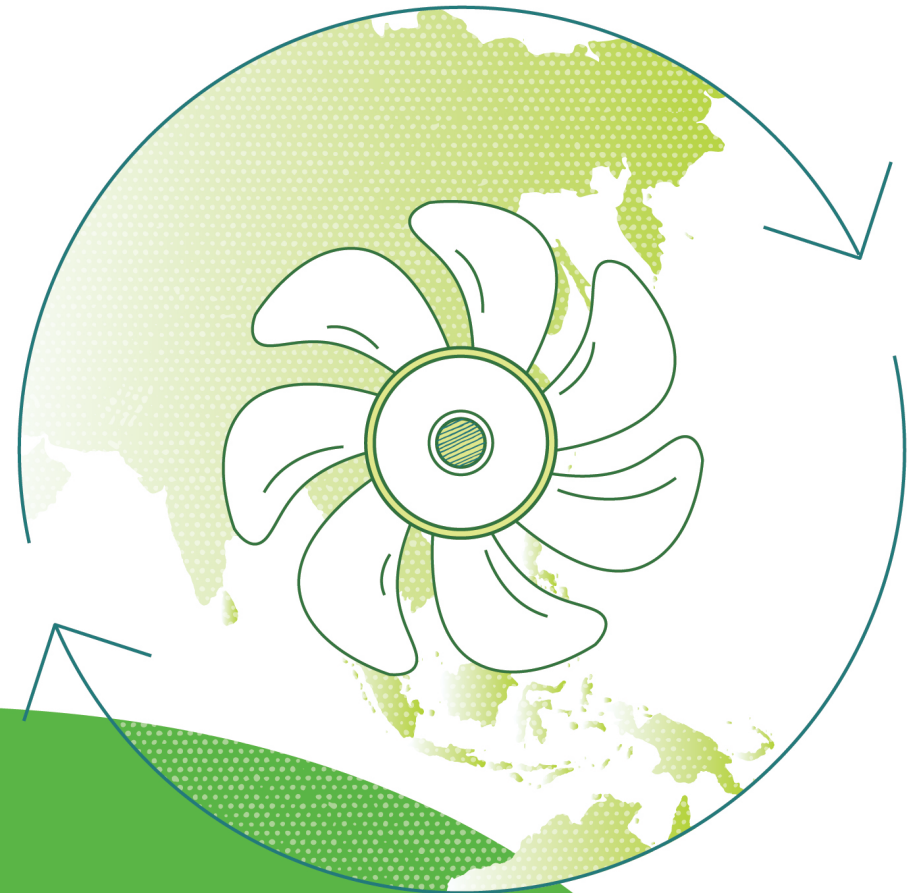


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SUNONWEALTH Electric Machine Industry Co., Ltd.

CORPORATE SUSTAINABILITY REPORT **2021**



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A circular flow diagram consisting of two concentric dashed white circles on a green background. The word "SUNON" with a registered trademark symbol is centered between the circles. Four dashed white arrows form a clockwise cycle: one arrow starts at the top right and points to the right circle, another starts at the right circle and points to the bottom right, a third starts at the bottom right and points to the bottom left, and a fourth starts at the bottom left and points to the left circle. The arrows are composed of two segments each, with a small dot at the junction and the end point.

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About this Report

Since 2021, Sunonwealth has published Sustainability Reports. The purpose of the report is to reveal the results of Sunonwealth's efforts in corporate governance, environmental protection, and social welfare, so that stakeholders can understand the way in which Sunonwealth fulfills its corporate social responsibility, and to realize the important mission of sustainable development.

Reporting Time and Scope

This Report discloses information from January 1, 2021 to December 31, 2021 and covers the major issues of concern to the Company's stakeholders, including the effectiveness of corporate governance, environmental sustainability and social care.

The scope of disclosure of this Report includes information on the Group's R&D operations location (headquarters: Kaohsiung and Taipei, Taiwan) and the Group's production sites (plants: Kunshan, Jiangsu, China and Beihai, Guangxi, China) for large scale mass production. This Report adopts the GRI Standards framework announced by the Global Reporting Initiative (GRI) and compiles the contents in accordance with the guidelines and structure set forth therein, meeting the requirements for core disclosure.

The financial data is calculated in New Taiwan Dollars (NTD), and the financial information is based on the Group's consolidated revenue, which is consistent with the financial statements. Some statistics are quoted from publicly available information on the websites of government agencies and international organizations, and are presented in commonly used text and numerical descriptions. Any exceptions shall be indicated separately in this Report.

Report Publication

Sunonwealth Electric Machine Industry Co., Ltd. publishes a Sustainability Report every year.

First publication: 2021

Current release: June 2022

Next release: Scheduled for June 2023

Contact Information

If you have any suggestions or questions about the contents of this Report, please visit our website for related information or download this Report. We sincerely welcome you to contact us and provide suggestions to support our continued efforts and growth. Thank you!

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Messages from the Management

To those who care about the sustainability of Sunonwealth,

In 2021, the COVID-19 pandemic continued to affect the world, and the overall economic and industrial environment suffered a major impact. Meanwhile, climate change was increasingly evident. People started to think about how to co-exist with nature. Companies were also rethinking how to balance revenue growth with the protection of the earth to achieve sustainability goals.

In recent years, in the face of aggravated impact and influence of the external environment, Sunonwealth has planned ahead to tackle challenges and has been able to maintain continuous growth in revenue despite the adversity, thanks to the concerted efforts of all employees, which has demonstrated the company's willpower to break through difficulties. While pursuing excellent operational performance, we also pay attention to environmental issues and actively invest in research and development with an aim for product performance improvement. We provide the most energy-efficient cooling and ventilation solutions among the industry to achieve energy savings and power efficiency for customers worldwide. Moreover, the raw materials used in each of Sunonwealth's products are required to comply with international environmental regulations from design. In addition to not containing any harmful substances, we also require our suppliers not to use raw materials from conflict mines, in order to fulfill our responsibility of supervision and control at the source, and to achieve the goals of "energy saving, carbon reduction, environmental protection, and love for the earth."

In the era of diversified and rapid development of sustainability issues, we continue to implement ESG-related management activities and move toward sustainable corporate development with the core value of "responsiveness, care, and mutual benefit." In order to reach the international 2050 net-zero emissions target, we have implemented green supply chain and smart manufacturing in our internal management, actively developed energy-saving technologies and products, and committed to providing comprehensive cooling solutions and services to industries related to sustainability. In the area of talent development and employee care, we strive to provide a safe, healthy and diverse and inclusive workplace, actively participating in campus career fairs and industry-academia cooperation programs to recruit young talents and support employment. In terms of social inclusion, we uphold our founder's spirit of altruism and continue promoting the "culture of goodness" in remote areas, care for the underprivileged, and support children's welfare organizations. For many years, we have collaborated with junior high schools and elementary schools to hold essay competitions on "Liao-Fan's Four Lessons," to promote character education, and to encourage young students to develop a good outlook on life and morality in addition to the pursuit of professional skills and knowledge.

Looking ahead to 2022, we will continue to communicate with our stakeholders and enhance the breadth and depth of our ESG information disclosure. We hope that all stakeholders will learn more about our dedication and efforts through this Report, looking forward to everybody's continuous support and sincerely welcoming everybody to share valuable opinions that help us continue to thrive. We will also do our best to give full play to our positive influence in the industry and society, continuing to do our part to protect the environment and care for the society, so that the world can become a better place with unlimited possibilities.

Hong Ching-Sheng, Chairman of the Board of Directors and President of the Group

2021 Performance Highlights

Governance



The consolidated revenue was NT\$**13.5 billion** which was a **6.1%** increase from 2020



The Company ranks among the **top three** leading brands in terms of market share



0 cases of corruption



The hazardous substance inspection passage rate was **100%** for three consecutive years from 2019 to 2021

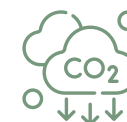


Obtained **1,790** invention patents

Environment



Saved **278 million** kWh of electricity with product R&D



Reduced emissions by **141 million** kilograms of CO₂e

Social



The closure rate of employee grievance was **100%**.



Average employee training hours exceeded **72.4** hours



Received the **Badge of Accredited Healthy workplace form The Health Promotion Administration**, Ministry of Health and Welfare.



Provided care to **7,614** households in the "Support and Care Campaign" from 2018 to 2021

Awards and Results



- 2018**
 - 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
- 2019**
 - Received the Gold Medal in the Talent Quality-management System (TTQS)
 - Received the Health Promotion Label – Accredited Healthy Workplace
 - Received the 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
- 2020**
 - Received the 2020 Taiwan Excellence Award (Modern HVLS Fan)
 - Received the 2020 Taiwan Excellence Award (Flow2 One-AHR Ventilation Fan Plus)
- 2021**
 - Received the 2021 Taiwan Excellence Award (Wall Exhaust Fan)




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	<p>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.</p>	<ul style="list-style-type: none"> Employee welfare and remuneration Occupational safety and health Career development and training Talent recruitment and retention Employee rights and benefits in the workplace 	<ul style="list-style-type: none"> Interactive meetings (union meetings) (monthly) Employee complaints mailbox (as needed) Publication of regulations and systems (as needed) Employee Welfare Committee (monthly) Occupational Safety and Health Committee (quarterly) Supervisory Committees of Workers' Retirement Reserve Fund (as needed) Sexual Harassment Complaints Committee (as needed)
 Partners	<p>Partners are crucial for Sunonwealth and we work together to meet the expectations of customers through a model of mutual trust and cooperation.</p>	<ul style="list-style-type: none"> Occupational safety and health Sustainable supply chain management Supplier social performance management Contractor management 	<ul style="list-style-type: none"> Partner evaluation (annually) Communication and onsite audit (as needed) Organize occupational safety training (as needed) Safety audit (as needed) Project construction contracts (as needed)
 Shareholders (Board of Directors)	<p>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.</p>	<ul style="list-style-type: none"> Business and financial performance Corporate governance Product quality/technology R&D Regulatory compliance Code of ethical conduct Risk management 	<ul style="list-style-type: none"> Convention of shareholders' meetings (annually) Convention of board meetings (at least quarterly) Issuance of the Annual Report (annually) Financial reports audited by the CPA (quarterly) Sunonwealth's website Market Observation Post System Issues that must be announced or reported in accordance with regulations of the competent authority (as needed)
 Suppliers	<p>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.</p>	<ul style="list-style-type: none"> Raw material and hazardous substance management Sustainable supply chain management Supplier social performance management Conflict minerals management Contractor management 	<ul style="list-style-type: none"> Public tenders and tender awards Terms of contracts and related regulations Supplier system (daily) Participation in conferences (as needed) Supplier quality evaluation (monthly) Supplier cost/technology/service evaluation (quarterly)

Stakeholders	Significance to Sunonwealth	Issue of Concern	Communication Method and Frequency
 Customers	<p>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.</p>	<ul style="list-style-type: none"> • Product quality/technology R&D • Customer service satisfaction • Design and development of green products/services • Raw material and hazardous substance management • Regulatory compliance 	<ul style="list-style-type: none"> • Participation in product/technology seminars (annually) • Participation in supplier conferences (annually) • Website product introduction and description (as needed) • Product catalog (as needed) • Routine customer interviews and visits as needed (as needed) • Customer satisfaction survey (annually) • Social media platform (Green Life News)(Powerful HVLS Fan) (as needed) • YouTube (SUNON Green Life/Sunonwealth) (as needed)
 Community residents and organizations	<p>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.</p>	<ul style="list-style-type: none"> • Community engagement • Air pollutant management • Water resource and wastewater management • Waste management and recycling 	<ul style="list-style-type: none"> • SUNON Charitable Foundation • Emergency relief activities (as needed) • Participation in management committees of commercial and office buildings (monthly) • Organization of factory visits (as needed) • Recruitment activities or employment seminars in nearby areas (as needed)
 Government authorities and non-profit organizations	<p>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.</p>	<ul style="list-style-type: none"> • Occupational safety and health • Regulatory compliance • Tax policy • Energy management • Greenhouse gas emissions • Air pollutant management • Water resource and wastewater management • Waste management and recycling 	<ul style="list-style-type: none"> • Environmental assessment status and reports to the competent authority (as needed) • Interactions and exchange of ideas with the competent authority (as needed) • Data reporting and taxation (as needed) • Audits by government authorities (as needed) • Seminars and conferences (as needed) • Communication and interaction with experts and academics (as needed) • Participation in policy communication/legal seminars organized by government authorities (as needed)
 Peers in the electronics industry	<p>We increase Sunonwealth's industry competitiveness by participation in trade associations and learning from other core members of the industry chain.</p>	<ul style="list-style-type: none"> • Business and financial performance • Product quality/technology R&D • Design and development of green products/services • Employee welfare and remuneration • Talent recruitment and retention 	<ul style="list-style-type: none"> • Publication of information on events by organizations, associations, and academic associations (as needed) • Communicate with peers in the electronics industry through visits and announcements (as needed) • Data applications and information distribution (as needed)

Note: Stakeholder feedback channels (<https://www.sunon.com/sta.aspx>)

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:



1. We divided the analysis framework into two dimensions including "level of concern to stakeholders" and "impact on business operations" and set four indicators for analysis. The analysis indicators are shown in 1 to 4 points and all issues are ranked based on the weighted calculation of points.



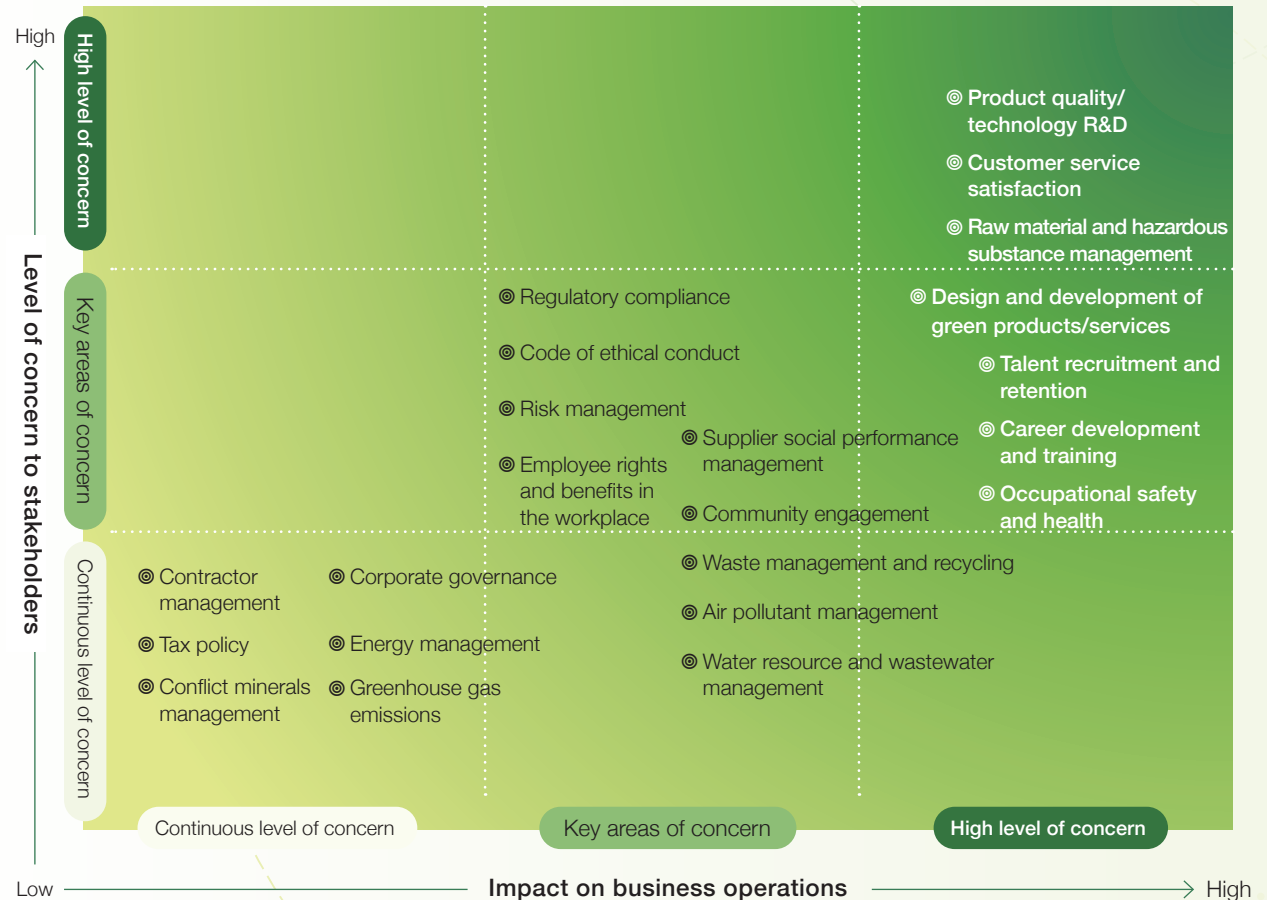
2. We invited the core team to determine the level of importance of the issues of concern to the stakeholders based on the "level of concern to stakeholders" and "impact on business operations". We used the weighted score to rank the issues.



3. An issue with a score of 4 points (inclusive) or higher in terms of the "level of concern to stakeholders" and "impact on the Company's operations" is regarded as an issue with "high level of impact on business operations" or "high level of concern to stakeholders". If a topic receives 4 points (inclusive) or higher in both categories, it is regarded as a material topic.



4. Sunonwealth analyzed the material topics and fully disclosed and responded to the issues in this Report. We will also continue to communicate with stakeholders to enhance improvements and list deficiencies as key points for future improvements.



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.


