselves with all important workplace safety rules after they enter the Company.

### Safety and care

Sunonwealth aims to raise the safety and health awareness and knowledge for entry-level employees so that they can support each other to ensure safety at work and commuting. We encourage all employees and suppliers maintain positive, equitable, and helpful communication with others and develop the habit of safety for all employees. We encourage them to be alert for their own safety at all times to enhance the overall workplace safety culture.

### Supplier occupational safety management

The Company has established the "Contractor Environmental/Safety and Health Regulations" to ensure the safety of personnel in work areas. We require contractors to sign the "Hazard Notification Form" before they enter the factory to explain the work requirements of the factory to the contractors. We also remind contractors of the potential hazards and risks of the work environment, and inform them that occupational safety personnel will move about the factories to conduct inspections. The Company uses the results of observation and interviews in inspections to enhance mutual understanding and eliminate potential hazards of unsafe conduct and environments to prevent accidents in the factories.

We follow the industrial safety regulations of the local government authorities of each factory. The Headquarters, Kunshan Factory, Foshan Factory, and Beihai Factory remind employees of suppliers to pay attention to workplace safety and organize training programs for contractor personnel when they enter the factories. 247 employees of Sunonwealth's suppliers received training (1,026 hours) in 2020. No suppliers violated regulations on the use of child labor, forced or compulsory labor, or labor conditions in 2020.

### Disabling injury

Sunonwealth protects employee safety and health and continues to reduce the disabling frequency rate with a target of zero disabling frequency. All occupational accidents shall be reported, investigated, and improved in accordance with the occupational accident management mechanisms. We shall also continue to strengthen safety and health management to gradually reduce the frequency of employee injuries. After an occupational safety incident, the Company must implement improvements for the unit, review whether there are similar operations in other units, and require improvements for such operations. We are committed to providing a more friendly working environment for our employees by organizing training or awareness campaigns for frequent accidents. There were no major occupational injuries and no cases of occupational diseases involving Sunonwealth employees in 2020.



## Annual occupational injury statistics

Item	2018	2019	2020
Total hours worked	4,653,312	4,450,128	4,824,624
Number of deaths caused by occupational injuries	0	0	0
Rate of death caused by occupational injuries	0	0	0
Number of severe occupational injuries	0	0	0
Rate of severe occupational injuries	0	0	0
Number of recordable occupational injuries	0	0	0
Rate of recordable occupational injuries	0	0	0

Note 1: Definitions of recordable occupational injuries: Occupational accidents that must be reported to the government in accordance with the Occupational Safety and Health Act

Note 2: Method for calculating work hours: Number of indirect employees in the current year x 8 hours/day x number of work days in the current year (365 - number of national holidays announced by the government)

## Improvement measures

- ✓ 1. Strengthen occupational safety training for new employees
- ✓ 2. Enhance internal employee training / organize seminars / post posters and warnings.
- ✓ 3. Conduct monthly internal audits and inspections on occupational safety.
- ✓ 4. Case analysis and evaluation (explain major accidents or cases of recidivism, provide case-by-case analysis and investigation, implement training, and prevent recurrence of such accidents in the future).
- ✓ 5. Enhance the safety protection functions of the production line machines (e.g., grating/infrared switches) and regularly implement spot inspections to ensure safety.
- ✓ 6. Establish and implement regulations on rewards and penalties for occupational injuries.

## Training

Accidents are mostly caused by human error and it is therefore essential to strengthen employee education and training. The focus of our safety training also includes how to reduce disasters or bad habits caused by human negligence. Sunonwealth's employee environmental safety and professional training courses in 2020 are detailed in the table below:

Recipients	Course	Total Number of Participants	Total Course Hours
New employees	Occupational safety training	5,466	15,256
Current employees	Occupational safety training	15,003	18,955
	Environmental protection training	30	30
	Anti-terrorism drill	10	20

## Disaster prevention drills

To strengthen our ability to respond to accidents, Sunonwealth's factories regularly organize disaster prevention drills every year in accordance with local government regulations to prevent injuries, property losses, and adverse environmental conflicts and impact. The fire safety evacuations / disaster prevention / earthquake prevention exercises of factories in 2020 are specified in the table below:

Date of drill	Headquarters	Kunshan	Foshan	Beihai
	5/21、11/24	6/8、7/24	6/29	5/26、10/27



## Workplace Health Promotion

Sunonwealth passed the healthy workplace certification of the Health Promotion Administration in 2011 and has held health promotion activities provide a suitable work environment for employees and enhance workplace productivity. We regularly organize health management activities which help increase employees' physical and mental health and help reduce the sick leave rate and work accidents to improve the overall quality of the work environment.



### Health seminars

We organize seminars based on the health examination results of employees in the current year to provide employees with correct health knowledge and ideas.



### First aid training

To respond to emergency medical incidents, we arrange first aid training for relevant personnel to protect the physical health of employees.



### Health promotion activities

We organize "Family Day" events and other health promotion activities in the current year to help employees relax their minds.

We encourage employees to bring their families on hiking activities to help them relax after hard work, let their families to get to know more about Sunonwealth, and increase employees' sense of belonging.



Family Day



Health seminar



First aid training



## Medical Examinations and Care

Sunonwealth has always paid close attention to employee health management. To take care of employees' health, we have planned health examinations and care measures in 2020 to provide comprehensive care for the health of all employees.

