

# **SYSGRATION®** **2021**

Sustainability Report





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## Foreword

### ◆ About the Report

This report is the first ESG Report published by Sysgration Ltd. (Stock Code 5309, hereinafter referred to as Sysgration), written in accordance with the core disclosure selections with reference to the GRI Standards issued by The Global Reporting Initiative (GRI) to provide stakeholders with the disclosure of operational strategy, investment, and performance of Sysgration in sustainable development.

### ◆ Report Boundaries and Data

This Report discloses the performance data of economic, environmental, and social aspects for 2021 (January 1 to December 31, 2021). For the sake of completeness and comparability of information, some performance data are traced back to the date of December 31, 2020, and earlier. The boundary of this Report is limited to Sysgration Ltd., whose operating areas include Taipei Headquarters, Nantou Nankang Plant in Taiwan (hereinafter referred to as "Nankang Plant"), Huizhou Plant and Zhenjiang Plant in Mainland China (hereinafter referred to as "Huizhou Plant" and "Zhenjiang Plant"). The data and information disclosed in this Report are compiled and provided by the relevant competent and responsible departments. The collection, measurement and calculation methods of various disclosed data and information are mainly based on compliance with international or local laws and regulations. If there are no corresponding international standards applicable, then we refer to industry standards or industry practices.

### ◆ Report Assurance

Sysgration contracted PwC Taiwan to conduct a limited assurance engagement to confirm that the specific key performance information is provided in accordance with Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial information". The assurance report for this ESG report is attached in the Appendix.

### ◆ Release Date

Sysgration will publish the Sustainability Report on an annual basis and disclose the report on the Company's website.

Current Issue: Published in September 2022

Next Issue: Expected to be published in September 2023

### ◆ Contact Information

If there are any questions about this Report, or should you have any suggestions for Sysgration, please contact us via the following approaches.

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- Company website: <https://www.sysgration.com/zh-tw/>
- Contacts: General Manager Office - ESG Report Editing Team

## Message from the Chairman

In the face of drastic changes of global climate change, social development, and market competition, all have caused many social imbalances and extreme weather phenomena. Sysgration is deeply aware that when an enterprise pursues growth and performance, besides enhancing our core competitiveness in operations and market share, it is also necessary to fulfill our corporate social responsibilities and seek harmonious development and balance of interests among corporate governance, environmental protection and social participation.

Since the establishment, Sysgration has adhered to the corporate core values of "Integrity, Passion, Commitment, and Innovation." We have invested in the field of automotive electronic products and energy storage equipment, accumulated profound professional technical experience and customer base, and we continue to provide excellent-quality products to lead the market with high quality and professional services. Particularly, our products in the field of energy storage equipment can provide complete solutions to the serious climate change problems currently faced globally. 2021 was a year full of challenges for Sysgration. The COVID19 pandemic continues, and the economic and business environment is difficult. Under such circumstances, we have demonstrated a high degree of resilience; with the joint efforts of the Company's management and all employees, the consolidated operating revenue of Sysgration hit an all-time new record high in 2021.

Good corporate governance is the foundation of sustainable development of an enterprise. Sysgration implements the principles of corporate governance and transparently discloses the Company's operating information to protect the rights and interests of stakeholders. In 2021, Sysgration was honored with the top 6-20% of listed companies in the "Corporate Governance Evaluation" of the Taiwan Stock Exchange. Furthermore, Sysgration has established the norms for Ethical Corporate Management and Ethical Code of Conduct. By providing annual training programs and requiring all employees and suppliers to sign the integrity commitments, we ensure all colleagues of Sysgration and suppliers can comply with the principles of integrity and ethics. We will continue to follow all corporate governance regulations, promote sustainable development strategies that protect the rights and interests of important external stakeholders including employees, customers, communities, and shareholders to promote sustainable development and continuous growth of corporate operations.

In terms of environmental protection, Sysgration has been observing the trend of the international energy industry for a long time. After the establishment of the Energy Storage Business Division in 2017, Sysgration has developed and strengthened the energy-saving benefits of products, and developed innovative products with low energy consumption, safety

and health, in order to cope with the challenges and opportunities of climate change. We take 2021 as the base year to implement energy-saving programs in the factories of each operating location, through a series of environmental protection, energy saving, and carbon reduction actions, to gradually improve the energy efficiency of electricity consumption, lower the Company's greenhouse gas emissions, and reduce the occurrence of the greenhouse effect.

While pursuing sustainable operation, Sysgration also promises to provide employees with a safe working environment and proper training and benefits, actively implement talent training and development, and create a diverse, inclusive, and friendly workplace. In terms of social participation, Sysgration contributes to the society through three aspects of industry-academia collaboration, charitable donations, and emergency relief. We provide the local communities or disadvantaged groups with the assistance they need.

Facing the uncertainties in the post-pandemic era, Sysgration incorporates ESG (Environmental, Social and Corporate Governance) into our own strategic planning and risk management framework, and continuously improves our business operations to face more risks and opportunities in the future with the thinking of breaking through the current situation. Sysgration will continue to review ESG performance, and actively respond to the stakeholders' concerns on its ESG actions. We strive to achieve a balanced and good performance between the economy, environment, and society, and create long-term and continuative sustainable value for all the Company's colleagues and important external stakeholders.

Chairman of Sysgration

Lee, Yi-Ren





# Sustainable Management

- 1.1 About Sysgration
- 1.2 Sustainable Practices
- 1.3 Materiality Analysis
- 1.4 Stakeholder Engagement



# 1.1 About Sysgration

## Company Profile

Sysgration was founded in 1977. For more than 40 years, we are committed to using advanced technology to develop the best quality products for IoT, Automotive Electronics Solutions and Energy Management solutions and continue to provide customers with integrated solutions for technology development, design and manufacturing, quality cost management, and receiving certification through technology integration. Sysgration has listed on the Taiwan Stock Exchange since 1996. The production, R&D and operation locations include Taipei Headquarters, Nankang Plant in Taiwan, Huizhou Plant and Zhenjiang Plant in Mainland China, with about 500 employees around the world. As a leading manufacturer of automotive tire pressure monitoring systems, our customers are all over the world.

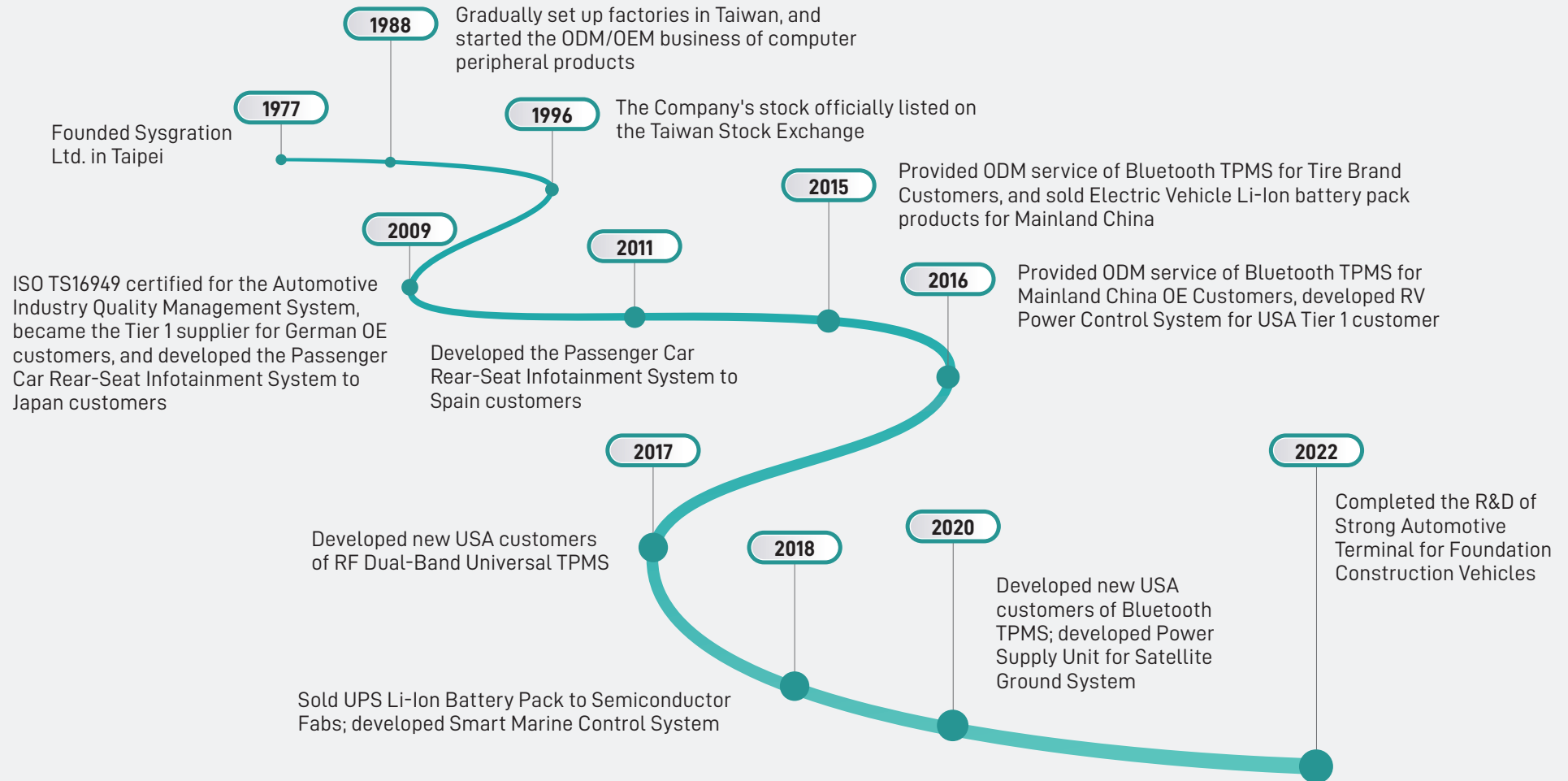
With "Technology, Quality, Innovation" as the Company's core values, Sysgration focuses on the ODM/OEM field, and provides products mainly for automotive tire pressure monitoring systems, automotive electronic products, green energy, energy storage equipment and power supplies. In response to the sustainable transformation of the market and the wave of net zero emission targets, in recent years, Sysgration has actively deployed in the fields of Internet of Things, Internet of Vehicles and new energy technologies. We not only have combined mobile devices, smart devices with Internet of Vehicles smart network connections, but also have developed low-power Bluetooth Tire Pressure Monitoring Signal (TPMS) transmission system and began to develop energy storage system for renewable energy, uninterrupted power supply equipment for clean energy, and electric vehicle batteries to create intelligent and climate-resilient solutions for our customers.

Sysgration has been focusing on research and development since its founding and has set up research and development departments for different product lines, as our R&D achievements have been affirmed by many domestic and foreign patents and inventions. With manufacturing factories in two regions located across the Taiwan Strait, we leverage the expertise and advantages of supply chain manufacturers on both sides of the strait, and we have successively become strategic partners with well-known world leading manufacturers. Sysgration's consolidated operating income in 2021 was NT\$2.45 billion, an increase of 85.02% compared to the consolidated operating income of NT\$1.33 billion in 2020. Meanwhile, Sysgration actively plans in the three major aspects of economy, society, and environment (ESG) to create sustainable value for the enterprise, society, and environment.

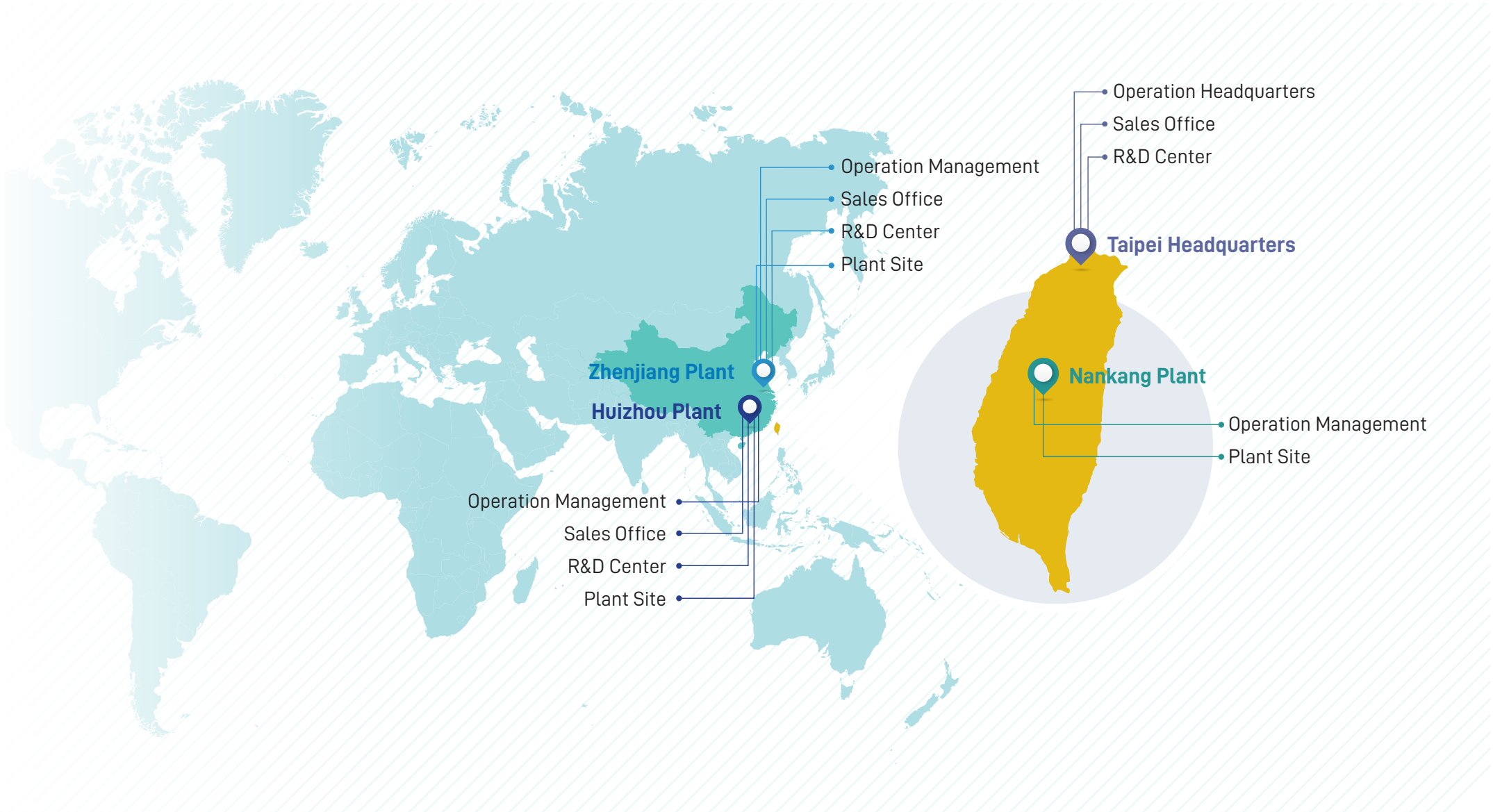
Looking into the future, Sysgration will continue to develop innovative technologies in the fields of Internet of Things, Internet of Vehicles, energy storage products and battery energy based on the solid technology foundation, and we expect ourselves to become a world-renowned enterprise.



## Milestones and Prospects




## ◆ Sysgration Operation Locations






## Products, Services and Patent Application

Sysgration strives for creating rugged and durable mobile devices and industrial tablet PCs for the automotive electronics industry. From stages of product design including product concept feasibility study, manufacturing design, circuit board filling and testing, to stages of product distribution including supply chain management, logistics repair and maintenance, Sysgration provides customers with solutions for the full product development cycle, assists in solving problems early in the product development process, traces systems assembly and testing, and manages the supply chain risks.




### Design

- Concept Feasibility Study
- Engineering Service
- Early-Stage Specification Participation
- Rapid Prototype Manufacturing
- Industrial Design
- Manufacturing Design
- Risk Management



### Manufacturing

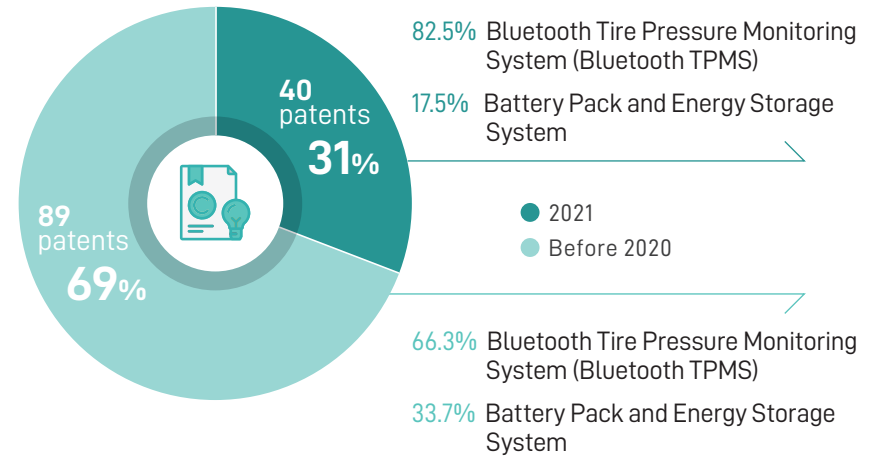
- Circuit Board Filling and Testing
- System Assembly and Testing
- Multiple Locations
- Workshop Traceability
- Quality Guarantee



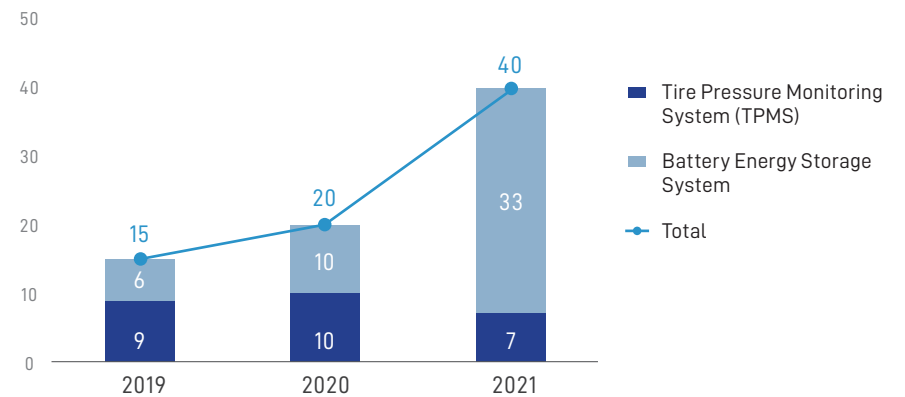
### Service

- Supply Chain Management
- Longevity Program
- Logistics Repair Maintenance Center

● Number of patent applications



● Number of patent applications over the years



Sysgration has been focusing on the research and development of innovative products since its founding. We invest a lot of research and development funds every year, and we have set up Research and Development Departments for different product lines. The R&D achievements have been affirmed by many domestic and foreign patents and inventions. By the end of 2021, Sysgration has a total of 547 patents and 8 approved trademarks worldwide. There are currently 129 patents in effect globally, among which 40 patents were registered in 2021, mainly focusing on the structure, application, and advanced manufacturing of Bluetooth TPMS, as well as the invention of practical new model of battery energy storage devices.

Through leading technology, system architecture knowledge and on-site manufacturing experience, Sysgration provides customers with value-added and customized solutions. The products have been applied in the fields of smart manufacturing, smart public space and services, and smart warehousing and logistics. We will continue to expand the applications in the fields of Industrial Internet of Vehicles, Smart Internet of Vessels, Smart Power Grid, Telemedicine, etc.



### Smart Public Space and Services

Automated thermal monitoring systems can effectively manage the spread of pandemic by capturing the body temperature of people entering and leaving. Sysgration provides thermal scanners and universal tablet computer solutions to instantly scan the body temperature of a group of people or an individual and detect whether the face mask is being fully worn. If the temperature is higher than normal or the mask is not worn, the instrument will immediately issue a warning signal.



### Smart Manufacturing

The Sysgration's universal tablet computer monitors material inventory and tracks the production status in real time through the multi-point touch screen with front end IP65 protection and collects data through expansion modules (such as barcode readers, RFID, cameras) to improve the efficiency of production processes and factory operating performance.

### Smart Warehousing and Logistics

Dispatching time and accurate logistics tracking are vital to efficient operations. The industrial rugged tablet computer developed by Sysgration can increase the efficiency of collecting real-time store inventory data from different locations and re-arrange the delivery routes within minutes, allowing warehouse operators to instantaneously check the merchandise location and the real-time status of inventory. It not only can withstand the harshest environments, but also is lightweight and easy to carry, with long battery life, and provides multiple connection options of WiFi, GPS, Bluetooth, and 4G LTE to enhance reliability.



## Participation in Public Associations and External Organizations

Sysgration actively participates in local public associations and organizations regarding industry, R&D technology, and corporate governance. Through idea exchange and experience sharing, we establish partnerships of mutual assistance and cooperation, and promote the common prosperity and development of the industry.



Taiwan



Mainland China

### Industry

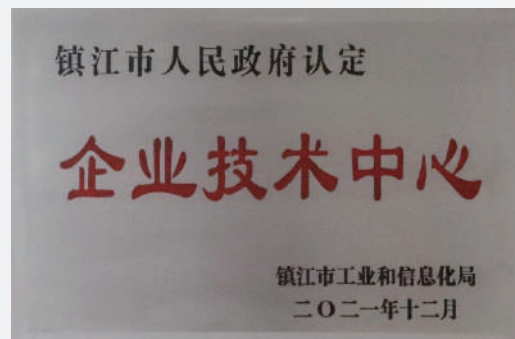
- Taiwan Electrical and Electronic Manufacturers' Association
- SEMI Energy Storage Committee
- Taipei Tech Elite Union

### Others

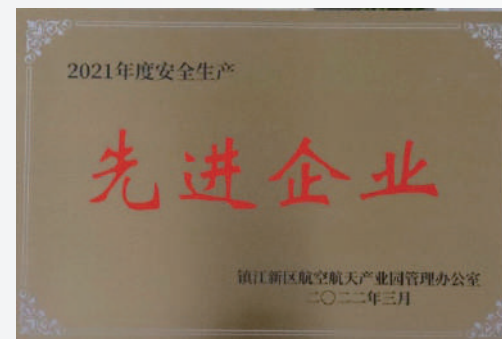
- European Chamber of Commerce Taiwan
- Taiwan Listed Companies Association
- Taiwan Institute of Directors
- Central Region Listed Company Elite Association
- Zhenjiang City Association of Taiwan Investment Enterprises on the Mainland
- Jiangsu Resource Recycling Association



## Honors and Affirmation



Zhenjiang Plant was honored as the Enterprise Technology Center, identified by Zhenjiang Municipal People's Government in 2021



Zhenjiang Plant was honored as 2021 Advanced Enterprise of Safety Production in Zhenjiang New Area Aviation & Aerospace Industrial Park



Nankang Plant assisted Nantou County Government in organizing Job Expo activities

# 1.2 Sustainable Practices

## ◆ Sustainable Development Strategy

While having automotive electronics and energy management products as the main scope of business, with revenue accounting for 64% and 36% respectively, Sysgration combines Internet of Vehicles and Internet of Things in recent years to develop system and integration solutions. Since 2015, Sysgration has invested in research, development, and manufacturing of green energy products, including renewable energy storage systems, uninterrupted power equipment for clean energy, electric vehicle batteries, energy-efficient tire pressure monitoring system and other products, and actively promotes the application of green energy. As a member of the European Chamber of Commerce Taiwan, Sysgration also participates in the Low-Carbon Initiative (LCI), introducing the best low-carbon programs and norms in the EU and Europe based on the seven core areas of green energy, green finance, energy efficiency, green transportation, smart city, smart manufacturing and circular economy to enhance the imagination and cognition of sustainable development in all sectors, hoping to accelerate Taiwan in achieving the sustainable goal of a net-zero society.

| Implementing United Nations Sustainable Development Goals |      |        |     |
|---|--|--|---|
|   | Environment  | Society  | Governance  |
| Company Actions in 2021                                   | <ol style="list-style-type: none"> <li>In 2021, all factories completed the ISO 14001:2015 (Environmental Management System), ISO 9001:2015 (Quality Management System), IATF 16949:2016 (Automotive Quality Management System) and IECQ QC08000:2017 (Hazardous Substance Process Management System) Certification.</li> <li>In 2021, all lighting systems were replaced, which the electricity consumption are reduced by 17,245.52 MWh annually, equivalent to the reduction of 8,777.97 metric tons of CO<sub>2</sub>e.</li> <li>In 2021, electricity generation of renewable energy was 12.29MWh.</li> <li>We actively invest in the research and development of green products. Up to the end of 2021, Sysgration has 547 product patents and 8 trademarks approved cumulatively worldwide. Currently there are 129 patents in effect globally, of which 40 applications were sent in 2021.</li> </ol> | <ol style="list-style-type: none"> <li>We support the human rights protection philosophy and fundamental principles specified in the international human rights conventions such as United Nations Universal Declaration of Human Rights, United Nations Global Compact, and International Labor Convention.</li> <li>We collaborated with National Taipei University of Technology, Lunghwa University of Science and Technology and Jiangsu Chunlan Clean Energy Academy in 2021 to develop product technology, and provided 3 internship opportunities and scholarships for National Taipei University of Technology students.</li> <li>We encourage diversity and equality in the workplace. In 2021, women represented 54.8% in all employees and 23.7% in senior managerial positions, foreign employees accounted for 10.2%, and there were four employees with physical and mental disabilities, exceeding the statutory requirement by 34%.</li> <li>We signed a contract with Pojen General Hospital for professional doctors and nurses to come to the Company and provide employee health consultation regularly, employees with routine health examination every year, and pulmonary function special health examination for the personnel engaged in special operations.</li> <li>We regularly inspect the safety of the working environment. All factories have completed the ISO 45001:2018 (Occupational Safety and Health System) certification, and there was no work-related injuries and diseases in 2021.</li> <li>We participate in community volunteers, public welfare donations and material donations. In 2021, the contribution amount exceeded NT\$750,000 for pandemic prevention assistance and the poor activities.</li> </ol> | <ol style="list-style-type: none"> <li>We ranked in the top 6-20% in 2021 Corporate Governance Evaluation.</li> <li>Independent directors accounted for 43% of all directors, exceeding the statutory standard of one third for regulated companies.</li> <li>We clearly define the "Ethical Corporate Management Best Practice Principles," "Codes of Ethical Conduct," "Management Operation Procedures for Prevention of Insider Trading," and the "Responsible Business Alliance (RBA) Code of Conduct" related operating procedures, which the Company's Board of Directors, senior executives, all employees, and cooperative suppliers are required to follow.</li> <li>In 2021, 100% of the directors signed the ethical corporate management documents, and 100% of the employees signed the "Ethical and Honesty, Environmental Protection and Social Responsibility Commitment." 100% of new suppliers signed the "Supplier Corporate Social Responsibility and Environmental Code of Conduct" and Non-Conflict Minerals Declaration, and 93% signed the "Supplier Ethical and Honesty, Environmental Protection and Social Responsibility Commitment".</li> <li>In 2021, we conducted supplier evaluation, and 15 suppliers were audited. Suppliers were required to fulfill their social responsibilities on issues of environmental sustainability, occupational safety and health, labor rights, and ethical corporate management. At present, no supplier has terminated the cooperation relationship due to non-compliance with the regulations of Sysgration.</li> <li>In 2021, the amount of procurement expenditure on local suppliers was about NT\$1 billion, accounting for 49.8% of total procurement expenditure.</li> </ol> |