● Direct impact ○ Indirect impact



Aspect	Material Issues	Significance to Sunonwealth	Boundaries of Impact on the Value Chain		
			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
Policy/Commitment	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
Core Goals	We pass the quality management system certification each year	At least 5.7 points in average customer satisfaction score
Performance Results	Passed ISO 9001, IATF 16949, and IECQ QC08000 certification	The overall satisfaction rating for 2021 was 5.6 out of 7 points. The satisfaction rating decreased from that of 2020 by 0.2 points due to changes in the economy such as global raw materials shortage, price increase, soaring demand and freight traffic chaos.
Action Plans	Perform regular annual internal and external audits each year and continue to track corrective measures till improvements are completed.	<ul style="list-style-type: none"> Conduct customer satisfaction surveys every year to learn about customer opinions which are used as the basis for continuous improvements 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) 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. Use patents and awards to increase customers' confidence and trust Establish customer complaint processing units
Resources committed	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
Evaluation mechanisms	Internal and external audits	<ul style="list-style-type: none"> Customer satisfaction survey Number of customer complaints
Feedback mechanisms	Customer visits and audits provide departments with recommendations for continuous improvements and enhancement of existing procedures to improve quality	<ul style="list-style-type: none"> Customer services e-mail on the official website business personnel interviews customer service unit contact persons

Material Issue	 Raw material and hazardous substance management	 Design and development of green products/services
Policy/Commitment	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
Core Goals	No Sunonwealth products contain hazardous substances	Comply with standards and obtain product certification in all markets with 100% certification rate for all products
Performance Results	Passed IECQ QC 080000 certification each year	<ul style="list-style-type: none"> Obtained certification for 325 models including DC Brushless Fan (321 models) /AC Axial Fan & Blower (4 models) with a product certification rate of 100% Obtained certification for 9 models of the HVAL ceiling fan with a product certification rate of 100% Obtained certification for 2 models of the EC energy-efficient fan with a product certification rate of 100%
Action Plans	Require suppliers to comply with Sunonwealth's procurement regulations and sign a statement for banning the use of restricted substances Update the list of banned substances in Taiwan and foreign operations to meet regulatory requirements	<ul style="list-style-type: none"> Implement feasibility studies on international safety and environmental protection/energy efficiency regulations for project products 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 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
Resources committed	<ul style="list-style-type: none"> Procurement units quality assurances R&D units 	<ul style="list-style-type: none"> PM RD set up safety compliance laboratories EMC laboratories reliability laboratories material laboratories
Evaluation mechanisms	<ul style="list-style-type: none"> Internal and external audits Product certification units in Taiwan and foreign countries 	<ul style="list-style-type: none"> Customer audits factory audits by certification institutions
Feedback mechanisms	<ul style="list-style-type: none"> Supplier evaluation Employee complaint channels Customer audit feedback 	<ul style="list-style-type: none"> Regular product development project meetings customer requirements and continuous updates of international regulations

Material Issue	 Talent recruitment and retention	 Career development and training
Policy/Commitment	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
Core Goals	Manage SUNON employer brand to attract and retain key talent	Maintain the TTQS gold medal certification and ensure the effectiveness of training
Performance Results	<ul style="list-style-type: none"> In 2021, there were 117 new employees in Taiwan and 17,144 new employees in China In 2021, the closure rate of employee grievance was 100% 	<ul style="list-style-type: none"> In 2021, the average number of training hours per person was 72.4 hours In 2021, the overall training satisfaction rating was 4.6 out of 5
Action Plans	<ul style="list-style-type: none"> Establish incentive-based compensation systems and performance management systems, year-end bonus, and performance bonus systems Annual salary adjustments based on employee performance and the Company's overall operations Established multiple employee communication channels 	<ul style="list-style-type: none"> Regularly participate in the TTQS system assessment and continue to improve training quality Establish R&D competency training system and develop R&D talents that meet the requirements of the Company Plan competency training courses for supervisors of all levels to cultivate management talents and achieve the Company's business objectives Train internal lecturers to share and pass on company knowledge Apply for training subsidies for the Recharge and Take Off Program and obtain funding for continuous employee training
Resources committed	Human resources units	<ul style="list-style-type: none"> Human Resources Department R&D Management Office
Evaluation mechanisms	<ul style="list-style-type: none"> Performance evaluation Employee grievance 	<ul style="list-style-type: none"> TTQS external audits Training satisfaction rating
Feedback mechanisms	<ul style="list-style-type: none"> Employee mailbox, labor-management meetings, Employee Welfare Committee, new employee seminars 	<ul style="list-style-type: none"> E-learning network satisfaction rate questionnaire: For all participating employees Annual training requirement survey questionnaire: For department heads

Material Issue	Occupational safety and health	
Policy/Commitment	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.	
Core Goals	COVID-19 prevention	Friendly workplace labor protection mechanism
Performance Results	No confirmed COVID-19 cases in the Group	No workplace violations, violations of maternal health protection, ergonomic hazards, abnormal workloads, or other hazards.
Action Plans	<ul style="list-style-type: none"> • In compliance with the government's pandemic prevention requirements, an in-house pandemic response team was established. • Defined corporate pandemic prevention rules and guidelines. • Implemented pandemic prevention measures such as cleaning and disinfection, temperature measurement, contact tracing, indoor/outdoor social distancing, gathering restrictions, remote working, taking turns to work from home/office, area protection and isolation, etc. • Distributed COVID care packages for outbound personnel. • Purchased and distributed pandemic prevention supplies. • Health status tracking and medical testing for individual employees. 	<ul style="list-style-type: none"> • Referred to guidelines by the Occupational Safety and Health Administration. • Developed plans: protection of maternal health in the workplace, prevention of ergonomic hazards, from illnesses caused by abnormal workloads, and from unlawful abuse in the performance of duties
Resources committed	<ul style="list-style-type: none"> • Industrial Safety Department • All Departments 	<ul style="list-style-type: none"> • Industrial Safety Department • All Departments • Resident Physicians
Evaluation mechanisms	<ul style="list-style-type: none"> • Government announcements • Client requirements • Corporate internal prevention and control demands • Employees' actual situations 	<ul style="list-style-type: none"> • Employee mailbox / grievance procedures • Questionnaire surveys • Resident physician consultation
Feedback mechanisms	<ul style="list-style-type: none"> • External information collection • Internal report system 	<ul style="list-style-type: none"> • Evaluation sheet • Employee feedback • Physical examination report




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

Strategy	Short-Term Goals	Medium and Long-Term Goals (3-5 Years or More)
Stable business management	<ul style="list-style-type: none"> Implemented social responsibility management activities in accordance with the Responsible Business Alliance Code of Conduct Philippines Factory completed the ISO 9001 Quality Management System certification Decrease inventory turnover in all plants Increase penetration tests on external service websites and repair vulnerabilities to prevent attacks on website vulnerabilities 100% introduction, certification, and adoption of data loss prevention (DLP) software Introduce mail audit mechanisms, enhance mail audits, prevent and record possible leaks of confidential information 	<ul style="list-style-type: none"> Implement supplier RBA audits and counseling Strengthen audits for overseas plants to facilitate stable expansion in scale Introduce different management system certification based on customer requirements Continue to implement information security and revise related monitoring and control mechanisms to create a comprehensive information security system Continue to provide comprehensive planning and assistance with professional installation and after-sales services 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
Products and services	<ul style="list-style-type: none"> Set a target for increasing the immediate customer response rate by 3% per year Reduce the number of customer complaints for factory issues by 3 to 5% Conduct internal pretests for all safety test items for DC ventilation fans / HVLS energy-efficient ceiling fans / EC energy-efficient fans Increase the accumulation rate of patents from 2,908 in 2020 to 3,250 in 2023 Reduce product unit energy consumption by 2% 	<ul style="list-style-type: none"> Increase and maintain the immediate customer response rate to 80% or higher Reduce the number of customer complaints for factory issues by 10% Conduct internal certification tests for all safety test items for DC ventilation fans/ HVLS energy-efficient ceiling fans / EC energy-efficient fans Continue to develop innovative green products and set product energy conservation targets Increase the accumulation rate of patents from 3250 in 2023 to 3600 in 2026
Environmental protection	<ul style="list-style-type: none"> 100% signature rate of the Main Supplier Social Responsibility and Environmental Commitment Statement 100% signature of the Social Responsibility and Environmental Commitment Statement by new suppliers Reduce greenhouse gas emissions by 2% each year Zero discrepancies discovered in external audits Introduce the green product management system Zero excess usage and zero customer complaint in management of environment-related substances in products Establish a centralized material drying system to reduce exhaust emissions from equipment 	<ul style="list-style-type: none"> Tiered management measures for suppliers 100% introduction of the green product management system Develop or source plastic materials that do not require drying for injection and forming
Healthy workplace	<ul style="list-style-type: none"> Maintain employees' average training hours above 15 hours 0 cases of occupational injuries 0 cases of labor disputes 0 cases of workplace abuse 	<ul style="list-style-type: none"> Establish friendly workplace labor protection mechanism Improve competency training systems and establish a learning environment for all ages Maintain the key talent retention rate above 90%
Charity event participation	<ul style="list-style-type: none"> Community cooperation and inviting community members to participate in charity events Continue to implement ethical education programs and promote the values of Liao-Fan's Four Lessons Invest in professional training resources and help local disadvantaged groups 	<ul style="list-style-type: none"> Continue to promote community participation and charity events Promote the employee charity event participation program

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 four 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 four main development goals in 2020 are explained below:

SDGs	Target	Material Issues for Sunonwealth	Key Points for Development in 2021 and Corresponding Chapter in the Report	Action and Performance in 2021
	4.4 Improve technical and vocational skills	<ul style="list-style-type: none"> Talent recruitment and retention Career development and training 	4 Care for Employees and Sustainable Workplace	<ul style="list-style-type: none"> Average employee training hours exceeded 72.4 hours. Guangxing plant collaborates with Dengyun College to establish Xing-Yun University, including "pre-Dengyun program," "Beijing Institute of Technology undergraduate program" and "Jiangnan University undergraduate program," with a total of 53 employees participating in the three-year programs.
	9.5 Enhance scientific research and upgrade the technological capabilities of industrial sectors in all countries	<ul style="list-style-type: none"> Product quality/technology R&D Design and development of green products/services 	2. Innovative R&D and Sustainable Products	<ul style="list-style-type: none"> The total investment in R&D is 814 million, accounting for 6% of operating income. Obtained 1,790 invention patents.
	12.2 Achieve the sustainable management and efficient use of natural resources	<ul style="list-style-type: none"> Raw material and hazardous substance management Design and development of green products/services Sustainable supply chain management 	3. Protect the Earth for a Sustainable Future	<ul style="list-style-type: none"> Implementing green product management system and passing IECQ QC080000. All sources of materials meet RoHS international standards and regulations to fully implement environmental protection and green procurement ideals. CO₂ emissions to be reduced by 9% in 2021 compared to 2020.

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.

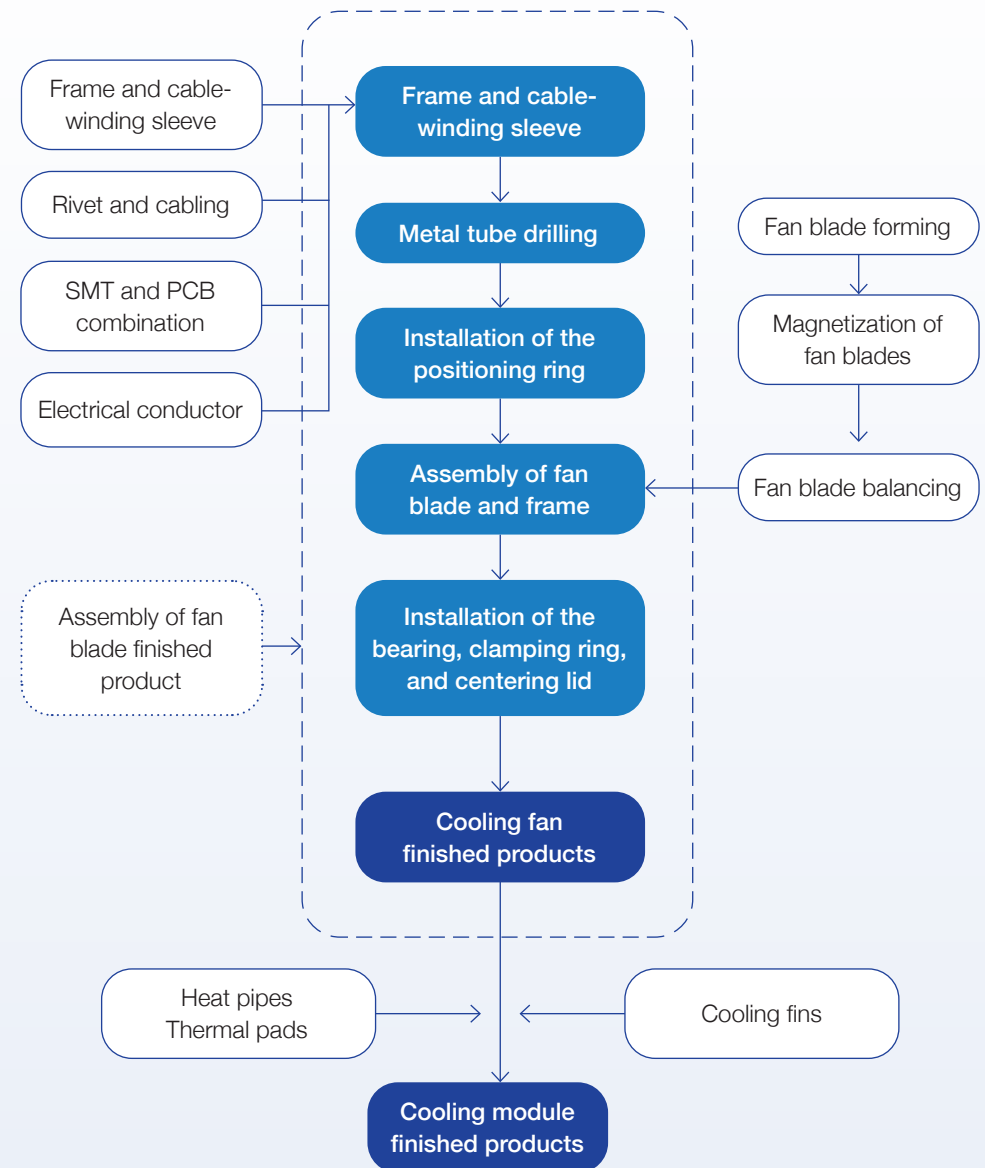
Sunonwealth's Headquarters is located in Kaohsiung, Taiwan. The Group has subsidiaries and offices in Europe, United States, and China, more than 100 distributors across the world, and more than 1,000 sales service locations. We have created a customer service and technical support network across five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

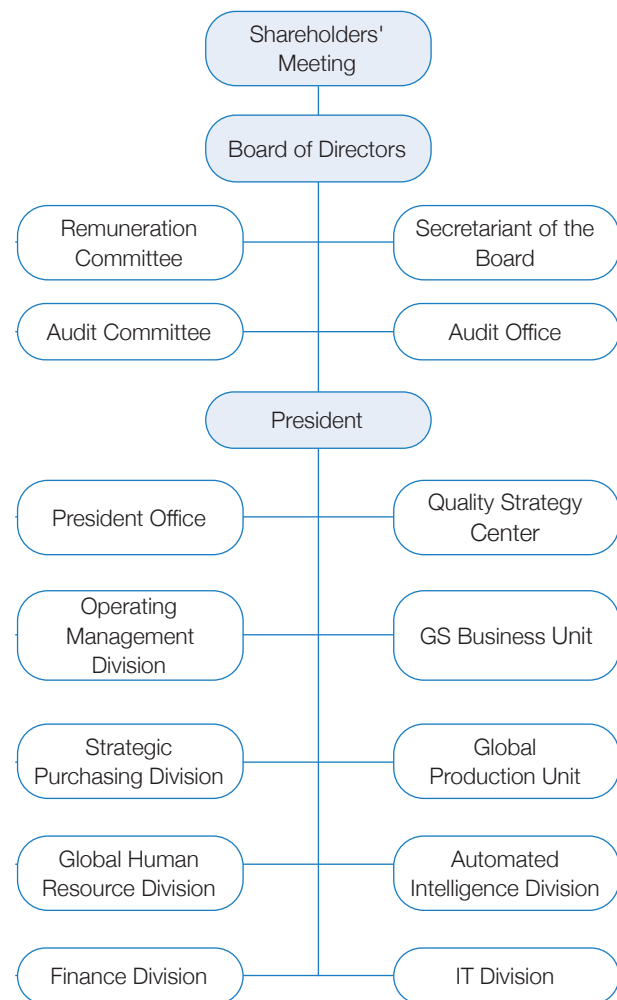
Sunonwealth Group Overview

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\$13.56 billion (2021)
Number of employees	7,221 (As of the end of 2021)

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.

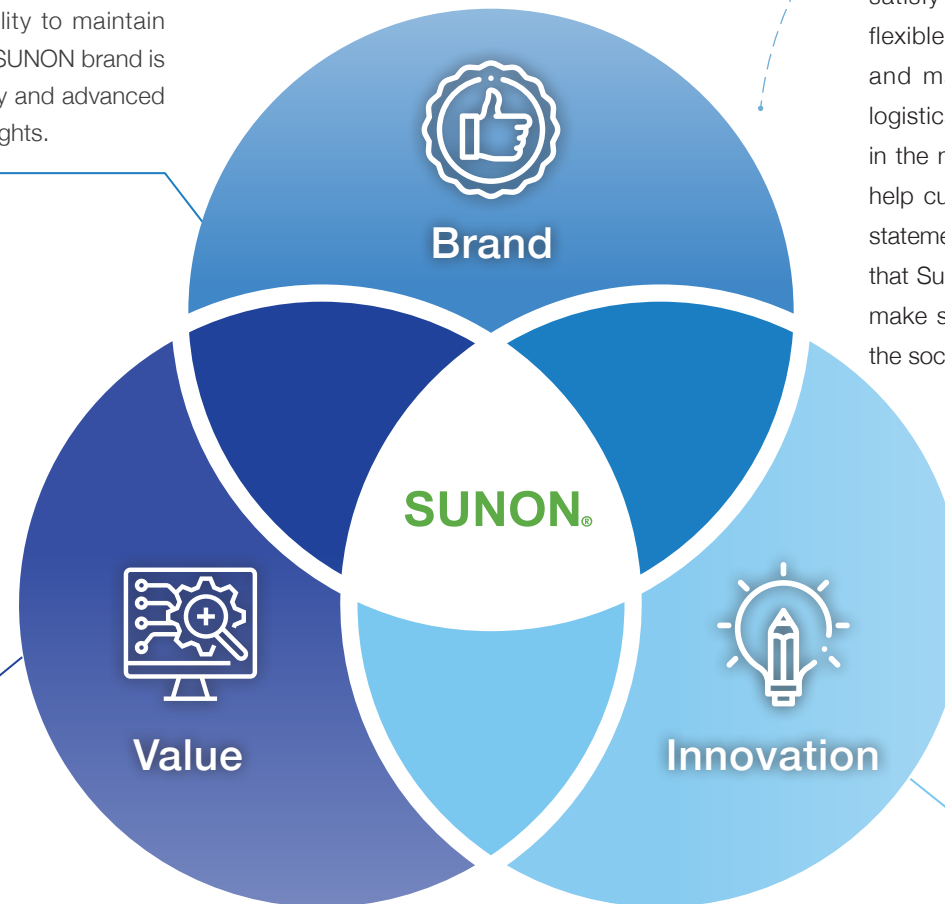


Department Name	Main Businesses
President	The President is responsible for the execution of the Group's operations. The President establishes business strategic goals and directs and manages subordinates in business operations to achieve the Company's goals.
President Office	The President Office assists 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.
GS Business Unit	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.
Quality Strategy Center	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.
Global Production Unit	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.
Automated Intelligence Division	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.
Operating Management Division	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.
Strategic Purchasing Division	It is responsible for developing suppliers of materials and control of procurement prices; it also implements a qualified supplier system and priority supplier system.
Global Human Resource Division	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.
IT Division	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.
Finance Division	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.