### 1 Health examination

Sunonwealth provides new employees and current employees who work in special work areas with special health examination each year in accordance with regulations (the examination rate is 100%). We also provide employees with health examination items that meet requirements along with the screening program for four types of cancers of the Health Promotion Administration. We also continue to monitor the conditions of employees with high health risks and provide them with care to fully implement employee health management. The health examination was suspended in 2020 due to risks of the epidemic. We will continue to organize health examinations for all employees in 2021.



### 2 Medical care

- ① The Headquarters medical office has appointed dedicated nursing personnel to help with temperature and blood pressure measurements and provide services such as simple injury evaluation and processing. We also signed a contract with Siaogang Hospital and appoint doctors to provide onsite services each month to provide professional health consultation services.
- ② We have set up first aid kits in production factories to provide simple bandage services for individuals who suffer minor injuries. In the event of more severe injuries, the injured will be sent to a qualified hospital near the site for treatment.



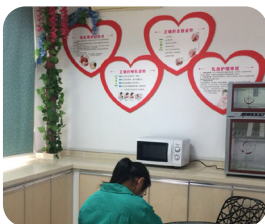
### 3 Maternity care

#### ① Headquarters



- We set up breastfeeding rooms to provide comfortable spaces for mothers to collect breast milk.
- We implement the maternity health protection program to provide risk assessment and health care for pregnant women, and the implementation rate reached 100%.
- According to the Act of Gender Equality in Employment of Taiwan, for employees who need to personally feed their babies who are less than two years old or need to collect breast milk, their employers shall provide them with two periods for breast milk feeding or collection and include the time for feeding or breast milk collection into regular work hours with pay in addition to the regular rest periods. The employer also may not assign the employee to work on night shifts or work on different shifts.

#### ② Production factories



- We set up breastfeeding rooms in Kunshan Factory to encourage mothers to breastfeed their infants.
- According to China's Special Rules on the Labor Protection of Female Employees, mothers of infants less than one year old shall be provided with two thirty-minute periods for breast milk feeding every day. The breastfeeding time shall be regarded as regular work hours with pay. The employer also may not assign the employee to work on night shifts or work on different shifts.

## 4-3 COVID-19 Epidemic Prevention Measures and Actions

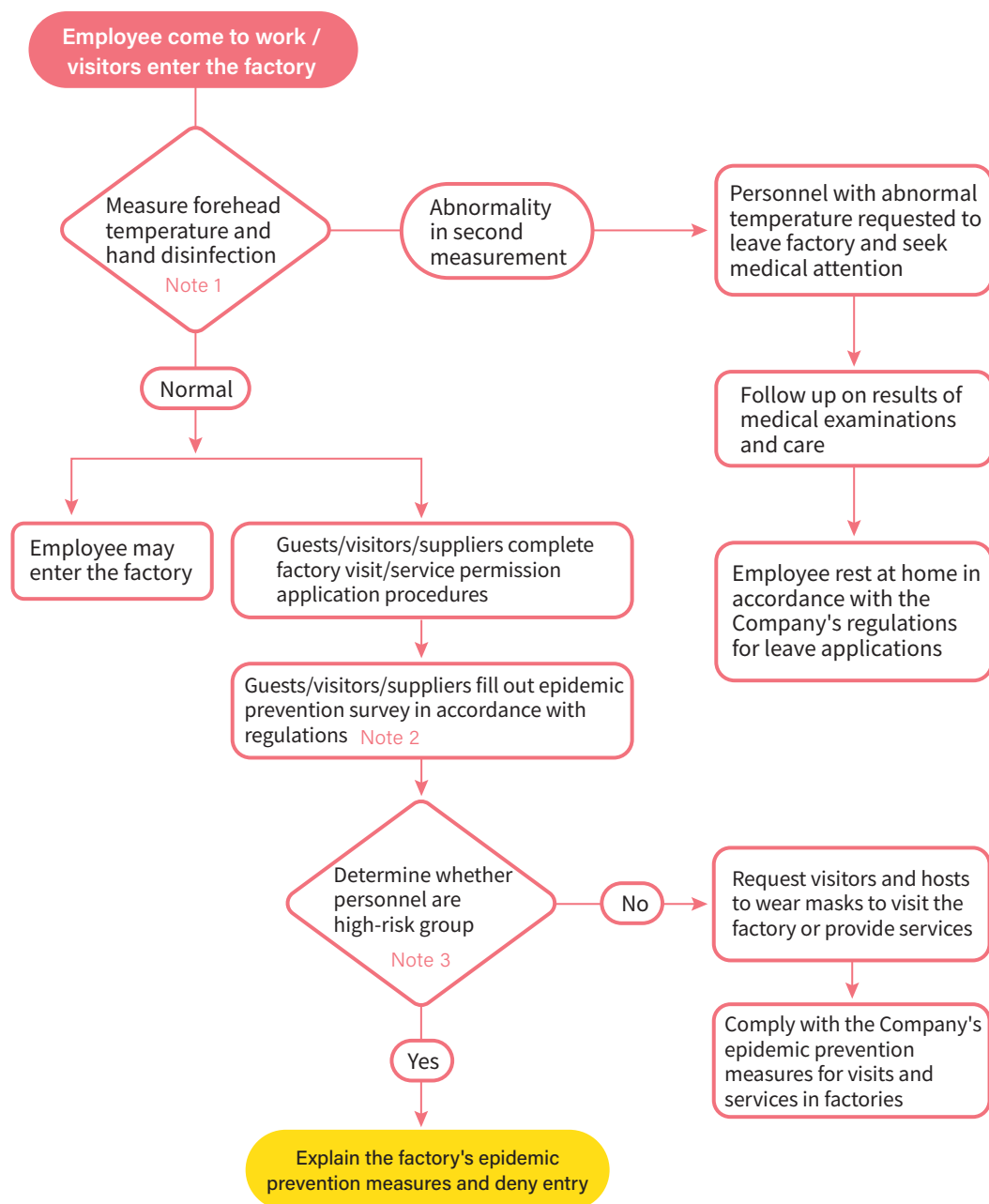
Sunonwealth established a response team and epidemic prevention measures in response to the COVID-19 epidemic to reduce the threat of the epidemic on personnel health and its impact on operations.