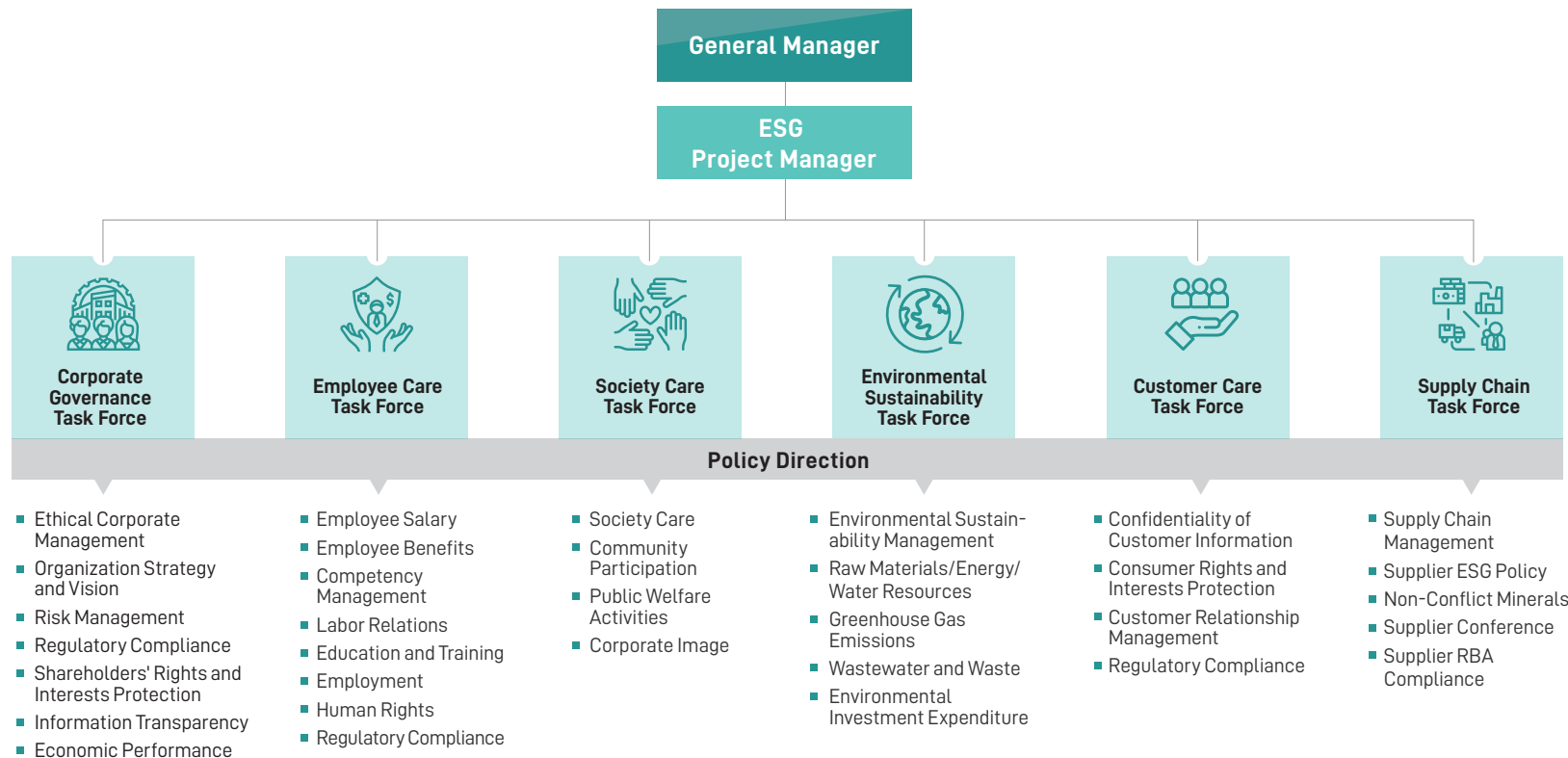




Sustainable Development Code of Practice

Sysgration formulated "Sustainable Development Code of Practice" in 2016 to help incorporate corporate social responsibility into the process of the Company's business operations. To improve the corporate sustainable competitiveness and effectively implement sustainable related business affairs, we formally established the ESG Committee in the first half of 2022, with General Manager, Mr. Hsieh, Tung-Fu, as the convener, and organized six task forces according to various related issues. The meeting is convened every two months to review and track the achievement of the short, medium, and long-term goals set by the ESG Committee.

● Sysgration ESG Committee Structure and Policy Direction











# 1.3 Materiality Analysis

## Stakeholder Identification

Sysgration identified stakeholders in reference to the AA1000 Stakeholder Engagement Standard. For the major environmental, social, and corporate governance-related issues concerned by the stakeholders, we formulate corresponding management policies and actions to respond to the demands and expectations of stakeholders.

After considering the stakeholders' dependency, responsibility, concern, influence, and diverse perspectives, we identified 8 major stakeholders, including shareholders/investors, customers, employees, suppliers/contractors, government agencies, media, communities and nonprofit organizations, and schools.

|  Shareholders/ Investors   |  Customers  |  Employees   |  Suppliers/Contractors   |  Government Agencies  |  Media   |  Communities and Nonprofit Organizations   |  Schools   |
|---|--|---|--|--|---|---|---|
| Communicating with investors and shareholders are imperative in the Company's public relation. Their long-term support is the power of growth for the Company. Improving shareholders' favorability and positive image is helpful for the Company's financing and the development of overall business activities. | Customers are the key factor for the Company's operational sustainability. We listen to customers' needs, stay ahead of market trends, and provide professional services. We are committed to building a vision with customers, becoming a long-term reliable partner for customers, and increasing business performance and scale to enhance the Company's development. | Employees not only are the most important asset of the Company, but they are partners for the Company's growth. We are committed to creating a challenging and self-fulfilling working environment, providing comprehensive compensation and benefits, and a safe workplace. Employees who can realize their full potential will deliver the best business performance and create a sustainable future for the Company. | Suppliers are business partners who provide necessary product parts and raw materials, and they play a key role in the sustainable development of the Company. We understand suppliers' concerns through communication and promote suppliers to practice social responsibility. We maintain a relationship of mutual assistance and cooperation with our suppliers, which not only reduces business risks, but also pursues common prosperity with upstream and downstream partners. | In addition to complying with government regulations, Sysgration actively supports government policies and engages government agencies in two-way open communication to win their trust and support to promote the development and stable operation of Sysgration. | The media acts as the bridge between the Company and its stakeholders. Media delivers Sysgration's business concepts and the Company image to the market, which helps stakeholders obtain correct information about the Company, and further can bring more business opportunities. | Promotion of sustainable practices must be assisted by local organizations. Sysgration contributes to the society through cooperation with organizations and takes sustainable actions to exert positive influences on the society. | Schools are the source of talents for the industry. We establish innovative R&D cooperation through industry-academia cooperation projects to eliminate the gap between learning and real-world application, and outstanding talents are introduced to the Company to enhance our market competitiveness and sustainable operation. |

## Material Topic Identification

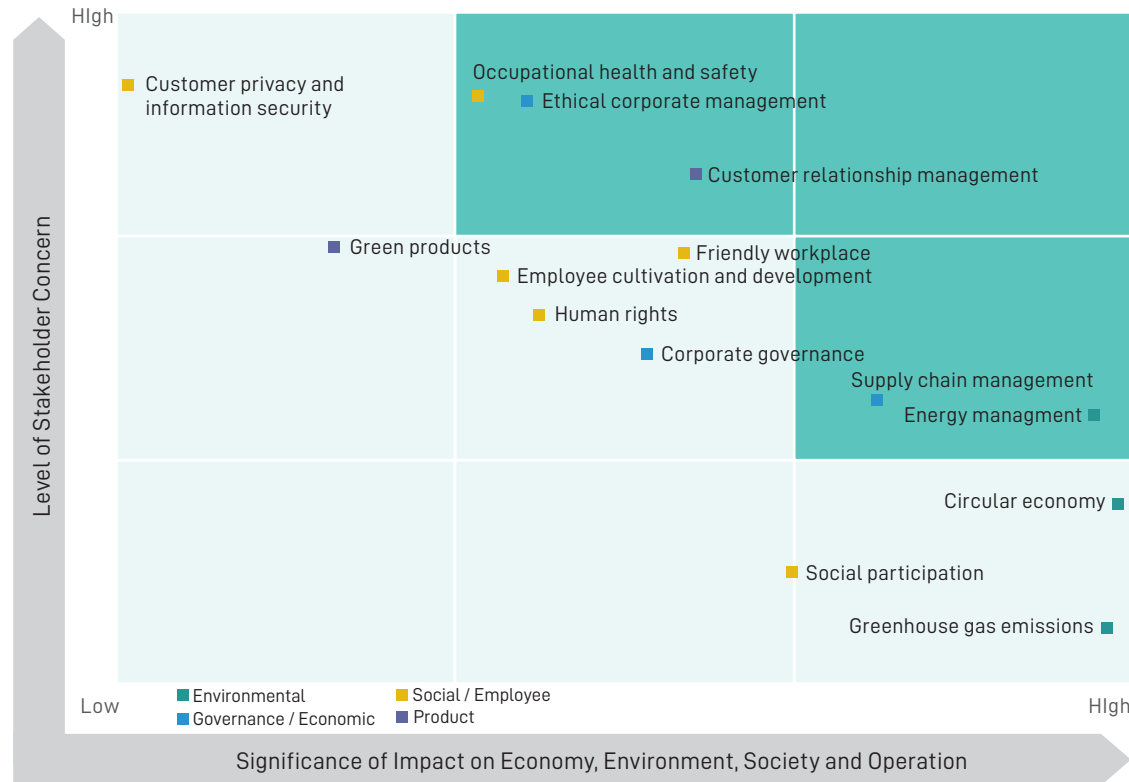
Sysgration determined the sustainability issues concerned by stakeholders through three steps including identification, analysis, and confirmation. Through the process of material topic identification, Sysgration analyzed the sustainability issues, among which 5 material topics were decided and confirmed.





## Material Topics Matrix

### 2021 Sysgration Material Topics Matrix



In response to the current operational situation and vision of the Company and considering the role of Sysgration in the automotive electronics supply chain as well as the development of energy management products, the ESG Committee elevated the importance of "Customer Relationship Management" and changed the name of the material topic of "Response to Climate Change" to "Energy Management." Through the stakeholder materiality analysis and the discussion of ESG Committee, out of 14 sustainability issues in 2021, 5 material topics were identified and selected in the stakeholder materiality assessment, including ethical corporate management, customer relationship management, supply chain management, occupational health and safety, and energy management. Other sustainability topics include corporate governance, talent learning and development, friendly workplace, human rights, circular economy, greenhouse gas emissions, social participation, green products, and customer privacy and information security. On the other hand, although risk management, regulatory compliance and economic performance were not assessed in the analysis, those are the focused issues of the Company's operations, and the strategies and results for those issues are disclosed in the Company's Annual Report and Sustainability Report.

● Material Topics and Impact Boundaries



| Aspect                | 2021 Material Topic              | GRI Standards                 | Importance to the Company and Response Strategies   | Boundary of Impact |           |           |           | Corresponding Section |  |
|-----------------------|----------------------------------|-------------------------------|---|--------------------|-----------|-----------|-----------|-----------------------|--|
|                       |                                  |                               |   | Internal           | External  |           |           |                       |  |
|                       |                                  |                               |   |                    | Suppliers | Investors | Customers |                       | Communities                            |
| Governance / Economic | Ethical Corporate Management     | GRI 205                       | Based on integrity and ethical operation principle, Sysgration has built up good commercial operation models. We require the Company's Board of Directors, senior executives, employees, and cooperative suppliers to follow ethical management guidelines for protecting the rights and interests of all stakeholders.   | ◆                  | ◆         | ◆         | ◆         | ◆                     | 2.3 Ethical Corporate Management       |
|                       | Supply Chain Management          | GRI 204<br>GRI 308<br>GRI 414 | Sysgration regards suppliers as important partners for sustainable growth. We have always held the principle of mutual cooperation with all suppliers. We promise to establish a sustainability-oriented supply chain, and manage the quality, cost, delivery, service team, and sustainability capabilities of the suppliers to enhance the overall competitiveness.   | ◆                  | ◆         |           | ◆         |                       | 2.7 Supplier Sustainability Management |
| Environmental         | Energy Management                | GRI 302                       | Sysgration concerns the energy issue and has observed the international energy industry development trends for a long period of time. We regard the trend as an important opportunity for expanding business. Since 2017, Sysgration has established the Energy Storage Business Department to develop and strengthen the product energy efficiencies. In terms of the management aspect, we reconsider the factory facility design and energy management, and we continue to improve the energy management projects in response to the climate challenges. | ◆                  |           | ◆         | ◆         | ◆                     | 3.3 Energy Management                  |
| Social / Employee     | Occupational Health and Safety   | GRI 403                       | Sysgration values a safe working environment and employee development. We have established a prevention-oriented health and safety management working environment, and we follow the requirements of ISO 45001 management system to implement occupational safety and health management for achieving the goal of a safe and healthy workplace.   | ◆                  | ◆         |           |           |                       | 4.5 Occupational Health and Safety     |
| Product               | Customer Relationship Management | GRI 418                       | Customers are the key factor for the Company's sustainable operations. With our vision "Integrity, Passion, Commitment, and Innovation," we will continue to take the needs and interests of customers into consideration to meet their requirements and pursue our maximum profits.  | ◆                  | ◆         | ◆         | ◆         |                       | 2.6 Customer Relationship Management   |

# 1.4 Stakeholder Engagement







Sysgration's stakeholders include shareholders/investors, customers, employees, suppliers/contractors, government agencies, media, communities and nonprofit organizations, and schools. We pursue both sustainable operations and profitability under the principle of integrity, and we value various issues among aspects of environmental, societal, and corporate governance. We evaluate and understand the reasonable expectations of stakeholders through communication, and we take these issues into consideration for establishing the Company's future management policies and operating activities. We have set up a stakeholder area on our website as the channel of communication with stakeholders. The opinions from all stakeholders are responded by designated personnel, and stakeholders are welcome to give opinions and suggestions. The concerned issues from each stakeholder and the content of communication are detailed as below.

Sysgration carefully values the voices of all stakeholders. In the future, we will continue to engage with stakeholders fully and effectively through various ways as well as responding to their expectations to reinforce the foundation for the corporate sustainable development.

## ● Stakeholder Communication and Actions in 2021

| Stakeholders  | Concerned Issues  | Forms of Communication and Frequency in 2021   | Responses and Actions in 2021   |
|---|---|--|---|
| <br>Shareholders/<br>Investors | <ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Risk Management</li> <li>• Economic Performance</li> </ul>                             | <ul style="list-style-type: none"> <li>• General shareholder meeting (annually)</li> <li>• Investor conferences (intermittently)</li> <li>• Operating income release (monthly)</li> <li>• Market Observation Post System (real-time)</li> <li>• Company website (real-time)</li> </ul> | <ul style="list-style-type: none"> <li>• Held 1 general shareholder meeting</li> <li>• Held 2 sessions of investor conferences</li> <li>• Regularly disclosed the Company's financial and business information on the Market Observation Post System and company website</li> <li>• Spokespersons and deputy spokespersons are responsible to respond to investors' concerns in a timely manner</li> </ul>  |
| <br>Customers                | <ul style="list-style-type: none"> <li>• Customer Privacy and Information Security</li> <li>• Innovation and R&amp;D</li> <li>• Economic Performance</li> </ul> | <ul style="list-style-type: none"> <li>• Customer review meeting (intermittently)</li> <li>• Customer satisfaction survey (annually)</li> <li>• Company website (intermittently)</li> <li>• Customer Supplier Conference (intermittently)</li> </ul>                                   | <ul style="list-style-type: none"> <li>• Conducted annual customer satisfaction survey</li> <li>• Updated the latest products on company website</li> <li>• Participated in customer technology forums for reporting technology research and development results</li> <li>• Participated in the customer supplier conference; the conference was suspended in 2021 due to the COVID-19 pandemic</li> <li>• Met requirements and audits of our clients regarding products, environment, as well as labor rights, coordinated to prevent related risks, and promised to continuously improve the ESG practices</li> </ul> |



| Stakeholders   | Concerned Issues  | Forms of Communication and Frequency in 2021  | Responses and Actions in 2021  |
|--|---|---|--|
|  <p>Employees</p>                                 | <ul style="list-style-type: none"> <li>Friendly Workplace</li> <li>Occupational Health and Safety</li> <li>Talent Learning and Development</li> </ul> | <ul style="list-style-type: none"> <li>Labor-management meeting (quarterly)</li> <li>Employee welfare committee meeting (intermittently)</li> <li>Education and training (intermittently)</li> <li>Communication and work meetings with units and departments (intermittently)</li> <li>Internal information announcement (intermittently)</li> <li>Employee complaint hotline (real-time)</li> <li>Occupational safety and health committee meeting (quarterly)</li> </ul> | <ul style="list-style-type: none"> <li>Held 4 sessions of labor-management meetings</li> <li>Held regular employee welfare committee meetings</li> <li>Organized 2 sessions of new employees training and new employees symposium</li> <li>Organized corporate information security/trade secret training courses</li> <li>Held weekly management meetings to understand the Company's business operation updates and improve communication efficiency</li> <li>Organized annual budget briefings for middle/senior executives</li> <li>Published company information announcements from time to time, so that all colleagues can understand the company-related information immediately</li> <li>0 calls from employee complaint hotline calls</li> <li>Held 4 sessions of occupational safety and health committee meetings</li> </ul> |
|  <p>Suppliers/Contractors</p>                     | <ul style="list-style-type: none"> <li>Risk Management</li> <li>Economic Performance</li> <li>Quality Management</li> </ul>                           | <ul style="list-style-type: none"> <li>Supplier audits (intermittently)</li> <li>Request of supplier code of conduct (annually)</li> <li>Request of non-conflict minerals declaration (intermittently)</li> <li>Supplier conference (annually)</li> </ul>   | <ul style="list-style-type: none"> <li>The Supplier Conference is held regularly every year. In 2021, due to COVID-19 pandemic, the conference was suspended; hence, an online conference was held to communicate with suppliers about the operational performance, operational strategy, and ESG goals. Important regulations and development trends of major international brand manufacturers were also presented and discussed in the conference</li> <li>15 suppliers were audited in 2021</li> <li>100% of suppliers signed the Non-use Conflict Minerals Statement</li> </ul>   |
|  <p>Government Agencies</p>                       | <ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Ethical Corporate Management</li> <li>Regulatory Compliance</li> </ul>           | <ul style="list-style-type: none"> <li>Reply to requests from government agencies with official documents (immediately)</li> <li>Update information on company website and Market Observation Post System (monthly, quarterly, annually)</li> <li>Questionnaire and interview (intermittently)</li> <li>Receive government performance evaluation (annually)</li> <li>Participate in government-related activities (intermittently)</li> </ul>                              | <ul style="list-style-type: none"> <li>Provided relevant reports regularly in accordance with the government regulatory requests</li> </ul>  |
|  <p>Media</p>                                    | <ul style="list-style-type: none"> <li>Economic Performance</li> <li>Innovation and R&amp;D</li> <li>Customer Relationship Management</li> </ul>      | <ul style="list-style-type: none"> <li>Investor conferences (intermittently)</li> <li>Meetings with institutional investors (real-time)</li> <li>Press Release (real-time)</li> <li>Media Interview (intermittently)</li> </ul>   | <ul style="list-style-type: none"> <li>Held 2 sessions of investor conferences</li> <li>Participated in institutional investors meetings more than 20 sessions</li> <li>Published press releases every month</li> <li>Media Interviews 3 - 5 times</li> </ul>  |
|  <p>Communities and Nonprofit Organizations</p> | <ul style="list-style-type: none"> <li>Social Participation</li> </ul>  | <ul style="list-style-type: none"> <li>Donations (intermittently)</li> </ul>  | <ul style="list-style-type: none"> <li>Charitable donations: emergency relief, support disadvantaged families of their education and living allowances</li> <li>Training projects for technology talents</li> <li>Green energy construction at the campus</li> <li>Development of sports talents</li> </ul>  |
|  <p>Schools</p>                                 | <ul style="list-style-type: none"> <li>Green Products</li> <li>Circular Economy</li> <li>Social Participation</li> </ul>                              | <ul style="list-style-type: none"> <li>Industry-academia collaboration project and progress meeting (intermittently)</li> <li>Industry-academia collaboration project performance presentation conference (annually)</li> </ul>   | <ul style="list-style-type: none"> <li>2021 Industry-Academia Collaboration Projects                             <ul style="list-style-type: none"> <li>Taipei University of Technology: development and application of smart lithium battery telecom products</li> <li>Lunghwa University of Science and Technology: product development of smart energy management system</li> <li>Chunlan Clean Energy Academy: R&amp;D improvement of drawer battery modules</li> </ul> </li> <li>Organized progress meetings of industry-academia collaboration every 2-4 weeks</li> <li>Conducted technical experiments with the school and provided discussion and feedback regularly in terms of the latest technologies and trends in the industry</li> </ul>   |

# Corporate Governance

- 2.1 Corporate Governance
- 2.2 Economic Performance
- 2.3 Ethical Corporate Management
- 2.4 Risk Management
- 2.5 Regulatory Compliance
- 2.6 Customer Relationship Management
- 2.7 Supplier Sustainability Management



## Sustainable Performance Highlights and Corresponding SDG



Ranked in the top **6-20%** in 2021 Corporate Governance Evaluation

Independent directors accounted for **43%** of all directors, exceeding the statutory standard of one third for regulated companies

In 2021, **100%** of the members of Board of Directors signed the ethical corporate management documents, and 100% of the employees signed the "Ethical and Honesty, Environmental Protection and Social Responsibility Commitment"

100% of the new suppliers signed the "Supplier Corporate Social Responsibility and Environmental Code of Conduct" and "Non-use of Conflict Minerals

Statement," and **93%** signed the "Supplier Ethical and Honesty, Environmental Protection and Social Responsibility Commitment"

Clearly defined the "Ethical Corporate Management Best Practice Principles," "Codes of Ethical Conduct", "Management Operation Procedures for Prevention of Insider Trading," and the "Responsible Business Alliance (RBA) Code of Conduct" related operating procedures, which the Company's Board of Directors, senior executives, all employees, and cooperative suppliers are required to follow

In 2021, **15** suppliers were audited. Suppliers were required to fulfill their social responsibilities on issues of environmental sustainability, occupational safety and health, labor rights, and ethical corporate management. At present, no supplier has terminated the cooperation relationship due to non-compliance with the regulations of Sysgration. In 2021, the amount of procurement spent on local suppliers was about NT\$1 billion, accounting for **49.8%** of total amount



# Management Approach of Material Topic

**Material Topic** ▶▶

Ethical Corporate Management

**GRI Standards** ▶▶

GRI 102-16 / GRI 205-2 / GRI 205-3

**Importance** ▶▶

The philosophy of honest, responsible, ethical business and integrity is the foundation of Sysgration operation

**Policies and Commitments** ▶▶

Sysgration clearly stipulates the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Management Operation Procedures for Prevention of Insider Trading" and other standards, which the Company's Board of Directors, senior executives, employees, and cooperative suppliers are required to follow, in order to establish a corporate culture of integrity management and a model of good business practices

**Goals** ▶▶

In 2022, all employees and the Board of Directors shall sign ethical corporate management documents, and 100% of all suppliers shall sign the "Honesty Commitment"

**Responsible Unit** ▶▶

Human Resources Department : Promote and supervise the Company's ethical corporate management policy and prevent dishonest behavior, with a total of seven people  
 Audit Office : Supervise and check the implementation of the ethical principles in all operating departments of the Company, with one dedicated staff

**Grievance Mechanism** ▶▶

Establish and announce the internal independent reporting mailbox for use by internal and external personnel of the Company  
 Supplier: scm@sysgration.com  
 Employee: hr@sysgration.com  
 Customer: sales@sysgration.com

**Action Plans** ▶▶

- Establish the "Operation Procedures for Prevention of Insider Trading" to prohibit insiders including directors and employees from making profits from information that cannot be obtained in the market
- When directors and executive officers are newly appointed, the "Insider Equity Promotion Handbook" will be sent by email on the onboarding day, to notify the newly appointed directors and executive officers be aware of the regulations specified in the related laws and decrees that the insiders should be abided by
- Publicize the document "Common Patterns of Reporting Insider Shareholding Changes in Violating the Securities and Exchange Act" by email to urge insiders to manage shareholding changes in accordance with the law
- Promote the corporate culture and concept of ethical corporate management in the new employee orientation
- Morality and ethics are included in the quarterly performance appraisal items, which accounts for 20% for the indirect personnel
- Employees and suppliers shall sign the "Honesty Commitment" every year and swear to abide by the Company's ethical and discipline requirements

**Effectiveness Assessment** ▶▶

- In 2021, the members of the Board of Directors strictly abided by the principle of ethical corporate management, and 100% signed the "Declaration of No Violation of the Code of Ethical Conduct"
- In 2021, 100% of employees signed the "Ethical and Honesty, Environmental Protection and Social Responsibility Commitment"
- In 2021, a total of 502 suppliers signed the ethical corporate management documents, accounting for 94% of all suppliers
- In 2021, there was no violation of ethical corporate management or morality



**Material Topic**



Customer Relationship Management

**GRI Standards**



GRI 102-43 / GRI 418-1

**Importance**



Customers are the key factor for the Company's sustainable operations. With our vision "Integrity, Passion, Commitment, and Innovation," Sysgration will continue to take the needs of customers into consideration to achieve their requirements and pursue our maximum profits

**Policies and Commitments**



Sysgration greatly values the customers' rights, interests, as well as health and safety. We continuously strengthen product quality control, maintain customer relationship, and understand our customers' needs through close interaction so as to provide more competitive products and services

**Goals**



- Short term: maintain customer satisfaction score above 80 (out of 100); achieve 80% of sales target achievement rate in 2021
- Medium and long term: develop potential customers and expand customer base (3 international ODMs companies) by 2024-2025