Mission Statement

Sunonwealth upholds quality to maintain the value of the brand. The SUNON brand is the emblem of a high quality and advanced built with unique market insights.

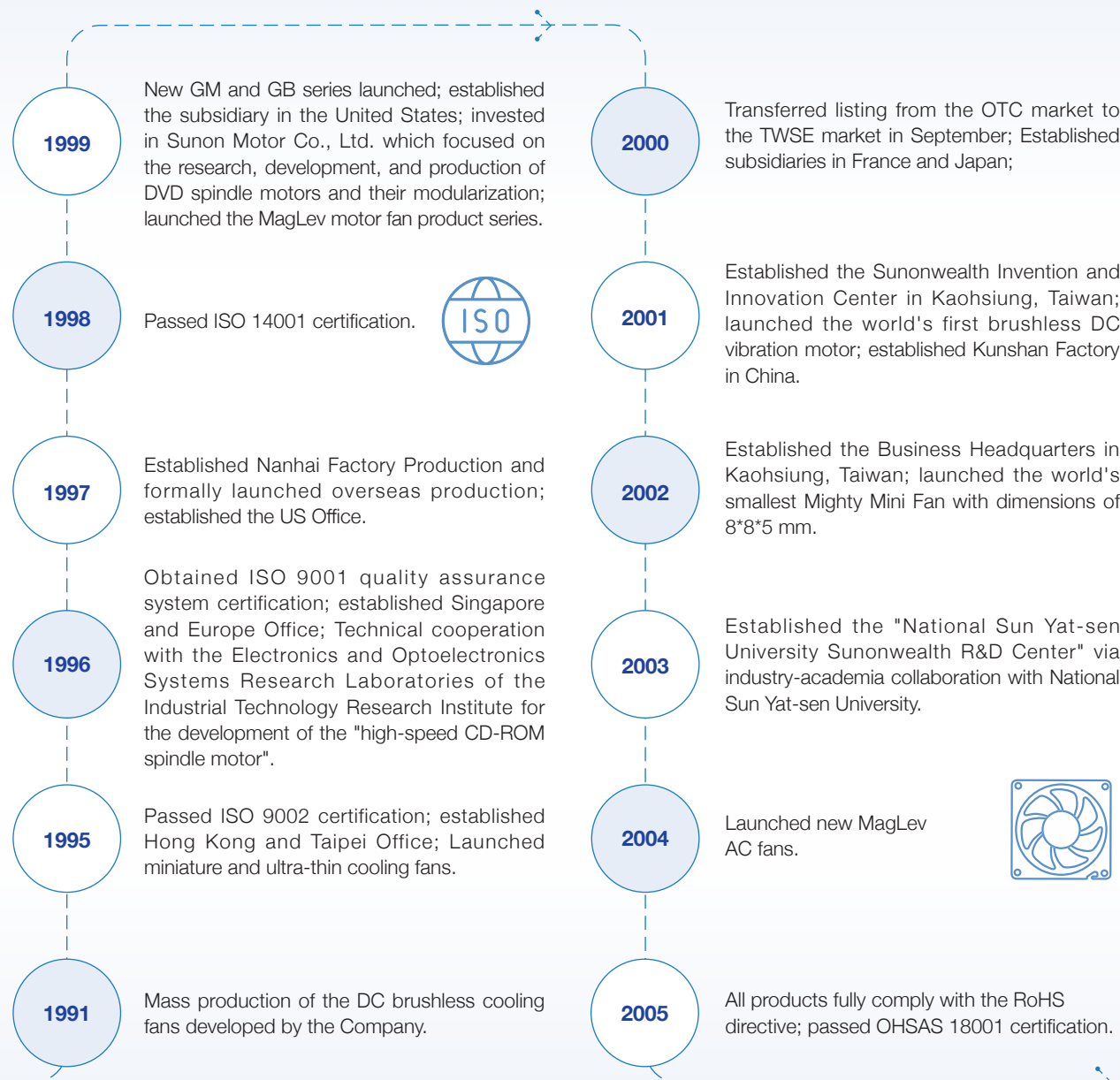
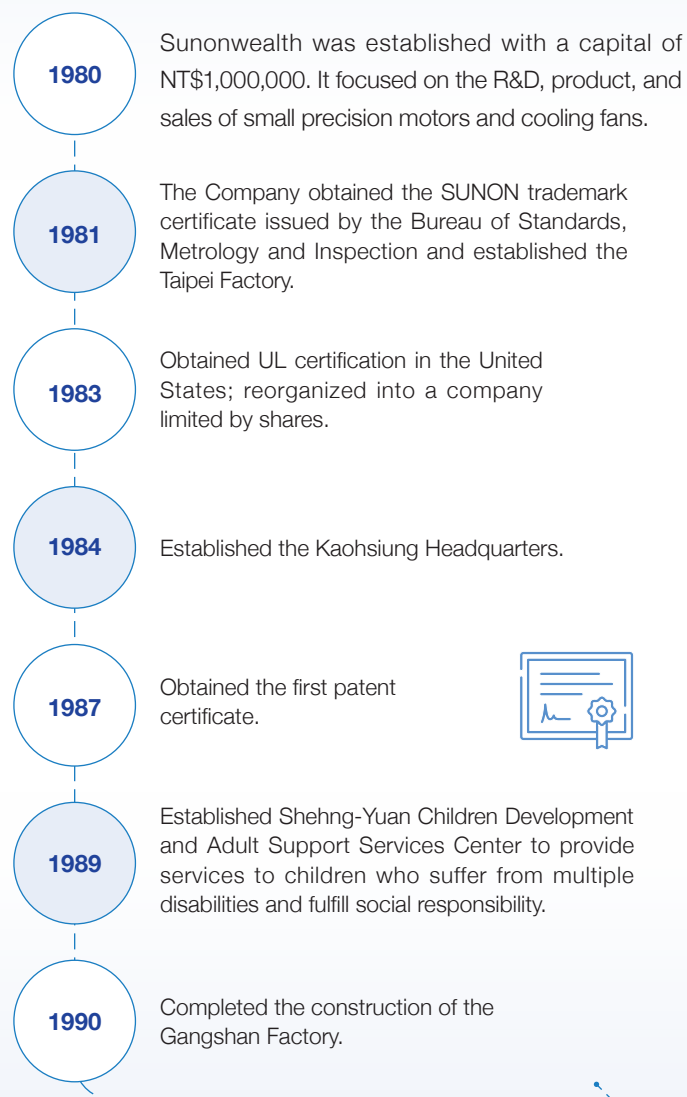
Sunonwealth's value is derived from the wisdom and achievements in R&D that exceed the value of products.

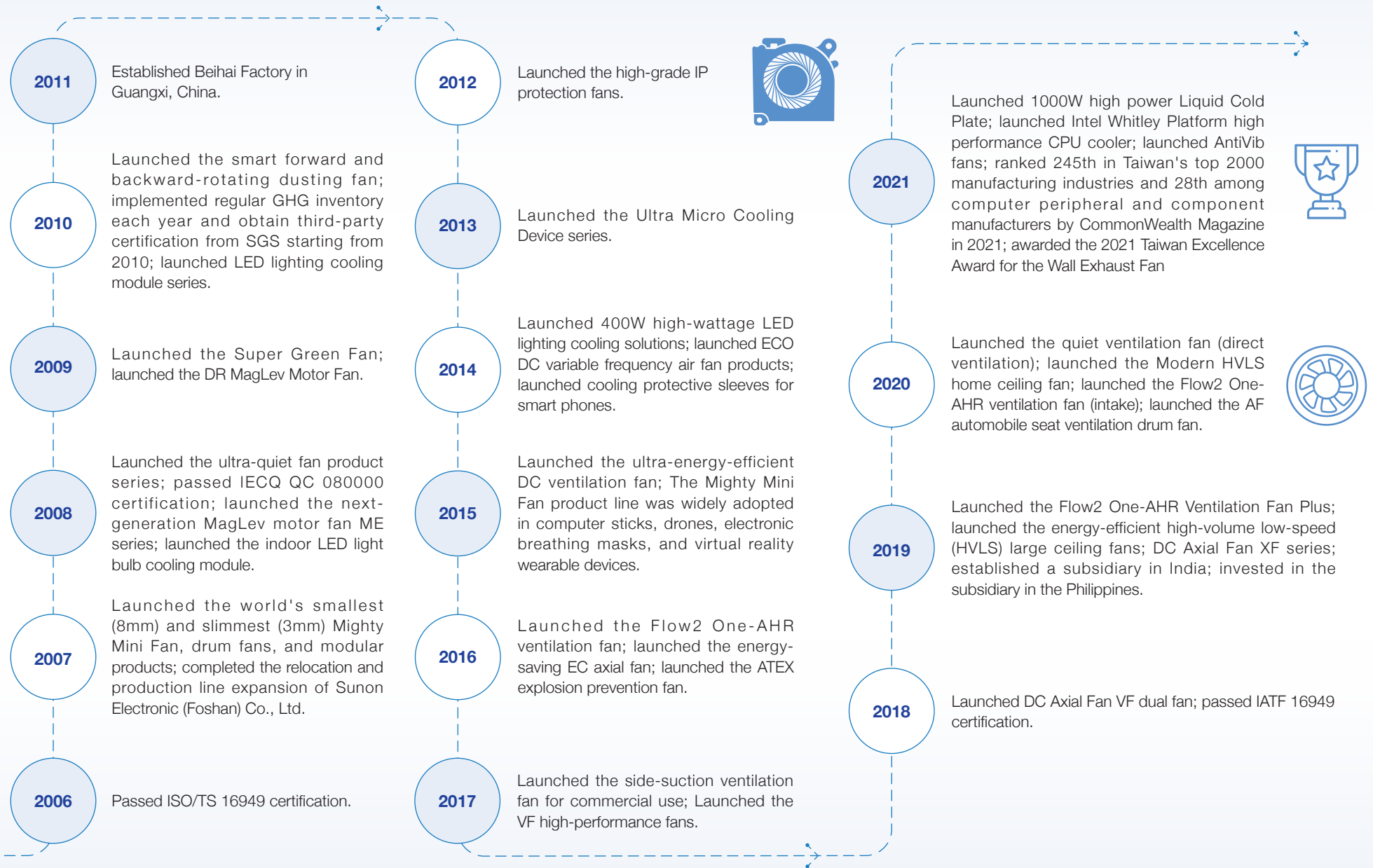


Sunonwealth has created a strong R&D team to satisfy customer requirements with the best and flexible designs. The team works with the service and marketing units as well as production and logistics units to help customer achieve innovation in the next-generation products. We use services to help customers 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.

Sunonwealth is founded upon inventions and innovations, which we regard as our only path to maintaining our leading position in the industry.

Development History — — — Sunonwealth History





External Initiatives

List of initiatives	Adoption date	Applicable base
Responsible Business Alliance (RBA)	2013/9	Sunonwealth Electric Machine Industry Co., Ltd. Sunon Electronic (Kunshan) Co., Ltd. Sunon Electronic (Bei Hai) Co., Ltd.
Declaration for No Use of Conflict Minerals	2014/1/1	Sunonwealth Electric Machine Industry Co., Ltd. Sunon Electronic (Kunshan) Co., Ltd. Sunon Electronic (Bei Hai) Co., Ltd.
REACH Compliance Declaration	2008/11/1	Sunonwealth Electric Machine Industry Co., Ltd. Sunon Electronic (Kunshan) Co., Ltd. Sunon Electronic (Bei Hai) Co., Ltd.
RoHS Compliance Declaration	2006/7/1	Sunonwealth Electric Machine Industry Co., Ltd. Sunon Electronic (Kunshan) Co., Ltd. Sunon Electronic (Bei Hai) Co., Ltd.
PFOS/PFOA Compliance Declaration	2010/9/1	Sunonwealth Electric Machine Industry Co., Ltd. Sunon Electronic (Kunshan) Co., Ltd. Sunon Electronic (Bei Hai) Co., Ltd.

1-2 Business Performance

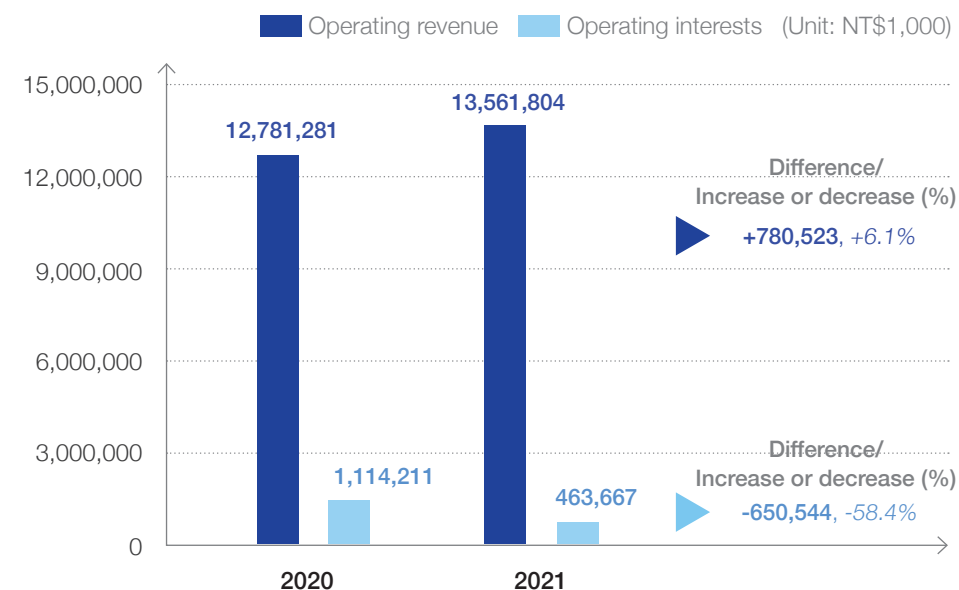
We hold an annual planning meeting in the fourth quarter of each year to discuss available information and forecasts of the industry and set management goals for the following year. We develop key performance indicators (KPIs) for each department and use them to manage and execute projects to attain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

2021 management policy and achievements

KPI	Target Value	Actual Value
Group revenue (fans + modules)	NT\$14.113 billion	NT\$13.364 billion
Profitability (Group earnings before income tax (EBIT))	NT\$1.503 billion	NT\$0.594 billion

Note: The calculation of 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

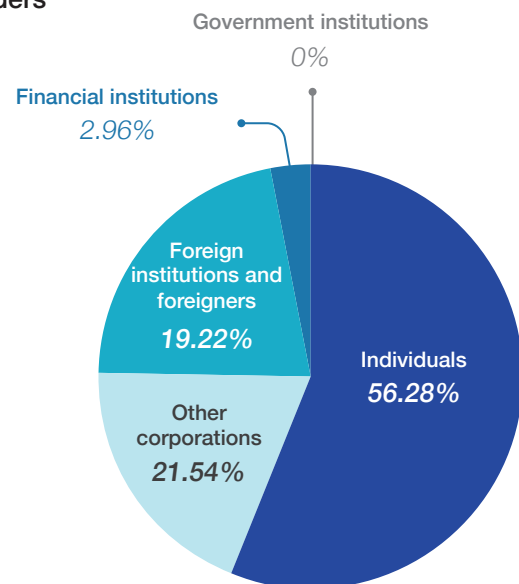


Net profit and earnings

(Unit: NT\$1,000)

Year	2020	2021
Net profit before tax (NT\$1,000)	1,088,403	585,230
Net profit after tax (NT\$1,000)	851,650	429,253
Earnings per share (NT\$)	3.39	1.71
Price/earnings ratio (NT\$)	14.88	26.39
Price/dividend ratio (NT\$)	21.01	37.61
Cash dividends (NT\$)	2.4	1.2
Cash dividend yield	4.76	2.66

Shareholders



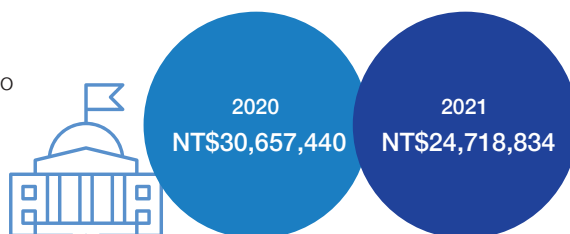
Investee

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

Government subsidies

Sunonwealth's applications for government subsidies from 2020 to 2021 are listed in the table below:



PS. The above data contains Taiwan and Mainland China.

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. In 2021, a total of 8,766 participants from the headquarters and the China plant attended the "corporate work ethics" training.

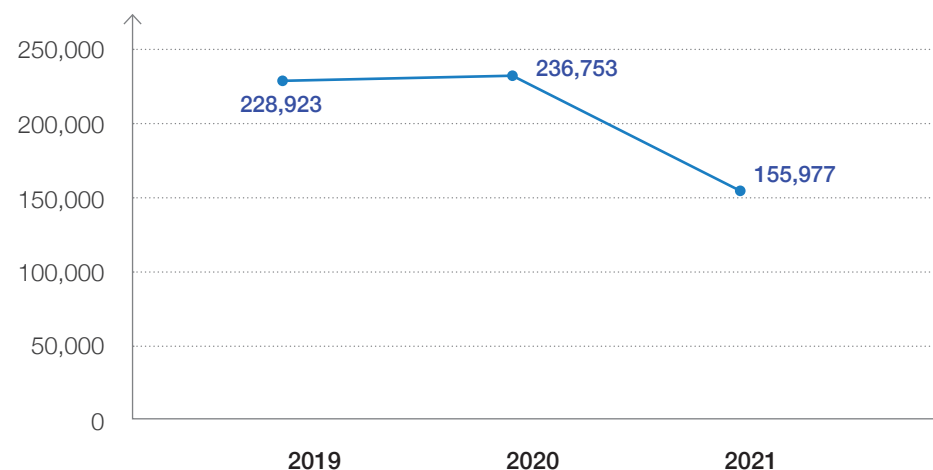
Sunonwealth also respects market trading mechanisms and abides by the regulations of the Fair Trade Act and related accounting regulations. We treat customers, competitors, and employees fairly, and we do not seek to obtain inappropriate benefits through manipulation, nondisclosure, or abuse of information 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.






Income tax 2019-2021





(Unit: NT\$1,000)



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.