### ✓ The members of the Epidemic Prevention Response Team and their responsibilities

Member	Responsibility
 <b>Epidemic Prevention Response Commander</b>	Provide necessary epidemic prevention resources, direct epidemic prevention tasks in factories, and oversee current work results
 <b>Legal Department</b>	Review health certificates and external correspondence (e.g., customers, suppliers, and contractors)
 <b>Human Resources/ Administration/ Management Departments</b>	<ol style="list-style-type: none"> <li>1. Formulate attendance management measures during epidemic prevention periods (including independent management and reporting of high-risk personnel, travel management, salary payment principles for leaves (epidemic prevention care leave, epidemic prevention leave), worker compensation, and punishment measures)</li> <li>2. Formulate response plans and management measures for employees and contractors to have meals in different areas based on the epidemic prevention requirements.</li> <li>3. Plan epidemic prevention teams, office area separation, and employee movement control mechanisms.</li> <li>4. Assist in the procurement of epidemic prevention resources.</li> <li>5. Establish disinfection and emergency disinfection operating procedures for all factories.</li> <li>6. Security personnel help manage visitor and contractor entry into factories.</li> </ol>
 <b>Occupational Safety Group (including occupational nurses)</b>	<ol style="list-style-type: none"> <li>1. Teach employees personal hygiene and self-protection measures including correct use of masks, reporting cases, and epidemic prevention.</li> <li>2. Plan and continuously update the required epidemic prevention materials, review the specifications of epidemic prevention materials, and coordinate the procurement and material management to prepare sufficient quantities of necessary materials.</li> <li>3. Follow the epidemic prevention needs at all levels and formulate and implement the health statement and management principles for visitors and contractors during the epidemic which shall be used as the basis for the management of visitors and contractors' entry into factories.</li> <li>4. Prepare medical resources and evacuation measures for cases of infections, and develop and implement case reports and procedures for obtaining medical assistance to implement temperature monitoring and abnormal temperature notifications for the entry of personnel as well as facilitate employee health management tracking.</li> <li>5. Regularly publish internal epidemic prevention information and announce areas with high risks of infection.</li> </ol>
 <b>Information Management Department</b>	Plan and set up software and hardware equipment and information security level as measures for supporting office area separation, work from home, and video conferences.

## ✓ Epidemic prevention mechanisms

We implement personnel entry and exit control measures to ensure the physical and mental health of all Sunonwealth employees. The targets of management include the Company's employees, visitors, and personnel of contractors and suppliers. We also established temperature measurement and screening mechanisms as shown in the figure below:



Note 1:

1. Abnormal temperature: Forehead temperature measurement  $\geq 37^{\circ}\text{C}$  and ear temperature measurement  $\geq 37.5^{\circ}\text{C}$
2. Factory entries and reception area provide hand disinfection devices for personnel entering and exiting the premises.

Note 2:

Guests/visitors/suppliers must fill out the COVID-19 epidemic prevention survey.

Note 3:

1. With regard to the criteria for determining high-risk groups in the COVID-19 epidemic prevention survey, if a visitor specifies travel history, contact history, or health issues in the survey, the receptionist shall notify the factory nurse to confirm the results, determine whether the visitor is high-risk, complete epidemic prevention measures for the factory, and deny entry.
2. Individuals requested to complete home isolation or self-quarantine in accordance with announcements of the Central Epidemic Command Center may not enter the factories.

## ✓ Preparation and management of disease prevention supplies

When the epidemic began to spread in foreign countries, the Company purchased specific quantities of supplies in advance (masks and alcohol) and track the quantities of related supplies. When the epidemic began to spread in Taiwan, Sunonwealth began regulating epidemic prevention supplies and continued to monitor the quantities of epidemic prevention supplies and usage status. We increased the epidemic prevention budget, purchased additional or new epidemic prevention materials such as disinfection/hand washing facilities, and group labeling tools. We reviewed plans, studies, and purchase of software costs and hardware equipment requirements for employees to work in separate areas under severe epidemic conditions.

## ✓ Control measures for clustering activities (implemented based on requirements for responding to the epidemic)

- To avoid close contact of individuals in clusters, we avoided large-scale meetings and indoor activities and replaced them with telephone or video conferences.
- Lunch deliveries are placed at the outdoor meeting area on the ground floor of the Headquarters. Employees are required to pick up their meals and return to their seats for lunch. Employees who do not have their own seats shall have their meals in the employee cafeteria. All employees must sit facing the same direction in the cafeteria and increase the safety distance.
- Remote and separated work plans.

## ✓ Factory cleaning and disinfection plans

- Set up alcohol disinfectants: We installed 75% alcohol disinfectants at the entrance, reception, and cafeteria of each factory for use by employees and visitors.
- Enhanced cleaning: Wipe and disinfect equipment that employees often touch such as toilets, elevator buttons, door handles, railings of stairways, conference rooms, cafeteria, and company vehicles whenever necessary.
- Appoint contractors for environmental cleaning tasks.