**Responsible Unit**



- Sales Department: Coordinates customers' requests to meet their need in terms of price, specification, and delivery time
- Product Management Department: Performs customer service and analyzes possible causes of customer issues
- Customer Service Department: Integrates relevant departments with internal and external resources, and provides solutions in a timely manner to reduce the occurrence of repeated customer complaints
- Information Management Department: Establishes the customer communication platform to protect customer-related trade secrets and information security
- Quality Management Department: Conducts review discussion and improvement procedures afterwards based on customers' comments or needs, confirms customer satisfaction, and conduct follow-up mechanism

**Grievance Mechanism**



Customer Contact: sales@sysgration.com  
(02) 2790-0088

**Action Plans**



- Visit customers and organize review meetings (intermittently, QBR / HBR / ABR)
- Conduct customer satisfaction survey (annually)
- Update the latest product information on the company website (intermittently)
- Attend customer supplier conference (intermittently)

**Effectiveness Assessment**



- In 2021, result of customer satisfaction survey was 89.8 (out of 100)
- In 2021, sales target achievement rate was 83%

**Material Topic**

Supply Chain Management

**GRI Standards**

GRI 102-9 / GRI 204-1 / GRI 308-1 / GRI 414-1

**Importance**

Sysgration regards suppliers as important partners for sustainable growth. We have always held the principle of mutual cooperation with all suppliers. We promise to implement supply chain sustainability to reduce operational risks and costs

**Policies and Commitments**

- Manage quality, cost, delivery, service team and sustainable performance of suppliers to enhance competitiveness
- Request suppliers to fulfill social responsibilities, protect the environment, value labor rights, safety, and health
- Ensure that raw materials from the supply chain do not use minerals from conflict areas

**Goals**

2022 :

- All new suppliers (100%) shall sign the Sysgration Supplier Corporate Social and Environmental Responsibility Code of Conduct
- All suppliers (100%) shall sign the "Non-use of Conflict Minerals Statement"
- Suppliers (95%) shall sign the "Supplier Ethical and Honesty, Environmental Protection and Social Responsibility Commitment"
- The survey response rate of suppliers ESG Self-assessment questionnaire shall reach 80%

2023 :

- Introduce the new version of ESG audit plan and supplier assistance project
- Maintain new suppliers (100%) sign the Sysgration Supplier Corporate Social and Environmental Responsibility Code of Conduct and Non-use of Conflict Minerals Statement
- All suppliers (100%) shall sign the Supplier Ethical and Honesty, Environmental Protection and Social Responsibility Commitment
- The survey response rate of suppliers ESG Self-Assessment questionnaire shall reach 100%

**Responsible Unit**

Supply Chain Management Department

**Grievance Mechanism**

Supply Chain Contact: scm@sysgration.com  
(02) 2790-0088 ext. 2020

**Action Plans**

- Implement risk identification and management of supply chain in three aspects of economy, environment, and society to improve the sustainable performance of the supply chain
- Strengthen responsible mineral management for ensuring that no minerals from unqualified smelters in conflict mining areas are used
- Promote green supply chain and encourage suppliers to reduce the impacts on environment in terms of operations or products

**Effectiveness Assessment**

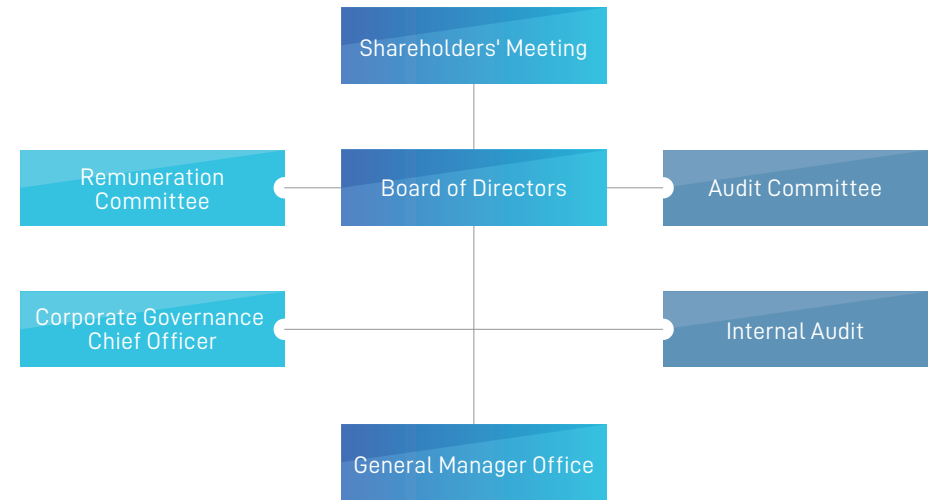
- In 2021, 100% of new suppliers signed the "Supplier Corporate Social and Environmental Responsibility Code of Conduct"
- In 2021, 100% of new suppliers who used minerals as raw material signed "Non-use of Conflict Minerals Statement"
- In 2021, 15 suppliers were audited

## 2.1 Corporate Governance

Sysgration takes "Integrity, Passion, Commitment, and Innovation" as the corporate core values, and actively integrates corporate citizenship and social responsibility into the Company's core values. In addition to pursuing the best interests of the Company, Sysgration continues to promote the sustainable development strategies, taking the employees, consumers, suppliers, communities and environment and related rights and interests of stakeholders into consideration, to pursue sustainable growth of corporate operations.

### Corporate Governance Structure

The Company's Board of Directors is the decision-making body that dominates corporate governance. To implement ethical and transparent corporate governance, Remuneration Committee and Audit Committee are set up subordinated to the Board of Directors to assist the Board of Directors to perform its supervisory duties and strengthen management functions. The General Manager Office is the corporate governance adjunct unit of Sysgration, the Corporate Governance Chief Officer and the Internal Audit Unit jointly assist the General Manager Office to formulate and implement corporate governance related plans.



#### Board of Directors

- Sysgration's Board of Directors currently consists of seven directors, including three independent directors, all of whom possess the operational management expertise required for business, financial accounting, or industry knowledge. The independent directors account for 43% of the total number of directors.
- Exercise the authorities on the job in accordance with the laws and decrees, the Company's Articles of Incorporation and the Resolutions of the Shareholders' Meeting, to create the best interests for shareholders in the principle of integrity and supervise the Company's compliance with relevant laws and regulations and immediate disclosure of important information.
- The Board of Directors of Sysgration is led by the Chairman and holds at least one meeting every quarter. In 2021, a total of eight Board of Directors meetings were held, and the average attendance rate of directors was 98.2%.
- To implement corporate governance and improve the functions of the Board of Directors as well as various functional committees, the "Measures for the Board of Directors Performance Assessment" of Sysgration stipulates that the internal performance assessment of the Board of Directors and functional committees should be performed at least once a year. In 2021, the comprehensive internal self-assessment results by the overall Board of Directors, individual member of the Board of Directors, and functional committees are all excellent and above. The assessment results have been reported to the Board of Directors, and the overall operation is good. Sysgration will continue to strengthen and improve the effectiveness of corporate governance based on the results of this assessment.

#### Remuneration Committee

- The Remuneration Committee currently consists of three independent directors, with a professional and impartial position, to assess the remuneration policies and mechanisms about the Company's directors and executive officers and submit recommendations to the Board of Directors for the reference of decision-making. The internal performance assessment for the Remuneration Committee is held regularly every year.
- Their main duties include regularly reviewing the policies, systems, standards and structures for performance assessment and remuneration of directors and executive officers; regularly assessing and determining the remuneration of directors and executive officers; regularly assessing the achievement of performance goals of the Sysgration directors and executive officers; and setting the content and amount of their individual remuneration.
- Remuneration Committee is convened at least twice a year, and the Remuneration Committee was convened five times in 2021, with the attendance rate of directors reached 100%.

#### Audit Committee

- The Audit Committee currently consists of three independent directors, with main duties of fulfilling their supervisory responsibilities, evaluating economic performance, and resolving important matters. The internal performance assessment of the Audit Committee is held on a regular basis every year.
- The internal audit executive attends every meeting of the Audit Committee and the Board of Directors to report the audit findings and progress of improvements on abnormal matters during the reporting period, re-examines internal regulations, and appropriately revises relevant measures to continuously optimize the operation process.
- At the completion stage of the annual audit or semi-annual audit, the accountant will issue a written audit content or report to the Audit Committee on important audit findings, internal control deficiencies and other major communication issues, to facilitate the Audit Committee in understanding the Company's operating results.
- The Audit Committee convenes at least once every quarter, and a total of six meetings of Audit Committee were convened in 2021, with the attendance rate of directors reached 100%. The communication and interaction between the Audit Committee, the internal audit executive and accountant are good.

## Board Operations



Code of Practice on  
Corporate Governance

Sysgration has established the "Code of Practice on Corporate Governance" to formulate and implement the diversity policy for the Board of Directors members. The nomination and selection of the Board of Directors members are in accordance with the provisions of the Company's Articles of Incorporation, and with candidate nomination system. In addition to assessing the experience and qualifications of each candidate, it also abides by the "Code of Practice for Corporate Governance" and "Regulations for Director Election" to ensure the diversity and independence of directors.

### Independence of the Board of Directors

Sysgration's Board of Directors consists of seven directors, including three independent directors, which account for 43% of the totals. The primary responsibility of the Board of Directors is to supervise the Company's compliance with laws, financial transparency, timely disclosure of important information, and to make objective and independent judgments on the Company's financial status and its business. Therefore, the independence of directors has been ensured during election, including but not limited to no more than two directors with spouse or family relationship within the second degree of kinship, also does not have the circumstances specified in Article 26-3, Items 3 and 4 of the Securities and Exchange Act.

| Name           | Professional Qualifications and Experiences   | Independence Condition  |
|----------------|---|---|
| Lee, Yi-Ren    | Chairman, Sysgration Ltd. (2003-)<br>Chairman, Winmate Inc. (2003-2017)<br>Chairman, Hipro Electronics Co. Ltd. (1990-2002)   | <ul style="list-style-type: none"> <li>Chairman Lee, Yi-Ren is an employee of the Company and serves as the Director of Affiliate Enterprise</li> <li>The number of shares of the Company owned by himself and his spouse or in the name of others account for 14.49% of the total issued shares, and is the top ten shareholder</li> </ul> |
| Hsieh, Tung-Fu | General Manager, Sysgration Ltd. (2013-)<br>Vice President, Altek Corp. (2010-2012)<br>Vice President, Lite-On Technology Corp. (1999-2010)   | <ul style="list-style-type: none"> <li>Director Hsieh, Tung-Fu is an employee of the Company and serves as the Director of Affiliate Enterprise</li> <li>The number of shares of the Company owned by himself account for 0.45% of the total issued shares</li> </ul>   |
| Lee, Cheng-Han | Vice President, Sysgration Ltd. (2013-)<br>Assistant Manager in Product Marketing, Etais Electronics Co., Ltd. (2010-2013)  | <ul style="list-style-type: none"> <li>Director Lee, Cheng-Han is an employee of the Company and serves as the Director of Affiliate Enterprise</li> <li>The number of shares of the Company owned by himself account for 0.39% of the total issued shares</li> </ul>   |
| Chen, Chih-Pin | Vice President & Spokesman, Acon Investment Holding Co. (2019-)<br>General Manager, Sysgration Ltd. (2009-2017)<br>Executive Vice President of Shengfeng Securities Co. Ltd. (2004-2008)                    | <ul style="list-style-type: none"> <li>The number of shares of the Company owned by Director Chen, Chih-Pin account for less than 0.01% of the total issued shares</li> </ul>   |
| Lin, Kuan-Chao | Managing Partner, PKF Taiwan (2001-)  | <ul style="list-style-type: none"> <li>Does not have any of the conditions specified in Article 3, Paragraph 1, Subparagraphs 1 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," in compliance with all independence rules</li> </ul>                                  |
| He, Ju-Hsiang  | Special Assistant to the Chairman of Taiwan Life Insurance Co., Ltd. (2000-2016)<br>Deputy General Manager, Loan Department, Bank of America (1989-1994)<br>Internal Audit Manager, BNP Paribas (1984-1989) | <ul style="list-style-type: none"> <li>Does not have any of the conditions specified in Article 3, Paragraph 1, Subparagraphs 1 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," in compliance with all independence rules</li> </ul>                                  |
| Wei, Che-Chen  | COO, H&D Asset Management Co. (2016-)<br>Special Committee Member, Taiwan Life Insurance Co., Ltd. (2011-2015)<br>Chairman, Taiwan Life Ins. Securities Investment Trust Co. Ltd. (2009-2011)               | <ul style="list-style-type: none"> <li>Does not have any of the conditions specified in Article 3, Paragraph 1, Subparagraphs 1 to 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," in compliance with all independence rules</li> </ul>                                  |



## Board Diversity

To achieve good corporate governance, the capabilities that Sysgration Board of Directors overall should possess include operation judgment, accounting and financial analysis, business management, crisis handling, industry expertise, global market perspective, leadership, decision-making, risk management, and corporate governance experience. The directors of the Company have already fulfilled the requirements of functional diversity. However, with the needs of future corporate development, the Company will continue to review other elements of diversity and further enhance the board diversity during re-election, aiming to have at least one female director and increase the number of directors with relevant ESG expertise and experience so as to consolidate the board management and provide guidance to the Company in response to global sustainability trends.

### Board Diversity

| Name           | Gender | Employee of the Company | Basic Composition  |                    |                    |                    |  |              | Domains of Diversity and Industrial Experience |                    |                                   |                     |                 |                    |                           |            |                 |                 |                                 |
|----------------|--------|-------------------------|--------------------|--------------------|--------------------|--------------------|--|--------------|--|--------------------|-----------------------------------|---------------------|-----------------|--------------------|---------------------------|------------|-----------------|-----------------|---------------------------------|
|                |        |                         | Age                |                    |                    |                    | Length of Tenure as Independent Director |              |  | Operation Judgment | Accounting and Financial Analysis | Business Management | Crisis Handling | Industry Expertise | Global Market Perspective | Leadership | Decision-making | Risk Management | Corporate Governance Experience |
|                |        |                         | 31 to 40 years old | 51 to 60 years old | 61 to 70 years old | 71 to 75 years old | Less than 3 years                        | 3 to 9 years | More than 9 years                              |                    |                                   |                     |                 |                    |                           |            |                 |                 |                                 |
| Lee, Yi-Ren    | Male   | ■                       |                    |                    | ■                  |                    |  |              | ■  | ■                  | ■                                 | ■                   | ■               | ■                  | ■                         | ■          | ■               | ■               | ■                               |
| Hsieh, Tung-Fu | Male   | ■                       |                    | ■                  |                    |                    |  |              | ■  |                    | ■                                 | ■                   | ■               | ■                  | ■                         | ■          | ■               | ■               | ■                               |
| Lee, Cheng-Han | Male   | ■                       | ■                  |                    |                    |                    |  |              | ■  |                    | ■                                 | ■                   | ■               | ■                  | ■                         | ■          | ■               | ■               | ■                               |
| Chen, Chih-Pin | Male   |                         |                    | ■                  |                    |                    |  |              | ■  | ■                  | ■                                 | ■                   | ■               | ■                  | ■                         | ■          | ■               | ■               | ■                               |
| Lin, Kuan-Chao | Male   |                         |                    |                    | ■                  |                    |  | ■            | ■  |                    | ■                                 |                     |                 |                    | ■                         | ■          | ■               | ■               | ■                               |
| He, Ju-Hsiang  | Male   |                         |                    |                    |                    | ■                  | ■  |              | ■  | ■                  |                                   | ■                   |                 |                    | ■                         | ■          | ■               | ■               | ■                               |
| Wei, Che-Chen  | Male   |                         |                    | ■                  |                    |                    |  | ■            | ■  |                    | ■                                 |                     |                 |                    | ■                         | ■          | ■               | ■               | ■                               |

## Succession Planning of the Board of Directors

The selection and cultivation of management successors is critical to the corporate sustainable operation. When planning the successors, in addition to having excellent execution ability, Sysgration pays special attention to the values and personality traits of the successors that are consistent with the Company's core values.

The successors training for senior management takes all-round business management capabilities, professional capabilities and personal development plan into considerations, and tailor training schedules based on individual job demands and learning curves. At present, many high-level management professionals in Sysgration have deepened their experience in industry and management through job rotation. The Company also provides trainees with training courses with respect to internal and external professional capabilities and other various aspects for for integrated use, in hope of developing decision-making and judgment capabilities. In 2021, Sysgration has provided training courses covering quality management, legal affairs, patent rights, insider equity, trade secrets, information security, and Responsible Business Alliance Code of Conduct, with a total of 53 hours.

## Board of Directors Performance Assessment



Measures for the Board of Directors Performance Assessment

In order to consolidate the functions of corporate governance and the operational effectiveness of the Board of Directors, Sysgration established the "Measures for the Board of Directors Performance Assessment," for the Board of Directors, individual directors, and functional committees to conduct performance assessment once a year, including self-assessment by the individual director, internal self-assessment of the Board of Directors, internal self-assessment of the functional committees, and comprehensive evaluation of the overall Board of Directors resolutions. Through various assessment indicators, the Company understands the degree of approval of directors to the the Board of Directors and functional committees' operation. The assessment items are shown in the table. The results of the performance assessment in 2021 have been submitted to the Board of Directors, which will serve as the reference for the Company's continuous improvement in the future.

| Board of Directors Performance Assessment  | Individual Director Performance Assessment  | Functional Committee Performance Assessment   |
|--|---|---|
| <p>Five assessment indicators, a total of <b>40</b> items:</p> <ul style="list-style-type: none"> <li>■ Degree of participation in Company operations</li> <li>■ Improve the quality of Board of Directors decision-making</li> <li>■ Board of Directors composition and structure</li> <li>■ Election of directors and continuing advanced studies</li> <li>■ Internal control</li> </ul> | <p>Six assessment indicators, a total of <b>23</b> items:</p> <ul style="list-style-type: none"> <li>■ Grasp of company goals and tasks</li> <li>■ Awareness of directors' duties</li> <li>■ Degree of participation in Company operations</li> <li>■ Internal relationship management and communication</li> <li>■ Professional and continuing advanced studies for directors</li> <li>■ Internal control</li> </ul> | <p>In the five assessment indicators, the Audit Committee self-assessment has a total of <b>22</b> items, and the Remuneration Committee self-assessment has a total of <b>20</b> items:</p> <ul style="list-style-type: none"> <li>■ Degree of participation in Company operations</li> <li>■ Awareness of the Committee's duties</li> <li>■ Improve the quality of Committee decision-making</li> <li>■ Committee composition and member selection</li> <li>■ Internal control</li> </ul> |

In 2021, the comprehensive assessment results of the Board of Directors, individual directors and functional committees are all excellent and above, and the overall operation is good.

## Compensation of the Board of Directors

Sysgration formulates the director's compensation payment policy, payment standards and amounts in accordance with the Company's Articles of Incorporation. The director's compensation includes the duty execution expenses, such as travel expenses, special allowances, and other allowances. For the director who also serves as a part-time employee, compensations include salaries, additional pay, bonuses, special expenses, and other expenses. Retirement pensions herein are all allocated amounts, not the actual paid amounts.

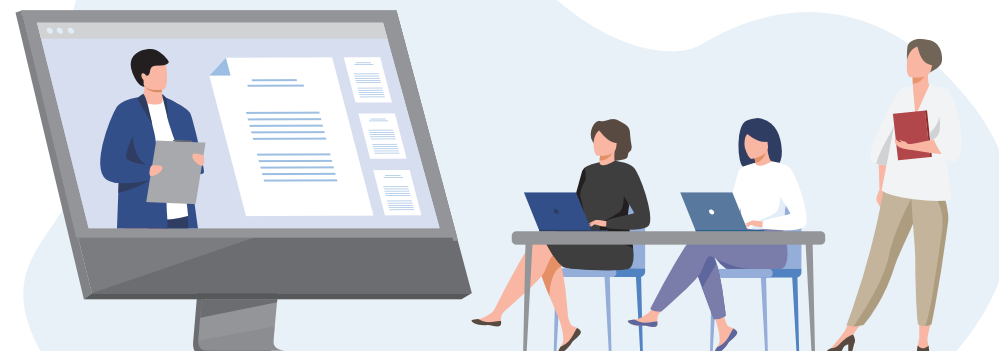
(Unit: NT\$ Thousands)

| Name           | Director's compensation | Compensation received by Directors who were also employees |                    | Total Amount |
|----------------|-------------------------|--|--------------------|--------------|
|                | Duty Execution Expenses | Salary and Bonus   | Retirement Pension |              |
| Lee, Yi-Ren    | 60                      | 4,745  | 0                  | 4,805        |
| Hsieh, Tung-Fu | 60                      | 4,284  | 108                | 4,452        |
| Lee, Cheng-Han | 60                      | 3,255  | 108                | 3,423        |
| Chen, Chih-Pin | 360                     | 0  | 0                  | 360          |
| Lin, Kuan-Chao | 385                     | 0  | 0                  | 385          |
| He, Ju-Hsiang  | 385                     | 0  | 0                  | 385          |
| Wei, Che-Chen  | 385                     | 0  | 0                  | 385          |

Note: The compensation of individual directors is based on all subsidiaries' statistics listed in the Company's financial statements.

## Setup Full-Time Executive for Corporate Governance

- On May 11, 2021, the Board of Directors approved the Chief Financial Officer, Ms. Tsai, Hsiu-Mei to serve as the Corporate Governance Chief Officer, as the top executive of corporate governance-related affairs. The job authorities are primarily to coordinate the production of the minutes of the Shareholders' Meeting and the Board Meeting and assist the directors in taking the office and continuing advanced studies, provide directors with the information required to execute their business and assist their compliance with laws and decrees, and other matters stipulated in the Company's Articles of Incorporation or contracts.
- In 2021, the Corporate Governance Chief Officer held 9 Board Meetings and the 2021 Annual General Meeting of Shareholders according to the law, updated the Sysgration's operating procedures including "Management Operation Procedures for Prevention of Insider Trading," "Risk Management Policy" and "Code of Practice for Sustainable Development," and provided advanced study courses to assist seven directors with a total of 97 hours in 2021.
- To improve the corporate governance procedures and the job functions, the Corporate Governance Chief Officer has completed 18 hours of advanced study in 2021, which includes the trends and thinking of assessing corporate sustainability performance, analysis of corporate governance practices as well as common deficiencies in corporate governance policies and laws, analysis of legal responsibilities related to anti-money laundering, and countering the financing of terrorism.



## Audit Office

- Sysgration abides by the laws and decrees, establishes the internal control system, and the Audit Office is responsible for the implementation. This unit adheres to the spirit of detached independence as well as impartial and fair position, and it is directly subordinated to the Board. By assessing the internal control system, measuring the effectiveness and compliance of the current policies and procedures and their impact on operational activities, the Audit Office ensures the internal control system are continuously effective, and assists the management to fulfill management responsibilities.
- Every year, the Audit Office formulates the audit plan based on the risk assessment results and submits it to the Audit Committee and the Board for approval. Every month, the audit office carries out audit procedures, issue audit reports to the general manager and Chairman, which are delivered to each independent director. Each quarter, the audit executive shall attend the Audit Committee and the Board to report the implementation of the internal audit business. To implement the Company's self-monitoring mechanism and respond to changes in the external dynamics in a timely manner, the Audit Office is responsible for urging the Company's internal units and subsidiaries to conduct self-assessment every year, which will be reviewed by the internal audit and provided to the Board of Directors and the general manager to assess the effectiveness of overall internal control system. The reviewed self-assessment report will also be the main reference for issuing the Internal "Internal Control System Declaration."
- In addition to the eligibility requirements stipulated by the Financial Supervisory Commission, the internal auditors' appointment, dismissal, appraisal, salary, and compensation are managed based on the regulations specified in Sysgration's "Personnel Employment Operations," "Salary Operations," "Regulations for Performance Appraisal Management," and "Employee Manual." Following the Company's approval procedure, the appointment, dismissal, appraisal, salary, and compensation of the internal auditors shall be approved by the audit executive and reported to the Chairman for approval. The appraisal is managed in accordance with the Sysgration's "Regulations for Performance Appraisal Management," with at least one appraisal every quarter. Besides, the appointment and dismissal of the internal audit executive shall be subject to the approval of the Audit Committee and the Board of Directors in accordance with Sysgration's "Organization Regulations of Audit Committee" and "Regulations for Board of Directors Meeting."

### Formulate the Plan

Formulate the annual audit plan based on the risk assessment results. The risk factors cover various operational aspects including procurement, production, sales, finance, and information security.



### Execute Audit

Execute audit procedures according to the annual audit plan, assess the effectiveness and compliance of the internal control system and examine whether there are any deficiencies and abnormalities.



### Report Results

According to the audit results, the Audit Office issues audit reports, delivers them to the independent directors every month, and regularly reports the implementation status to the Audit Committee and the Board of Directors.



### Track Improvements

Track and report the improvements of the deficiencies and abnormalities of the internal control on a quarterly basis and self-assess the internal control system every year to maintain its effectiveness.



In 2021, the Audit Office has formulated and fully executed the audit plan as usual. After the examination, the IT operations, equipment procurement and inventory management have greater risks, which have been mitigated by formulating and introducing improvement plans.



## 2.2 Economic Performance

Sysgration implements the business strategy and corporate governance, holds Investor Conferences and Shareholders' Meeting every year, and regularly updates the financial and business information on the Market Observation Post System and the company's website. Through transparent information disclosure, shareholders and investors can grasp the Company's operating conditions promptly.

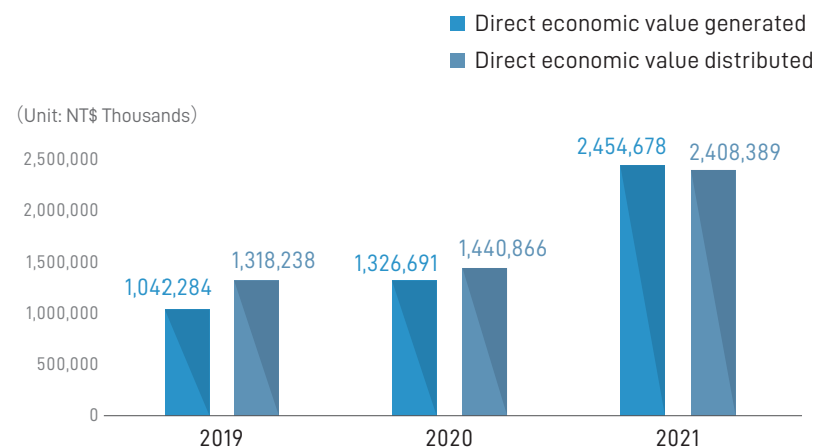
In 2021, despite the impact of the local outbreak of the COVID-19 pandemic in Taiwan, dual control of energy consumption in Mainland China, and global shortage of labor and materials, relevant project teams and executives flexibly convene meetings to discuss and analyze relevant opportunities or threats in accordance with the needs of the external environment. The analysis includes the external environment, industry dynamics, customers, competitors, suppliers and so forth. Based on the analysis results, the project teams and executives were capable to make corresponding countermeasures, and the sales amount in 2021 was even higher than that of previous years. For pandemic control, operational risk and supply chain risk management in 2021, please refer to 2.4 Risk Management for details.