Risk Type		Execution Method
	Work safety risks	<ul style="list-style-type: none"> 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. The company has developed contractor management procedures, informed relevant operation hazards, and reasonably controlled operation risks and hazards in advance. Safety protection devices have been installed on production equipment to avoid hazards of personnel misuse. Operating environment inspection is conducted every year to protect operators' health. Implement regular inspections inside plants and uncover potential risks to implement related improvement measures. Conduct monthly reviews of EHS regulations and determine compliance status to ensure that we comply with all related regulations.
	Material source risks	<ul style="list-style-type: none"> Carefully select high-quality supplier and establish long-term partnerships. Select at least 2 suppliers for critical materials to disperse risks of unstable sources of supply. 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	<ul style="list-style-type: none"> 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. Sign logistics contracts and process logistics in accordance with the contracts and specify related regulations and penal provisions. 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	<ul style="list-style-type: none"> Enhance inspections and tests of public facilities to maintain availability of equipment. Appoint professional institutions to inspect oil and gas equipment and power supply equipment to ensure equipment stability and reliability. Implement management by wandering around and issue discrepancy notices whenever irregular electricity consumption is discovered to request immediate improvements and save energy.
	Market risks	<ul style="list-style-type: none"> The company has been actively expanding into the automotive market to increase sales. The company has been expanding distributor sales channels to increase revenue streams. To enhance customer satisfaction with product quality, we have taken out product quality insurance to protect customers' rights with purchased products. The company maintains two-week inventory in the plant to avoid insufficient production capacity and to ensure the quantity of orders placed by customers. For operational reasons, we have added credit insurance to ensure that our customers are not worried about credit and that the cooperation progresses smoothly.

Risk Type		Execution Method
	Environmental protection risks	<ul style="list-style-type: none">• The company has established an ISO 14001-based internal audit team, which conducts annual audits according to the plans, presents the results to the senior management at the management review meeting, and follows up on subsequent improvements.• Continue to remind employees to save energy and reduce carbon emissions to mitigate climate change risks.• The company legally removed and disposed of industrial waste and general waste.• Implement waste recycling and materials.• Sensor-based switches and water-saving faucets have been adopted at all washstands.• Air pollution prevention facilities have been installed in the production lines to maintain normal and compliant operations.• Monthly inspection of environmental safety and health regulations and compliance assessment have been conducted to ensure that the company's operations are in compliance with the relevant laws and regulations.
	Information system risks	<ul style="list-style-type: none">• Use automation scripts for detection, analysis, and automatic response.• If normal operations cannot be restored, process the failure in accordance with the backup recovery management regulations.• Use stacked redundancy structure for planning the installation of network equipment to avoid service disruption caused by a single-point failure.• Use automation scripts to respond to known errors and detections.• After receiving an anomaly alert, the person in charge must respond within the prescribed period in accordance with regulations.• Most physical servers in the Group are organized in a cluster-based security architecture and there is no single point of failure.• 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	<ul style="list-style-type: none">• Prioritize natural hedging policies to reduce the risks of exchange rate fluctuations.• Alternate between loans in NTD, USD, and EUR to avoid material impact caused by interest rate fluctuations.• 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	<ul style="list-style-type: none">• 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.• 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.• 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 2021 included 80 items and all audits were completed before the end of December 2021. 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:

- ③ The IT system consists of a cluster-based security architecture and individual damaged hardware can be painlessly transferred to increase the system availability and ensure information security.
- ③ Company data are stored with both local and remote backup. In the event of a natural disaster or man-made damage to the system, the dual backup ensures rapid recovery and secure storage of backup data.
- ③ Information security software must be installed on employees' computers. Documents exported will also be encrypted to ensure information security management.
- ③ Unauthorized websites will be blocked to reduce the risks of virus infections and leaks of documents.
- ③ Personal computers or mobile phones cannot be connected to internal wireless or wired networks to prevent the transfer of internal data to personal computers or mobile phones.
- ③ When logging into the internal website for operations from a remote connection, the user must use a company computer (laptop) and use SSLVPN for connection or connect to the internal virtual work environment before implementing operations to prevent downloading of files to personal computers.
- ③ The Company organizes internal e-learning information security courses to increase employees' awareness and alertness to information security management.

1-6 Governance of the Board of Directors

Operations of the Board of Directors

Members of the Board of Directors	Gender	Education and Experience
Chairman of the Board	Male	<ul style="list-style-type: none"> Department of Electrical Engineering, Kun Shan University Department of Business Import/Export Management Vancouver Community College
		<ul style="list-style-type: none"> Yanchao Elementary School Senior Specialist, Sunonwealth Electric Machine Industry Co., Ltd.
Director	Female	<ul style="list-style-type: none"> Department of Public Affairs, National Chung Hsing University President, Nice Enterprise Co., Ltd.
	Male	<ul style="list-style-type: none"> Department of Information Management, Queen's College (Canada) Director of the Strategic Purchasing Department, Sunonwealth Electric Machine Industry Co., Ltd.
	Female	<ul style="list-style-type: none"> Department of Business Administration, International Business College Chairman, Suman Corporation
	Male	<ul style="list-style-type: none"> Department of Business Administration, International Business College Chairman, Suman Corporation

Members of the Board of Directors	Gender	Education and Experience
Independent Director	Chun-Hao Xin	Male <ul style="list-style-type: none"> Institute of Business Management, I-Shou University Independent Director, Chang Wah Electromaterials Inc. Remuneration and Audit Committee member
	Mei-Hsiang Pai	Female <ul style="list-style-type: none"> Graduate Institute of Medical Sciences, Chang Jung Christian University MBA, National Sun Yat-sen University Supervisor, Advanced International Multitech Co., Ltd.
	Chih-Ming Chen	Male <ul style="list-style-type: none"> 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
	Guang-Chi Huang	Male <ul style="list-style-type: none"> Ph.D., Electrophysics, Brooklyn Institute of Technology Master of Electronic Engineering, National Chiao Tung University Bachelor of Electrical Engineering, National Cheng Kung University

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 4 Independent Directors), of whom 6 are male (67% of all Directors) and 3 are female (33% of all Directors). 1 Directors are under 50 years old (inclusive) (11% of all Directors) and 8 Directors are over 50 years old (89% 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 2021 and the attendance rate was 100%.

Board members have professional backgrounds in management, sales, human resources, research and development, finance, law, Science and Technology. 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. The company's directors participate in continuing education programs every year to enhance their knowledge of economic, environmental, and social issues. 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

Number of members	Remuneration Committee 3; Audit Committee 4
Purpose of the operations of the Audit Committee	<ul style="list-style-type: none"> • Fair presentation of the financial reports of the Company. • The hiring (and dismissal), independence, and performance of certificated public accountants. • The effective implementation of the internal control system of the Company. • Compliance with relevant laws and regulations of the Company. • Management of the existing or potential risks of the Company.
Responsibilities of the Remuneration Committee	<ul style="list-style-type: none"> • Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers. • Regularly review and adjust directors' and managers' remuneration.
Statistics of attendance in meetings in 2020	<ul style="list-style-type: none"> • The Audit Committee convened 5 meetings in 2021 with 100% attendance (no proxy attendance) • * Huang Guang-Chi took office on July 1, 2021 and convened 2 Audit Committee meetings with 100% attendance (no proxy attendance) • The Remuneration Committee convened 3 meetings in 2021 with 100% attendance (no proxy attendance)

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 2021 Annual Report).

Sunonwealth's 2021
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

2-1-1 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:

Fans		Cooling modules	Ventilation fans Fresh air exchanger	Ceiling fans
				
Product classification and images	Product description: 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.	Product description: Sunonwealth is committed to providing customized total solutions for heat dissipation. We have accumulated 39 years of practical experience and innovative technologies in heat dissipation which effectively resolve cooling issues for products and accelerate new product development for customers.	Product description: 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.	Product description: 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.
Product introduction and description of use	Description of use: Products such as 5G equipment, IOT, servers, automotive electronics, refrigeration equipment, home appliances, industrial applications, healthcare, and portable devices.	Description of use: Laptop computers, PC, servers, industrial computers, automotive electronics, LED lights, projectors, and other product applications.	Description of use: It is used in residences, hotels, restaurants, commercial areas and offices, postpartum nursing centers, nursing homes, hospitals, and nurseries.	Description of use: It is used in residences, factories, restaurants, exhibitions centers, sports centers, schools, and farms.

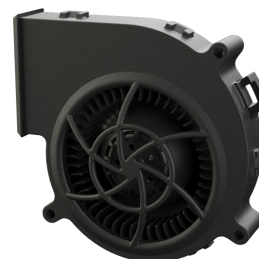
New products launched in 2020

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.

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.

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.

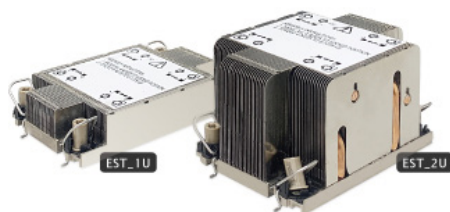
Flow2 One-AHR Ventilation Fan (next generation) intake type



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.

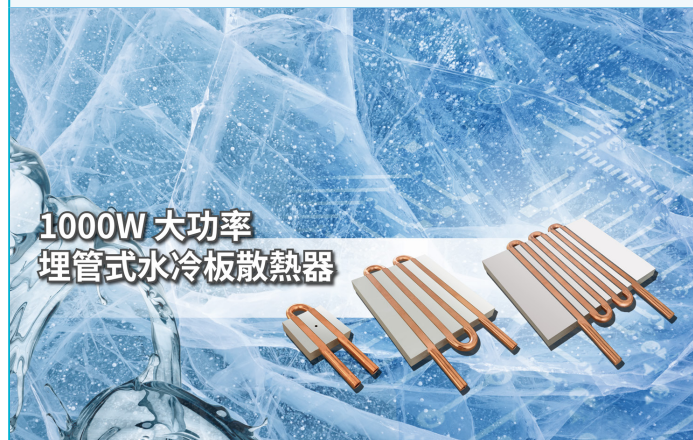
New products launched in 2021

Intel Whitley Platform high performance CPU cooler



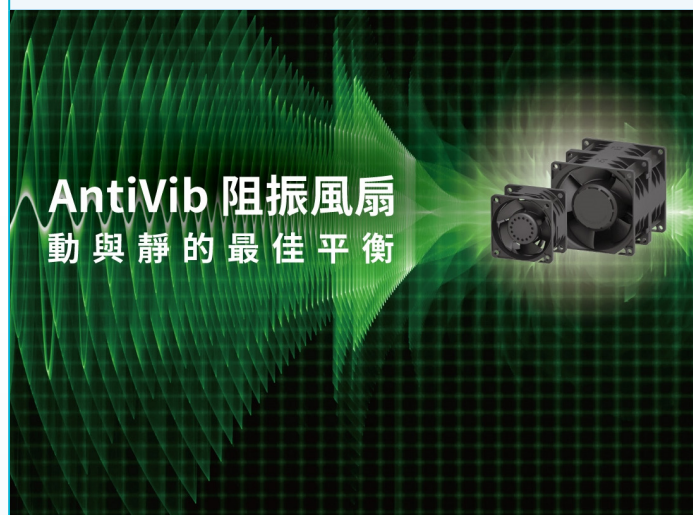
Sunonwealth introduced Intel Whitley Platform Ice Lake Server Processor LGA 4189 sockets high performance passive CPU coolers in 2 models for 1U and 2U servers. ICX_1U features a metal base with fast thermal conductivity, as well as high density cooling fins and unique duct heater design. It is applicable to 1U servers with a maximum performance of 205W. ICX_2U CPU Cooler is designed with higher cooling fins and duct heater for better heat dissipation. It is applicable to 2U servers with a maximum performance of 300W.

Liquid Cold Plate



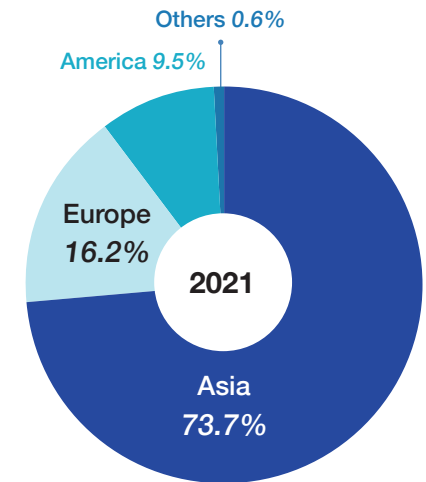
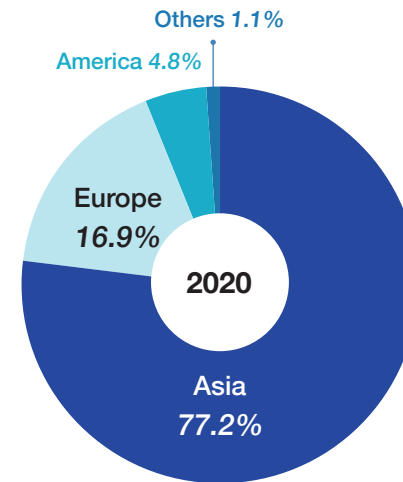
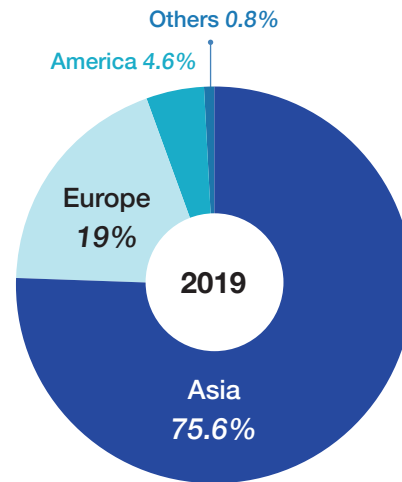
Sunonwealth's new high-power Liquid Cold Plate is designed with a highly stable one-piece copper tube combined with an aluminum alloy base, and a tight riveting process to improve heat conduction performance. The 1000W high power cold plate is available in a variety of custom sizes and configurations according to different system requirements, and is widely applicable to various industrial settings, such as automotive ADAS/ECU, power drivers, 5G communication devices, industrial devices, etc.

AntiVib Fan



SUNON offers a series of low vibration and highly effective cooling fans, which are suitable for 5G, data center, server, and cloud storage system applications. Vibration is caused by a fan's high-speed rotation which creates high-density magnetic fields in the fan itself. The faster the fan spins, the higher the level its vibration reaches. When the whole fan system operates with a higher magnetic density, the fan is gradually degraded, and magnetic resonance causes further damage to other system operations. SUNON's AntiVib fan motors structure is an adopted automotive "engine mount" design, where a shock absorption material is inserted into the gap between the motor and the fan frame. This design not only prevents the fan frames' degradation, but also lowers vibration that is generated by high-speed rotation, minimizing resonance effects and providing customers with the best high-speed fan option.

2-1-2 Sales Regions of Primary Products



2-1-3 2020-2021 sales volume

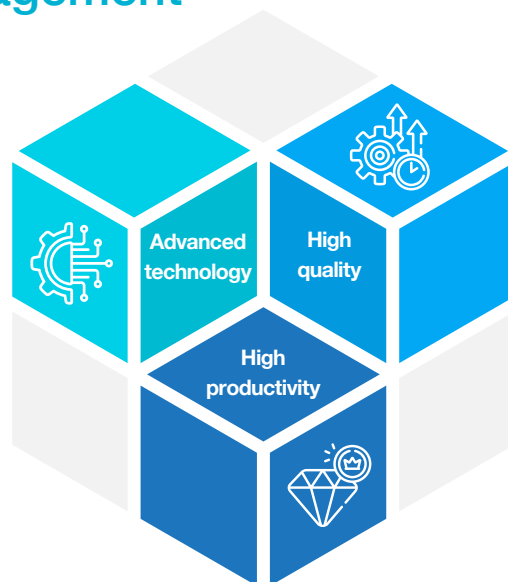
(Unit: 1,000 units/NT\$1,000)

Primary products	2020				2021			
	Domestic sales		Exports		Domestic sales		Exports	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
AC fans	316	39,676	5,967	780,184	373	50,196	5,981	844,416
DC fans	22,894	1,799,388	110,748	10,069,539	27,189	2,231,970	108,962	10,358,133
Sale of materials	-	776	-	91,718	-	1,072	-	76,017
Total	23,210	1,839,840	116,751	10,941,441	27,562	2,283,238	114,943	11,278,566

2-2 Quality Management

2-2-1 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.



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	Increase internal audit performance	90 points	91 points from January to December
	Annualized failure rate (AFR) (Mighty fan)	Annual target value 0PPM	2PPM from January to December
	Customer audit passage rate	100%	100% from January to December
	Number of products rejected by customers due to excess hazardous substances	0 cases	0 cases from January to December
	Products rejection rate by customers due to excess hazardous substances	0%	100% from January to December
2021	Customer satisfaction indicator: <ul style="list-style-type: none"> Product quality satisfaction rate (points) Service satisfaction (points) 	5 points 6 points	5.8 points 6.2 points
	Discrepancies involving hazardous substances in the environment	0 cases	0 cases
	Reduction in the number of customer complaints involving quality	50%	69%
	Product first pass yield (%)	95%	95%

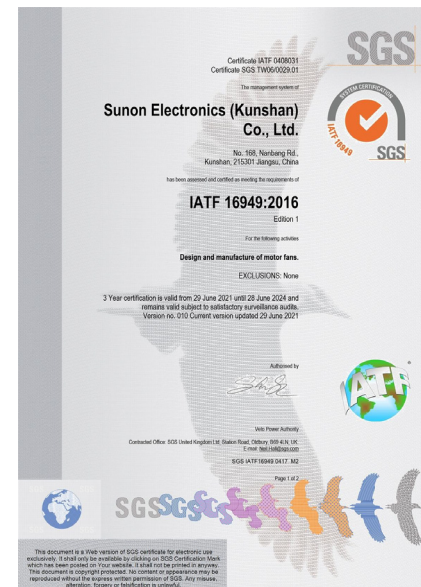
2-2-2 Quality Management System Certification

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
2. The management establishes consistent purposes, strategies, and methods of participation to create an environment for employees to improve quality
3. All employees are competent and authorized to enhance their value creation
4. Optimize organizational performance with process management
5. Maintain high performance, respond to changes in the internal and external environment, and create new opportunities
6. Make decisions with greater objectivity and confidence based on analyses of data and information
7. Optimize the relationship management between suppliers and customers to achieve sustainable and successful development



2-2-3 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 2021. We allocated at least 6% of revenue to R&D expenditures each year from 2018 to 2021. 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>

Sunonwealth's R&D achievements



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.

Mighty Mini Fan



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.

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.