## Epidemic Prevention Measures and Actions

### Headquarters disease prevention

- 1 Measure people's temperature before they enter the office. If an individual's temperature exceeds 37.5°C (forehead temperature), the individual should not enter the factory area. The occupational nurse shall be notified to complete confirmation and arrange medical services or ask the individual to return home and rest.
- 2 Factory entries and reception area provide hand disinfection devices for personnel entering and exiting the premises.
- 3 Wear masks to work throughout the entire process
- 4 Implement conference room seating control and maintain social distancing
- 5 Reduce the frequency of meetings (use video conference instead)
- 6 Temporarily suspend club activities
- 7 Conduct 1 environmental disinfection for epidemic prevention in all factories each month
- 8 Provide employees on business travel to disease-stricken areas with business travel epidemic prevention kit
- 9 The Company reaches out to employees on home quarantine every day
- 10 Temporarily close the cafeteria for employees to take their meals in their seats

### Epidemic prevention measures for production factories

- 1 Tiered management (level 1, level 2, level 3, and level 4)
- 2 Personnel must disinfect their hands at the entrance before entering the factories
- 3 Personnel must wear masks correctly after entering factories
- 4 Personnel must measure their temperature at the entrances of factories and they shall only be permitted to enter if their temperature is below 37.3°C
- 5 Visitors/employees on three days of leave or those placed under special management must fill out the "Epidemic Prevention Statement" and present personal health certificates before they are permitted to enter the factories
- 6 Employee cafeteria: Limited opening (with separation boards)
- 7 Outsourced environment disinfection
- 8 Disinfection of production areas (machinery rooms)



## ✓ Network and Information Security Management Mechanisms during the Epidemic

### Importance to Operations

In an environment where external security threats are constantly evolving, Sunonwealth protects the information and interests of all stakeholders with information security governance and high-tech protection measures. We ensure that the services, information, and assets we provide are protected from information security threats.

Sunonwealth protects the Company's website and operation security in response to the rise of information security threats since the beginning of the epidemic. We also strengthened information security protection through vertical defense and expanded the scope of international standards for information security and personal data certification to enhance overall operational security and personal data protection operations. We avoid the incidents and penalties and make all efforts to protect the reputation and image of the Company's information security.

### Management Mechanisms

- 1 Maturity measurement: Adopt business maturity standards, set targets, and measure progress
- 2 Plan long-term investment: Formulate five-year long-term information security plans to achieve targets and optimization
- 3 Identify key risks: Identify and establish key indicators to focus on protection against key risks

#### 1 External enhancements (zero trust)

- 1-1 Use vertical (packet cleaning) and joint defense (anti-virus + firewall + information security equipment) mechanisms to enhance the overall protection and security of all dimensions of information security
- 1-2 Use white list management mechanisms such as external URL, activation of applications, mailing list, and content reviews so that access must be approved before operations
- 1-3 Identify the login entity by two-factor authentication
- 1-4 Recover the software privileges of users and restore default settings after they log out
- 1-5 Use programmable security response mechanisms to visualize external risks and implement automatic management
- 1-6 All operation records and system logs will be centralized for management and data retention
- 1-7 Use the detection network alert mechanisms to send notifications on irregular behavior to the mobile device of the person in charge

#### 2 Internal enhancements (zero contact/zero damage)

- 2-1 Use information security training, social engineering exercises, and information security protection equipment to reduce the threat of attacks on internal computers
- 2-2 Use integrated virtual/real terminal environment for physical isolation and data security protection
- 2-3 Use device separation to meet requirements for remote work and reduce infections caused by clustering
- 2-4 Use hard drive data security measures for system snapshots and backups to ensure the integrity of the data and system
- 2-5 Establish a dual insurance mechanism for remote server rooms to ensure data and system security

#### 3 Management regulations

To ensure the internal and external data security, we planned ISO 27001 certification to increase overall information security of the Company



## 5



## Charity Participation and Sustainable Society



5-1 Social Engagement

5-2 Fulfilling Corporate Charity Responsibilities

## 5-1 Social Engagement

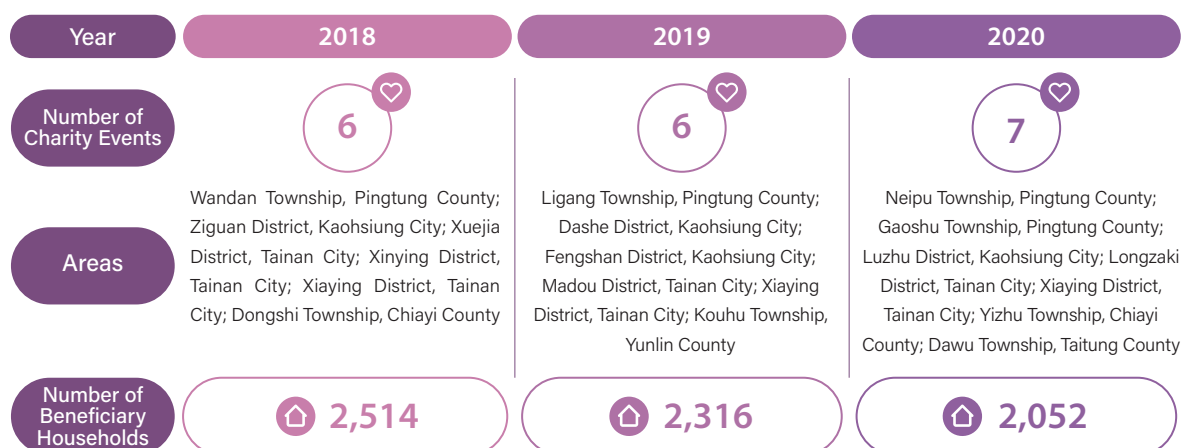
Sunonwealth's founder was born in rural Tainan during a period of economic hardship in Taiwan's history and thus understands how companies must develop local talents to help develop the regional economy and increase the quality of life for residents. We also understand the importance of providing aid and care to corners of the society with difficulties. Sunonwealth uses the company's powers for implementing local hiring, supporting local education and culture, supporting disadvantaged groups, and promoting positive thinking to give back to the society. To promote social harmony and take care of local residents in need and disadvantaged families, we organize donations of relief supplies, scholarships for the poor, care for disadvantaged groups and families, sponsorship of funding for educational institutions, blood donations, promotion of positive thinking, and other practical actions. We have helped disadvantaged families and children in need for many years, and we hope to bring stability and high-quality living environment to the society.