Due to the increase in sales in 2021, the Company's fixed costs (salary, depreciation, etc.) also increased, therefore the gross profit margin did not change much. As the Company is committed to technology research and development and process optimization, in 2022, with the substantial growth in revenue, the proportion of cost is expected to decrease, and the gross profit margin is expected to increase compared to the previous year.

(Unit: NT\$ Thousands)

| Item                              | 2019      | 2020      | 2021      |
|-----------------------------------|-----------|-----------|-----------|
| Direct economic value generated   | 1,042,284 | 1,326,691 | 2,454,678 |
| Revenues                          | 1,042,284 | 1,326,691 | 2,454,678 |
| Direct economic value distributed | 1,318,238 | 1,440,866 | 2,408,389 |
| Operating costs                   | 947,916   | 1,063,992 | 1,966,153 |
| Employee Salary and Benefits      | 385,177   | 373,762   | 435,386   |
| Payments to Investors             | 7,602     | 3,201     | 7,229     |
| Net Income Tax Refund             | 22,457    | 89        | 379       |

### • The Company's Direct Economic Value Generated and Distributed Over the Years



## 2.3 Ethical Corporate Management

### ◆ Ethical Corporate Management and Commitment

Based on the business philosophy of honesty, responsibility and integrity, Sysgration has stipulated the "Ethical Corporate Management Best Practice Principles," "Code of Ethical Conduct," "Management Procedures for Prevention of Insider Trading" and other standards, requiring the Company's Board of Directors, senior executives, employees and cooperative suppliers to follow, and clearly stipulated that all employees, executives, and suppliers must not engage or involve in any dishonest business activities, in order to establish a corporate culture of integrity management and a model of good business practices. Regarding the internal management, the Human Resources Department is the coordinating unit for the ethical corporate management, which is responsible for promoting and supervising the Company's ethical corporate management policies and preventing dishonest behavior. In addition, the Audit Office supervises and inspects the implementation of the ethical principles by each operating unit. All business activities of the Company are carried out in accordance with the law and regulations, and major information is released in accordance with the law to realize information transparency. The resolution of the Board of Directors voting should avoid involvement of the personnel who has a conflict of interest.



Ethical Corporate  
Management Best Practice  
Principles



Management Operation  
Procedures for Prevention  
of Insider Trading

The Company's principles of ethical corporate management is communicated internally through various communication channels, including: requiring all employees and suppliers in dealing business to sign the "Ethical and Honest, Environmental Protection and Social Responsibility Commitment" every year, and regularly assessing whether the manufacturer violates the ethical record, requiring the directors of Sysgration to sign the "Declaration of No Violation of the Code of Ethical Conduct," providing employee relevant educational trainings, and including ethical assessment into employee performance appraisal items. In 2021, a total of 502 suppliers of Sysgration signed ethical corporate management documents, which accounted for 94% of all suppliers. The members of the Board also strictly abide by the principle of ethical management. In 2021, 100% of the members signed the "Declaration of No Violation of the Code of Ethical Conduct," and 100% of the employees signed the "Ethical and Honest, Environmental Protection and Social Responsibility Commitment." To make all employees, management, and directors of Sysgration fully understand the Company's determination, policies, and prevention programs, Sysgration organized relevant educational trainings for a total of 12 hours in 2021, with 399 attendances reached.

● Ethical Corporate Management Action Plan






| Target                                   | Content  | Frequency  |
|--|--|--|
| Board of Directors, employees, suppliers | <p><b>Honesty Commitment</b></p> <ol style="list-style-type: none"> <li>Board of Directors, employees and suppliers shall sign the "Honesty Commitment" or ethical corporate management related documents every year, and swear to abide by the Company's ethical and discipline requirements</li> <li>Regularly assess whether the companies of business dealing are in breach of the ethical record</li> </ol>   | Once a year  |
| Employees                                | <p><b>Internal Educational Training</b></p> <ol style="list-style-type: none"> <li>Promote the corporate culture concept of ethical corporate management in the new employee orientation</li> <li>Organize online or offline trainings, the content of the course includes matters needing attention for insider equity, contract signing, and company confidential information and business secret protection, etc.</li> </ol>  | Irregular, in 2021, a total of 363 attendance and 536 person-hours reached |
|  | <p><b>Performance Appraisal</b></p> <p>During the quarterly performance appraisal, morality and ethics are included as one of the appraisals, making up 20% for the indirect personnel</p>   | Once per quarter   |
| Directors, executive officers            | <p><b>Email Publicity</b></p> <ol style="list-style-type: none"> <li>When directors and executive officers are newly appointed, the "Insider Equity Promotion Handbook" will be sent by email on the onboarding day. The insider shall inform the newly appointed executive officers related laws and decrees that the insiders should be abided by, and notify the stock agency on the same day to report the relevant information of the newly appointed insider</li> <li>Publicize the document "Common Patterns of Reporting Insider Shareholding Changes in Violating the Securities and Exchange Act" by email to urge insiders to manage shareholding changes in accordance with the law</li> </ol> | Irregular  |

▲ Reporting and Prevention System

In order to implement ethical corporate management in the Company culture, Sysgration has established relevant internal and external reporting channels and handling systems, which have been disclosed on the Company's website. Allegations by stakeholders such as shareholders and investors are handled by the spokesperson and deputy spokesperson, and allegations by internal colleagues and other stakeholders such as customers and suppliers are handled by the Human Resources Department at the headquarters or the Human Resources Units of each factory area. The whistleblower may submit the complaint in writing, telephone, fax, e-mail, etc., and the Company has assigned appropriate personnel in charge of processing at the respondent, so that the grievance mechanism can be effectively implemented.

|                  |                                  |
|------------------|----------------------------------|
| <b>Suppliers</b> | Hotline > (02) 2790-0088 #2020   |
|                  | Mailbox > scm@sysgration.com     |
| <b>Employees</b> | Hotline > (02) 2790-0088 #1830   |
|                  | Mailbox > opinion@sysgration.com |
| <b>Customers</b> | Hotline > (02) 2790-0088         |
|                  | Mailbox > sales@sysgration.com   |

● Employee Complaint Channel

-  Contacts: Human Resources Department of the headquarters or Human Resources Units of each factory
-  Hotline: 02-27900088 #1830
-  Mailbox: opinion@sysgration.com
-  Suggestion Box is set up on the Employee Website (EIP)
-  Physical Employee Suggestion Box is set up in each factory area

The Company's reporting system has been established with relevant operating procedures and confidentiality mechanisms, clearly requests the processing unit not to disclose the identity of the whistleblower and the reported information of stakeholders, to ensure the effective operation of the complaint system and to protect the whistleblower from personal interests' infringement due to the reported content, or differential treatment of working conditions. In order to protect the legal rights and interests of the Company's employees and encourage employees to make suggestions, in 2022, Sysgration formulates the "Management Regulations for Employee Opinions and Complaints," clearly specified that after the managing person of Human Resources Department accepted the complaints, the "Employee Opinion and Complaint Form" should be forwarded to the relevant department executives for handling within 3 working days, and the unit must reply to the Human Resources Department within 7 working days. If the complaint cannot be replied within the time limit or the situation has not been handled, the Human Resources Department will report to the general manager for handling. However, if the complaint incident is a major case, it may be extended to 10 working days to complete the handling.

The content of the report will be managed with strictly confidential, and the person responsible for investigating the report must keep the whistleblower and the report strictly confidential. If it is necessary to disclose the identity of the whistleblower, the consent of the whistleblower must be obtained in advance to avoid retaliation. During the handling of the complaint, the party concerned may require a trusted colleague to accompany the inquiry or invite related personnel to participate in the investigation; the Company may also require the respondent to cooperate in suspending the exercise of management duties or cooperating with the investigation. In the case of major labor disputes, the Human Resources Department may convene a "Special Investigation Team" for a mediation meeting within 7-10 working days after the complaint is filed, inviting the complainant to attend, and coordinating the handling in an open and transparent manner. The members of the "Special Investigation Team" may consist of two to six members assigned by the Human Resources Department depending on the situation. The team leader shall be selected by the team members on a case-by-case basis, including: one to three Company supervisors (including one from the Human Resources Department), the supervisor of the complainant or the responsible supervisor of the unit. The labor representative of the labor-management meeting may be invited depending on the situation.

If the reported case involves directors or senior executives, or a major violation of the regulations is found that may cause major damage to the Company, the case shall be reported to the Chairman with written notification. If the case is verified to be true and the circumstances are serious, the case will also be disclosed at the Market Observation Post System, on top of being handled in accordance with the laws and decrees or the relevant regulations of the Company. In 2021, Sysgration did not receive any grievance or violations of corporate ethics or "Code of Ethical Conduct."

## • Handling Procedure



### Submit Complaint

The employee fills out the "Employee Opinion and Complaint Form," and attaches relevant information and evidence to the Human Resources Department, for the Human Resources Unit to assign a dedicated staff for handling.



### Accept Complaint

After the Human Resources Department accepts the complaint, the "Employee Opinion and Complaint Form" shall be transferred to the related department supervisor for handling within 3 working days, and the unit shall submit a reply to the Human Resources Department within 7 working days.



### Complaint Handling

In the case of major labor disputes, the Human Resources Department may convene a "Special Investigation Team" mediation meeting within 7-10 working days after the complaint is filed, inviting the complainant to attend and coordinate the handling in an open and transparent manner.



### Case Closed

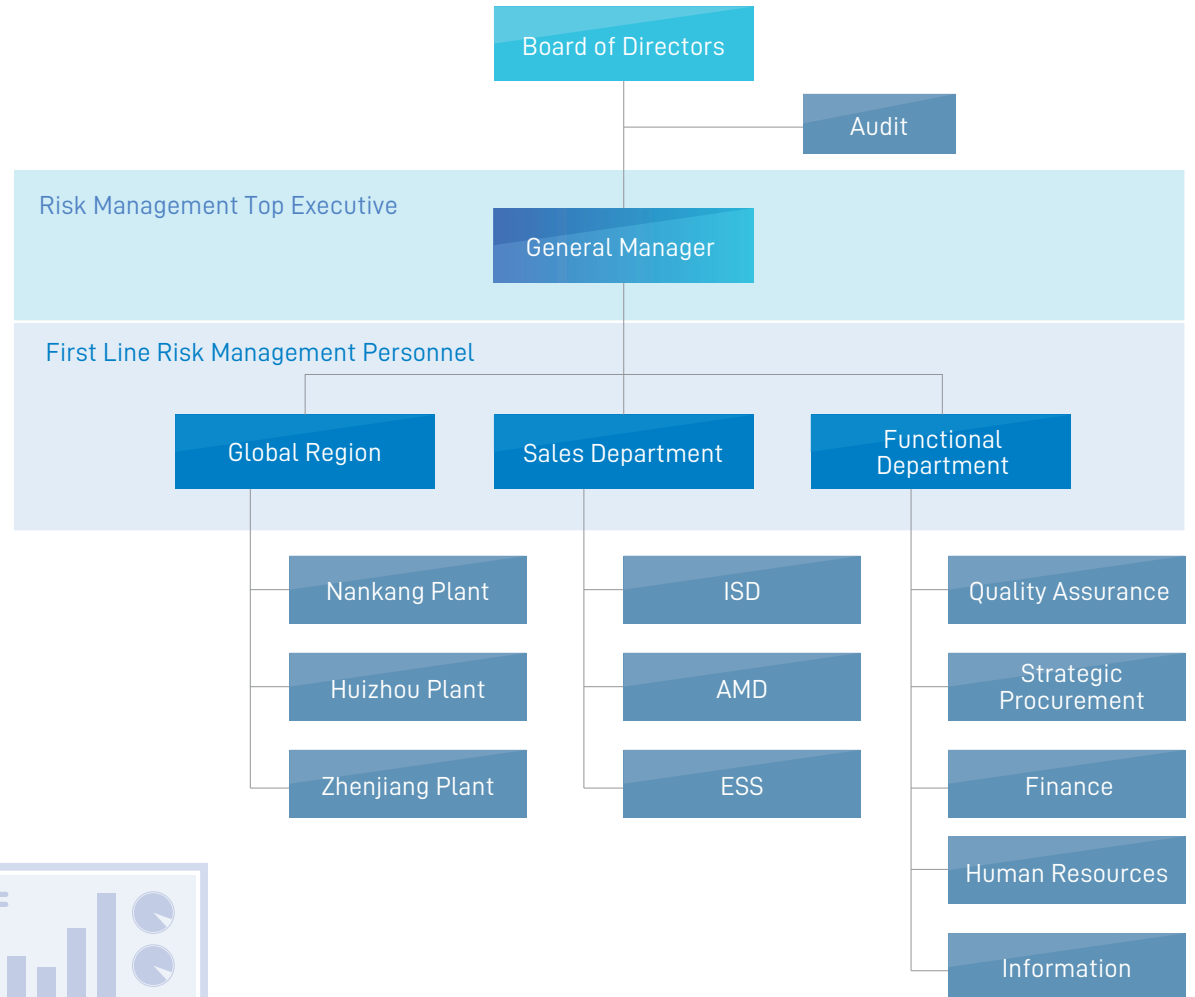
- After the investigation ends, the Human Resources Department shall make remarks on the investigation process, determine results, and submit them to the general manager for final resolution, and then reply with the investigation results to the complainant. Those who have objections to the resolution may submit a written complaint within 10 days.
- After the case is closed, each factory should return the "Employee Opinion and Complaint Handling Record Form" and "Employee Opinion and Complaint Reply Form" to the Headquarters Human Resources Department for reference within two weeks.



## 2.4 Risk Management

### ▲ Risk Management Organization

The risk management organization takes the Board of Directors as the highest management and decision-making unit, with the general manager as the highest risk management executive, and the executive of each business unit, functional department, and each regional executive as the first line risk management personnel to detect, identify, and assess various risks and develop relevant countermeasures, as well as review and supervise the risks at regular operation meetings. For different risk items, the general manager sets up relevant response teams, and assigns responsible supervisors to coordinate the response, while the Auditing Office performs audit procedures as internal control. Sysgration actively promotes the implementation of the Company's operational risk management, regularly convenes business management meetings to review relevant issues, and submits the report to the Board of Directors once a year. The content of the Report includes the risk environment faced by the Company, the key points of risk management procedures, risk assessment and countermeasures, the adopted risk control measures, and the operation status of risk management.



## Risk Management Policy



Risk Management Policy

Sysgration takes the "Risk Management Policy" approved by the Board of Directors as the highest guiding principle of risk management. We consider the operation-related environmental, social and corporate governance issues by materiality into the operation management strategy, and clearly handle the scope of operational risks through the identifying, measuring, supervising and monitoring potential risks to construct an integrated risk management system, promoting an appropriate risk management-oriented business model.

Sysgration actively implements risk prevention and loss control and integrates risk management measures into daily internal control operations. Each business unit needs to conduct regular self-inspection and participate in educational training for the senior executives to evaluate the effects, so that risks can be effectively controlled within an acceptable range. By establishing the risk indicator and risk event reporting mechanism, Sysgration collects and organizes various business information, integrates possible risks, identifies major risks, and regularly reports the risk monitoring situation to the risk management executive. In response to man-made, natural disasters or other major incidents, including fires, floods, typhoons, earthquakes, chemical leakage and other disasters, the Company has established "Emergency Response Plans" related management procedures and regulations, formulated preventive measures, rescue precautions and notification procedures, which clearly regulate the duties of all personnel in the Company, and provide for all Units to comply, so as to contain disasters and avoid affecting normal operation of the Company.

### Major Risk Management Items

|                                    | Risk Description and Countermeasures   |
|------------------------------------|--|
| Business Risk                      | Assess the risks of market, supply chain, intellectual property and information security caused by the factors of domestic and foreign political, economic, and legal supervision and management requirements as well as the domestic and foreign technological and industrial changes and reflect the assessment results to the relevant operational decision-making body.  |
| Financial Risk                     | Comprehensively consider the financial risks arising from various economic aspects, including the possible risks of the Company's financial assets or liabilities due to changes in interest rates, exchange rates, stock prices and inflation, asset liquidity risks, customer payment ability and credit records, accounting policies and reinvestment operation management, etc. We establish the Company's capital safety stock aiming at the realization ability of various assets to ensure the ability of fund allocation in emergency situations and set up a risk hedging mechanism to effectively control the degree of risk impact. |
| Operational Risk                   | For the internal control-related operating processes, human factors, information systems and other management operations, or risks caused by external events, the Company formulates relevant management procedures to comply with, and to establish a safe working environment.   |
| Environmental Risk                 | In response to the government's tightened climate governance and stricter regulations on greenhouse gas emissions, energy management and environmental impact assessments, on the premise of adaptation and mitigation, the Company identifies and analyzes the risks in terms of the physical aspects of policies, laws and regulations, products, and operations, in order to establish and implement the responding strategies and action plans.  |
| Risk of Crucial Regulatory Changes | Analyze the potential legal risks to the Company regarding important changes in policies, laws, and decrees, and propose countermeasures.  |

## Results of Risk Identification and Important Issues

The main risks identified, measured, and assessed by the risk management organization in 2021 included operational risk, supply chain risk, intellectual property management risk and information security risk. The performance management has been reported annually to the Board of Directors. For Information Security Risk, please refer to 2.6 Customer Relationship Management - Customer Privacy and Information Security.

### Operational Risk Management

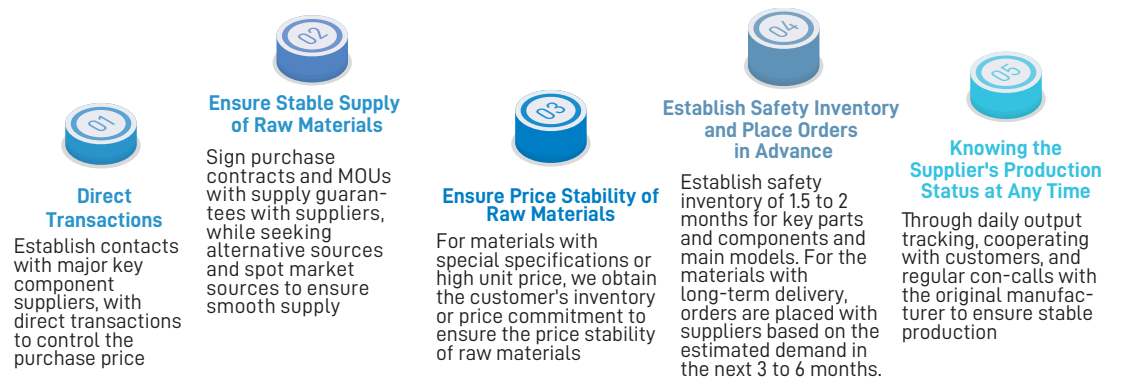
In 2021, the factory operations were highly challenged given the impact of the pandemic on the supply chain, the global shortage of labor and raw materials, coupled with the frequent power rationing and production shutdowns caused by the energy policy in Mainland China. In response to the dual-control policy of power rationing and energy consumption in Mainland China, the Yuxin Science Park, where the Huizhou Plant is located, has installed 1,000KVA power generation equipment, and moved production of equipment of high-power demand, such as Surface-Mount Technology, from regular working hours to night shift and off-peak hours, and has been equipped with the uninterruptible power supply system (UPS). In contrast, Zhenjiang Plant adjusted the production line by shifting labor schedules.

In the face of the risk of cluster infection of the COVID-19 pandemic, Sysgration takes the following measures: we distribute pandemic prevention questionnaires every day to monitor the health status of employees, control the workplace according to the level of the pandemic, require everyone to wear masks and measure body temperature, implement split operations with area or floor division during business hours. Visitors and manufacturers are required to provide proof of PCR Testing within three days before entering the office area and factory area during the Level 3 COVID-19 Alert.

In the face of the labor shortage, Sysgration continues to cooperate with external labor agencies to provide short-term labor, and find labor through various channels, such as 104 Corporation, government employment projects, cooperative education with schools, the labor agency market in Mainland China, referral by colleagues, indirect colleague support, etc., and gradually introduce automated production lines in order to get through the labor shortage problem.

### Supply Chain Risk Management

In the face of raw materials shortage and rising raw material costs, Sysgration has taken the following measures: establish a safety inventory with suppliers, knowing the supplier's production status at any time, sign purchase contracts and MOUs for supply guarantees, conduct direct transactions, and flexibly allocate factory materials from Taiwan and Mainland China, coordinate with customer needs to deploy ahead of time, so as to ensure smooth product supply and stable purchase prices, and further the control supply chain risks.



### Intellectual Property Management

Sysgration takes quality and innovation as the core belief of product development and is committed to maintaining leading technology and creating product differentiation advantages. In order to maintain the Company's product competitive advantage and R&D achievements, Sysgration has built a complete set of product intellectual property management system and R&D map which has incorporated with the Company's operational goals. By implementing the internal audit system, reward system, trademark management and talent training, we have protected the company's R&D achievements and maintained technological leadership. As of the end of 2021, Sysgration has accumulated a total of 547 approved patents worldwide, with a total of 64 patents in application, and a total of 8 approved trademarks. There are currently 129 patents in effect globally, of which 40 patents were applied in 2021.

Sysgration continues to obtain high-quality patent protection and gradually constructs solid intellectual property rights through the review system established by the Intellectual Property Committee, which is based on the quality of patent applications and the Company's patent layout strategy. To encourage colleagues to bold ideas and innovative culture, Sysgration has formulated the "Regulations for Patent Application and Rewards" to give timely rewards to applicants and those who have received patents. For the trademarks in possession, we ensure the effectiveness of trademark rights through classification, list establishment, regular inspection of relevant statutory deadlines, and maintenance assessments. In order to enhance colleagues' awareness of business secrets, information protection and patent rights, while strengthening the Company's intellectual property management operations, in 2021, 575 person-hours was reached in the internal online or offline training for intellectual property management.

## 2.5 Regulatory Compliance

Sysgration regards compliance with local laws and regulations as the minimum standard. It regularly inventories the regulatory requirements of environment and occupational safety and health to assist the Company in establishing risk control measures and formulating operational requirements, continues to internalize laws and regulations into Company's policies or implementation procedures, and those requirements are publicized to employees through educational training. All factories have obtained ISO 14001:2015 (Environmental Management System), ISO 45001:2018 (Occupational Safety and Health Management System), ISO 9001:2015 (Quality Management System), IECQ QC08000:2017 (Hazardous Substance Process Management) certifications in 2021, which not only ensures the Company's compliance with environmental protection, labor rights and occupational safety laws and regulations, but also provides colleagues with a harmless and safe working environment. In 2021, Sysgration had no violations of circumstances related to corporate governance, economic, social, and environmental laws and regulations. In 2022, the Company establishes the ESG Committee to facilitate sustainable development, further ingrains sustainability in corporate culture and daily operations, and continues to reduce the environmental impact and being environmentally friendly in each stage of product development cycle, including design, research and development, and production.

### ● 2021 Regulatory Educational Training

| Course   | Objectives   | Trainee  |
|--|--|--|
| <ul style="list-style-type: none"> <li>● Corporate Confidential Information and Business Secret Protection</li> </ul>  | <ul style="list-style-type: none"> <li>● Construct a complete business secret management system</li> </ul>   | <ul style="list-style-type: none"> <li>● Sales, PM, Procurement and R&amp;D</li> </ul> |
| <ul style="list-style-type: none"> <li>● Awareness of Corporate Information Security Protection inspired by Extortion of the Private Sector</li> </ul>                                 | <ul style="list-style-type: none"> <li>● Raise colleagues' awareness of information security and reduce the business risk of leakage of Company confidential information</li> </ul>  |  |
| <ul style="list-style-type: none"> <li>● Investigation Bureau, Ministry of Justice Talks about Matters that Corporations should Pay Attention to Business Secret Protection</li> </ul> | <ul style="list-style-type: none"> <li>● Construct a complete managerial system for the Company by raising the colleagues' awareness and enhancing the protection of trade secrets</li> </ul>  |  |
| <ul style="list-style-type: none"> <li>● Matters should Pay Attention to when Signing Contracts</li> </ul>   | <ul style="list-style-type: none"> <li>● Prevention is better than treatment. Through the training, it establishes the colleagues' mindsets to grasp key points of signing contracts, and protect the rights and interests of the Company</li> </ul> | <ul style="list-style-type: none"> <li>● All employees</li> </ul>                      |
| <ul style="list-style-type: none"> <li>● Explaining the Responsible Business Alliance (RBA) Code of Conduct</li> </ul>   | <ul style="list-style-type: none"> <li>● Promote colleagues' understanding of RBA Regulations, provide a safe working environment, and fulfill corporate social responsibility</li> </ul>  |  |

The illustration shows a man in a blue suit standing on the right side of a large screen, gesturing towards the content. On the left side of the screen, three people are seated at a desk with laptops, looking at the screen. A lightbulb icon is positioned above the audience. The screen displays the table content, and there are decorative elements like a bar chart and a stack of books on the right side of the screen.