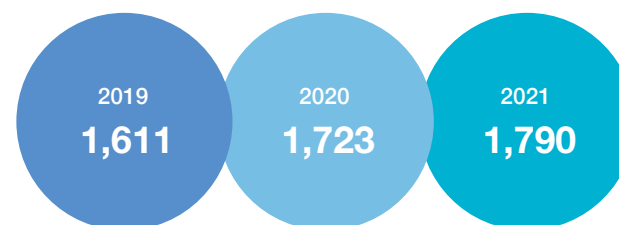
Employees can use the internal "Patent Proposal and Application System" to file patent application requests. After a proposal is passed, the employee shall be granted rewards and incentives in accordance with the "Employee Invention and Reward Regulations". The Company also commends the top three employees 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 2021, Sunonwealth has accumulated 1,790 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 2019 to 2020. It is evident that Sunonwealth pays close attention to patent rights and has high expectations for R&D and innovation.

Patent Output

Invention patents obtained (cumulative)



2-5 Customer Services

2-5-1 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.



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.



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



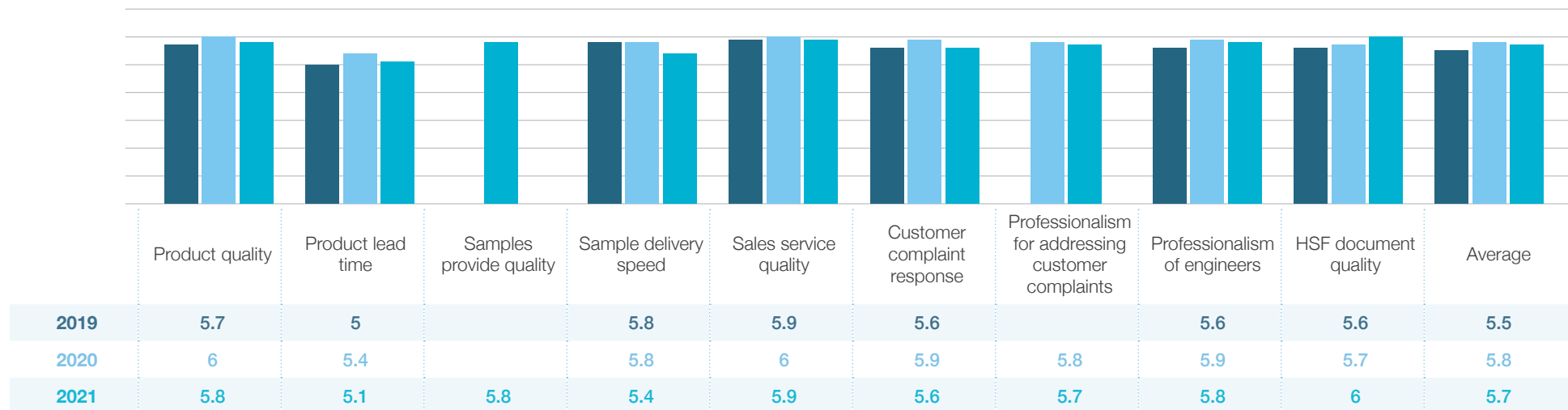
4. The Company established the field application engineer (FAE) system for individual customers. The customer can immediately provide design and technical assistance for emergency development or issues in applications.



2-5-2 Customer and Distributor Satisfaction

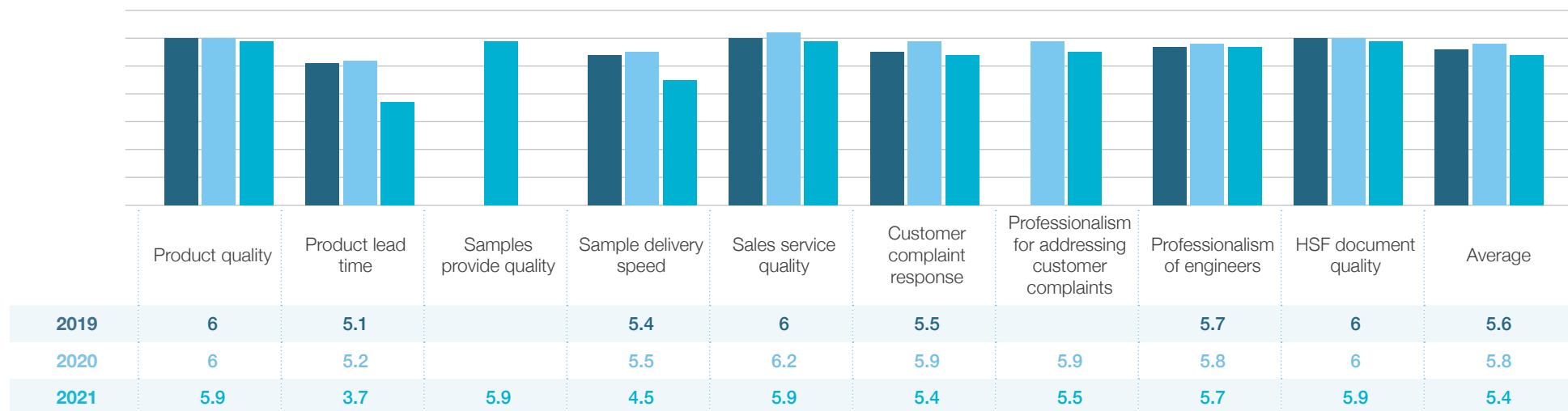
We conduct an annual customer satisfaction survey to obtain information on customers' satisfaction with Sunonwealth's products and services, understand customer needs, and resolve product complaints. We classify customers into direct customers and distributors based on their attributes, and rate them 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 2021 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 2019 to 2021 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: although all distributor satisfaction indicators in 2021 were higher than the target of 4.9, the company was unable to maintain the same high quality of service as in the previous years due to changes in the general economy, such as global shortage of raw materials, international brand customers' urgent order crowding out production capacity, and freight transportation chaos, resulting in a decline in distributor satisfaction. (Professional quality of sample provision was first added to the disclosure in 2021.)

2-5-3 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. In 2021, there were no complaints or penalties imposed by the competent authorities for violation of customers' privacy or infringement of customers' information.

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.

2-5-4 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.

2-6-1 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:
 - ☉ 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.

- ☉ 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.
- ☉ 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.



2-6-2 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), supplier risk control self-assessment (RCSA) for substances that impact the environment and supplier corporate social responsibility management risk assessment (RBA).



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.



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.



4. Qualified suppliers must first sign contractual documents such as the Integrity Statement, Quality Statement, social responsibility policy and commitment statement and procurement agreement before transactions.

2-6-3 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 412 companies were included in the evaluations in 2021. 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	2019	2020	2021
Number of suppliers evaluated	337	391	412
Number of disqualified suppliers	0	0	0

4. 2021, there were a total of 10 new raw materials suppliers, among which 100% conducted Quality System Audit Assessment (QSA), risk of substances of concern assessment (RSCA) and risk of corporate social responsibility management assessment (RBA).

2-6-4 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 2019 to 2021

Year	2019	2020	2021
Number of inspections	178,268	336,539	310,216
Number of qualifications	178,268	336,539	310,216
Inspection passage rate (%)	100	100	100

2. Requirements for conflict minerals

Democratic Republic of the Congo and neighboring countries have abundant mineral resources but non-government military groups have illegally acquired mineral resources by force and inhumane means. They have caused human rights violations, social unrest, and environmental degradation.

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:

- ☉ New suppliers are required to agree to Sunonwealth's policy for not using conflict minerals and sign the Quality Statement.
- ☉ 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.

2-6-5 Local Procurement

Sunonwealth collaborates with 767 suppliers in total, including 412 raw materials suppliers, 91 general service suppliers, and 264 service suppliers. 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.

2-6-6 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 2021. 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.

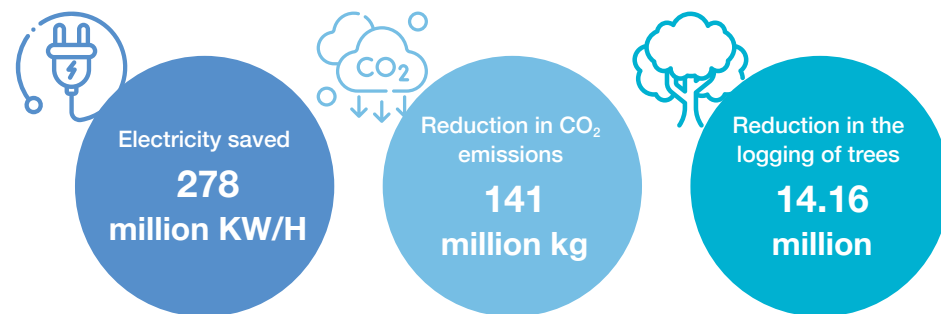


2-7 Product Energy Conservation and Environmental Performance

We have been committed to product research and development, believing that enhancing our research and development techniques will bring convenience to people and reduce the burden on the environment. With love for the planet earth, the company demonstrates its environmental awareness through energy savings and carbon reduction, and promotes various emission reduction and carbon reduction measures to conserve resources and in turn reduce damage to the earth. We have also been investing in product performance improvement, research and development, to save energy and power, in the hope that the public and consumers can see Sunonwealth's actions and efforts to contribute to environmental protection and care for the earth.

The products with improved fan performance in 2021 have been widely used in LED, industry/medicine, mobile devices, automotive, home appliances, sales channels, cloud network, computers, office equipment, head mounted devices, etc., saving 278 million kilowatt-hours of electricity for customers worldwide. The product performance in energy savings and carbon reduction is as follows:

Energy conservation performance of Sunonwealth product development in 2021



Note: 1. Calculated based on the latest (2020) electricity carbon emission coefficient of 0.502 announced by the Bureau of Energy, Ministry of Economic Affairs.

2. 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

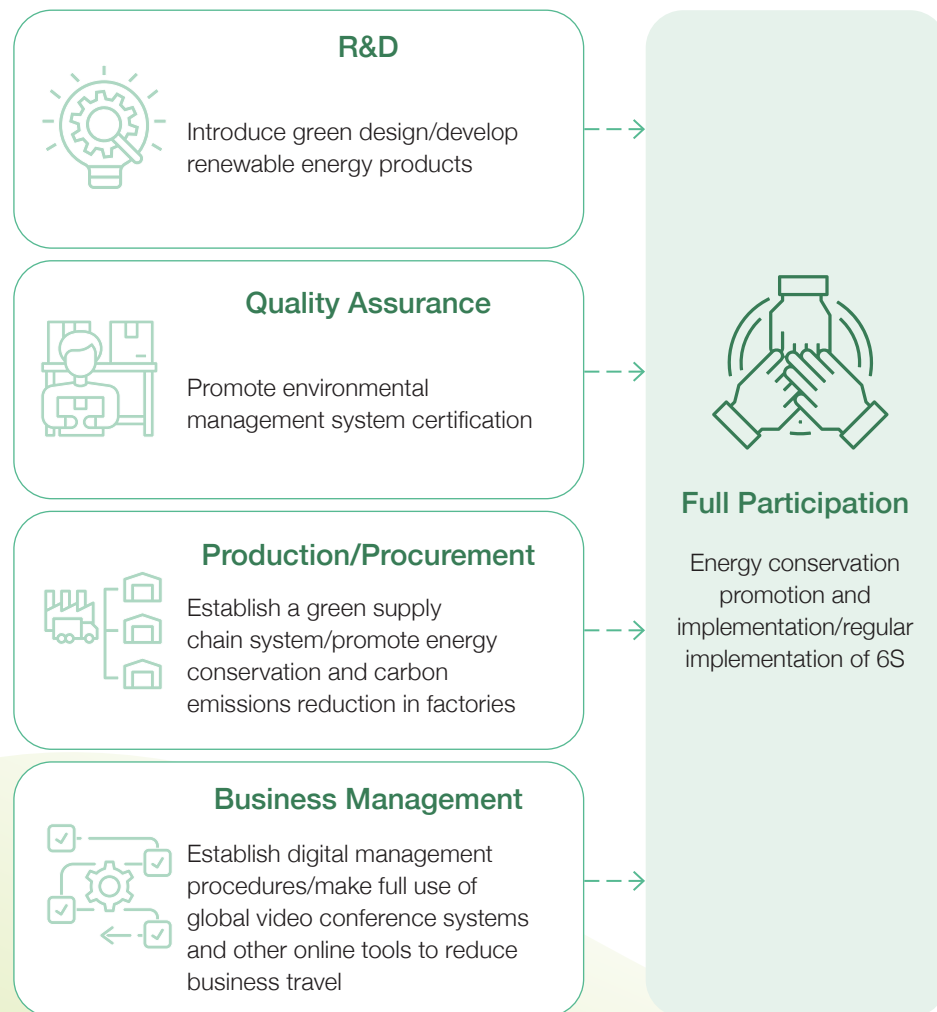
Protect the Earth for a Sustainable Future



- 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.

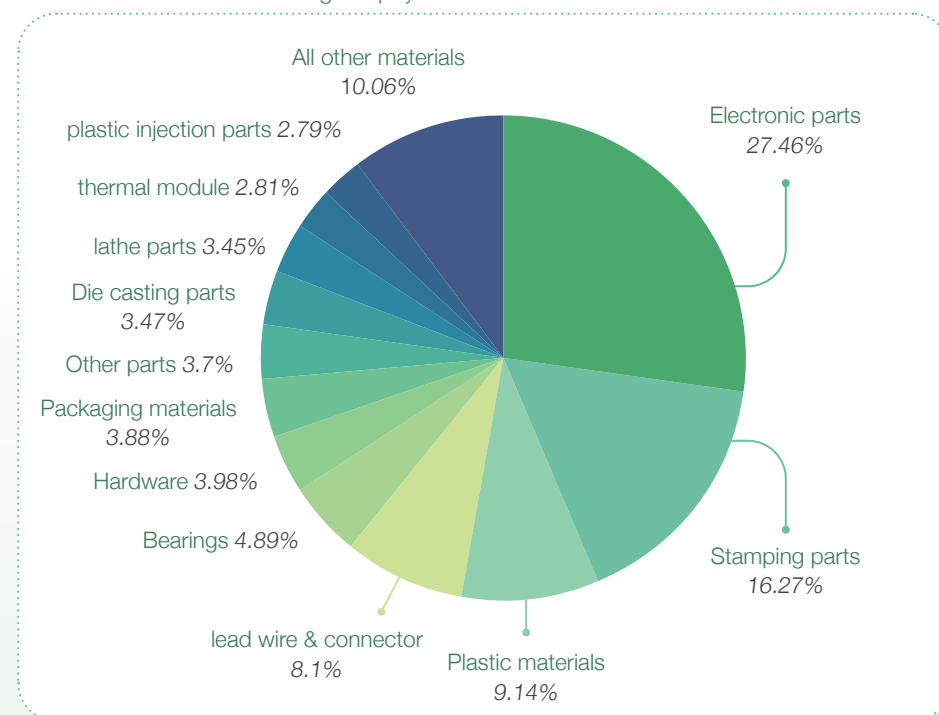
3-1 Energy and Resource Management

3-1-1 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.

Percentage of payments for raw materials in 2021



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 2019 to 2021 are listed in the table below:

Year	2019	2020	2021
Electricity (kWh)	33,591,991	37,662,945	37,883,540
Gasoline (MJ)	10,972	7,509	1,269,992
Diesel (MJ)	220,862	408,132	593,786
Coal gas (MJ)	170	2,324	20,766

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

3-1-2 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.

3-1-3 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 2020 to 2021 are shown in the table below:

Item	2020				2021			
	CO ₂	CH ₄	N ₂ O	HFCs	CO ₂	CH ₄	N ₂ O	HFCs
Scope 1 (T-CO₂-e)	165.62	507.88	3.95	30.49	146.1	965.91	4.7	30.49
Scope 2 (T-CO₂-e)	32,211.67	-	-	-	29239.71	-	-	-
Total	32,377.29	507.88	3.95	30.49	29385.81	965.91	4.7	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.

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

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

3-1-4 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. Every year, on the last Saturday of March, Sunonwealth headquarters in Kaohsiung, as well as its subsidiaries, offices, factory employees and their families around the world, turn off all unneeded power from 20:30 to 21:30, protecting the earth, our home, with this meaningful event.

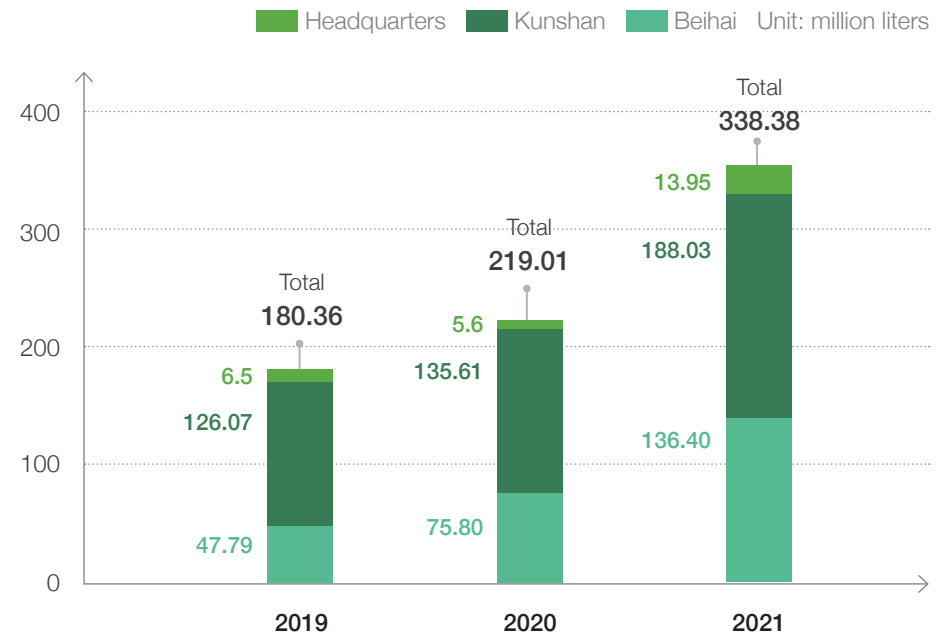


3-2 Water Resource Management

3-2-1 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 2019 to 2021



3-2-2 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

3-3-1 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.

3-3-2 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 2021 amounted to 0.714 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
 Production equipment	<ul style="list-style-type: none"> 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.
 Public facilities	<ul style="list-style-type: none"> 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. 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.
 Employee cafeteria management	<ul style="list-style-type: none"> 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.
 Vehicle management	<ul style="list-style-type: none"> We prohibit drivers from leaving vehicle engines idling after they enter the factory to prevent exhaust gas emissions. Company vehicles must be periodically maintained and cleaned. Reduce inappropriate use of automotive coolant and reduce the damage to the ozone layer. Clean roads in factories regularly to reduce dust on roads.