### Social Welfare

#### Sunonwealth Charity Foundation

Sunonwealth Charity Foundation was founded by the founder of Sunonwealth Mr. Yin-Su Hong and his wife in 2007. The Foundation aims to provide encouragement, care, and aid for those in need. It has actively promoted ethical education and positive thinking and response, and made contributions to social welfare and disaster relief with the aim of actively helping disadvantaged children and families in the society through difficulties. We hope to provide them with a way out of helplessness and help them face difficulties with positive thinking and restore their courage for creating a brand-new life.

The Foundation has actively engaged the public since 2011. The Chairman Mr. Yin-Su Hong and his wife have led the partners in the Company's Liao-Fan's Four Lessons LOHAS Club in organizing the "Support and Care Campaign". They have worked with township and district offices to provide emergency relief supplies, rice, and monetary donations to the economically disadvantaged, marginalized households, and single-parent families and gifted them with the book "Analysis of Liao-Fan's Four Lessons" which can help them change their destiny. The Foundation gradually began charitable activities and reached to all corners of Taiwan that needed care. As the scale of activities expanded each year, the Foundation has reached those in need in 17 townships in Taiwan through good deeds. The Chairman and his wife did not falter in the face of the COVID-19 epidemic in 2020 and continued to make donations to impoverished families. The Foundation has provided care to 6,882 households in the "Support and Care Campaign" (the supplies distributed included cash, rice, and the "Analysis of Liao-Fan's Four Lessons" from 2018 to 2020. Doing good deeds and giving back to society by taking care of the disadvantaged are the most important reasons for the establishment of the Foundation and its most important goals.



The Foundation also supports education and continues to promote ethical education. We encourage people to read the "Analysis of Liao-Fan's Four Lessons" and understand the true meaning of "ethics" specified in the book. We use an internal book club and reading programs in collaboration with primary and secondary schools to promote the core values of the book, and encourage individuals and families embrace positive thinking and actions. We reshape the personal characters based on "integrity, honesty, compliance with laws, and sense of shame" to create a good and harmonious atmosphere in society.

Students are the future of the nation. To implement local ethical education, the Foundation has sponsored the ethical education expenses for Kaohsiung Feng Jia Junior High School. The school received the "Ethical Education Special School" award from the Ministry of Education. The Foundation will continue to sponsor and support the school's annual activities to train students with outstanding character and make contributions to education.





## Sunonwealth Liao-Fan's Four Lessons LOHAS Club

Sunonwealth Liao-Fan's Four Lessons LOHAS Club was established in 2014 by a group in Sunonwealth interested in the "Liao-Fan's Four Lessons". The discussed and implemented the core values of positive thinking attitude in the "Liao-Fan's Four Lessons" in their life to share happiness learn from each other, do good deeds, and influence others with their own actions. They thus created positive effects on families and friends and created a friendly social environment. In addition, members of the LOHAS Club are actively engaged in caring for the disadvantaged and blood donation activities to support charity activities.



The club meets regularly and plans different activities every year to promote the core values of the "Analysis of Liao-Fan's Four Lessons" and to implement the values in their life. The LOHAS Club organized the "Consolidate Love with Your Blood Donation" campaign in 2020 and participated in the "Support and Care Campaign" of Sunonwealth Charity Foundation. It led employees to actively participate in social welfare and create a good and harmonious society.

## Shehng-Yuan Children Development and Adult Support Services Center

Shehng-Yuan Children Development and Adult Support Services Center was founded in 1989 with the aim of helping children with cerebral palsy. As children with cerebral palsy face severe difficulties in motor functions and senses, they are often unable to stand or walk and they face difficulties in learning and growth. They have become heavy burdens for their families and the society. Therefore, the founder of Sunonwealth Mr. Yin-Su Hong and his wife created the motto for the Center "You will grow old and children will grow up. If you don't do it now, you'll regret it in 20 years." It helps parents and friends understand that children will grow up and they would only feel helplessness and despair if they cannot stand up by themselves or when parents could no longer pick up them up. The Center was established to help more people with disabilities and their families accept early intervention with courage and overcome the illness. We believe that life is strong like a seed planted in rock which can still rise and grow if it embraces the sunlight. We encourage them to make the best of their abilities, pursue happiness, and meet the expectations of their families and the society. The Center also helps Sunonwealth give back and make contributions to the society to fulfill its corporate social responsibility.