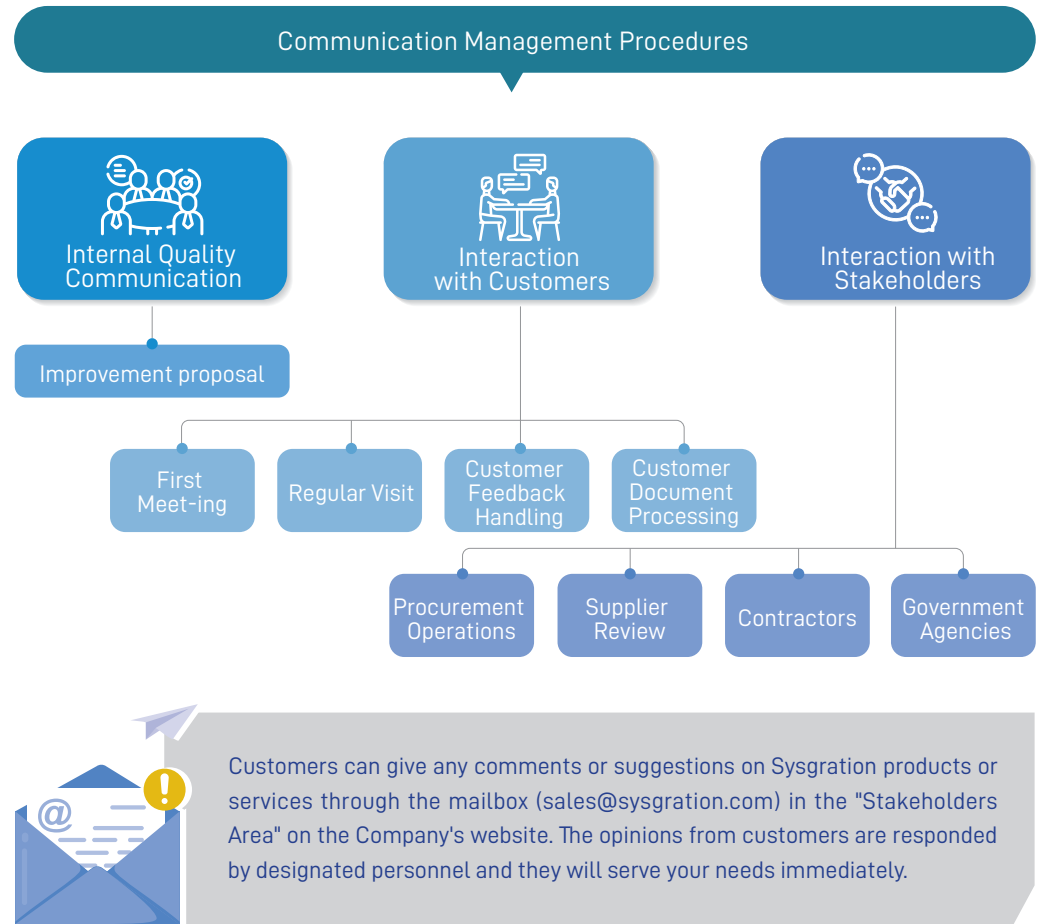
## 2.6 Customer Relationship Management

### Customer Communication

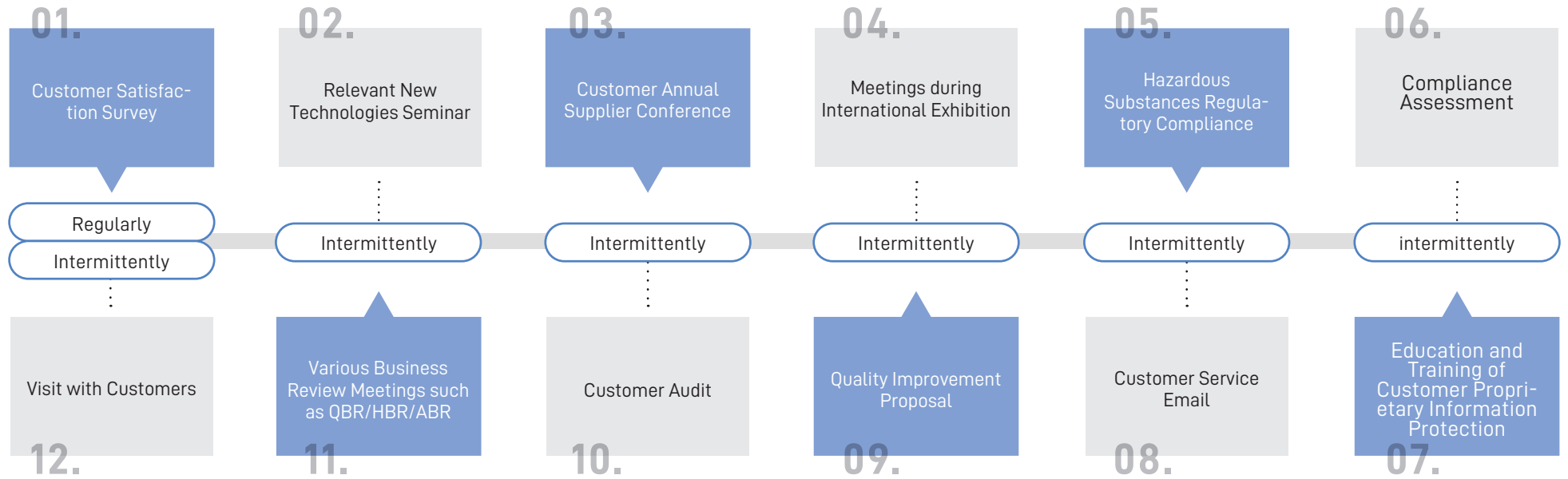
Sysgration is committed to developing key technologies, and continuously providing customers with the best quality products and integrated solutions to create maximum value for customers. We actively seek and take customers' opinions from time to time to understand customer satisfaction and demand, and we efficiently respond and solve problems to provide customers with the best quality service. Sysgration has established the "Communication Management Procedures" in 2007, which has listed the necessary procedures and operating regulations for the communication and feedback of different departments within the Company to external stakeholders. The procedures have clearly set up the response practices of each department for internal communication, and ways to interact with customers and other stakeholders to maintain good communication and relationship.

To provide customers with real-time consulting services, Sysgration classifies the consulting cases by the organization chart for customer complaint management, providing customers corresponding contacts to best understand their needs. In terms of internal management, Sysgration has formulated customer complaint case handling procedures and email management instructions to offer customers the best service, protecting their rights while solving their problems efficiently. When a customer complaint case occurs, the Sales Department collects relevant data of products and services, the R&D Engineering Department then analyzes the possible causes of customer problems and proposes countermeasures, and the Product Manager integrates internal and external resources to propose solutions. Lastly, the Quality Management Department are responsible to organize discussions for review and improvement plan regarding the customers' requests and track the subsequent improvement continuously.

With the aim to offer customers more value-added services, based on our products and services, we proactively understand customers' in-depth needs and requests, and communicate with customers through multiple channels to accomplish customers' satisfaction.

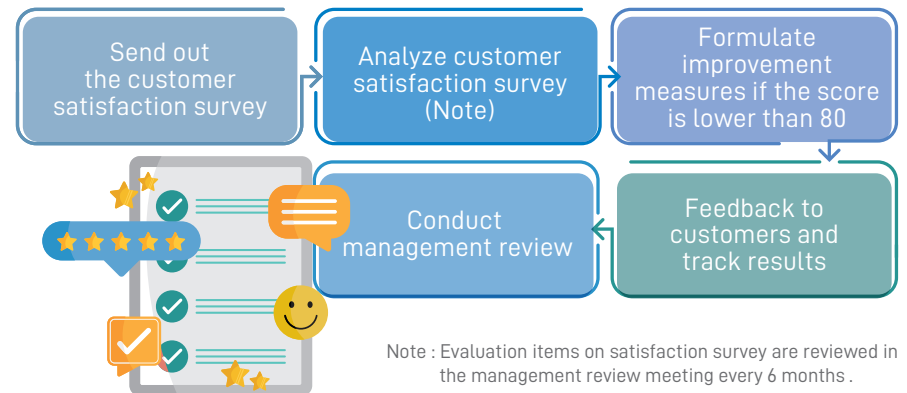


● Customer Communication Channel



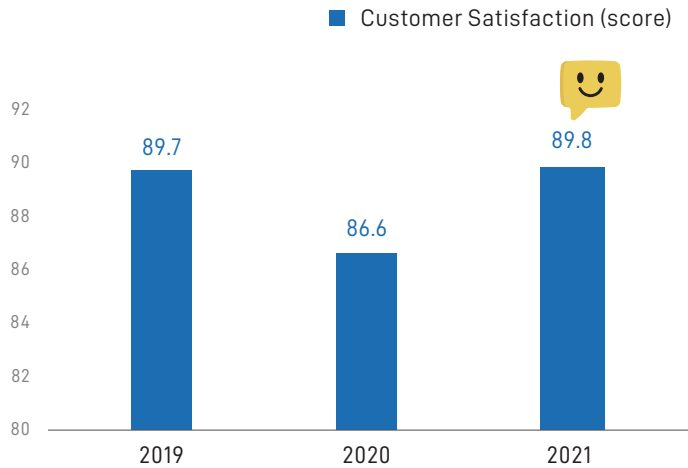
It is Sysgration's goal to meet customer demands and expectations. Sysgration establishes the "Key Points of Customer Feedback Process Operation" that provides customer feedback procedures, and handles customer opinion immediately. We organize customer satisfaction survey every year with the evaluation items including eight aspects: sales service quality, daily contact response quality, R&D capability, Company's competency in the field, on-time shipment arrangement, product quality and hazardous substance free management, efficiency response to Return Material Authorization (RMA) and countermeasure, and general condition. If the customer satisfaction score is lower than 80 (out of 100), the Company's Quality Assurance Department will formulate improvement plans integrating with the customer demands, for the Sales team to report improvement measures to customers and conduct follow-up tracking. In 2021, the customers responding to the satisfaction survey accounted for 63.1% of the Company's total revenue, and the overall satisfaction score was 89.8. The outcome of satisfaction has been maintained above 85 for the past three years, which clearly shows the customers' recognition of our products and services.

● Process of Customer Satisfaction Survey



Note : Evaluation items on satisfaction survey are reviewed in the management review meeting every 6 months .

### ● Sysgration Customer Satisfaction Survey Results



Note: Due to the outbreak of the COVID-19 pandemic in 2020 and the new production mode invested by Sysgration, both caused changes in manpower and raw materials and lead to decline of customer satisfaction results in 2020. Customer satisfaction has gradually improved after 2021 by regaining customer trust.

In the future, Sysgration will continue to stay close to customer demands, and will work with our customers to reduce social and environmental impacts by improving management policies such as customer-oriented work integration processes, optimizing customer handling processes, and providing platforms to promote communication and innovative energy.

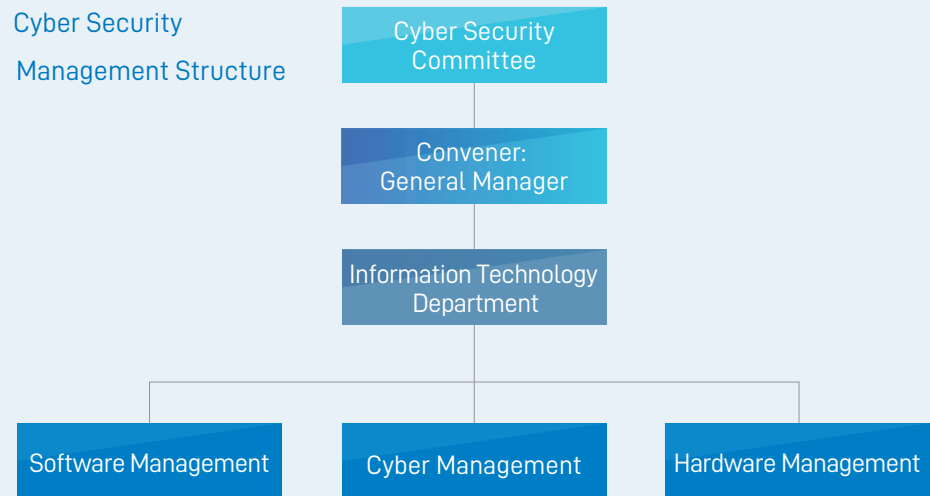
### ● Management and Strategy for Maintaining Customer Relationships



## Customer Privacy and Information Security

Sysgration values great importance to customer privacy and information security management. We actively establish and maintain a reliable and safe information operating environment to ensure the security of company data, system equipment and network. To strengthen the security of business confidentiality of the Company and its customers, Sysgration has established Cyber Security Committee in 2021, with the General Manager Mr. Hsieh, Tung-Fu as the Convener. The Information Technology Department is responsible for coordinating and implementing information security policies, promoting information security concepts, collecting and improving the technology, products or procedures of the performance and effectiveness of the Company's information security management system. The implementation of security management is reported to the Board of Directors at least once a year.

### ● Cyber Security Management Structure





Based on the three principles of information security "Confidentiality, Integrity, Availability," Sysgration has formulated the "Information Security Policy" and "Regulations for Management Information System (MIS) Operation Management" and established a mechanism for monitoring and controlling the Company's cyber properties. The strategy to promote information security management is divided into four aspects: Personnel Educational Training and Inspection, Information Equipment Security Management, Network Information Security Management, and Information Access Control.

Information Security Policy



### Personnel Educational Training and Inspection

- Conduct educational training courses; all colleagues are responsible to protect the relevant cyber properties.
- Employed staffs must be verified with relevant signed job specifications.
- Regularly review the integrity of information security.



### Information Equipment Security Management

- Conduct inventory quarterly on the number and usage of licensed software
- Block USB devices on the work computer; control the use of storage devices



### Network Information Security Management

- Firewall security management, and updates of firewall and other information security system
- Regularly conduct computer virus scanning, software installation and download permission control
- Security technical mechanisms such as necessary encryption for email or communication software
- Employees can only use legal software provided by the Company



### Information Access Control

- The job duties of employees must be appropriately differentiated; limited access to information required is authorized by work only.
- Enhance the strength of the identity authentication mechanism and improve the security of internal resources for remote login.

In 2021, Sysgration has completed the establishment of automatic backup and audit management of outgoing emails, the introduction of cloud operation environment, control of mobile storage devices, network behavior records and real-time communication records, as well as the host automatic backup and anti-virus system updates for part of the operating sites. In the future, Sysgration will continue to build independent backup network segments for all operating locations to automatically backup and restore the host data of each service, as well as promote file encryption, server vulnerability scanning, and off-site backup projects. We constantly improve information security management with a rigorous attitude to strengthen the Company's information protection. To enhance employees' information security awareness and reduce the Company's cyber security risks, the Company regularly conducts information security education courses. In 2021, the personnel of the Investigation Bureau, Ministry of Justice was specially invited to provide remote education and training on corporate information security protection, with a total of 183 persons completed the annual training.

An information security incident not only damages the Company's reputation, but also loses trust with customers, which in turn damages customer relationships. In the past three years, the Company has not received any complaints about customer privacy infringement or loss of customer data. Sysgration will continue to improve and maintain the Company's information security defense mechanism and strengthen the implementation of information security through education and training to provide customers with safer and more reliable services.



## 2.7 Supplier Sustainability Management

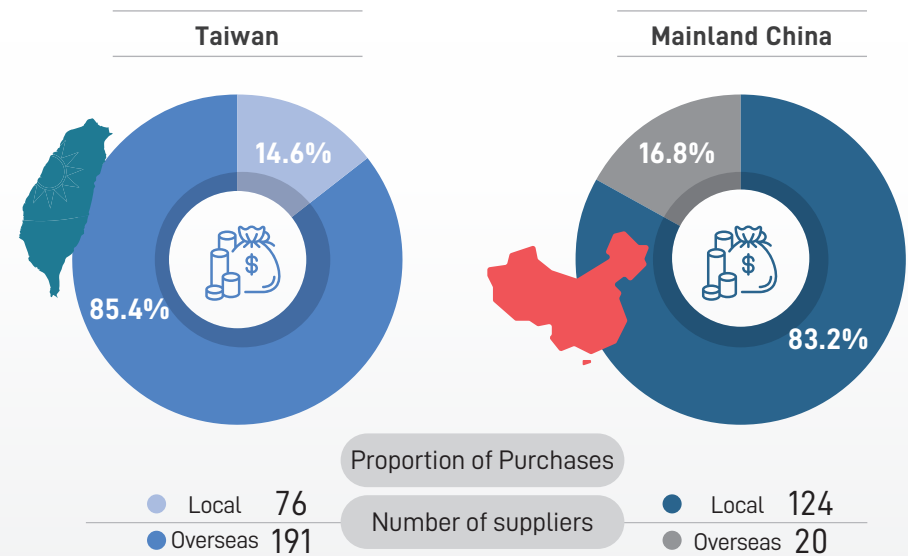
### Supplier Types

The product combination of Sysgration is diverse, and products are widely used in power storage, IoT, industrial tablets, automotive electronics, tire pressure monitoring system (TPMS), and cloud computing, etc. Accordingly, the type of suppliers is also diverse. The supply chain raw material includes IC, printed circuit boards, electronic components, cables, plastic materials, metal materials, and packaging materials, etc. In 2021, Sysgration collaborated with 411 suppliers worldwide, and the procurement amount was NT\$2.02 billion, among which the local procurement amount was approximately NT\$1 billion, accounting for approximately 49.8% of the total procurement amount.

Among the 411 suppliers, Sysgration has identified "key suppliers" to perform the strategy business management, and the identification mainly includes: suppliers with annual procurement amount ranked as top 80%, suppliers providing critical components, and suppliers as the sole supply of materials or providing irreplaceable components. Up to the end of 2021, Sysgration had a total of 35 key suppliers, and we view key suppliers as the strategic partners of the Company that are closed related to the product development of Sysgration. In addition, we continue to maintain close contact and business cooperation relationship with key suppliers.

#### Supplier Classification and Procurement Amount

| Supplier Type        | Number of suppliers at the end of 2021 | Procurement amount in 2021 (NT\$) |
|----------------------|--|-----------------------------------|
| Key suppliers        | 35                                     | NT\$1.62 billion                  |
| Other main suppliers | 376                                    | NT\$400 million                   |
| <b>Total</b>         | <b>411</b>                             | <b>NT\$2.02 billion</b>           |



## ◆ Sustainable Supply Chain Management

### I Supplier Sustainability Management Guideline

Suppliers are important partners for the sustainable growth of Sysgration. We aim to implement the corporate social responsibilities of the aspects of economy and governance, environmental protection and social co-prosperity with the supply chain, for improving the sustainability competitiveness. In our purchase agreement, the quality assurance and confidentiality clauses have been included, and we further encourage existing suppliers and new suppliers to obtain relevant international standard certifications, such as ISO 14001 environmental management system and ISO 45001:2018 occupational safety and health management system, etc. We also request suppliers to include the Responsible Business Alliance (RBA) aspect, and sign declarations and commitments including "Non-use of Conflict Minerals Statement," "Non-Environmental Hazardous Material Contained Commitment," "C-TPAT Supplier Declaration," "California Proposition 65 Declaration," "Supplier Corporate Social and Environmental Responsibility Code of Conduct," "Supplier Ethical and Honesty, Environmental Protection and Social Responsibility Commitment," "Declaration of Electroplated Zinc Coating Request," and "Declaration of Non-use Japanese Kobelco Steel."

Sysgration assists new suppliers to comply with relevant operations according to the supplier management operation guideline, and requests suppliers to obtain ISO 9001 certification and to comply with environmental management substance requirements. In addition, the Company encourages suppliers to be certified with the IATF 16949 automotive quality management system. To become official suppliers of Sysgration, all new suppliers shall qualify the on-site review of the purchase, quality, technology and hazardous substance audit items and assessment.

To implement effective supplier management, Sysgration has established the principle of supplier selection. In addition to the evaluation of the QCDST (quality, cost, delivery, service, and technical) capability of suppliers, green supply chain is implemented as the basis for the purchase management. The main evaluation principles for all suppliers (including new supplies) are as follows:

- ◆ Suppliers shall sign the "Supplier Corporate Social and Environmental Responsibility Code of Conduct" and "Supplier Ethical and Honesty, Environmental Protection and Social Responsibility Commitment" to meet the compliance with the supplier code of practice of Sysgration.
- ◆ The material suppliers of Sysgration shall comply with the relevant local laws and regulations and shall define their risk control mechanism.
- ◆ Suppliers shall establish environmental, safety and hazardous substance free management system
- ◆ According to the component restricted substance management of Sysgration, suppliers shall provide appropriate and periodically updated self-declaration or supporting documents.

### ● Documents Required for New Suppliers Submission



## ● New Supplier Management Process



In 2021, 100% of Sysgration's new suppliers signed "Supplier Corporate Social Responsibility and Environmental Code of Conduct" and "Non-use of Conflict Minerals," when 93% of new suppliers signed "Supplier Ethical and Honest, Environmental Protection and Social Responsibility Commitment," indicating that the suppliers highly recognize the promotion of social responsibility issues on environmental protection, occupational safety, labor human rights and ethical management, etc. In 2022, Sysgration will continue to increase the supplier commitment in sustainability. We will promote the new version of ESG audit plan and supplier assistance project, helping suppliers to establish sustainability awareness and build a resilient supply chain.

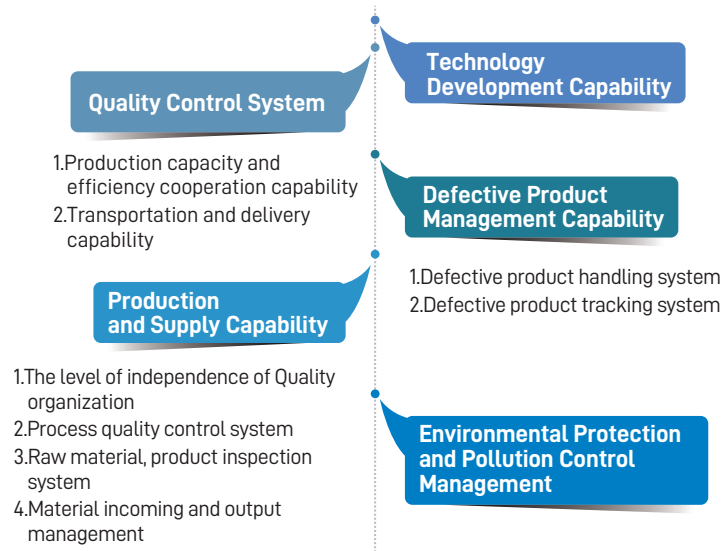
## | Audit Mechanisms of Qualified Suppliers

Sysgration is committed to increasing the sustainability of supply chain. We perform on-site audit annually from time to time to determine the corporate social responsibility execution status, policy and compliance of suppliers. In addition, for suppliers of poorer management system operation performance, the Quality Assurance Department is responsible for performing guidance and tracking its improvement status. If the supplier still fails to satisfy the requirements, the Company then suspends the cooperation with the supplier until its improvement is complete, thereby establishing a comprehensive supplier sustainability audit management mechanism. In addition, in case of receiving any complaints, Sysgration performs verification via the confidential method of protecting the confidentiality of the complainant.

In 2021, the number of suppliers audited by Sysgration was 15. All of them were manufacturing factories. According to the deficiencies found during the on-site audit, the main deficiencies included failure to provide standard operation procedures, the need to establish standard operation procedures, incomplete documentation of filling relevant records and unclear control method definitions. After requesting suppliers to make improvement, all suppliers were able to complete the deficiencies within the required time. No suppliers were suspended of cooperation due to noncompliance with the requirements of Sysgration.

Sysgration will continue to promote the green purchase policy to suppliers and request suppliers to implement corporate social responsibilities. In 2022, the Company will comply with the outline standards of RBA to perform documentary and on-site review on suppliers. For suppliers of long-term cooperation or to be engaged in cooperation with us, if they are not able to cooperate with the social responsibility related policies of Sysgration, we will consider whether the cooperation is to be continued. In addition, we will arrange second suppliers as the substitutes for the component and raw material supply, thereby preventing any interruption of production and delivery processes.

● Sysgration Supplier Qualification Evaluation Items



● Supplier Evaluation Score (%) of Sysgration

| Score Range  | Grade | Icon | Description  |
|--------------|-------|------|--|
| 91-100       | A     | 😊    | Listed as qualified suppliers  |
| 81-90        | B     | 🙂    | Listed as qualified suppliers after making improvements  |
| 71-80        | C     | 😐    | List as qualified suppliers after making improvements, and evaluation must be reconducted and must be passed |
| Less than 70 | D     | 😞    | Disqualified supplier  |

| Supplier Risk Assessment Process

Sysgration considers the supply chain risk management as part of the competitive advantages of the Company. In 2022, we will implement RBA to further improve the quality management on suppliers, and we will be able to identify high-risk suppliers from the key suppliers and enhance ESG management on high-risk suppliers through on-site audit method. According to the characteristics of the electronic component industry, for the aspects of economy, environment, and society, we have classified the risks according to the risk consideration factors to identify high-risk suppliers, and have been found to be associated with the industry types of printed circuit boards, battery cells, cables, and outer casings, etc.

| ESG Aspect                                   | Economy   | Environment  | Society  |
|--|---|--|--|
| Risk Factors                                 | <ul style="list-style-type: none"> <li>Ethical management</li> <li>Exclusive or critical source of supply</li> <li>Supplier's automation capability</li> <li>Quality, cost, delivery, service, innovation, management, and technology capabilities</li> </ul> | <ul style="list-style-type: none"> <li>Environmental management system</li> <li>Water resource management</li> <li>Waste and air pollution management</li> <li>Environmental law compliance</li> </ul> | <ul style="list-style-type: none"> <li>Employee health and safety</li> <li>Human rights</li> <li>Labor practice</li> <li>Employee working hours</li> <li>Responsible mineral management</li> </ul> |
| High Sustainability Risk Supplier Categories | IC  | Printed circuit board / battery cell / cables / outer casing   | Printed circuit board / battery cell / cables / outer casing   |

| Supplier Sustainability Communication

Sysgration convenes supplier conference annually to enhance the sustainability understanding of suppliers and to convey relevant ESG requirements. We are active to promote sustainability projects with suppliers jointly, and present awards to outstanding suppliers to further strengthen the supply chain sustainability. In 2021, due to the severe impact of COVID-19 pandemic, we had to cancel the supplier conference. We then communicated with the suppliers and shared requirement related to the implementation of the corporate social responsibility by emails.



Sysgration establishes individually applicable supplier reward mechanism according to purchase characteristics and different characteristics of suppliers. Sysgration selects the annual outstanding suppliers by evaluation criteria of QCDST (Quality/Cost/Delivery/Service/Technology) scores or other outstanding achievements to evaluate the performance. Awards are publicly presented during the supplier conference.



## ◆ Conflict Mineral Management

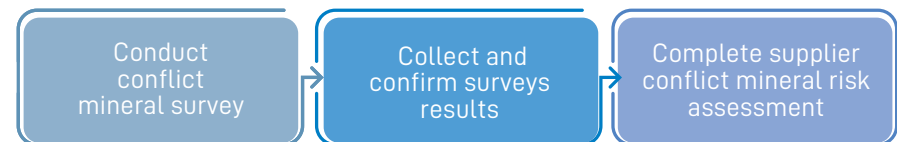
Conflict minerals refer to minerals under the condition where armed conflicts and infringement of human rights occur. Such minerals mainly refer to precious metals, including gold (Au), tin (Sn), tantalum (Ta), and tungsten (Wu), and are mined from the Republic of the Congo, Uganda, the Republic of Rwanda and several nearby countries. Those metals are commonly used as raw materials in the manufacturing of electronic components. As a global business citizen, Sysgration guarantees not to use any metals provided by unqualified smelters of conflict mineral sites, and we have also included conflict minerals in the supplier management.

### | Conflict Mineral Management Policy

- ◆ Guarantee not to use any minerals from unqualified smelters of the Republic of the Congo and its surrounding countries and regions. We also comply with the conflict mineral laws and regulations locally and internationally.
- ◆ Track the sources of gold (Au), tantalum (Ta), tin (Sn), tungsten (W), cobalt (Co), mica and all responsible minerals announced by the Responsible Minerals Initiative (RMI) that are contained in all products. All suppliers are requested to complete the conflict mineral survey, and relevant raw material sources are confirmed to adopt the RMI qualified smelting plants/refineries to prevent direct or indirect financing the mineral sites of armed conflicts or infringement of human rights.
- ◆ Suppliers shall request their upstream suppliers to comply with the same conflict of mineral management requirements.