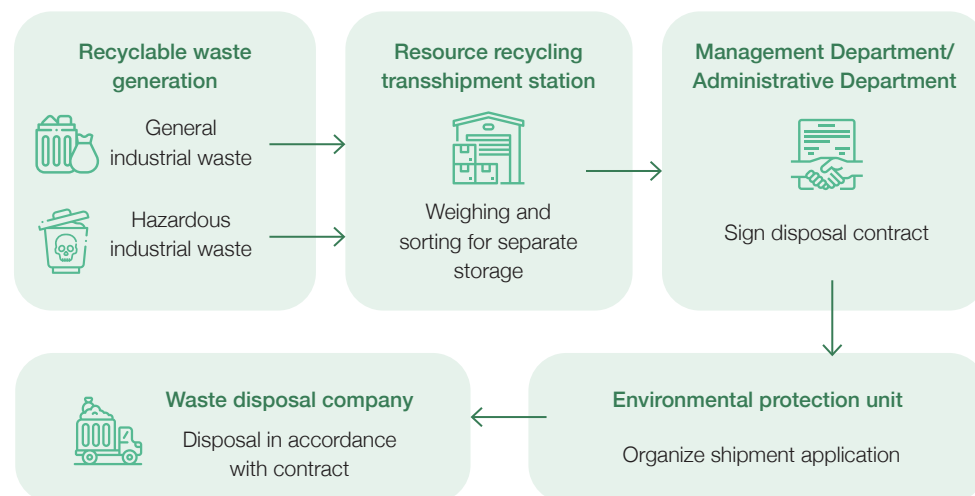
3-4 Waste Management

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.

3-4-1 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.
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.

3-4-2 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

3-5-1 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 2019 to 2021 are listed in the table below:

Unit: NT\$1 Million

Year	2019	2020	2021
 Investment in environmental protection and pollution prevention equipment	12	0.8	0.35
 Investment in safety and health equipment	20.2	28.5	0.47

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

3-5-2 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.

3-5-3 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 2019 to 2021 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. The noise measurements for each plant in 2021 were 67.9 dBA at the headquarters, 50.5 dBA at Kunshan, and 56 dBA at Beihai.

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.

3-6-1 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.



3-6-2 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.



3-6-3 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.

Purpose for the introduction of the green product management system

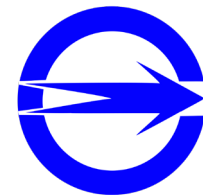
- Establish an exclusive green supply chain system to increase management over green materials and control over R&D recognition operations.
- Increase the management performance of green procurement.
- The system automatically reminds manufacturers to upload test reports, warranties, etc., and ensures that data can be effectively stored to improve supplier management efficiency.
- Implement the spirit of IECQ QC 080000 management with the IT system.
- We implement systematic management of materials and suppliers to enhance customers' confidence in SUNON's green material management.

3-6-4 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 2021.

Taiwan BSMI safety label



Taiwan energy efficiency certification label



3-6-5 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
Policy and regulatory risks	<ul style="list-style-type: none"> Total greenhouse gas emissions management Current regulations require major electricity users to use a certain percentage of renewable energy 	<ul style="list-style-type: none"> Increase in operating costs 	<ul style="list-style-type: none"> Set annual carbon emissions reduction targets and implement carbon management GHG inventory Review the renewable energy plan and develop measures for harnessing green energy
Market risks	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"> Declining sales Increase in R&D costs Increase in operating costs 	<ul style="list-style-type: none"> Continue to invest in green product development to reduce the consumption of production resources and improve product performance Gradually establish a green supply chain by selecting raw materials with low impact on the environment starting from the source
Extreme weather risk	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"> Decrease in business performance Declining customer satisfaction Increase in operating costs Employee safety issues 	<ul style="list-style-type: none"> Establish disaster response measures and implement advanced preparation Introduction of the business continuity plan (BCP) Strengthen employees' environmental safety training to reduce the occurrence of disasters

Main Climate Change Opportunities		Challenges and Opportunities	Sunonwealth Response Strategies
Changes in policies and regulations	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"> Development of green energy projects Actively participate in green energy projects of the government
Market opportunities	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"> Continue to develop low carbon and low energy consumption products
Resource efficiency	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"> Replace old and inefficient equipment with energy-efficient equipment Improve the manufacturing processes and ensure low-carbon production Set up energy conservation and carbon emissions reduction plans and regularly review the effectiveness of their implementation each year

3-7 Compliance

3-7-1 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 2019 to 2021

Year	2019	2020	2021
Environmental protection compliance review (number of cases)	327	367	57
Occupational safety and health compliance review (number of cases)	281	307	136

3-7-2 Regulatory compliance

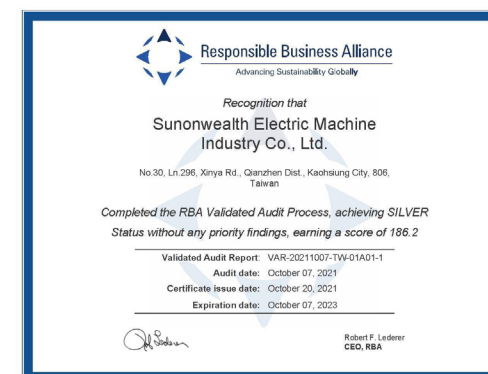
Sunonwealth has always been committed to international environmental protection, safety and health, and socioeconomic regulations, government regulations, and customer requirements. We also enhanced the internal audit and maintenance management mechanisms to continue to strengthen improvements for discrepancies and comply with all audit items. There were no violations of environmental protection, safety and health, and socioeconomic regulations from 2019 to 2021 (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 2019 to 2021

Violation Category	2019		2020		2021	
	Number of Cases	Amount	Number of Cases	Amount	Number of Cases	Amount
Environmental protection	0	0	1	270,000	0	0
Safety and health	0	0	0	0	0	0
Socioeconomic	0	0	0	0	0	0
Subtotal	0	0	1	270,000	0	0

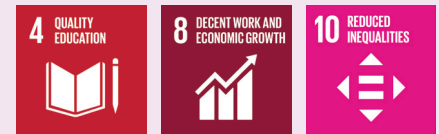
3-7-3 Responsible Business Alliance Code of Conduct

Sunonwealth's Kaohsiung 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.

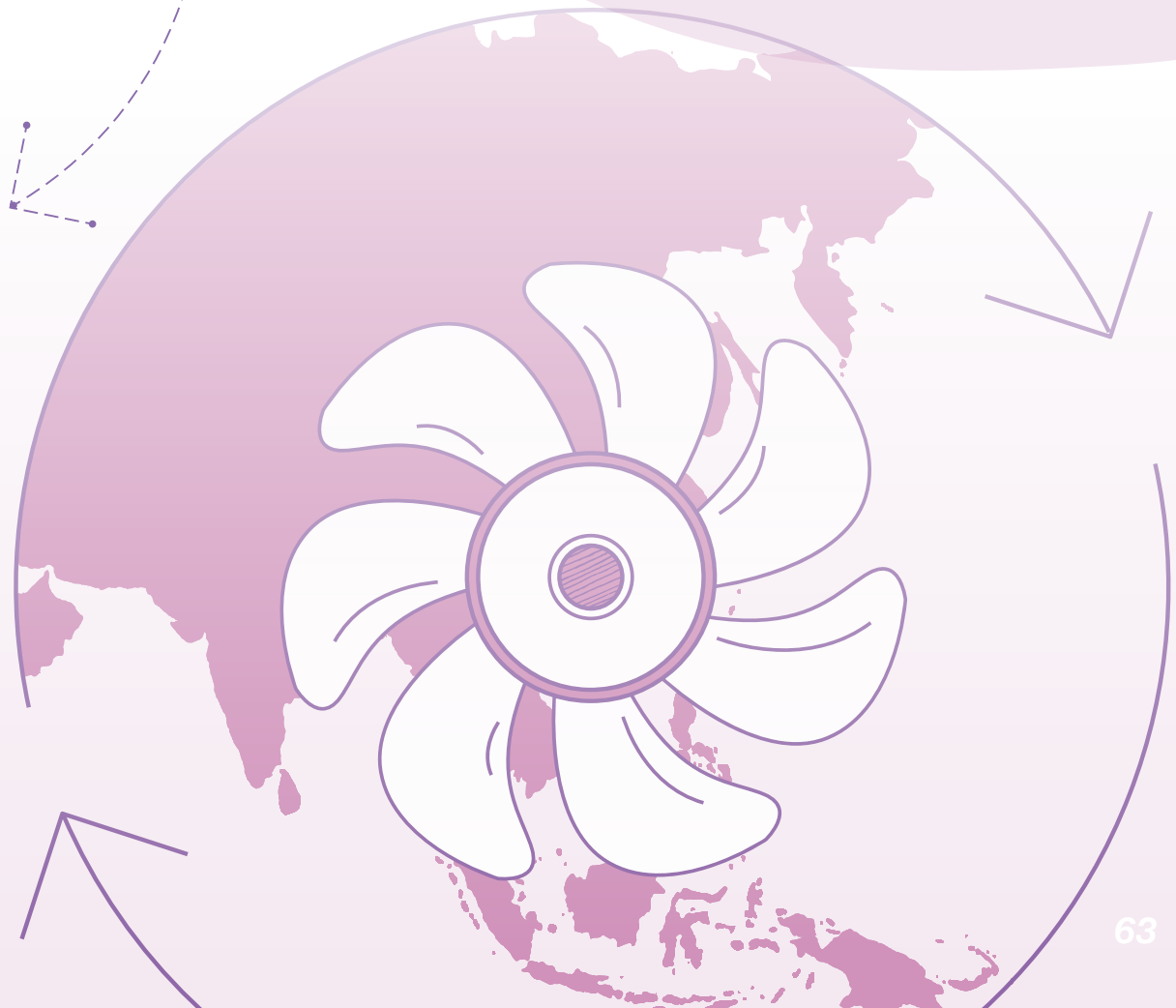


4

Care for Employees and Sustainable Workplace



- 4-1 Talent Attraction and Retention
- 4-2 Occupational Safety
- 4-3 COVID-19 Epidemic Prevention Measures and Actions



4-1 Talent Attraction and Retention

Sunonwealth has always regarded human resources as an important asset of the company. In order to attract quality talents from around the world, we follow local laws and RBA Code of Conduct in recruiting employees and strive to create a diverse, inclusive and friendly workplace. We have also established a competitive compensation system and talent development program, developed harmonious employer-employee relations to enhance employees' intention to stay. As of the end of 2021, based on the operational and production capacity requirements, we have hired local employees at our operation headquarters and manufacturing plants. There are a total of 7,221 regular employees and 365 non-regular employees (short-term contractor employees and temp workers, who are not included in the following human resources statistics). The distribution of employees by type of employment in each region is shown in the table below.

Employment Patterns by Region

	Regular employees (indefinite contract)		Contract employees (term contract)		Temp workers		Total
	Male	Female	Male	Female	Male	Female	
Taiwan	313	262	6	7	5	15	608
Guangxing	2075	2176	0	0	252	67	4570
Beihai	1080	1315	0	0	0	0	2395

Note: There are no part-time workers in the company.

4-1-1 Diversity, Inclusion and Appointments

Staff Structure and Distribution

Sunonwealth is committed to creating a work environment of equality and common prosperity. The company recruits through a fair and open process that takes into account professional competence and suitability, where the meritocracy system is not affected by race, ideology, religion, political affiliation, nationality, gender, sexual orientation or marital status. There have been no incidents of human rights violations or discrimination, so that every employee has a fair opportunity to be appointed, promoted, and to participate in training and company activities. At the end of 2021, male employees accounted for 48% of the total number of employees; female employees accounted for 52% of the total number of employees. Due to the characteristics of the electronics industry and the employment market, male accounts for a higher proportion in the management, but the male-female employee ratio is overall balanced.

Staff Category and Gender Distribution

	Male		Female	
	Number	Percentage	Number	Percentage
Direct labor	2,164	45.2%	2,623	54.8%
Professionals	1,172	52.4%	1,063	47.6%
Management	132	66.3%	67	33.7%
Total	3,468	48.0%	3,753	52.0%

- Note: 1. Direct labor refers to those directly engaged in production-related activities on the production lines.
 2. Professionals are technical, administrative, and clerical staff indirectly related to production activities.
 3. Management staff are supervisory staff at or above section level.
 4. The above statistics does not include the number of non-regular employees.

Employees' Gender and Age Distribution

Gender	30 or below		31 - 50		51 or above	
	Number	%	Number	%	Number	%
Male	1878	54.2%	1548	44.6%	42	1.2%
Female	1449	38.6%	2281	60.8%	23	0.6%

Note: The above statistics does not include the number of non-regular employees.

Employees' Gender and Education Level Distribution

Region	Gender and Education Level	Others	Bachelor's	Master's or Above
Taiwan	Male	6%	26%	22%
	Female	13%	27%	5%
Guangxing	Male	48%	1%	0%
	Female	50%	1%	0%
Beihai	Male	43%	2%	0%
	Female	53%	2%	0%

Note: The above statistics does not include the number of non-regular employees.

Proportion of local residents employed as managers at the departmental level or above

Item	Taiwan	China
Proportion of managers at the departmental level or above	12.2%	0.5%
Proportion of local residents employed as directors at the departmental level or above	100.0%	90.6%

Recruitment and Retention

In the post-pandemic era, we have replaced in-person recruiting events with online events, continuously recruiting new employees to meet the company's human resource demand, as well as to sustainably support the employment of local talents. At the end of the year, the company had 10 employees with disabilities; no underage, indigenous or migrant workers were employed. New hires and departures by gender and age for 2021 were as follows.

2021 numbers and monthly average percentages of new hires

Type of Employee	Gender	Age	Taiwan		China	
			Number of New Hires	Percentage of New Hires	Number of New Hires	Percentage of New Hires
Indirect Labor	Male	≤ 30	13	1.3%	362	6.7%
		31 - 50	35	1.5%	214	4.4%
		≥ 51	5	1.5%	3	2.4%
	Female	≤ 30	21	3.7%	474	11.6%
		31 - 50	28	1.4%	286	5.6%
		≥ 51	1	0.4%	0	0.0%
Direct Labor	Male	≤ 30	4	13.3%	5441	50.3%
		31 - 50	2	16.7%	2936	45.5%
		≥ 51	0	0.0%	1	3.3%
	Female	≤ 30	2	4.8%	3397	36.4%
		31 - 50	6	3.0%	4030	29.9%
		≥ 51	0	0.0%	0	0.0%
Total			117	1.7%	17144	28.7%

Note: 1. Monthly average percentage of new hires = monthly average number of new hires for the year / average number of workers on staff

2. In response to the expanded demand for production capacity, direct staff recruitment was expanded in China, resulting in a high rate of new hires.

2021 numbers of departures and monthly average turnover rates

Type of Employee	Gender	Age	Taiwan		China	
			Number of Departures	Turnover Rate	Number of Departures	Turnover Rate
Indirect Labor	Male	≤ 30	21	2.1%	225	4.2%
		31 - 50	27	1.1%	140	2.9%
		≥ 51	9	2.7%	2	1.8%
	Female	≤ 30	15	2.7%	347	8.5%
		31 - 50	17	0.9%	152	3.0%
		≥ 51	7	2.7%	0	0.0%
Direct Labor	Male	≤ 30	1	3.3%	5278	48.8%
		31 - 50	0	0.0%	2573	39.9%
		≥ 51	0	0.0%	0	0.0%
	Female	≤ 30	1	2.4%	3226	34.6%
		31 - 50	2	1.0%	3493	25.9%
		≥ 51	0	0.0%	1	<0.05%
Total			100	1.5%	15437	25.9%

Note: 1. Monthly average turnover rate = monthly average number of departures for the year / average number of workers on staff

2. The high turnover rate of direct employees in China was due to the local shortage of labor and intense competition in the industry.

Analysis of Employees on Unpaid Parental Leave

Sunonwealth supports male and female employees to apply for unpaid parental leave and encourage them to return to work after the leave. In 2021, 25 employees (15 men and 11 women) applied for unpaid parental leave, 67% of whom applied to return to work. The retention rates are not calculated separately for employees who had return to work for less than a year in 2021.

Gender	2020			2021		
	Male	Female	Total	Male	Female	Total
Number of eligible applicants for unpaid parental leave	5	5	10	14	11	25
Actual number of applicants for unpaid parental leave	0	5	5	0	7	7
Total number of employees who actually returned to work from parental leave (a)	0	2	2	0	4	4
Total number of employees who were expected to return to work after parental leave (b)	0	2	2	0	6	6
Re-instatement rate (%) = $a \div b$	N/A	100%	100%	N/A	67%	67%
Total number of employees who returned to work from parental leave in the previous year (c)	0	4	4	0	2	2
Number of people who had returned to work for a full year or above in the previous year (d)	0	2	2	0	0	0
Unpaid parental leave reinstatement retention rate (%) = $d \div c$	N/A	50%	50%	N/A	0%	0%

Note: 1. Number of eligible applicants: based on the number of applicants who had taken maternity and paternity leave from 2018 to 2021

2. Actual number of applicants = Number of people who had applied for unpaid parental leave and were on unpaid parental leave in 2021

3. There is no legally defined parental leave in China.

4-1-1-2 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.

In order to attract and retain high quality talent and to reward the performance of our staff. The ratios of direct labor salary to local minimum wage are as follows:

The ratios of direct labor salary to local minimum wage

Factory	Male	Female
Headquarters	1	1
Kunshan	1.02	1.02
Beihai	1.10	1.10

2021 Male to female remuneration ratio by job category
in Sunonwealth's major operating locations

Factory Remuneration and percentage by positions	Headquarters		Kunshan		Beihai	
	Male	Female	Male	Female	Male	Female
Managerial positions	1	0.63	1	0.85	1	1.05
Specialist positions	1	0.65	1	0.85	1	1.11
Entry-level positions	1	0.99	1	1	1	0.96

Note: Men and women in Taiwan headquarters have different proportions due to different positions and professional fields, so men's salary is higher than that of women.