Shehng-Yuan Center currently focuses on young children aged 0 to 6 with slow development, multiple disabilities, or moderate, severe, and extremely severe disabilities as well as those aged 15-35 with multiple disabilities, or moderate, severe, and extremely severe disabilities. We provide early treatment and screening and professional team consulting services to connect social resources. We focus on life skills, physical training, cognitive training, and community engagement to help children and adults of Shehng-Yuan Center overcome their illnesses and bravely take that first step to interact with others. We help them live plentiful and meaningful days and become people who can bring joy to themselves and others. We hope that all members of society can provide assistance and help all disabled people with needs for them to regain the confidence for pursuing happiness and a bright future.



Free haircuts



Rotary International care for the disabled



Networking activity organized God's Love Ark Delivers in Kaohsiung



Microfilm screening event and fair



Care activities for Feng Jia Junior High School



Rising Star Award Association care for the disabled event

### Care for Shehng-Yuan — Communicate Love, Care, and Gratitude

Sunonwealth's Chairman Mr. Hong and his wife has always made many contributions to social care and has always supported the operations of Shehng-Yuan Center. They are grateful for the supporters, teachers of the Center, and parents who have always accompanied and supported Shehng-Yuan. Sunonwealth employees also actively participate in visits to Shehng-Yuan Center to interact with the children. The visits help employees empathize with the patients, learn to be grateful for what they have, and spread love, care, and gratefulness.



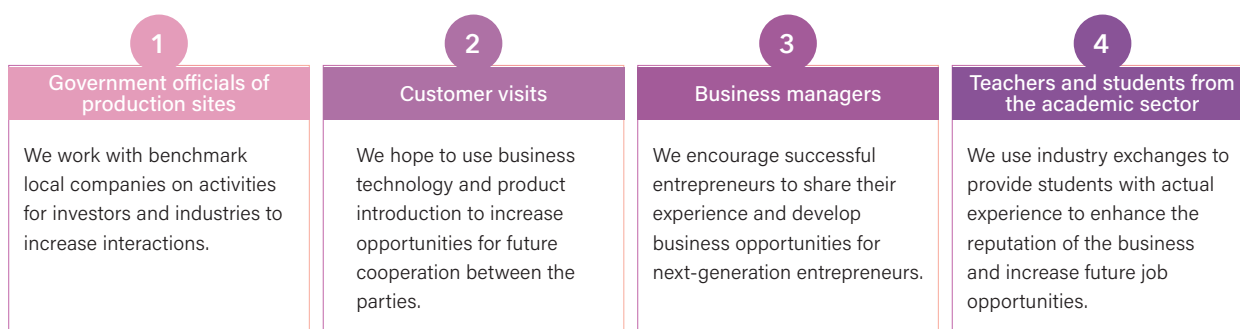
## External Communication and Collaboration

To increase communication opportunities with the outside world, we have divided the visitors into different categories based on the nature of the visitors such as local government officials, customer visits, companies in industry, and teachers and students from the academia. We hope engage in more intensive communication and strategic cooperation in the future, which will have positive effects on improving the Company's image.

Sunonwealth Chairman Mr. Yin-Su Hong was the former Chairman of Kaohsiung Chamber of Industry and the President Mr. Ching-Shen Hong serves as the current Chairman. They have served as important bridges for communication between local companies in Kaohsiung and the government for many years and have sought business opportunities for members by speaking on behalf of the legal rights and interests of companies in Kaohsiung. Sunonwealth thus became one of the benchmark companies in Kaohsiung. We have hosted business visitor groups organized by Kaohsiung Chamber of Industry and gained experience and growth through such opportunities.

## External Communication and Visits

Sunonwealth has communicated and connected with visiting guests in recent years. To broaden perspectives, extract useful information, and exchange experience between parties, we invite guests to visit our factories to exchange ideas.



Sunonwealth's external visitors and exchange activities from 2018 to 2020 are listed in the table below:

Year	Visit Event Name
2018	<ul style="list-style-type: none"> <li>• Kyushu-Asia Institute of Leadership</li> <li>• Foshan City Nanhai District Delegation</li> <li>• Foshan City Nanhai District Guicheng Township Delegation</li> <li>• National University of Kaohsiung Graduate Student Association</li> <li>• Construction companies in Kaohsiung</li> <li>• Introduction of new products of construction companies</li> <li>• Fengshan West and South Rotary Club</li> <li>• Guangxi-Taiwan Economic and Cultural Exchange Association</li> </ul>
2019	<ul style="list-style-type: none"> <li>• Foshan City Jiujiang Township Delegation</li> <li>• Foshan City Nanhai District Guicheng Township Delegation</li> </ul>
2020	<ul style="list-style-type: none"> <li>• Chairman, Taiwan Excellent Brand Association</li> </ul>



Government officials visit Sunonwealth



Customer visit



Teachers and students from the academic sector



Business manager





## Interactions with professional associations and trade associations

Sunonwealth continues to maintain cooperative relations with the Taiwan Electrical and Electronic Manufacturers' Association, Taipei Computer Association, and Taiwan Excellent Brand Association. We also assign personnel to attend activities of the Taiwan Thermal Management Association and use these industrial and academic seminars as platforms for learning more about the future development trends in the electronics industry and the advanced research and development of major international firms. They create opportunities for companies to interact and exchange knowledge and technologies and increase potential business opportunities for cooperation. We also hope to maintain information exchange or experience sharing with professional associations and societies so that we can work together to create solutions for major changes in regulations and policies, obtain positive results, and create benefits for all.