### ● Conflict Mineral Management Process

Regarding the process of conflict mineral management, Sysgration provides the Conflict Minerals Reporting Template (CMRT) recommended by RMI as a management tool, and suppliers are requested to fill out the form. After the collection of the survey results, the status of raw materials is determined and confirmed to complete the risk assessment provided by the suppliers. In 2021, 100% of our suppliers signed the Non-use of Conflict Minerals Statement. In the future, we will continue to promote such requirements and request supplies to sign agreements accordingly.





# Environmental Sustainability

- 3.1 Response to Climate Change
- 3.2 Greenhouse Gas Emissions
- 3.3 Energy Management
- 3.4 Waste Management
- 3.5 Water Resource Management
- 3.6 Green Products





# Sustainable Performance Highlights and Corresponding SDGs



Renewable energy power generation was **12.29** MWh in 2021

Sysgration actively invests in the research and development of green products. Up to the end of 2021, the cumulative number of approved product patents of Sysgration has reached **547** patents worldwide, with **8** trademarks approved. Currently **129** patents are valid globally, of which **40** had been applied in 2021

In 2021, all Plants completed the certification of environmental management system ISO 14001:2015, quality management system ISO 9001:2015, automotive related industry quality management system IATF 16949:2016 and hazardous substance management system IECQ QC08000:2017

In 2021, the lighting system was replaced, and the reduced power consumption was about **17,245.52** MWh annually, with reduction of **8,777.97** metric tons of CO<sub>2</sub>e

# Management Approach of Material Topic

**Material Topic** ▶▶

Energy Management

**GRI Standards** ▶▶

GRI 302-1  
GRI 302-3  
GRI 302-4  
GRI 302-5

**Importance** ▶▶

Sysgration concerns the energy issue and has observed the international energy industry development trend for a long period of time. We regard the trend as an important opportunity for expanding business. In 2017, Sysgration has established the Energy Storage Business Department to develop and strengthen the product energy efficiencies. In terms of the management aspect, we reconsider the factory facility design and energy management, and continue to improve the energy management projects in response to the climate challenges

**Policies and Commitments** ▶▶

Sysgration is committed to implementing energy management. We actively execute energy saving plans to fulfill environmental protection and energy saving

**Goals** ▶▶

Reduce the annual power consumption intensity by 1% (2021 as the base year)

**Responsible Unit** ▶▶

Cross-functional environmental sustainability task force

**Grievance Mechanism** ▶▶

greenteam@sysgration.com

**Action Plans** ▶▶

- Installed smart electric meter in Taipei office to perform and optimize office energy management in 2021
- Replaced power consumption equipment in Nankang Plant, Huizhou Plant and Zhenjiang Plant in 2021
- Will reconstruct the factory production line in Nankang Plant and implement energy management system in 2022

**Effectiveness Assessment** ▶▶

- The evaluation of the annual power consumption will take place starting from 2022 as the power consumption intensity takes 2021 as the base year




# 3.1 Response to Climate Change




## Climate Policy

Sysgration is committed to fulfilling environmental sustainability responsibility. To achieve the operational strategy for sustainable development, we have implemented ISO 14001 environmental management system, and periodically inspect the environmental management status of plant sites. Through a series of action plans focusing on promoting energy saving, carbon reduction and waste management, we accelerate a move towards environmentally friendly operation in Sysgration's overall business, thereby achieving the philosophy of green sustainable enterprise in corporate management.

## Climate-Related Risks and Opportunities

To identify which climate-related risks and opportunities requiring most attention and immediate response of Sysgration, we assessed climate-related risks and opportunities by the probability of occurrence and level of impact. We have determined the priority issues of climate risks and opportunities and established corresponding response measures for further management

| Climate Risks   |   |  |
|---|---|--|
| Aspect  | Risk  | Responses  |
| <br>Environmental Regulations | Difficulty in waste disposal  | <ul style="list-style-type: none"> <li>Promote waste classification and reduction from the source, materials and packaging materials recycling and reusing.</li> <li>Production materials must be eco-friendly such as RoHS.</li> </ul>  |
| <br>Global Warming           | Increase in air conditioning load, and power shortage effect          | <ul style="list-style-type: none"> <li>Implement energy saving measures, such as turn off lights during lunch break.</li> <li>Preferentially purchase energy-efficient equipment.</li> <li>Install plants and increase greening to reduce heat island effect.</li> <li>Participate in low-carbon initiative organizations and seminars and provide green energy or renewable energy recommendations.</li> </ul>  |
| <br>Extreme Weather          | Facility loss and increased costs caused by heavy rainfall and floods | <ul style="list-style-type: none"> <li>Pay attention to weather news, take preventive measures in advance in case of strong typhoons or rainstorms.</li> <li>Establish energy saving plans.</li> <li>Taipei headquarters, Nankang Plant, Huizhou Plant, and Zhenjiang Plant have established the emergency response plan/procedure in case of accidents happening due to natural disasters and will follow emergency response procedure to reduce losses.</li> </ul> |

| Climate Opportunities  |   |
|--|---|
| Opportunity  | Responses   |
| <br>Increase in product demand | <ul style="list-style-type: none"> <li>Sysgration is a green product provider. We have invested in manufacturing and sales of Energy Storage System and Battery Pack products Since 2015.</li> </ul>  |
| <br>Market expansion          | <ul style="list-style-type: none"> <li>Explore new business customers.</li> <li>Develop low-carbon products to meet customers' demands.</li> </ul>  |
| <br>Reputation                | <ul style="list-style-type: none"> <li>Develop green energy business and continue to design high-density and high-capacity battery pack products, lithium battery products, energy storage products for commercial and home use, etc., collaborating with customers and suppliers in eco-friendly issues.</li> <li>Nankang Plant participates in the solar power generation for electricity wholesale to Taiwan Power Company.</li> <li>Promote green energy, waste reduction, resources recovery, recycle and reduction to fulfill corporate social responsibility.</li> </ul> |



## 3.2 Greenhouse Gas Emissions

Externally purchased electricity (Scope 2) is the main source of Sysgration's greenhouse gas emissions, accounting for 99% of the Company's emission in 2021. In the last three years, although we have implemented relevant energy-saving and carbon-reduction equipment improvement and replacement, the greenhouse gas emissions continue to increase year after year as our operating scale expands. This indicates that there are still rooms for improvement, and the overall greenhouse gas management needs to be further enhanced.

### ● Sysgration Greenhouse Gas Emission


| Greenhouse Gas Emission                                       | 2019     | 2020     | 2021     |
|---|----------|----------|----------|
| Scope 1 (tCO <sub>2</sub> e) <sup>(Note)</sup>                | 19.00    | 27.83    | 30.34    |
| Scope 2 (tCO <sub>2</sub> e)                                  | 1,380.19 | 1,586.92 | 1,968.05 |
| Total emission (tCO <sub>2</sub> e)                           | 1,399.19 | 1,614.75 | 1,998.39 |
| Emission intensity (tCO <sub>2</sub> e /million NT\$ revenue) | 1.34     | 1.22     | 0.81     |

Note: The boundary of greenhouse gas emission refers to the operational control approach and the emission is calculated by multiplying activity data, emission factors, and GWP values. The source of coefficient refers to emission coefficient management table 6.0.4 announced by the Environmental Protection Administration (EPA) in 2019, and GWP value refers to IPCC fourth assessment report (2007). The greenhouse gas includes carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, nitrogen trifluoride.

## ◆ Greenhouse Gas Management

Sysgration pays attention to the impact of climate change on the corporate operation. We have established the greenhouse gas reduction goal and set the year of 2021 to be the base year. Accordingly, our goal is to achieve the reduction of the greenhouse gas emission intensity by at least 2% in five years. Sysgration implements various measures for carbon reduction, including promoting paperless office, purchasing of green products and raw materials, promoting the use of employees' own tableware, replacement of equipment, and utilizing most optimal production methods. Through implementing these measures and actions, we strive to reduce carbon emissions gradually.

| Target Item                        | Measures  |
|------------------------------------|---|
| Greenhouse gas emissions reduction | <ol style="list-style-type: none"> <li>Promote paperless policy, paper recycle and reuse to reduce paper use quantity.</li> <li>Purchase and use green eco-friendly products for raw materials and equipment and comply with the RoHS and WEEE standards.</li> <li>Encourage employees to use their own eco-friendly tableware to reduce the use of disposable tableware.</li> <li>Replace old equipment with new ones. In 2021, we have newly installed automated production lines in Huizhou Plant. The automated production lines for Nankang Plant have been planned, and is expected to start operating in Q4 2022.</li> </ol> |




Automated production lines in Huizhou Plant




## 3.3 Energy Management

### ▲ Energy Consumption

The energy consumption of Sysgration includes the externally purchased electricity, diesel and gasoline. Externally purchased electricity accounts for the largest source of energy consumption, which is mainly used for the component assembly production and air conditioning system in the facility. The gasoline is mainly used for the company vehicles, while the diesel is mainly provided for the forklift truck in the Plant. The total energy consumption of Sysgration in 2021 was 14,453.80 Gigajoule (GJ), an increase of 23% from the 11,783.36 GJ in 2020. The increase in power consumption was mainly due to the new installation of the production lines in Huizhou Plant and Zhenjiang Plant. In 2021, the power consumption of Nankang Plant was higher in the scope of Taiwan, accounted for 79% of the total power consumption. Regarding to plants in Mainland China, since the scale of Huizhou Plant is relative larger, in 2021, its power consumption accounted for 80% of the total in Mainland China. The energy intensity of Sysgration was 5.89GJ/million NT\$ revenue in 2021, a decrease of 34 % from the energy intensity of 8.88GJ/million NT\$ revenue in 2020.

#### ● Energy Consumption Statistics

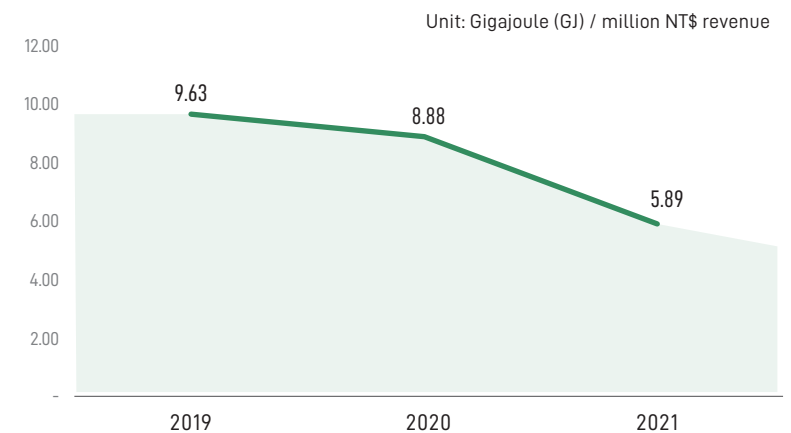
Unit: Gigajoule (GJ)

| Item <sup>(Note 1)</sup>  | Plant site          | 2019                   | 2020                   | 2021     |
|---|---------------------|------------------------|------------------------|----------|
| <br>Externally purchased electricity | Taipei Headquarters | 1,583.89               | 1,851.01               | 1,839.37 |
|   | Nankang Plant       | 4,134.26               | 5,186.60               | 6,868.33 |
|   | Zhenjiang Plant     | 860.56                 | 878.49                 | 1,053.31 |
|   | Huizhou Plant       | 3,185.48               | 3,466.78               | 4,256.04 |
|   |                     |                        |                        |          |
| <br>Gasoline                       | Taipei Headquarter  | 58.07                  | 47.81                  | 117.83   |
|   | Nankang Plant       | NA <sup>(Note 2)</sup> | NA <sup>(Note 2)</sup> | 17.64    |
|   | Zhenjiang Plant     | 210.38                 | 137.14                 | 106.48   |
|   | Huizhou Plant       | NA <sup>(Note 2)</sup> | 200.33                 | 180.80   |
| <br>Diesel                         | Zhenjiang Plant     | 5.30                   | 9.54                   | 8.89     |
|   | Huizhou Plant       | NA <sup>(Note 2)</sup> | 5.67                   | 5.12     |

Note:

1. Heating values of each item: Heating values of fuels adopt from data announced by the Bureau of Energy, Ministry of Economic Affairs.
2. NA represents that the relevant statistical data is not available for the Plant.

#### ● Sysgration Energy Intensity over the Years




Note: Energy intensity calculation includes electricity, gasoline and diesel. In 2019 and 2020, Nankang Plant had no data for gasoline consumption. In 2019, Huizhou Plant had no data for diesel and gasoline consumption.

## Energy-Saving and Carbon-Reduction Measures

To reduce the impact of operating activities to the environment, Sysgration actively promotes environmental sustainability actions at the plant sites and business locations. In 2021, we re-planned the internal power consumption allocation, including the sensor power consumption, lighting fixture interval use, replacement of traditional lighting fixtures with LED energy saving light tubes. Approximately 17,245.52 MWh of electricity was saved in 2021, which was equivalent to the reduction of approximately 8,777.97 metric tons of carbon dioxide equivalent. We expect to increase the energy use efficiency from improving environmental and energy management system.

### Energy-Saving and Carbon-Reduction Measures in the Facility

| Target        | Measures   |
|---------------|--|
| Energy Saving | <ol style="list-style-type: none"> <li>Air conditioners of the office area are set to be activated after 9:00 in the morning, and the temperature is set to 26-28° C.</li> <li>Doors and windows are installed with curtains to prevent radiation heat from entering the indoor environment.</li> <li>Lamps are turned off during lunch break, and the power is turned off after work by sections of the plant.</li> <li>Use appliances equipped with energy saving marks in the office area.</li> <li>Combine and integrate information systems continuously to increase efficiency.</li> <li>Use energy saving machines of relatively higher efficiency in priority for saving electricity consumption.</li> </ol> |

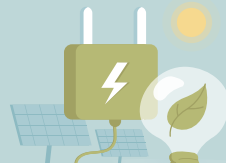


## Renewable Energy Use

In response to the Paris Agreement, many enterprises around the globe have consecutively planned low-carbon transition for building long-term climate resilience. Accordingly, the renewable energy is attracting greater attention nowadays. Sysgration has invested in the construction of renewable energy facilities a long time ago. We have installed the PV power generation system for more than 10 years in Nankang Plant locate in Nantou City, Taiwan, and signed a net-metering program with Taiwan Power Company for selling renewable power produced from its solar generator. To achieve more comprehensive energy management, the new production line plan of Nankang Plant in 2022 includes the re-construction of the PV system and the introduction of the energy storage equipment system. It is expected to provide approximately 29 MWh/m of green electricity in the future.

### Sysgration Solar Power Generated Electricity

| Solar Energy | Renewable Electricity (MWh) | Electricity Wholesale Amount (NT\$) |
|--------------|-----------------------------|-------------------------------------|
| 2021         | 12.29                       | 104,275                             |
| 2020         | 12.89                       | 109,545                             |
| 2019         | 13.45                       | 114,331                             |




Nankang Plant PV installation

## 3.4 Waste Management

### Waste Production

Presently, the wastes generated by Sysgration are classified into general industrial wastes and hazardous industrial wastes. General industrial wastes refer to common office wastes, wooden boxes for international ocean shipping of packaging components, electronic wastes of cables, etc. In 2021, general industrial wastes accounted for 99% of the total wastes. The hazardous industrial wastes accounted for only 1% of the total wastes, which was mainly waste circuit boards (accounting for 54% of the hazardous industrial waste). Sysgration performs waste disposal according to the Waste Disposal Act and implements resource recycling mechanism by outsourcing to qualified waste disposal contractors. We sign contract annually with qualified disposal contractors, with relevant management regulations and methods confirmed regularly. The disposal contractors perform disposal periodically according to our production and operation. In 2021, there was no breach of contract by the disposal contractor of Sysgration.

#### Waste Disposal Statistics


| Classification of Waste Attribute        |                   | 2019 <sup>(Note)</sup> | 2020 <sup>(Note)</sup> | 2021   |
|--|-------------------|------------------------|------------------------|--------|
| General industrial waste (metric tons)   | Recycle and reuse | 53.34                  | 12.57                  | 85.16  |
|  | Incineration      | 29.88                  | 78.55                  | 41.15  |
| Hazardous industrial waste (metric tons) |                   | 0                      | 0                      | 0.92   |
| Total waste disposal (metric tons)       |                   | 83.22                  | 91.12                  | 127.23 |

Note: The waste statistics for 2019 and 2020 included only Nankang Plant, whereas the statistics for Zhenjiang Plant and Huizhou Plant were not available.

### Waste Management Measures

In the future, we will reduce pollution emission through various measures including process design, technology improvement, and promotion of materials recycling and reusing.

| Target Item      | Measures  |
|------------------|---|
| Waste Management | <ol style="list-style-type: none"> <li>Promote minimization of resource consumption at source, improve production process, adjust raw material usage and implement plant site packaging material recycling and reusing, etc., to effectively achieve waste reduction.</li> <li>Comply with related laws and regulation of plant waste disposal and recycling.</li> <li>Waste batteries, carbon cartridges, PET bottles and papers are all classified into proper categories for reuse or disposal.</li> <li>Encourage all employees to execute waste reduction projects.</li> </ol> |



# 3.5 Water Resource Management

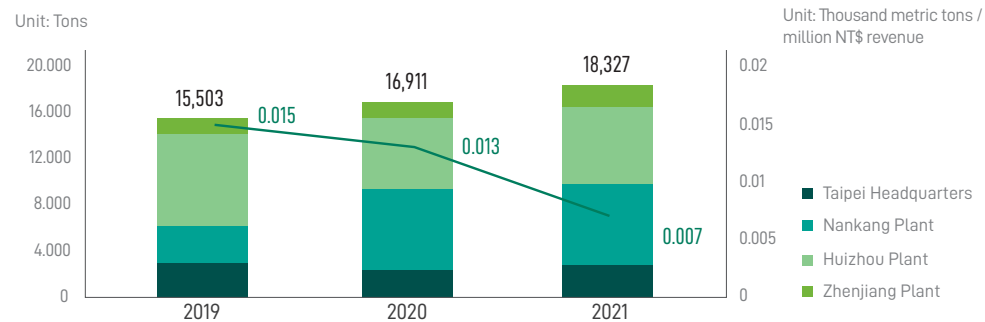
## Water Consumption

In recent years, the risk of water resource shortage increases as extreme weather occurs more frequently. In face of the pressure from the external water environment, Sysgration implements sustainable management of water resources and take actions to cope with the global water shortage. Currently, all water sources of Sysgration are tap water, and the water consumed by all plant sites is for operational use, not for industrial use. Wastewater is converged according to the local regulations and discharged from sewage treatment plant in the industrial zone of the area. The total water consumption in 2021 was 18,327 metric tons, an increase of 8% from 2020. The water consumption of plant sites in Taiwan accounted for 53% of the total, while the water consumption of plant sites in Mainland China accounted for 47% of the total.

### Water Consumption

| Year | Taipei Headquarters (metric tons) | Nankang Plant (metric tons) | Huizhou Plant (metric tons) | Zhenjiang Plant (metric tons) | Total Water Consumption (metric tons) | Water Consumption Intensity (Thousand metric tons / million NT\$ revenue) |
|------|-----------------------------------|-----------------------------|-----------------------------|-------------------------------|---------------------------------------|---|
| 2021 | 2,756                             | 6,994                       | 6,659                       | 1,918                         | 18,327                                | 0.007   |
| 2020 | 2,234                             | 7,162                       | 6,138                       | 1,377                         | 16,911                                | 0.013   |
| 2019 | 2,956                             | 3,201                       | 7,944                       | 1,402                         | 15,503                                | 0.015   |

### Water Consumption and Water Intensity



In addition, we assessed the overall water risk of each operation location using the water assessment tool of Aqueduct Water Risk Atlas of the World Resources Institute (WRI). Such analysis results will be included in formulating future operational strategies. The overall water risk levels of Zhenjiang Plant and Huizhou Plant were classified as medium to high risk. Despite the plant sites located at water pressure regions, water shortage or floods have not occurred since the establishment to the present day. To cope with the emergency or natural disasters, Sysgration has established the emergency response plan/procedure. Employees of the plant sites should follow the procedure to reduce the overall accidental losses.


## Water-Saving Measures

The major measures adopted by Sysgration to increase water use efficiency is replacing office and toilet equipment. In the future, we will implement comprehensive water resource management measures to further optimize the water use efficiency of the plant sites.

Target Item

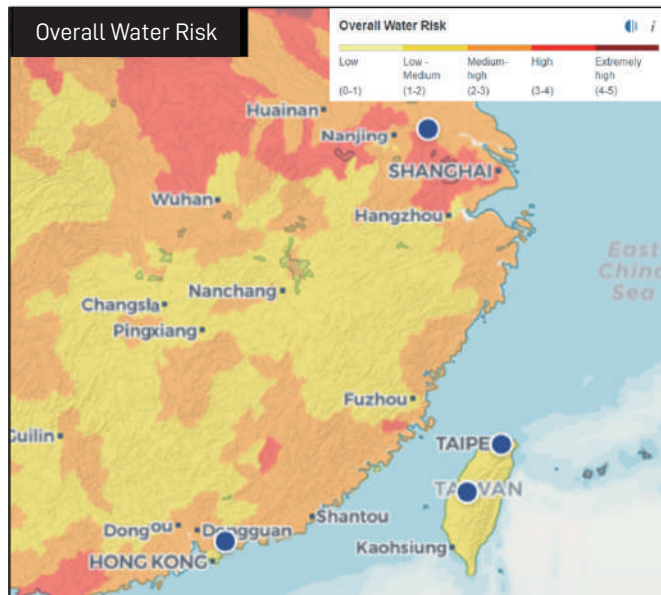
Measures

Reducing water consumption



1. Water saving slogans and signs are posted to remind employees to always develop water-saving habits.
2. Install sensing faucets to reduce water consumption.
3. Devices equipped with water-efficient marks are used for washbasins to prevent excessive water use.





| Plant Site          | WRI Aqueduct Overall Water Risk Level (baseline) |
|---------------------|--|
| Taipei Headquarters | Low-Medium                                       |
| Nankang Plant       | Low-Medium                                       |
| Zhenjiang Plant     | Medium-High                                      |
| Huizhou Plant       | Medium-High                                      |

Note: The above result was obtained using WRI Aqueduct Water Risk Atlas to conduct the overall water risk assessment for each operation location of Sysgration (inquiry date: 2022.07).

## 3.6 Green Products

### Green Product Design

Sysgration started from the business of automotive electronics in the early stage of the company establishment. In recent years, Sysgration has integrated AIoT and IoT to develop systems and has released diverse products and services. To demonstrate the determination in environmental protection and friendliness, we have invested in the research, development and manufacturing of green products which mainly include energy storage system and battery pack since 2015. We understand that intellectual capital is the fundamental for the industry competitiveness, and we invested approximately NT\$190 million in research and development in 2021, accounted for 7.7% of the total revenue. Sysgration performs green design according to the principle of implementing environmental protection and continues to achieve breakthrough and improvement for innovation and research and development. We actively respond and make contribution to the issues of energy saving, carbon reduction, and green energy.

The main product lines of Sysgration use the latest semiconductor chips, and we consider the design goals of higher performance and lower power consumption. Sysgration works actively to lead the development and design of the next generation of tire pressure monitoring, energy storage and automotive electronics toward the direction of energy saving and environmental protection. Sysgration uses the latest materials available in the industry and manufactures compact and lightweight products by innovative technologies. In addition, we have certificated IECQ QC80000:2017 hazardous substance process management to enhance the control of hazardous substances in products, thereby protecting consumers from the exposure and risk of hazardous substances.

Regarding the product application, we provide leading product architecture design in the industry such that products can be integrated to and compatible with various software APP while satisfying the use scenario needs of different customers. During the improvement of the product functions, we increase energy and raw material use efficiency, and certainly it demonstrates the professionalism and competitiveness of Sysgration, which allows our products to be recognized by customers continuously.

● Sysgration Green Product Design Principles

**Raw Material Management**

- Select eco-friendly electronic materials, and comply with RoHS, WEEE standards.
- Request suppliers providing raw materials to sign "Declaration of Non-Use of Conflict Minerals" and "Non-Environmental Hazardous Material Contained Commitment."

**Product Design**

- Implement more compact and lightweight design to reduce product footprint.
- Produce energy saving products of higher performance and lower power consumption.
- Incorporate the long-life consideration for battery design, increase resource use efficiency, and adopt design for disassembly and recycling easily, such that during the upgrade of component parts, consumers are not required to replace the entire product.

**Product Delivery**

- Adopt the small quantity packages during the material incoming of suppliers and recycle and reuse the plastic boxes.
- Use recyclable plastic pallets and wooden boxes with pins for product transportation.
- Optimize the transportation route and utilize transportation space for loading products to reduce overall fuel use, and therefore reduce carbon emissions of transportation.

Reusable plastic pallets and wooden boxes with pins for product delivery



● Sysgration Low-Carbon Products

**Distributed energy storage system**

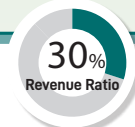
The distributed energy storage system (Energy Brick) of Sysgration adopts ALL In One module design. Its smart monitoring management system is able to comprehensively control the condition of lithium iron phosphate battery. In case of overcharging, discharging or battery overheat condition, the smart monitoring system is warned and helps improve conditions immediately. Such ways can prevent the risk of reduction other batteries' lifetime due to the abnormality by one single battery, and the battery useful lifetime can be effectively increased, hence the goal of environmental friendliness can be achieved.

**Lithium battery module**

The high-performance lithium battery of Sysgration is applicable to the uninterruptible power supply (UPS) application of semiconductor plants. It complies with the international certifications of UL1973, UN38.3, IEC61000, etc., such that it can provide backup power instantly, and maintain the equipment to achieve the energy saving effect for semiconductor plants.

**Large energy storage lithium battery module**

The large lithium energy storage lithium battery module of Sysgration is equipped with the water-cooling technology. The gap water cooling technology can allow water to pass through the gap among battery cells, such that the contact area of one single battery cell is maximized to achieve fast cooling effectively. Accordingly, the battery overheat condition can be reduced, and accidents due to unbalanced batteries can be effectively reduced.



**Automotive tire pressure detector**

The design of the Tire Pressure Monitoring Systems (TPMS) of Sysgration is compact with low energy consumption. It can notify driver the tire pressure information of each tire, and therefore reduce the driving risk due to insufficient tire pressure. In addition, it prolongs the useful lifetime of tires, as well as decreases excessive oil consumption due to insufficient tire pressure.



**Automotive computer**

In recent years, Sysgration collaborates with international giant manufacturers to release ODM all-in-one new automotive computer with smaller size and greater energy saving performance. It can replace old and bulky computers used on agricultural machineries and camping vehicles. In addition, the equipment is one of the key components for the lightweight design of the vehicle, and it can reduce oil consumption to achieve environmental protection.