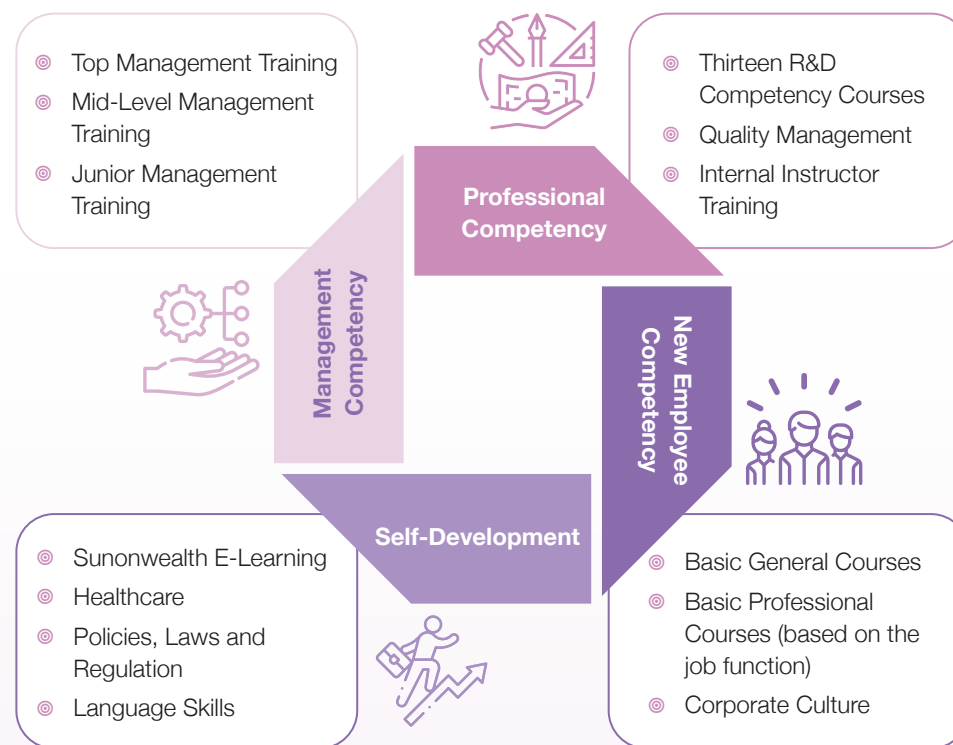
Average and median of 2020 salaries for full-time employees
of the Headquarters not in a management position

Item	2020	2021
Total salary of full-time employees not in a management position (NT\$1,000)	477,281	477,281
Number of full-time employees not in a management position	488	583
Average salary of full-time employees not in a management position (NT\$1,000)	978	819
Median salary of full-time employees not in a management position (NT\$1,000)	810	686

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.

4-1-1-3 Talent Development and Employee Growth

Sunonwealth's talent development policy is to "cultivate our employees to become professional elites and create the highest value for sustainability through job-oriented training." We develop training programs based on four major components: new employees, professional competency, management competency, and self-development. We also facilitate training courses and projects in different areas in accordance with the company's annual operational goals, in order to continuously improve the competitiveness of the company and the competency of employees.



New Employee Training

In order to enable new employees to adapt to the working environment and meet the company's requirements and goals as soon as possible, we conduct two types of orientation courses based on the new employee training program plan: general knowledge courses (e.g., introduction to the company, human resources operation, environmental safety and health training, labor rights protection, ethical compliance, computer system operations, etc.) and basic professional courses (e.g., introduction to the R&D system, safety regulations, environmental regulations and materials, quality/environmental/safety and health management system awareness, etc.).

Professional Competency

The professional competency training is based on the employees' required capabilities based on their job functions and business attributes. Such training is designed and dynamically adjusted according to annual training needs surveys, in order to enhance the employees' expertise and competency, aiming to reflect training results on work performance.

In 2021, we developed a learning map of 13 key competencies for product R&D engineers, including the areas of smart auto-mechanical, smart auto-electrical control, electronic, mechanical, thermal flow, modular, motor, mold flow, bearing system, acoustics, manufacturing and development ME, manufacturing and development IE, CNC, reverse, etc., establishing lists of courses specific to each function. Through systematic training, we aim to cultivate R&D elites to continuously develop new products and enhance customer satisfaction.

In order to enhance internal knowledge transfer and effectively utilize the organization's human resources, we have established an internal instructor system, built a platform and common language for professional knowledge exchange, and created an efficient operation model. We regularly send our talents to attend external courses, in order for them to learn the latest technical trend in the industry and bring the knowledge back to the company. From 2020 to 2021, we trained 40 internal instructors, 17 of whom have been giving lessons. The post-course satisfaction rate was 4.7; trainees had a 94% pass rate. As of 2021, we had trained a total of 151 internal instructors. Each year, we select the best instructors based on their satisfaction rate and teaching hours, and arrange for the chairman of the board to personally present certificates and awards to them, with an aim to create a culture of continuing learning and sharing.

Management Competency

For the development of management talents, in addition to on-the-job training and experience, the company designs different training program on management awareness, methods and skills (covering management mindsets, perceptions, and skills) for managers at all levels, hoping to enhance their motivation for continuous learning and development through such a career development blueprint, so that they can effectively lead their teams to implement company strategies and plans and achieve operational goals.

From 2019 to 2021, we arranged for managers at all levels to participate in recruiting interview skills training and performance interview skills training, as well as training on interpreting talent assessment reports, in order to enhance their talent identification capabilities. This helps them find the right people to get on board through scientific methods, assign employees to the right jobs, and formulate personal development plans for individual employees to reach the company's goals to sustainably cultivate quality talents for the company.

Sunonwealth E-Learning

We consistently promote e-learning, build online learning platforms, and develop online courses, so that our employees can learn without constraints of time and space. At present, there are 266 online courses in various fields on Sunonwealth's e-learning website, 150 of which are self-directed learning programs. In 2021, the e-learning resources were used 18,512 times.

We are committed to enhancing our employees' knowledge and skills for work, providing annual training based on each one's job attributes and requirements. We provide a wide variety of training, including in-person courses, online courses and training courses conducted by external training organizations. In 2021, due to the pandemic, in-person courses changed to remote or e-learning; we continuously trained management personnel and launched technical courses on product development. The average number of training hours per person for the year was 72.4 hours, with an average of 22.6 hours for males and 19.4 hours for females; the total cost of education and training in 2021 was approximately NT\$2.759 million.

Category		Hours of Courses (hours)	Average Training Hours (hours/person)
Gender	Male	269644.48	77.8
	Female	253385.31	67.5
Type of Employee	Management	2561.26	12.9
	Professionals	69135.47	30.9
	Direct labor	451333.06	94.3
Total		523029.79	72.4

Note: average training hours = hours of courses / number of employees at the end of the year

Xing-Yun University

Besides job-related skills training, Guangxing plant collaborates with Dengyun College to establish Xing-Yun University, providing Guangxing plant employees with an opportunity to pursue higher education with "zero" tuition fee. On September 4, 2021, the first "Xing-Yun Program" of "Xing-Yun University" was launched, including "pre-Dengyun program," "Beijing Institute of Technology undergraduate program" and "Jiangnan University undergraduate program," with a total of 53 employees participating in the three-year programs.



4-1-1-4 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:

Benefits and Facilities		Content
1	Employee cafeteria	Factories provide employees with a diverse range of meal options
2	Library	The library provides employees with books, newspapers, and magazines
3	Employee dormitory	Factories provide employees with high-quality accommodations with all necessary functions and convenient transportation.
4	Self-service laundry	Factories provide employees with affordable self-service laundry services in employee dormitories
5	Employee recreation center	We set up yoga classrooms and fitness equipment to provide employees with equipment and venues for enhancing fitness
6	Employee store	We set up employee stores in factories to provide general products and we organize promotions from time to time
7	Subsidies for club activities	Factories provide items necessary for club activities as well as subsidies each year
8	Annual employee travel subsidies	The Headquarters allocates employee travel subsidies in accordance with the benefit budget
9	Annual employee dinner party subsidies	The Company provides dinner party subsidies for each unit to strengthen the bond between employees
10	Marriage gifts	Employees may apply for wedding monetary gifts when they get married

Benefits and Facilities		Content
11	Childbirth gift money	Employees may apply for childbirth gift money when they give birth
12	House purchase gifts	Employees of factories may apply for subsidies when they purchase a house
13	Bereavement subsidies	The Company distributes bereavement subsidies for the death of employees, their spouse, or a lineal family member
14	Consolation injury or illness	The Company distributes consolation money for employees who suffer from injuries or illnesses
15	Family day events	The Headquarters organizes family day events each year to help employees and their dependents learn about the corporate culture
16	Year-end dinner party	The Company organizes year-end dinner parties to thank employees for their hard work throughout the year
17	Gift money for important holidays and birthdays	Gift money/gift certificates are distributed for important holidays and employees' birthdays
18	Children's education scholarships	The Headquarters set up rewards for outstanding academic performance of senior employees' children
19	Contracted stores	The Headquarters sign discount deals with contracted stores to provide employees with information on discounts
20	Senior employee rewards	The Headquarters distributes a gold medal for employees who have worked at the Company for ten years
21	Group insurance/ social security subsidies	Guarantee employee workplace health and safety and provide suitable insurance claim options
22	Health Examination	General health check-ups at the company's expense for head office employees, once a year Advanced health check-up program for employees above certain ranks
23	Paid Sick/ Personal Leave	30 days of paid sick leave and 14 days of paid personal leave for employees above certain ranks



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.



1. Rigorous Governance and Sustainable Management

2. Innovative R&D and Sustainable Products

3. Protect the Earth for a Sustainable Future

4. Care for Employees and Sustainable Workplace

5. Charity Participation and Sustainable Society

2021 SUNON ACTIVITIES

◎ Headquarters



◎ Bei Hai Plant



◎ Kunshan Plant



4-1-1-5 Retirement plan

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. 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.

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.

4-1-2 Human Rights Protection

We have been progressively promoting the Responsible Business Alliance (RBA) auditing and certification at manufacturing sites around the globe to ensure a consistent standard in our global people management system. There were no major human rights violations at any Sunonwealth manufacturing plants in 2021.

4-1-2-1 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.

4-1-2-2 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:

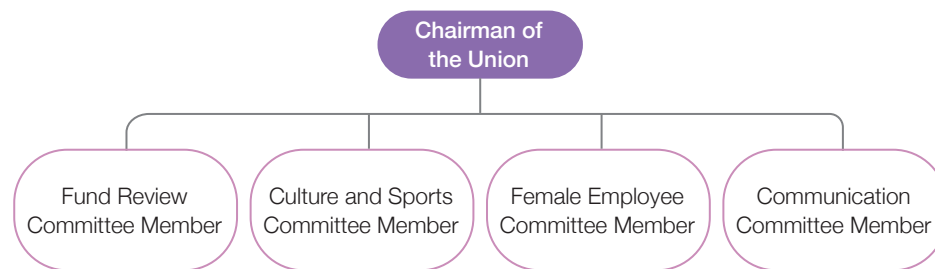
Channel for filing complaints	Department/division level	Company level
<ul style="list-style-type: none"> Complaint mailbox Factory union Company website - employee section Dedicated telephone Email 	<ul style="list-style-type: none"> New Hire Support Seminar Face-to-face communication with managers Department communication meetings 	<ul style="list-style-type: none"> Electronic bulletin board (Rules and Regulations and Management Measures) Labor-Management Conference Factory union meetings Factory union collective bargaining meetings Sunon Elite (Internal publication)

Union / Labor-Management Council

In order to establish good labor-management communication, Sunonwealth headquarters in Taiwan holds quarterly labor-management meetings, where representatives of both parties discuss and reach consensus on matters related to employees' rights and benefits, which are then implemented to protect the rights and interests of all employees.

In China, the company has legally established Kunshan Guangxing Electronic Co., Ltd. labor union. The purpose of the union is to assist in Sunonwealth's development of production business, to promote the unity of members, to protect the rights and interests of members at work, to improve the lives of members, to cooperate with the government to implement its decree and to help enhance members' knowledge and skills.

The plant labor union plays functional roles in matters such as fund review, female workers, mediation, life, culture, production, promotion, and supervision, as well as maintaining harmonious relations between labor and management in the factory through monthly union meetings.



Grievance Procedures

All plants have feedback mailboxes complaint hotline. If an employee's legal rights are violated, or if discrimination, improper or unequal treatment occurs in the company, they may raise or reflect the matter through the aforementioned communication channels, and the receiving unit shall handle the matter in accordance with the regulations until the case is concluded. The company shall respect the complainants' intention to be anonymous or otherwise, and keep their identities confidential, listening to employees' voices and resolving their concerns and difficulties in work and life. In 2021, there were 3 employee grievance cases in Taiwan and 11 employee grievance cases in China, 100% of which were closed.

4-1-2-3 Employment for the disabled

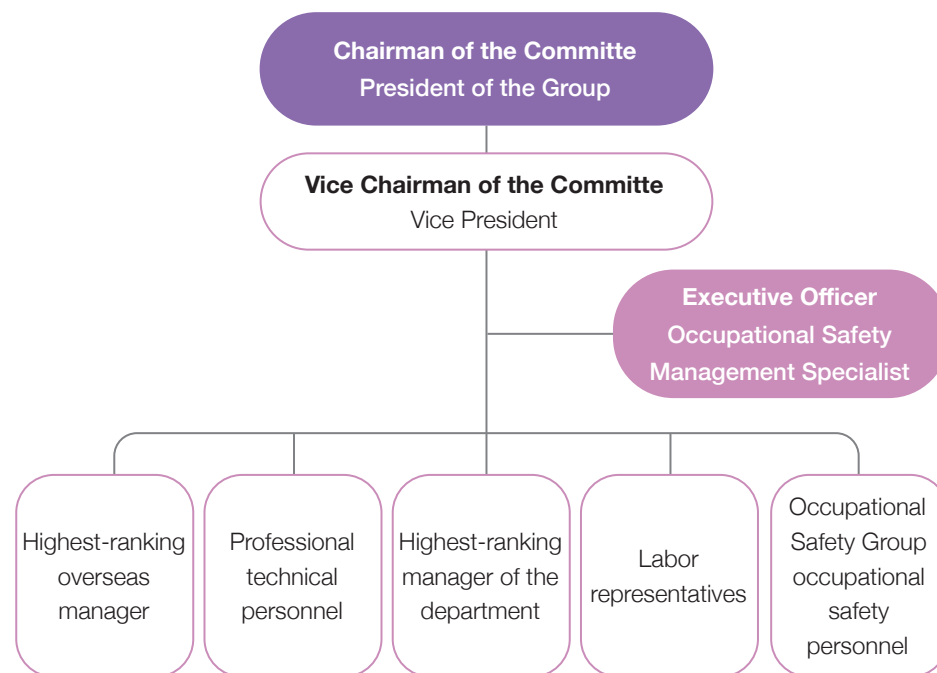
The Company abides by the People with Disabilities Rights Protection Act in Taiwan and the Law of the People's Republic of China on the Protection of Disabled Persons and fulfills corporate social responsibility by recruiting people with disabilities for current openings. As interviewees sign up for 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

4-2-1 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



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.

4-2-3 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 2021. 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.



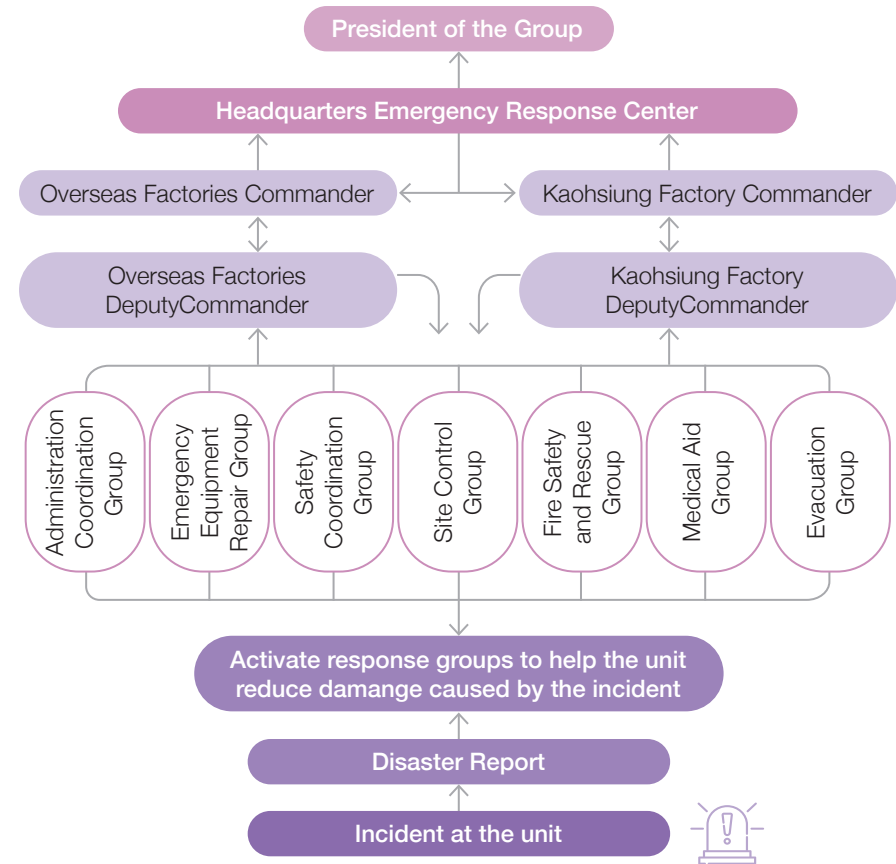
4-2-4 Emergency Response Measures

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.

4-2-5 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.

4-2-5-1 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.

4-2.5.2 Supplier occupational safety management

The Company has established the "Contractor 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. In 2021, there were 27 cases of partner visits for hazards communication in Taiwan plant. In 2021, there was no cases of employing child labor, forced or compulsory labor, or violation of labor conditions performed by our partners.

4-2.5.3 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 2021.

Annual occupational injury statistics

Item	2019	2020	2021
Total hours worked	4,450,128	4,824,624	4,856,088
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

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.

4-2-5-4 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 2021 are detailed in the table below:

Recipients	Course	Total Number of Participants	Total Course Hours
New employees	Occupational safety training	19,896	457,519
Current employees	Occupational safety training	5,934	46,975
	Environmental protection training	8,503	6,500

4-2-5-5 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 2021 are specified in the table below:

Headquarters- 2021/10/26

Kunshan- 2021/11/25

Beihai- 2021/2/27

Note: fewer disaster prevention drills were conducted in 2021, since the company followed local government's pandemic prevention regulations.



4-2-6 Workplace Health Promotion

In 2021, the company was certified by the Health Promotion Administration, Ministry of Health and Welfare with the "Healthy Workplace Certification" and the "Health Promotion Badge." The company also held various health education events to provide employees with a proper working environment and enhance productivity. Regular health management activities were held, which not only benefited the employees' physical and mental health, but also helped reduce sick leave rate, reduce work accidents, and improve the overall quality of working environment.



1. **Health education lectures:** based on the current year's employee health examination results, various lectures were held to provide employees with correct health knowledge.



2. **First Aid Training:** Orientation includes basic first aid instructions; practical CPR and AED drills are held every year, with enthusiastic participation from all departments. This contributes positively to enhancing knowledge and creating a secure workplace for our employees.



3. **Physical and mental health activities:** "Family Day" is held every year for employees to take their families out for a walk and relax outside of work. Such events also help employees' families get to know more about Sunonwealth, so as to create stronger bonds among the employees. However, such events were suspended in 2021 due to the pandemic.



4. **Newly established infirmary and breastfeeding room:** in 2021, an infirmary and a breastfeeding room were established at the new Taiwan headquarters location. In addition to general medical supplies, sterilization supplies and breastfeeding room facilities, staff nurses are stationed on site to provide services.