Sunonwealth considers the extent of impact on the global electronics industry which poses challenges for the electronic heat dissipation industry in Taiwan. Although the regular activities of Taiwan Thermal Management Association were affected by the epidemic in 2020, the annual meeting and technology presentation were still held on August 28. The organizers invited Industry, Science and Technology International Strategy Center, ITRI to give a professional presentation and analysis of the market survey of vapor chambers used for smart phones. The organizers invited the major international manufacturer Lenovo to speak on the topic, and invited Professor Keng of Tsinghua University, a long-time contributor to heat pipe standardization, to speak on the topic. The event also included a report on the R&D results of thermal management from industry, schools, and research units. Sunonwealth has participated in the activities of Taiwan Thermal Management Association (an association that promotes the development of thermal management industry and technologies by consolidating resources in the industry, government, academia and research community) for many years. As a corporate member, we send employees to attend technical seminars or presentations of the association every year to exchange technical information with the industry, continuously improve technologies, and acquire new knowledge. We provide feedback on the research and development of new products and improve technologies to contribute to the society, provide them with more environmentally friendly and energy-saving products, and fulfill corporate social responsibility.

### Membership in associations

Association	Membership
Zhong Shan Management Education Foundation	▪ Yin-Su Hong, Director
Children Are Us Foundation	▪ Yin-Su Hong, Director
Kaohsiung Chamber of Industry	▪ Yin-Su Hong, Honorary Chairman ▪ Ching-Shen Hong, Director
Taiwan Society of Tribology Technology	▪ Sunonwealth, member
Taiwan Thermal Management Association	▪ Cheng-Hsuen Lee, Director
Taiwan Excellent Brand Association	▪ Sunonwealth, member
Taipei Computer Association	▪ Sunonwealth, member
Taiwan Electrical and Electronic Manufacturers' Association	▪ Sunonwealth, member

## Charity Events Organized by Factories

### Delivering Warmth to Families in Need - Sunon Electronic (Kunshan) Co., Ltd. Charity Event on December 25, 2020

We gather good will and communicate love through care and good wishes. Sunon Electronic (Kunshan) Co., Ltd. visited employees who suffer from illnesses and families in need at the end of 2020 by providing them with material assistance and psychological support.

The Company cares about employees and making them feel loved and care. Company managers provide support for employees who suffer from illnesses and families in need by personally delivering gifts and gift money prepared by the Company. They ask how the families overcome difficulties in life and special periods and encourage them to actively respond to challenges in life. We help employees feel the Company's warmth and care and enhance their resolve and courage for overcoming difficulties.

Through this event, company managers have learned more about the conditions of employees who suffer from illnesses and families in need. We hope that they can continue to support employees and care about employees who suffer from illnesses and families in need to use real actions to resolve their difficulties, deliver support, contribute love, and work together to create happy lives.



## 5-2 Fulfilling Corporate Charity Responsibilities

Sunonwealth aims to be a model of local corporate citizenship. We use sponsorship and donations to consolidate public and private resources and cultivate talents for the nation. We seek to purify the hearts and minds of the society and nurture talents for enterprises. We have adopted a professional, objective, and selfless approach to public services, and we actively fulfill our corporate citizenship responsibilities with the aim of becoming a good neighbor in the future and to become a model local enterprise.

I

Play the role of a high-quality enterprise in the industry to attain sustainable development

- 1 Follow the regulatory requirements, uphold ethics and integrity, continue ethical business management, and attain sustainable development of the Company.
- 2 Respond to rapid changes in the external environment and adopt a customer-oriented approach to adjust strategies and organization to increase customer satisfaction.
- 3 Monitor market development with accuracy and use efficient products to increase competitive advantages and profitability.

II

Implement environmental protection measures and fulfill corporate social responsibility

- 1 Establish rainwater recovery mechanisms to demonstrate the effectiveness of water source diversification and recycling.
- 2 Use solar energy and energy-saving LED lights. Install energy-saving variable frequency equipment to replace old energy-consuming equipment. Use variable frequency air-conditioning and energy-efficient electrical equipment to enhance energy conservation.
- 3 Establish standards for green area requirements in accordance with regulations and gradually increase the greening in the building coverage ratio and floor area ratio.
- 4 Continue to encourage employees to conserve energy and water consumption and require them to implement all conservation measures.
- 5 Support the "Earth Hour" event by switching off lights to fulfill energy conservation responsibilities and take care of the earth.

III

Create a comfortable and safe work environment to take care of employees and protect their rights and interests

- 1 Set a target for "zero disasters", strengthen training for hazard identification and risk assessment, and increase the safety and health knowledge and assessment skills of employees.
- 2 Implement occupational safety and health policies and fulfill legal requirements through a diverse range of channels including training, promotion, safety observation, safe participation, and internal and external consultation and communication.
- 3 Establish foolproof safety certification mechanisms for new production equipment and sent employees to conduct regular inspections to ensure the safety of work personnel.

IV

Implement good neighbor mechanisms for local communities and continue to care for the disadvantaged and support the local community.

- 1 Take care of the disadvantaged and continue to provide emergency relief for local communities by distributing relief supplies and taking other concrete measures.
- 2 Make donations to support students from economically challenged families and disadvantaged groups to actively make contributions to social welfare.
- 3 Organize charitable blood donation activities to provide medical resources for the society.
- 4 Sponsor the education funding of local education institutions to improve relations with the communities.

V

Actively participate in industry-academia exchange to strengthen professional resources and collaboration

- 1 Actively participate in industrial and academic seminars and platforms to strengthen professional resources, improve the competitive advantages of the industry, and increase opportunities for working with potential customers.
- 2 The Company received recognition from government institutions and the academia for promoting visits and exchange activities with reputable schools in the local communities or government authorities.