## Green Product Quality

Product quality stability is an essential criterion for the product delivered to customers, and it is also the cornerstone for the long-term business operation of a company. Sysgration complies with the quality management standards of ISO 9001:2015, IATF 16949:2016, and establishes the quality manual through following such standards. We are committed to the establishment of a comprehensive quality management system, and we review content irregularly and perform revision according to our operations. Internal and external quality audit management review meetings are convened annually, and the audit results are reported to the General Manager. To complete the design and production promptly on schedule, we continue to enhance the control of manufacturing technologies and quality monitoring to satisfy the demands of customers for high quality products.

To ensure that products comply with the safety regulations, we have implemented the PDCA (Plan-Do-Check-Act) principle in the five main production aspects of personnel, machine, material, regulation, and environment to achieve the goal of high-quality products with zero deficiencies.

### Quality Certifications for Sysgration

| Item                     | Certification      | Nankang Plant | Huizhou Plant | Zhenjiang Plant |
|--------------------------|--------------------|---------------|---------------|-----------------|
| Quality management       | ISO 9001:2015      | ◆             | ◆             | ◆               |
|                          | IATF 16949:2016    | ◆             | ◆             | ◆               |
| Functional safety        | ISO 26262-2:2018   | ◆             | ◆             |                 |
|                          | ISO 26262-7:2018   |               |               |                 |
| Environmental management | ISO 14001:2015     | ◆             | ◆             | ◆               |
| Hazardous substance      | IECQ QC080000:2017 | ◆             |               |                 |

## Green Product Future Outlook

In view of the climate change impact and the adverse influence on the global natural ecology, society and economy, corporate sustainable development is an important issue closely related to the public. Nowadays, consumers focus more on purchasing sustainable and low-carbon green products. Under the awareness of environmental protection and the emerging trend of green purchase, the demand for carbon reduction increases worldwide, and such requirements include the higher carbon emission standards with various environmental protection regulations. Accordingly, the consumer products will eventually head toward the low carbon transition to satisfy the demands.

Sysgration provides green product portfolio, including energy management system, battery management system, automotive products, and smart glasses. In addition to the expansion of new business opportunities, we also increase the marketing and sales performance, and effectively reduce energy consumption cost, thereby complying with the environmental protection requirements and achieving the win-win situation for the customers and the external environment. We will continue to develop new products and adopt eco-friendly electronic materials with whole new designs, as well as increase product energy efficiency to establish competitiveness of green process. Sysgration strives to achieve sustainability goal of green products, and we will continue to provide products and services of high reliability and high quality to customers.

### Future Planning for Green Products and Services of Sysgration



► **Energy Storage System:** Increase the energy storage efficiency of distributed energy storage system, large energy storage lithium battery module, and UPS system high performance application lithium battery module. The energy storage efficiency can be increased to reach more than 85%. It can prevent the risk of reduction of lifetime of other batteries in case of any abnormality of one single battery, and effectively prolong the useful lifetime of battery, thereby achieving environmental friendliness.

► **Tire Pressure Monitoring System:** Tire Pressure Monitoring System (TPMS) developed by Sysgration in the future is expected to reduce 30% of waste during the production process and reduce 50% of the energy consumption in comparison to the currently existing products.



► **Automotive Computer:** We continue to engage in innovative research and development to satisfy customer demands for efficiency improvement and AI-aided self-driving function. Such automotive computer can reduce the energy consumption and reduce traditional manpower calculation loss. In addition, it also assists the optimization of the logistics route planning of customers' vehicles and reduces oil consumption.



# 4

## Employee Care and Social Co-prosperity

- 4.1 Labor-Management Relation
- 4.2 Friendly Workplace
- 4.3 Talent Learning and Development
- 4.4 Talent Management Communication and Salary Guarantee
- 4.5 Occupational Health and Safety
- 4.6 Social Participation



# Sustainable Performance Highlights and Corresponding SDG



Signed a contract with Pojen General Hospital for professional physicians and nurses to provide on-site employee health consultation regularly, routine health examination every year, and pulmonary function special health examination for the personnel engaged in special operations

Engaged in industry and academia collaboration program with National Taipei University of Technology, Lunghwa University of Science and Technology and Jiangsu Chunlan Clean Energy Academy to jointly develop products and technologies. We provided the internship opportunities and scholarships for **3** students from National Taipei University of Technology

Encourages diversity and equality in the workplace. In 2021, women represented **54.8%** in all employees and **23.7%** were in senior managerial positions, foreign employees accounted for **10.2%**, and there were four employees with physical and mental disabilities, exceeding the statutory requirement by **34%**

Supports the human rights protection philosophy and fundamental principles specified in the international human rights conventions such as the United Nations Universal Declaration of Human Rights, United Nations Global Compact, and International Labor Convention  
Periodically inspects the safety of working environment, and all plant sites have completed the ISO 45001:2018 (Occupational Safety and Health System) certification. In 2021, there were no occurrences of work-related injuries and diseases

Participates in community volunteers, public welfare donations and material donations. In 2021, the contribution amount exceeded **NT\$750,000** for assistance on pandemic prevention and the poor activities



# Management Approach of Material Topic

**Material Topic** >>

Occupational Health and Safety

**GRI Standards** >>

GRI 403-1 / GRI 403-2 / GRI 403-3 / GRI 403-4 / GRI 403-5 / GRI 403-6 / GRI 403-7 / GRI 403-9 / GRI 403-10

**Importance** >>

Employees are asset of the Company. Providing employees with a safe working environment is the basic commitment of Sysgration. By establishing a comprehensive occupational safety management system, Sysgration properly manages the occupational accident risks and reduces the occurrence of occupational injuries and negative impacts on the employees' health

**Policies and Commitments** >>

Sysgration values employee health and safety. We comply with the ISO 45001 management system regulations, and establish the prevention-oriented working environment to promote and implement occupational safety and health procedures and measures

**Goals** >>

- Maintain the effectiveness of the occupational safety and health management system certification
- Improve employees' knowledge and awareness on safety and health to achieve the goal of zero occupational safety accidents

**Responsible Unit** >>

Safety and Health Management Office

**Grievance Mechanism** >>

Employee contact: [opinion@sysgration.com](mailto:opinion@sysgration.com)  
(02) 2790-0088 ext. 1830

**Action Plans** >>

- Formulate hazard identification, operation procedure of opportunity and risk assessment, comply with occupational safety and health related laws and internal operation procedures, complete autonomous site inspection and self-inspection
- Employ safety and health professionals to oversee the planning, promotion, supervision and inspection of safety and health management affairs
- Arrange on-site health consultation services by doctors and nurses from cooperative hospitals, providing workplace health management
- During the COVID-19 high risk period, the split operation policy was adopted to reduce the risk of cross infection among employees. In addition, the Company promotes and educates the pandemic control precautions periodically and continuously

**Effectiveness Assessment** >>

- There were no occupational injuries and diseases in 2021

# 4.1 Labor-Management Relation

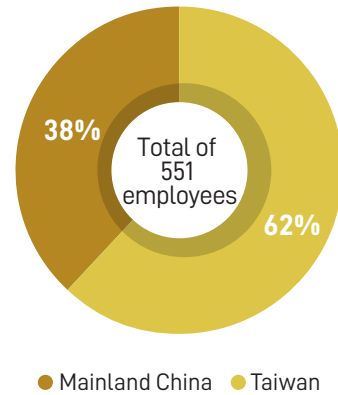
## Employee Structure

Sysgration values employees as the most important asset and human capital. We respect the dignity of each employee. We focus on humane management and maintain harmonious relationship between labor and management, thereby establishing lively organization and friendly workplace, and working hand in hand towards sustainable future. Up to the end of 2021, the total number of employees of Sysgration was 551, including 342 employees in Taiwan and 209 employees in Mainland China. 45.2% of full-time employees were male, while 54.8% were female. In 2021, Sysgration hired 4 employees with disabilities to comply with the government's employment policy for people with disabilities, and the number of foreign employees reached 56 people. The Company will continue to head toward the direction of diverse employment.

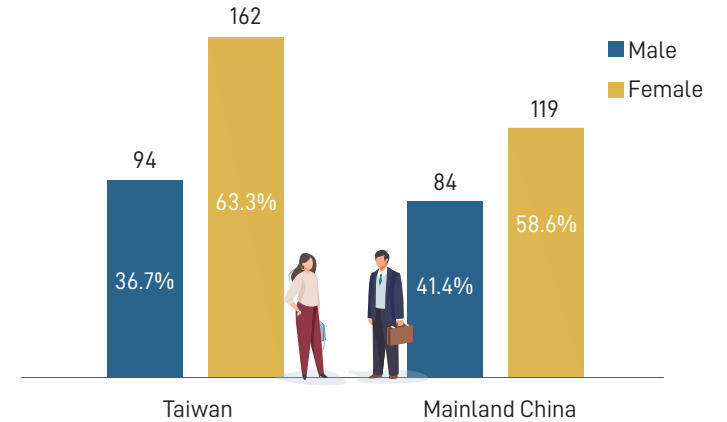
| Age (years old) \ Gender | <30        | 30-50      | >50       | Total                     |                |
|--------------------------|------------|------------|-----------|---------------------------|----------------|
|                          |            |            |           | Total number of employees | Percentage (%) |
| Male                     | 64         | 144        | 41        | 249                       | 45.2           |
| Female                   | 73         | 197        | 32        | 302                       | 54.8           |
| <b>Total</b>             | <b>137</b> | <b>341</b> | <b>73</b> | <b>551</b>                | <b>100</b>     |

### Group Total

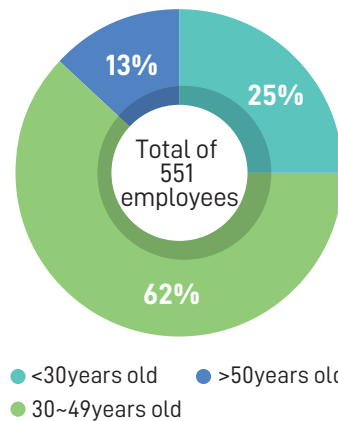
Number of Employees by Region



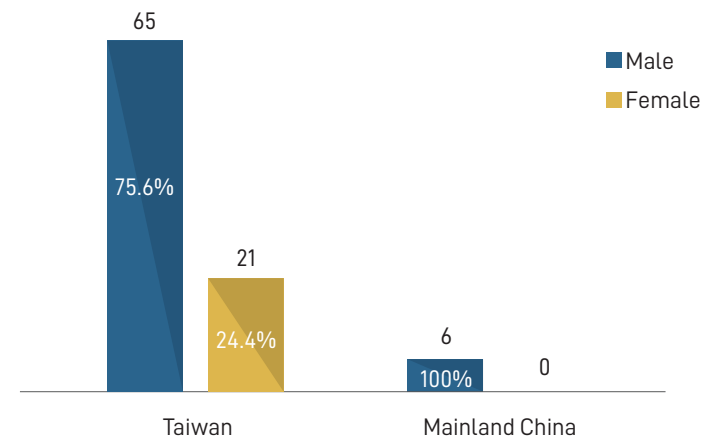
Gender Distribution of Non-Management Positions by Region



### Age Distribution



Gender Distribution of Management Positions by Region



### ● Taipei Headquarters and Nankang Plant

| Item              | Category       | Male                |                                 | Female              |                                 | Category subtotal   |                                 |
|-------------------|----------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|
|                   |                | Number of employees | Percentage in that category (%) | Number of employees | Percentage in that category (%) | Number of employees | Percentage in that category (%) |
| Contract type     | Full-time      | 159                 | 46.5                            | 183                 | 53.5                            | 342                 | 100                             |
| Job position type | Management     | 65                  | 40.9                            | 21                  | 11.5                            | 86                  | 25.1                            |
|                   | Non-management | 94                  | 59.1                            | 162                 | 88.5                            | 256                 | 74.9                            |
| Age (year old)    | <30            | 26                  | 16.3                            | 44                  | 24.0                            | 70                  | 20.5                            |
|                   | 30-50          | 96                  | 60.4                            | 109                 | 59.6                            | 205                 | 59.9                            |
|                   | >50            | 37                  | 23.3                            | 30                  | 16.4                            | 67                  | 19.6                            |
| Total             |                | 342 people          |                                 |                     |                                 |                     |                                 |

### ● Zhenjiang Plant and Huizhou Plant in Mainland China

| Item              | Category       | Male                |                                 | Female              |                                 | Category subtotal   |                                 |
|-------------------|----------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|
|                   |                | Number of employees | Percentage in that category (%) | Number of employees | Percentage in that category (%) | Number of employees | Percentage in that category (%) |
| Contract type     | Full-time      | 90                  | 43.1                            | 119                 | 56.9                            | 209                 | 100                             |
| Job position type | Management     | 6                   | 6.7                             | 1                   | 0.8                             | 7                   | 3.3                             |
|                   | Non-management | 84                  | 93.3                            | 118                 | 99.2                            | 202                 | 96.7                            |
| Age (year old)    | <30            | 38                  | 42.2                            | 29                  | 24.4                            | 67                  | 32.1                            |
|                   | 30-50          | 48                  | 53.3                            | 88                  | 73.9                            | 136                 | 65.1                            |
|                   | >50            | 4                   | 4.4                             | 2                   | 1.7                             | 6                   | 2.9                             |
| Total             |                | 209 people          |                                 |                     |                                 |                     |                                 |

## ◆ New Hires and Resigned Employees

### ● Taipei Headquarters and Nankang Plant

| Item            | Category | New hires           |                                 | Resigned employees  |                                 |
|-----------------|----------|---------------------|---------------------------------|---------------------|---------------------------------|
|                 |          | Number of employees | Percentage in that category (%) | Number of employees | Percentage in that category (%) |
| Gender          | Male     | 81                  | 51.3                            | 81                  | 60.9                            |
|                 | Female   | 77                  | 48.7                            | 52                  | 39.1                            |
| Age (years old) | <30      | 75                  | 47.5                            | 53                  | 39.8                            |
|                 | 30-50    | 74                  | 46.8                            | 64                  | 48.1                            |
|                 | >50      | 9                   | 5.7                             | 16                  | 12.0                            |
| Total           |          | 158 people          |                                 | 133 people          |                                 |

### ● Zhenjiang Plant and Huizhou Plant in Mainland China

| Item            | Category | New hires           |                                 | Resigned employees  |                                 |
|-----------------|----------|---------------------|---------------------------------|---------------------|---------------------------------|
|                 |          | Number of employees | Percentage in that category (%) | Number of employees | Percentage in that category (%) |
| Gender          | Male     | 38                  | 44.2                            | 34                  | 49.3                            |
|                 | Female   | 48                  | 55.8                            | 35                  | 50.7                            |
| Age (years old) | <30      | 39                  | 45.3                            | 36                  | 52.2                            |
|                 | 30-50    | 46                  | 53.5                            | 32                  | 46.4                            |
|                 | >50      | 1                   | 1.2                             | 1                   | 1.4                             |
| Total           |          | 86 people           |                                 | 69 people           |                                 |

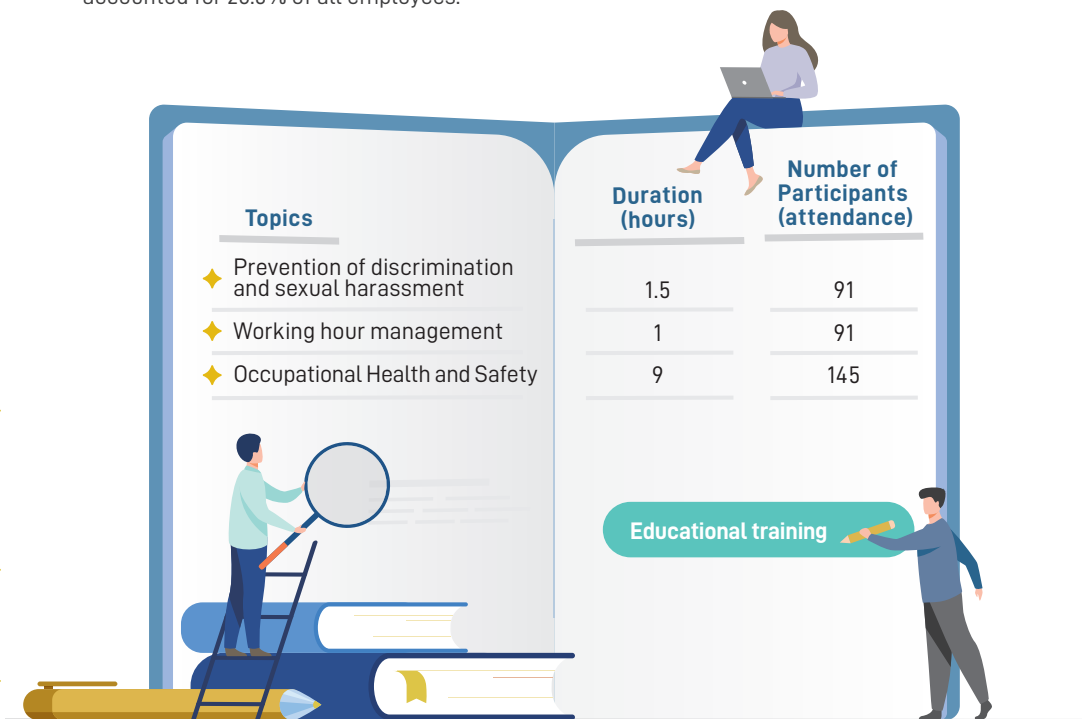
## Human Rights Policy

Sysgration supports the human rights protection philosophy and fundamental principles specified in the international human rights conventions such as the UN Universal Declaration of Human Rights, UN Global Compact, and International Labor Convention. We are dedicated to integrating the human rights principles and philosophy into the corporate value and culture, demonstrating the Company's commitment in human rights protection. Sysgration complies with the Responsible Business Alliance (RBA) version 7.0 to establish relevant internal procedures, which includes labor rights and interests, health and safety, environment, code of ethics and management system. Sysgration recruits publicly and uses working experience, potentials, and achievements as the only employment criteria, such that there is no discrimination due to race, gender, age, religion, nationality, or political status. The Company also implements the principle of prohibition on child labor and forced labor. To protect the employment and the right to work of people with disabilities, Sysgration employs people with disabilities, and we have constructed relevant facilities at the plant sites and office areas, such as accessible restrooms and slopes for people with disabilities. The Company will continue to supervise the human rights management status to protect the employees' rights and interests.

| Concerned Issue                                    | Management Action  |
|--|--|
| Prohibition on child labor                         | The Company explicitly specifies the prohibition on the employment of any individual under the age of 15 years old. During the recruitment processes, job applicants shall submit basic information form, indicating the date of birth, and shall also present national identification card to the Human Resource Unit for verification to ensure the accuracy of the information.   |
| Labor condition guarantee                          | Through the attendance management system, employee attendance time and overtime status are recorded properly. In addition, overtime status and regulatory requirements are notified to employees and their direct supervisors, that allows the supervisors to promptly adjust the workload of employees, and provide assistance on the working efficiency improvements in order to reduce the overtime condition.  |
| Prohibition on forced labor                        | The Company has explicitly specified the prohibition on the employment of any form of forced labor, slavery, and human trafficking, and has prohibited to impose any unreasonable restrictions on the entry and exit of employees or restricts employees' freedom of movement in the workplace.  |
| Prevention of discrimination and sexual harassment | The Company prohibits any sexual harassment actions at the workplace. Relevant regulations have been explicitly specified in the employee work rules and personnel regulations. In addition, the Company occasionally organizes educational courses on prohibition of discrimination and sexual harassment prevention, and provides several complaint channels including hotline, email, and facsimile. Cases are handled by designated personnel and are referred to the Sexual Harassment Complaint Handling Committee to conduct investigation to provide employees with an equal and safe working environment. |

## Human Rights Assessment and Educational Training

Sysgration has completed the human rights review and assessment for all business locations in 2021, including Taipei Headquarters, Nankang Plant, and Zhengjiang Plant and Huizhou Plant in Mainland China. The Company implements human rights related education and training periodically, and requests new hires to complete various human rights education and compliance courses upon on-boarding of the job. In 2021, a total of 145 employees completed the human rights related educational training, including 91 employees in Taiwan, and 54 employees in Mainland China. The trained employees accounted for 26.3% of all employees.



Note: The Company also uses emails and bulletin boards to promote education on the issue of prevention of discrimination and sexual harassment.

# 4.2 Friendly Workplace

Sysgration pays attention to employee health and welfare. By providing diverse employee feedback channels (please refer to 4.4 Talent Management Communication and Salary Guarantee), protecting the needs of female employees, and providing comprehensive employee welfare, we establish an open and equal working environment. To promote the employee health and work-life balance, the Company occasionally organizes health education seminars, subsidies club activities, and organizes birthday parties as well as team building events to assist employees to relieve stress and urge them to pay attention to physical and mental health.



Nankang Plant Team Building Event



Huizhou Plant Team Building Event



Taipei Headquarters Celebration Event



Zhenjiang Plant Team Building Event





Presently, Sysgration has established several employee clubs, including golf club, table tennis club and badminton club. We also provide swimming pool and fitness equipment in the office building, allowing employees to exercise conveniently during their free time, develop their life-long interests, and make friends, thereby expanding the living circle.



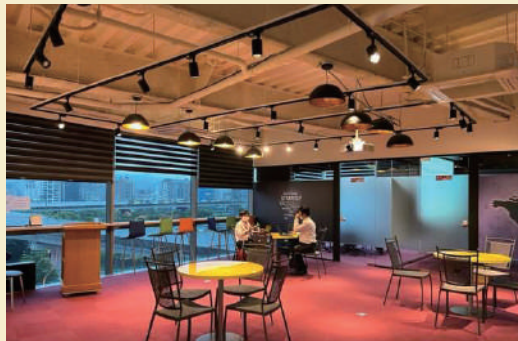
Golf Club



Table Tennis Club



Badminton Club



Lounge



Outdoor Swimming Pool in the Office Building



Fitness Center in the Office Building



## ◆ Diversity and Inclusion

Sysgration adopts the principle of diverse, inclusion and equal opportunity for employment, with promises of no discrimination occurred due to gender, race or physical/mental disabilities. In 2021, the Company's women represented 54.8% in all employees, and 23.7% were in senior management positions, which is higher than the average in the industry. The percentage of foreign employees of the Company reached 10.2%, while the Company employs four employees with disabilities which exceeds 34% compared with the national statutory requirement. To protect the personal safety of employees, access control surveillance system and security personnel are arranged during the daytime and nighttime at the office area. In addition, breastfeeding room is also set up to satisfy the care needs of female employees.

### ● Parental leave

Regardless of gender, Sysgration provides the maternity leave, paternity leave, parental leave, and menstrual leave to all employees according to the law. In 2021, 11 employees applied for parental leave, with the reinstatement rate 100% and the retention rate 75%. For resigned employees, their reasons of resignation were understood to prevent any condition of employee discrimination or unfair treatment without proper handling.

| Item   | Male | Female | Total |
|--|------|--------|-------|
| A : Number of employees that were entitled to parental leave in 2021   | 1    | 10     | 11    |
| B : Number of employees that took parental leave in 2021   | 1    | 10     | 11    |
| C : Number of employees applying for reinstatement in 2021   | 1    | 2      | 3     |
| D : Number of employees required for reinstatement but applied for extension in 2021                         | 0    | 0      | 0     |
| E : Number of employees reinstated in 2021   | 1    | 2      | 3     |
| F : Number of employees reinstated from parental leave in 2020   | 0    | 4      | 4     |
| G : Total number of employees continued to work for one year after reinstatement from parental leave in 2020 | 0    | 3      | 3     |
| Reinstatement rate % = E / (C-D) <sup>(Note 1)</sup>   | 100% | 100%   | 100%  |
| Retention rate % = G / F <sup>(Note 2)</sup>   | -    | 75%    | 75%   |

Note:




1.Reinstatement rate = (Total number of employees that did return to work after parental leave / Total number of employees required to be reinstated after parental leave) x 100%.

2.Retention rate = (Total number of employees retained 12 months after returning to work following a period of parental leave / Total number of employees returning from parental leave in the prior reporting period) x 100%

## ◆ Comprehensive Employee Welfare

Sysgration provides employee welfare superior to the regulations and laws. In addition to applying the labor insurance and national health insurance according to the laws, the Company further provides employee group insurance to increase the employee medical assurance, which includes accident insurance, cancer insurance, accident medical insurance, etc. In addition, family members of the employees can also enroll in the insurance at a discount rate for out-of-pocket premium payment, thereby providing employees with a complete family medical assurance planning. To promote the relationship and physical and mental health of employees, the Company encourages employees to participate in entertainment and recreation activities during their free time. Furthermore, Sysgration has established the Employee Welfare Committee (referred to as "Welfare Committee") according to the Employee Welfare Fund Act, to appropriate welfare fund and to organize employee welfare related matters. The Welfare Committee members are assigned by each unit of the Company or voluntarily participate. Representative members are selected according to the staff ratio of each unit or are determined through elections. Regular meetings are convened once every three months to plan various employee activities and welfare measures, with unscheduled meetings convened whenever necessary.

Sysgration complies with the Labor Pension Act: for each employee qualifying the new labor pension system, the Company appropriates pension by depositing in the personal account at the Bureau of Labor Insurance according to the appropriation rate of 6% of monthly salary. For employees in the plant sites in Mainland China, endowment insurance is applied for employees according to the local laws and it is appropriated in full amount. In 2021, there were no employees under the old pension system, and the total pension amount appropriated at the Bureau of Labor Insurance was NT\$12,068,278. The percentage of the Company's employees participating in the pension plan was 100%.

| Category   | Welfare Item   | Content   | Target   | Taipei Headquarters and<br>Nankang Plant              | Zhenjiang Plant and<br>Huizhou Plant |
|--|--|---|--|---|--------------------------------------|
| <br>Fixed benefits    | Employee group insurance   | Life insurance, accident insurance, cancer insurance  | All employees  | ◆   |                                      |
|  | Holiday bonus  | Issue after employment reaching 40 days in full   | All employees  | ◆   |                                      |
|  | Year-end bonus   | Issue according to the Company's profit and the employee's individual performance and contribution level  | All employees  | ◆   | ◆                                    |
|  | Marriage and funeral benefits, severe illness, and hospitalization consolation compensation                          | Issue according to the "Employee Marriage and Funeral Subsidy Payment Regulations"  | All employees  | ◆   | ◆                                    |
| <br>Flexible benefits | Employee dividends and stock option  | Allocate based on the job level and performance of each employee. This measure was not regular before 2021  | All employees  | ◆   |                                      |
|  | Patent reward incentive  | To encourage employees' exploratory innovation on the job, and apply for domestic and international patents under the name of the Company, in order to accumulate intellectual property rights of the Company | All employees  | ◆   |                                      |
|  | Health Examination   | Employee health examination is implemented annually   | All employees  | ◆ (Note)  | ◆                                    |
|  | Team building event  | Team building event is organized annually   | All employees  |   | ◆                                    |
|  | Motorcycle parking benefits  | Full amount is provided by the Company  | All employees  | ◆   |                                      |
|  | Car parking benefits   | The Company bears NT\$2000  | All employees  | ◆   |                                      |
|  | <br>Coordinated distribution fund | Travel allowance  | NT\$3000 in the form of cash is provided to each employee    | According to the regulations of the Welfare Committee | ◆                                    |
| Birthday voucher   |  | NT\$600 in the form of voucher is provided to each employee   | According to the regulations of the Welfare Committee        | ◆   |                                      |
| Club allowance   |  | Monthly event allowance of NT\$500 is provided to each employee. The maximum amount for club allowance is NT\$100,000 per month which is limited to one application in each quarter                           | All clubs  | ◆   |                                      |
| Continuing education subsidy   |  | Provided to employees participating in external courses or trainings  | Employees requiring acquisition of licenses due to job needs | ◆   | ◆                                    |

Note: Sysgration provides employee health examination allowance annually. However, in 2021, due to the impact of the pandemic, the implementation of health examination in Taiwan was postponed to 2022.