5. In the workplace, the company promoted protection of maternal health, preventions from ergonomic hazards, from illnesses caused by abnormal workloads, and from unlawful abuse in the performance of duties.



4-2-7 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 2021 to provide comprehensive care for the health of all employees.



1. Health examination:

- ◎ The company arranges annual health checkups for in-service employees and special health checkups for staff of hazardous operations. Sunonwealth's provision of annual health checkup goes beyond the legal requirements in Taiwan. In 2021, 419 employees received health checkup within a shorter time interval than legal requirements.
- ◎ In accordance with the law, every year, Sunonwealth provides annual special health checkups for new employees and current employees working in special workplaces (100% coverage), and provides employees with health checkups that are in compliance with the regulations. The company also follows the four-cancer screening program by the Health Promotion Administration, as well as continuously tracking and caring for employees with high health risks, fully implementing employee health management.



2. Medical care:

- ◎ 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.
- ◎ 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:

◎ Headquarters & Zhongzheng Rd Office:

- 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.

◎ Production factories:

- The nursery room built for female employees at Sunonwealth Kunshan plant was elected "Mother Station" and "Carnation Service Station" by the Suzhou City Federation of Trade Unions in 2021.
- 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

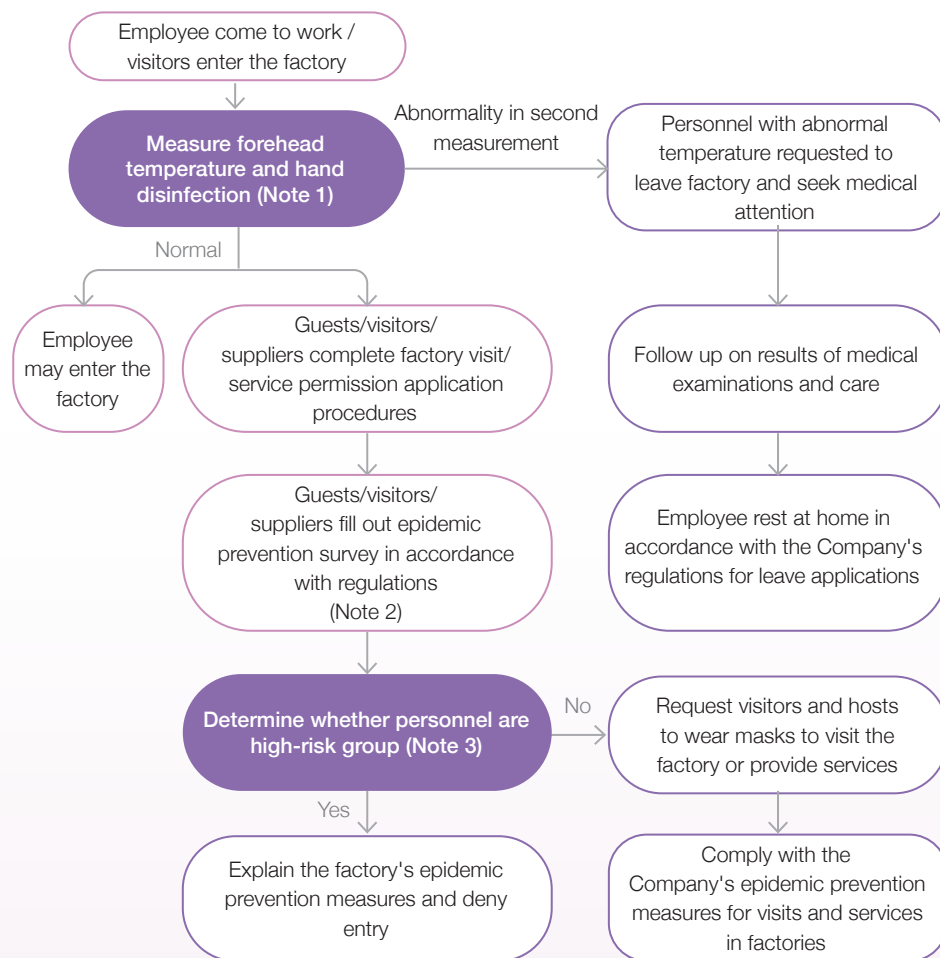
Sunonwealth established a response team and epidemic prevention measures in response to the COVID-19 epidemic to reduce the threat of the epidemic on personnel health and its impact on operations.

4-3-1 The members of the Epidemic Prevention Response Team and their responsibilities are as follows:

Member	Responsibility
Epidemic Prevention Response Commander	Provide necessary epidemic prevention resources, direct epidemic prevention tasks in factories, and oversee current work results
Legal Department	Review health certificates and external correspondence (e.g., customers, suppliers, and contractors)
Human Resources/ Administration/ Management Departments	<ul style="list-style-type: none"> 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) Formulate response plans and management measures for employees and contractors to have meals in different areas based on the epidemic prevention requirements. Plan epidemic prevention teams, office area separation, and employee movement control mechanisms. Assist in the procurement of epidemic prevention resources. Establish disinfection and emergency disinfection operating procedures for all factories. Security personnel help manage visitor and contractor entry into factories.
Occupational Safety Group (including occupational nurses)	<ul style="list-style-type: none"> Teach employees personal hygiene and self-protection measures including correct use of masks, reporting cases, and epidemic prevention. 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. The company follows the government's pandemic prevention requirements, formulates internal pandemic prevention measures, and announces the health declaration and management principles for visitors and contractors during the pandemic as a basis for the management of visitors and contractors entering the plants. Health status tracking of personnel in quarantine, home isolation, self-health management, and self-health monitoring, and autonomous testing arrangements. Regularly publish internal epidemic prevention information and announce areas with high risks of infection.
Information Management Department	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.

4-3-2 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:



4-3-3 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.

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: The COVID-19 epidemic prevention survey is provided in the attachment.

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.

4-3-4 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.
- Suspension of club activities and training programs.
- Work-from-home mechanisms.
- Diverting peak time commuter flows to reduce risk of contact.

4-3-5 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.

4-3-6 Epidemic Prevention Measures and Actions

2021

Headquarters disease prevention

- 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.
- Factory entries and reception area provide hand disinfection devices for personnel entering and exiting the premises.
- Wear masks to work throughout the entire process
- Implement conference room seating control and maintain social distancing
- Reduce the frequency of meetings (use video conference instead)
- Temporarily suspend club activities
- Conduct 1 environmental disinfection for epidemic prevention in all factories each month
- Provide employees on business travel to disease-stricken areas with business travel epidemic prevention kit
- The Company reaches out to employees on home quarantine every day
- Temporarily close the cafeteria for employees to take their meals in their seats
- Contact tracing and QR code scanning requirements for visitors.
- Staff taking turns to work from home.
- In case of personnel in home quarantine and self-health management, conducting autonomous tests.
- Establishing a report mechanism and mastering personnel risk prevention.
- Based on the pandemic situation, closing certain operating areas to avoid cross-area contacts.
- In 2021, the headquarters invested approximately NTD 41 million in pandemic prevention supplies and testing.

Epidemic prevention measures for production factories

- Tiered management (level 1, level 2, level 3, and level 4)
- Personnel must disinfect their hands at the entrance before entering the factories
- Personnel must wear masks correctly after entering factories
- 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
- 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
- Employee cafeteria: Limited opening (with separation boards)
- Outsourced environment disinfection
- Disinfection of production areas (machinery rooms)

4-3-7 Network and Information Security Management Mechanisms during the Epidemic

Importance to Operations	Management Mechanisms
<p>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.</p>	<ul style="list-style-type: none"> • Maturity measurement: Adopt business maturity standards, set targets, and measure progress • Plan long-term investment: Formulate five-year long-term information security plans to achieve targets and optimization • Identify key risks: Identify and establish key indicators to focus on protection against key risks
<p>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.</p>	<p>1. External enhancements (zero trust):</p> <ul style="list-style-type: none"> • 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 • 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 • Identify the login entity by two-factor authentication • Recover the software privileges of users and restore default settings after they log out • Use programmable security response mechanisms to visualize external risks and implement automatic management • All operation records and system logs will be centralized for management and data retention • Use the detection network alert mechanisms to send notifications on irregular behavior to the mobile device of the person in charge <p>2. Internal enhancements (zero contact/zero damage):</p> <ul style="list-style-type: none"> • Use information security training, social engineering exercises, and information security protection equipment to reduce the threat of attacks on internal computers • Use integrated virtual/real terminal environment for physical isolation and data security protection • Use device separation to meet requirements for remote work and reduce infections caused by clustering • Use hard drive data security measures for system snapshots and backups to ensure the integrity of the data and system • Establish a dual insurance mechanism for remote server rooms to ensure data and system security <p>3. Management regulations: To ensure the internal and external data security, we planned ISO 27001 certification to increase overall information security of the Company</p>

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.

5-1-1 Social Welfare

5-1-1-1 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, to date, our charity has spread to 20 towns in Taiwan. In 2021, although the COVID-19 pandemic led to reduced events, we continued spreading kindness and love to underprivileged families. The Foundation's "Inspiration and Care Campaign" benefited 7,614 households from 2018 to 2021 (Supplies: cash, rice, and books on "Liao-Fan's Four Lessons"). 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.

Year	Number of Charity Events	Areas	Number of Beneficiary Households
2018	6	Wandan Township, Pingtung County; Ziguan District, Kaohsiung City; Xuejia District, Tainan City; Xinying District, Tainan City; Xiaying District, Tainan City; Dongshi Township, Chiayi County	2,514
2019	6	Ligang Township, Pingtung County; Dashe District, Kaohsiung City; Fengshan District, Kaohsiung City; Madou District, Tainan City; Xiaying District, Tainan City; Kouhu Township, Yunlin County	2,316
2020	7	Neipu Township, Pingtung County; Gaoshu Township, Pingtung County; Luzhu District, Kaohsiung City; Longzaki District, Tainan City; Xiaying District, Tainan City; Yizhu Township, Chiayi County; Dawu Township, Taitung County	2,052
2021	3	Fangliao Township, Pingtung County · Neimen District, Kaohsiung City · Xiaying District, Tainan City	732

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.



5-1-1-2 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.



5-1-1-3 Shehng-Yuan Children Development and Adult Support Services Center

Sheheng-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.



5-1-1-4 Charitable Events at Production Plants

Earth is our common home and it is each citizen's duty to safeguard it. In response to the "Repairing Our Earth Event" to enhance employees' environmental conscience and responsibility, our Bei-hai Plant held a "Beach Cleaning Activity" on April 18th, 2021 with strong employees' support and participation.

This activity has been recognized and praised by many environmental protection activists and tourists. The significance of this activity is to inspire others' environmental self-awareness with real actions. That is the meaning and purpose of the event as well. This responsibility does not rely on one single event, a single person or even on a small group only. It requires the endeavor from each citizen. Therefore, Sunonwealth will fulfill the social responsibility with practical actions and continue to contribute to the environmental protection. Here, we call on more people to join us to protect our home together with even a little activity around you.



5-1-2 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.

5-1-2-1 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.

- 1. Government officials of production sites:** We work with benchmark local companies on activities for investors and industries to increase interactions.
- 2. Customer visits:** We hope to use business technology and product introduction to increase opportunities for future cooperation between the parties.
- 3. Business managers:** We encourage successful entrepreneurs to share their experience and develop business opportunities for next-generation entrepreneurs.
- 4. Teachers and students from the academic sector:** We use industry exchanges to provide students with actual experience to enhance the reputation of the business and increase future job opportunities.

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"> • Kyushu-Asia Institute of Leadership • Foshan City Nanhai District Delegation • Foshan City Nanhai District Guicheng Township Delegation • National University of Kaohsiung Graduate Student Association • Construction companies in Kaohsiung • Introduction of new products of construction companies • Fengshan West and South Rotary Club • Guangxi-Taiwan Economic and Cultural Exchange Association
2019	<ul style="list-style-type: none"> • Foshan City Jiujiang Township Delegation • Foshan City Nanhai District Guicheng Township Delegation
2020	Chairman, Taiwan Excellent Brand Association
2021	Visits were suspended due to the pandemic

5-1-2-2 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
Children Are Us Foundation	Fu-Ing Hong Chen Director
Kaohsiung Chamber of Industry	Ching-Shen Hong, Director
Taiwan Society of Tribology Technology	Ching-Shen Hong, Director
Taiwan Thermal Management Association	Sunonwealth, member
Taiwan Excellent Brand Association	Sunonwealth, member
Taipei Computer Association	Sunonwealth, member
Taiwan Electrical and Electronic Manufacturers' Association	Sunonwealth, member

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 exchanges 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.



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	18	
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102-3	Location of headquarters	1-1 Organizational Overview	18	
102-4	Location of operations	1-1 Organizational Overview	18	
102-5	Ownership and legal form	1-1 Organizational Overview	18	
102-6	Markets served	1-1 Organizational Overview	18	
102-7	Scale of the organization	1-1 Organizational Overview	18	
102-8	Information on employees and others workers	4-1 Employee Care	64	
102-9	Supply chain	2-6 Supply Chain Management	46	
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	27	
102-12	External Initiatives	1-1 Organizational Overview	18	
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102-16	Values, principles, standards, and norms of behavior	1-3 Ethical Corporate Management	26	
102-18	Governance structure	1-6 Governance of the Board of Directors	30	
102-40	List of stakeholder groups	Stakeholder Identification and Communication Methods	6	
102-41	Collective bargaining agreements	The Company does not have collective bargaining agreements		
102-42	Identifying and selecting stakeholders	Stakeholder Identification and Communication Methods	6	
102-43	Approach to stakeholder engagement	Stakeholder Identification and Communication Methods	6	

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
102-44	Key topics and concerns raised	Stakeholder Identification and Communication Methods	6	
102-45	Entities included in the consolidated financial statement	About this Report	3	
102-46	Defining report content and topic boundaries	About this Report	3	
102-47	List of material topics	Analysis and Identification of Material Topics	9	
102-48	Restatements of information	There were no restatements of information		
102-49	Changes in reporting	There were no changes in reporting		
102-50	Reporting period	About this Report	3	
102-51	Date of most recent report	About this Report	3	
102-52	Reporting cycle	About this Report	3	
102-53	Contact person for questions regarding the report	About this Report	3	
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	3	
102-55	GRI content index	Appendix - GRI Standards Comparison Table	95	
102-56	External assurance	No external assurance was implemented		
GRI 103 Management Approach				
103-1	Explanation of the material topic and its boundary	Management Guidelines of Significant Topics	9	
103-2 103-3	The management approach and its components			
GRI 200 Economy				
GRI 201: Economic Performance 2016				
201-1	Direct economic value generated and distributed	1-2 Business Performance	24	
201-2	Financial implications and other risks and opportunities due to climate change	3-6 Environmental Protection	59	

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
201-3	Defined benefit plan obligations and other retirement plans	4-1 Employee Care	64	
201-4	Financial assistance received from government	1-2 Business Performance	24	
202: Market Presence 2016				
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage	4-1 Employee Care	64	
204: Procurement Practices 2016				
204-1	Proportion of spending on local suppliers	2-6 Supply Chain Management	46	
205: Anti-Corruption 2016				
205-1	Operations assessed for risks related to corruption	1-3 Ethical Corporate Management	26	
205-2	Communication and training about anti-corruption policies and procedures	1-3 Ethical Corporate Management	26	
206: Anti-Competitive Behavior 2016				
206-1	Legal actions of anti-competitive behavior, antitrust and monopoly practices	No such violations in 2020		
GRI 300 Environment				
302: Energy 2016				
302-1	Energy consumption within the organization	3-1 Energy and Resource Management	53	
302-4	Reduction of energy consumption	3-1 Energy and Resource Management	53	
303: Water and Effluents 2018				
303-1	Interactions with water as a shared resource	3-2 Water Resource Management	55	
303-3	Water withdrawal	3-2 Water Resource Management	55	
305: Emissions 2016				
305-1	Direct (Scope 1) GHG emissions	3-1 Energy and Resource Management	53	

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
305-2	Energy indirect (Scope 2) GHG emissions	3-1 Energy and Resource Management	53	
305-5	Reduction of GHG emissions	3-1 Energy and Resource Management	53	
308: Supplier Environmental Assessment 2016				
308-1	New suppliers that were screened using environmental criteria	3-7 Compliance	62	
GRI 400 Social Disclosures				
401: Employment 2016				
401-1	New employee hires and employee turnover	4-1 Employee Care	64	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4-1 Employee Care	64	
401-3	Parental leave	4-1 Employee Care	64	
403: Occupational Health and Safety 2018				
403-1	Occupational safety and health management system	4-2 Occupational Safety	76	
403-2	Hazard identification, risk assessment and accident investigation	4-2 Occupational Safety	76	
403-3	Occupational health services	4-2 Occupational Safety	76	
403-4	Worker participation, consultation, and communication on occupational health and safety	4-2 Occupational Safety	76	
403-5	Worker training on occupational health and safety	4-2 Occupational Safety	76	
403-6	Promotion of worker health	4-2 Occupational Safety	76	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4-2 Occupational Safety	76	

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
403-8	Workers covered by an occupational health and safety management system	4-2 Occupational Safety	76	
403-9	Work-related injuries	4-2 Occupational Safety	76	
404: Training and Education 2016				
404-1	Average hours of training per year per employee	4-1 Employee Care	64	
404-2	Programs for upgrading employee skills and transition assistance programs	4-1 Employee Care	64	
405: Diversity and Equal Opportunity 2016				
405-1	Diversity of governance bodies and employees	1-6 Governance of the Board of Directors	30	
405-2	Ratio of basic salary and remuneration of women to men	4-1 Employee Care	64	
406: Non-Discrimination 2016				
406-1	Incidents of discrimination and corrective actions taken	No such violations in 2021		
407: Freedom of Association and Collective Bargaining 2016				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No such violations in 2021		
408: Child Labor 2016				
408-1	Operations and suppliers at significant risk for incidents of child labor	No such violations in 2021		
409: Forced or Compulsory Labor 2016				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	No such violations in 2021		
413: Local Communities 2016				
413-1	Operations with local community engagement, impact assessments, and development programs	5-1 Social Engagement	88	

Information Disclosed	Contents of Disclosure	Chapter Title	Page	Remarks
414: Supplier Social Assessment 2016				
414-1	New suppliers that were screened using social criteria	2-6 Supply Chain Management	46	
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	No such violations in 2021		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No such violations in 2021		
417: Marketing and Labeling 2016				
417-2	Incidents of non-compliance concerning product and service information and labeling	No such violations in 2021		
417-3	Incidents of non-compliance concerning marketing communications	No such violations in 2021		
418: Customer Privacy 2016				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No such violations in 2021		
419: Socioeconomic Compliance 2016				
419-1	Non-compliance with laws and regulations in the socioeconomic area	No such violations in 2021		

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