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## Appendix

- GRI Standards Comparison Table

## GRI Standards Information Disclosure Comparison Table

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
102-1	Name of the organization	1-1 Organizational Overview	21	
102-2	Activities, brands, products, and services	1-1 Organizational Overview	21	
102-3	Location of headquarters	1-1 Organizational Overview	21	
102-4	Location of operations	1-1 Organizational Overview	21	
102-5	Ownership and legal form	1-1 Organizational Overview	21	
102-6	Markets served	1-1 Organizational Overview	21	
102-7	Scale of the organization	1-1 Organizational Overview	21	
102-8	Information on employees and others workers	4-1 Employee Care	65	
102-9	Supply chain	2-6 Supply Chain Management	48	
102-10	Significant changes to the organization and its supply chain	-	-	There were no significant changes to the organization in 2020
102-11	Precautionary principle or approach	1-4 Risk Management	30	
102-12	External Initiatives	1-1 Organizational Overview	25	
102-13	Membership of associations	5-1 Social Engagement	93	
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102-43	Approach to stakeholder engagement		10	
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102-45	Entities included in the consolidated financial statement	About this Report	5	
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Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
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102-48	Restatements of information	-	-	Initial issue
102-49	Changes in reporting	-	-	Initial issue
102-50	Reporting period	About this Report	5	
102-51	Date of most recent report	About this Report	5	
102-52	Reporting cycle	About this Report	5	
102-53	Contact person for questions regarding the report	About this Report	5	
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	5	
102-55	GRI content index	Appendix GRI Standards Comparison Table	97	
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GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary	Management Guidelines of Significant Topics	13	
103-2	The management approach and its components		14	
103-3			14	
GRI 200 Economy				
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	1-2 Business Performance	26	
201-2	Financial implications and other risks and opportunities due to climate change	3-6 Environmental Protection	62	
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202: Market Presence 2016				
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	4-1 Employee Care	67	
204: Procurement Practices 2016				
204-1	Proportion of spending on local suppliers	2-6 Supply Chain Management	50	
205: Anti-Corruption 2016				

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
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205-3	Confirmed incidents of corruption and actions taken	1-3 Ethical Corporate Management	29	

#### 206: Anti-Competitive Behavior 2016

206-1	Legal actions of anti-competitive behavior, antitrust and monopoly practices	-	-	No such violations in 2020
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#### GRI 300 Environment

#### 302: Energy 2016

302-1	Energy consumption within the organization	3-1 Energy and Resource Management	54	
302-4	Reduction of energy consumption	3-1 Energy and Resource Management	54	

#### 303: Water and Effluents 2018

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#### 305: Emissions 2016

305-1	Direct (Scope 1) GHG emissions	3-1 Energy and Resource Management	55	
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#### 306: Waste 2020

306-1	Waste generation and significant waste-related impacts	3-4 Waste Management	58	
306-2	Management of significant waste-related impacts	3-4 Waste Management	58	
306-4	Waste diverted from disposal	3-4 Waste Management	58	

#### 307: Environmental Compliance 2016

307-1	Non-compliance with environmental laws and regulations	3-7 Compliance	63	
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#### GRI 400 Social Disclosures

#### 401: Employment 2016

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Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
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402-1	Minimum notice periods regarding operational changes	4-1 Employee Care	73	
<b>403: Occupational Health and Safety 2018</b>				
403-1	Occupational safety and health management system	4-2 Occupational Safety	76	
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403-4	Worker participation, consultation, and communication on occupational health and safety	4-2 Occupational Safety	75	
403-5	Worker training on occupational health and safety	4-2 Occupational Safety	79	
403-6	Promotion of worker health	4-2 Occupational Safety	80	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4-2 Occupational Safety	78	
403-8	Workers covered by an occupational health and safety management system	4-2 Occupational Safety	75	
403-9	Work-related injuries	4-2 Occupational Safety	79	
<b>404: Training and Education 2016</b>				
404-1	Average hours of training per year per employee	4-1 Employee Care	68	
404-2	Programs for upgrading employee skills and transition assistance programs	4-1 Employee Care	68	
<b>405: Diversity and Equal Opportunity 2016</b>				
405-1	Diversity of governance bodies and employees	1-6 Governance of the Board of Directors	34	
405-2	Ratio of basic salary and remuneration of women to men	4-1 Employee Care	67	
<b>406: Non-Discrimination 2016</b>				
406-1	Incidents of discrimination and corrective actions taken	4-1 Employee Care	74	
<b>407: Freedom of Association and Collective Bargaining 2016</b>				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	4-1 Employee Care	74	

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
408: Child Labor 2016				
408-1	Operations and suppliers at significant risk for incidents of child labor	4-1 Employee Care	65	
409: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4-1 Employee Care	74	
415: Public Policies 2016				
415-1	Political contributions	-	-	No political contributions were made
416: Customer Health and Safety 2016				
416-1	Assessment of the health and safety impacts of product and service categories	-	-	None in 2020
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	-	
417: Marketing and Labeling 2016				
417-2	Incidents of non-compliance concerning product and service information and labeling	-	-	None in 2020
417-3	Incidents of non-compliance concerning marketing communications	-	-	
418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	-	None in 2020
419: Socioeconomic Compliance 2016				
419-1	Non-compliance with laws and regulations in the socioeconomic area	-	-	None in 2020



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