## 4.3 Talent Learning and Development

### Employee Training and Development

Sysgration is committed to nurturing the talent development, allowing employees to grow together with the Company. To improve the professional competence, Sysgration arranges training courses for different job functions and job levels, which include process management improvement, quality management and assurance, production operation, inventory purchases and other project requirements. In addition to internal educational training, the Company further provides subsidies to external courses to encourage employees to pursuing continue education and improving professional competence. In 2021, 458 attendance and 13,416 hours in total as well as 24.35 hours in average per person were reached for the educational training.





In 2021, Sysgration started promoting the Corporate Charging Program in Taiwan. Focusing on corporate governance, innovative research and development and environmental sustainability, two sessions of activities were organized per month to promote intergenerational exchange of knowledge and experience, thereby improving the technical and management competence of employees, strengthening the internal ESG governance and operation performance of the Company, helping the Company heading toward the vision of carbon neutrality. In 2021, the participation rate among the employees reached 98% and feedback was positive. In the future, the Company will continue to promote such activities in other plant sites.

To ensure the educational trainings are effective, Sysgration occasionally distributes satisfaction survey, and measures the synergy based on the 8 main aspects, including hour arrangement, event planning, time management, instructor teaching skills, event venue and equipment, adaptability for different learning styles, interaction among trainees, practicality of the contents. The feedback of satisfaction survey is provided to the course instructors and general supervisors of the Company for personal reference and for the improvement of subsequent courses planned by the Human Resource Department. Since 2020, the educational training unit of Nankang Plant has implemented the Talent Quality-management System (TTQS). By increasing the competency of the training personnel, we continue to improve our training quality and effectiveness.



TTQS Training Quality System certification received by Nankang Plant

| Course                                      | Target Audience  | Duration | Total number of attendances |
|---|--|----------|-----------------------------|
| Six Sigma quality process improvement       | R&D, Sales, and Project Managers                           | 12       | 192                         |
| Quality management and assurance            | Personnel assigned for training according to job functions | 18       | 21                          |
| Production operation and inventory purchase | Personnel assigned for training according to job functions | 30       | 46                          |
| Electrostatic protection (ESD)              | R&D and Project Managers                                   | 6        | 7                           |
| Statistics                                  | R&D, Sales, and Project Managers                           | 2        | 9                           |

● Taipei Headquarters and Nankang Plant

| Age / Gender                                    | <30 (years old) |        | 30-50 (years old) |        | >50 (years old) |        | Total  |
|---|-----------------|--------|-------------------|--------|-----------------|--------|--------|
|   | Male            | Female | Male              | Female | Male            | Female |        |
| Total number of training hours (hours)          | 202             | 540    | 6,203             | 2,675  | 1,694           | 675    | 11,989 |
| Total number of employees                       | 26              | 44     | 96                | 109    | 37              | 30     | 342    |
| Average training hours of each employee (hours) | 7.77            | 12.27  | 64.61             | 24.54  | 45.78           | 22.50  | 35.06  |

● Zhenjiang Plant and Huizhou Plant in Mainland China

| Age / Gender                                    | <30 (years old) |        | 30-50 (years old) |        | >50 (years old) |        | Total |
|---|-----------------|--------|-------------------|--------|-----------------|--------|-------|
|   | Male            | Female | Male              | Female | Male            | Female |       |
| Total number of training hours (hours)          | 307             | 371    | 340               | 291    | 59              | 59     | 1,427 |
| Total number of employees                       | 38              | 29     | 48                | 88     | 4               | 2      | 209   |
| Average training hours of each employee (hours) | 8.08            | 12.79  | 7.08              | 3.31   | 14.75           | 29.50  | 6.83  |



## 4.4 Talent Management Communication and Salary Guarantee

### ◆ Labor-Management Communication

Sysgration provides various feedback channels to properly managed employees' comments, including labor-management meeting, communication management procedure and complaint mailbox (opinion@sysgration.com). Environmental safety and health issues can be raised in the Occupational Safety and Health Committee or through the environmental safety and health communication management procedure. Please refer to 4.5 Occupational Health and Safety - Occupational Health and Safety Management for details. In 2021, a total of four sessions of labor-management meetings and four sessions of Occupational Safety and Health Committee meetings were convened.


To protect employee rights, according to the regulations of the Labor Standards Act, the Company shall inform its employee and labor representatives in advance before executing major operational changes that may adversely affect the rights and interests of employees. The minimum number of days of early notice is described in the following:

|   |         |
|---|---------|
| Employees who have been in employment for more than three months but less than one year | 10 days |
| Employees who have been in employment for more than one year but less than three years  | 20 days |
| Employees who have been in employment for more than three years                         | 30 days |

### ◆ Performance Management System


The performance evaluation system is the core of talent management in the Company. Sysgration implements the performance evaluation procedures on all employees. As the basis of job promotion, salary adjustment, remuneration and talent development, the evaluation is conducted once every quarter for employees, supervisors, managers, and new hires and once every 6 months for direct personnel. The performance management items for indirect personnel include individual KPI, personal qualities, project performance outcomes, and reward and punishment. Meanwhile, direct personnel are evaluated based on the job quality and efficiency, competence, discipline, teamwork, and attendance. For the new hires, the department supervisor conducts performance interview and evaluation before the probation period ends. For any individual failing to qualify the performance evaluation, the Company may terminate the employment contract according to relevant labor laws and regulations or may extend the probation period based on the consents of both parties.

▶ Every year, each employee devises the individual annual plan based on the KPI indicators of his/her job level and the predefined goals



**Annual Plan**

▶ The employee being evaluated fills out the performance evaluation form in accordance with his/her annual plan and submits the form to his/her direct supervisor for approval



**Employee Self-Evaluation**

▶ For the initial evaluation, after the supervisor performs an impartial evaluation on each evaluation item, the result is submitted to the superior supervisor for approval

▶ If superior supervisor is available, the initial evaluation supervisor shall submit the initial evaluation to the superior supervisor for further review

**Supervisor Evaluation**

Since the performance of employees is directly related to the performance of the Company, Sysgration has established an internal management procedure regarding operation bonus and sales bonus. Sales bonus is issued monthly according to the rules when any sales personnel achieve the plan or goal approved by their supervisors. Similarly, when the business unit reaches or exceeds the operational goal and when there is surplus earning, the Company appropriates a fixed proportion of the earning to the business unit according to the rules to issue operation bonus to relevant outstanding employees. The operation bonus is issued quarterly by the job performance of each employee, with 80% provided to the outstanding employees of the business unit and 20% provided to the outstanding employees of the support unit. For the employees receiving sales bonus, the operation bonus is not issued repetitively.

In 2021, 519 employees have completed the performance evaluation, which was 100% completion of the performance evaluation in the Company.

### ● Taipei Headquarters and Nankang Plant

| Type / Gender  | Male   |   | Female   |   | Total  |   |
|----------------|--|---|--|---|--|---|
|                | Number of employees receiving performance evaluation | Number of employees required for performance evaluation | Number of employees receiving performance evaluation | Number of employees required for performance evaluation | Number of employees receiving performance evaluation | Number of employees required for performance evaluation |
| Management     | 64   | 64  | 19   | 19  | 83   | 83  |
| Non-Management | 80   | 80  | 147  | 147   | 227  | 227   |
| Total          | 144  | 144   | 166  | 166   | 310  | 310   |

### ● Zhenjiang Plant and Huizhou Plant in Mainland China

| Type / Gender  | Male   |   | Female   |   | Total  |   |
|----------------|--|---|--|---|--|---|
|                | Number of employees receiving performance evaluation | Number of employees required for performance evaluation | Number of employees receiving performance evaluation | Number of employees required for performance evaluation | Number of employees receiving performance evaluation | Number of employees required for performance evaluation |
| Management     | 6  | 6   | 1  | 1   | 7  | 7   |
| Non-Management | 84   | 84  | 118  | 118   | 202  | 202   |
| Total          | 90   | 90  | 119  | 119   | 209  | 209   |

## ◆ Remuneration Policy

Sysgration offers competitive salary packages to employees. The remuneration of general employees complies with the "Salary Operation Management Regulations" and is comprehensively determined based on education background and job experience, professional knowledge and skills, professional seniority, and personal performance. In addition to the fixed monthly salary, the Company has also established various bonuses, such as holiday bonus, patent reward incentive, operation bonus, and sales bonus, to encourage employees to expand the scope of job duty with outstanding performance, further improving the Company's business performance. Depending on the job duty needs, the Company issues overseas allowance, job transfer allowance for job transfer, allowance for special technical works, overtime allowance, and work shift allowance, etc. The remuneration of directors and managerial officers is evaluated by the Remuneration Committee. Remuneration is determined by the salary level of each job position in the job market, the scope of the job duty for the job position in the Company, individual contribution to the operational goal of the Company, and other behavioral indicators.

In addition, Sysgration adopts measures to prevent any salary difference due to gender or nationality. In the last three years, the difference in ratio of basic salary of women to men for management and non-management positions continues to decrease.

### ● Gender Pay Gaps by Pay Grade based on Annual Salary

| Region  | Year                       | 2019 |        | 2020 |        | 2021 |        |
|---|----------------------------|------|--------|------|--------|------|--------|
|   | Job position type          | Male | Female | Male | Female | Male | Female |
| Taipei Headquarters and Nankang Plant               | Management <sup>Note</sup> | 1    | 0.24   | 1    | 0.21   | 1    | 0.24   |
|   | Non-Management             | 1    | 0.94   | 1    | 1.03   | 1    | 1.27   |
| Zhenjiang Plant and Huizhou Plant in Mainland China | Management                 | 1    | 0      | 1    | 0      | 1    | 0.03   |
|   | Non-Management             | 1    | 1      | 1    | 1.16   | 1    | 1.18   |

Note: The definition of management here refers to an employee above the rank of Assistant Manager

## 4.5 Occupational Health and Safety

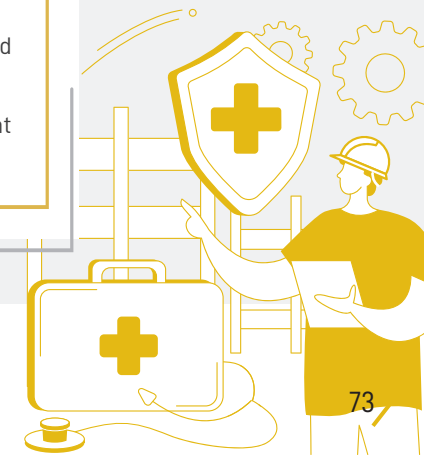
### Occupational Safety and Health Management

Providing with employees a safe working environment is the basic commitment of Sysgration. We comply with the ISO 45001 management system regulations and follow the principle of P-D-C-A (Plan-Do-Check-Act) of the occupational safety and health management system to establish a prevention-oriented management system and put into occupational safety and health management into effect.

All plant sites of Sysgration have obtained the ISO 45001:2018 occupational safety and health management system certification, including Nankang Plant in Taiwan, and Huizhou Plant and Zhengjiang Plant in Mainland China. Each plant site employs safety and health personnel to oversee occupational safety and health management and audit execution. Each plant site is equipped with a Safety and Health Management Office as the responsible department for occupational safety and health affairs.

The Occupational Safety and Health Committee is formed by supervisors of all departments, labor representatives and engineering and technical personnel, with meeting convened once every quarter. The attendees include the chairperson, executive secretary, safety health personnel, engineering and technical personnel, and medical personnel providing employee health service. Supervisors of all departments attend the meeting according to the topic of each quarterly meeting. The elected labor representatives account for more than one third of all committee members. The matters handled by the committee include:

1. Propose recommendations to occupational safety and health policy established by the employer.
2. Coordinate and recommend occupational safety and health management plan.
3. Review safety and health education and training plan.
4. Review operating environment monitoring plan, monitor the results, and adopted measures.
5. Review health management, occupational disease prevention and health promotion matters.
6. Review various safety and health proposals.
7. Review autonomous inspection and safety and health audit matters.
8. Review hazard preventive measures for machineries, equipment, raw materials, and materials.
9. Review occupational accident investigation report.
10. Evaluate field safety and health management performance.
11. Review safety and health management matters of contracted works.
12. Other relevant occupational safety and health management matters.



## Occupational Accident Prevention Management

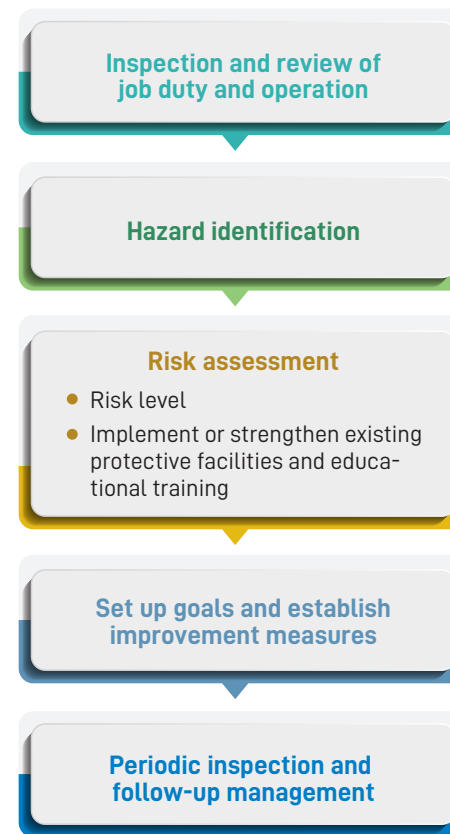
To effectively prevent the occurrence of work-related accidents, Sysgration has established the "Hazard Identification and Risk Assessment Management Procedure." The safety and health management personnel perform occasional field inspection of the workplace with respect to the risk of operational hazard in the performance of their job duty and provide recommendations and improvement measures on workplace hazardous factors to each unit.

For the organic solvent cleaning and wiping operation in the plant, to prevent the health hazard caused by inhalation of gas or smoke generated by organic solvent, the Company requires employees to wear activated carbon masks and monitors if the hazardous gases are within acceptable concentration at the operating environment.

While identifying the safety and health hazards, it is necessary to include the external hazard that may affect the safety and health of personnel in workplace that is under the control of the Company. "The Hazard Identification and Risk Assessment Form" shall record the information of the name of the operation, operation details, operation condition, type of hazard, possible consequence, and adopted protective measures, etc., which collectively determine the severity and probability of the risk and the risk control measures are taken accordingly. Acceptable and unacceptable risks are classified before reported to the Occupational Safety and Health Committee.

The Occupational Safety and Health Committee proposes improvement recommendations and measures for unacceptable risk operations and requires all unit supervisors to make corrections within the prescribed period. After the correction is completed, the unit supervisor should report to the occupational safety personnel for examination. The responsibilities of occupational safety personnel are to promote relevant education and training, enhance existing protective measures, establish annual risk indicator for each operation and classify risk levels along with supervisors of each unit, establishing risk control measures and implementing periodic inspection and follow-up.

The occupational safety personnel patrol daily, communicate with employees frequently, and collect employee comments for discussion during Occupational Safety and Health Committee meeting, thereby promoting all employees to participate in the occupational safety and health activities.

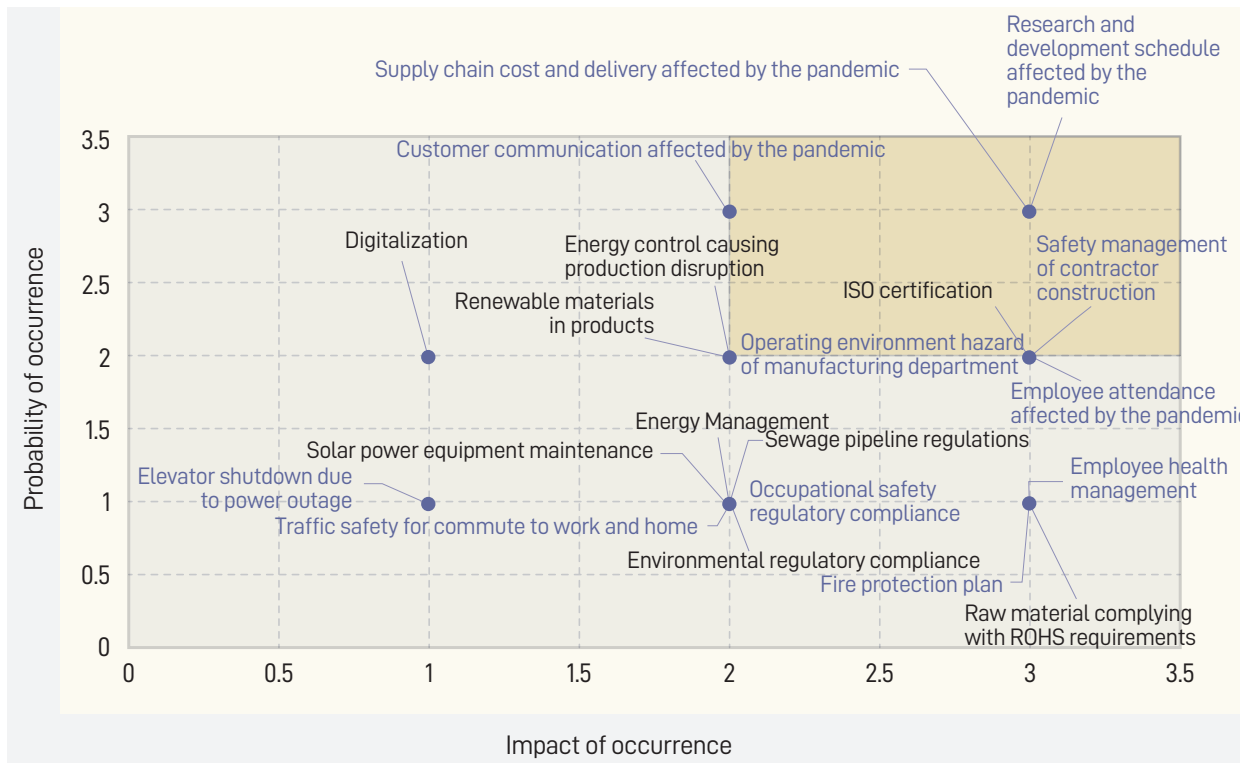


| Risk Level | Risk Rating          | Risk Type                   | Countermeasure   |
|------------|----------------------|-----------------------------|--|
| 5          | Extremely high risk  | Unacceptable risk           | Immediately review the completeness of current protective measures, and promptly conduct engineering and management improvement plans, and perform operation control or enhance response capabilities  |
| 4          | High risk            | Unacceptable risk           | Immediately review the completeness of current protective measures, and promptly conduct engineering and management improvement plans before the reasonable prescribed deadline, and perform operation management or enhance response capabilities   |
| 3          | Medium and high risk | Temporarily acceptable risk | Resolve items to be improved in the risk assessment meeting. Review the completeness of current protective measures, and perform engineering and management improvement plans before the reasonable prescribed deadline, and perform operation management or enhance response capabilities |
| 2          | Medium risk          | Temporarily acceptable risk | Shall implement or strengthen the maintenance of current protective measures, supervise the audit procedures, educational trainings and other monitoring systems.  |
| 1          | Low risk             | Acceptable risk             |  |



Sysgration isolates the issue of environmental and occupational safety and health to perform risk assessment. The Company listed 20 issues in relation to the internal and external situation of the organization and issues concerned by the stakeholders. Among the 20 issues listed, 11 issues are related to occupational safety and health, including traffic safety of employees commuting to work and home, elevator shutdown due to power outage, fire protection plan, employee health management, operating environment hazard of manufacturing department, safety management of contractor construction, occupational safety regulatory compliance, employee attendance affected by the pandemic, research and development schedule affected by the pandemic, supply chain cost and delivery affected by the pandemic, and customer communication affected by the pandemic. Five levels were classified according to the risk impact level and probability of occurrence. Through the evaluation of the completeness, effectiveness of the protective measures, and the occurrence of accidents during field works, 9 high risk environmental and occupational safety and health items were identified: research and development schedule affected by the pandemic, supply chain cost and delivery affected by the pandemic, customer communication affected by the pandemic, employee attendance affected by the pandemic, safety management of contractor construction, operating environment hazard of manufacturing department, ISO certification, energy control causing production disruption, and renewable materials in products. For the pandemic measures of Sysgration, please refer to the column of "Response to COVID-19 Pandemic" for details.

● Environmental and Occupational Safety and Health Risk Assessment Matrix



The Company periodically inspects the operating environment and identifies the high-risk operating areas, including laboratory, air compressor machine room, and surrounding environment of substation, where environmental noise and working frequency and electric field may cause irreversible harm to human bodies. Accordingly, the Company installed shock absorption and noise reduction facilities, sealed and isolated related equipment, requested construction personnel to wear protective earmuffs, and installed metal shield on distribution panel to prevent leakage of electromagnetic radiation, with aims to reduce the impact of noise and electromagnetic radiation on the construction personnel. For employees of special hazardous operations, the Company provides health examination for on-the-job employees in employment of over 1 year to monitor their physical health. The on-site medical personnel also classify health examination reports to provide appropriate health care and guidelines according to the risk levels.

In addition to the hazard identification and risk assessment, Sysgration has also established the "Accident Investigation and Handling Operation Procedure," while Huizhou Plant established the "Occupational Disease Hazard Emergency Rescue and Management System," in order to specify emergency handling process for personal injury, poisoning, scalding and special equipment accidents, and regulate the response measures for relevant incidents encountered by personnel at the plant site units, thereby preventing the hazard expansion and reducing the impacts. In 2021, Sysgration had no occurrences of occupational injuries and diseases.

| Item  | Employees |                | Non-employee Workers | Group Total |
|---|-----------|----------------|----------------------|-------------|
|   | Taiwan    | Mainland China |                      |             |
| Total number of working hours experienced (hours) <sup>(Note 1)</sup> | 658,656   | 306,168        | 3,400                | 968,224     |
| Number of general occupational injuries (cases) <sup>(Note 2)</sup>   | 0         | 0              | 0                    | 0           |
| Number of severe occupational injuries (cases) <sup>(Note 3)</sup>    | 0         | 0              | 0                    | 0           |
| Number of deaths (cases)  | 0         | 0              | 0                    | 0           |
| Total number of occupational injuries recorded (b+c+d) (cases)        | 0         | 0              | 0                    | 0           |
| Death rate caused by occupational injuries (%) <sup>(Note 4)</sup>    | 0         | 0              | 0                    | 0           |
| Percentage of severe occupational injuries (%) <sup>(Note 5)</sup>    | 0         | 0              | 0                    | 0           |
| Percentage of occupational injury recorded (%) <sup>(Note 6)</sup>    | 0         | 0              | 0                    | 0           |

Note:

- Total number of working hours experienced refers to the sum of the working hours actually experienced by all people, including employees and workers, up to the date of December 31, 2021.
- General occupational injuries: refers to the injury with number of working days lost within 180 days.
- Severe occupational injuries: refers to the injury with number of working days lost greater than or equal to 180 days.
- Death rate caused by occupational injuries = Number of deaths\*1,000,000/Total number of working hours experienced.
- Rate of severe occupational injuries = Number of severe occupational injuries\*1,000,000/Total number of working hours experienced.
- Total number of occupational injury cases recorded\*1,000,000/Total number of working hours experienced, referring to the Disability Injury Frequency (FR) defined by the Ministry of Labor.

In 2021, the hazardous factor identified through risk assessment was the X-ray machine operation, and there were five relevant operators in the current year. To prevent health hazards of employees in the performance of their duty, the Company periodically arranges special health examination for personnel engaging in special operations and ensures that there is no hazardous risk during the operation.

To provide employees with a safe operating environment, the Company periodically inspects the X-ray machine to ensure that there is no radiation leakage in the environment. In the operating environment monitoring plan, both physical factors and chemical factors are monitored. The result indicates that the hazardous factors are below the acceptable concentration in the reporting period. Sysgration has also obtained the ISO 14001 and IECQ QC080000 certifications, ensuring that the production process is performed in a hazardous-free operating environment and complies with the Restriction of Hazardous Substances (RoHS) standard.

| Prevention or Mitigation of Occupational Safety and Health Impacts | The Company's Measures  |
|--|---|
| Occupational disease prevention                                    | <ol style="list-style-type: none"> <li>1.Establish the "Occupational Disease Control Management System"</li> <li>2.Conduct hazard identification and risk management process, inspect operating environment, establish high risk area management plan, and identify unacceptable risk</li> <li>3.Implement employee health examination annually; Nankang Plant organizes X-ray special health examination. For plant sites in Mainland China, physical examinations are arranged for different job positions according to the type of hazard that employees are exposed to; for example, Zhengjiang Plant implements hearing test, while Huizhou Plant organizes health examination for hazardous chemicals, high voltage, and X-ray, etc.</li> </ol> |
| Occupational safety of personnel engaging in special operations    | <ol style="list-style-type: none"> <li>1.Implement health examination for special hazardous operation annually</li> <li>2.Perform periodic inspection on instruments and equipment</li> <li>3.Implement operating environment safety management</li> </ol>  |
| Preparation of protective equipment                                | Provide and distribute protective equipment such as protective earmuffs, safety steel-toe shoes, labor protection shoes, insulation bracelet, etc.  |
| Supervision and educational training                               | Perform daily plant site inspection patrol, and organize educational training periodically  |

## Occupational Health Service

Sysgration provides routine health examination to employees every year. In 2021, a total of 222 employees participated in routine health examination. The Company further provided pulmonary function special health examination to 12 personnel engaged in special operations, which accounted for 2.2% of all employees. The Company puts emphasis on the safety and health of employees and has signed contract with Pojen General Hospital to provide health examination interview every two weeks, and provide employees with on-site health consultation and healthcare service by professional physician quarterly. Health education seminars are organized, and health management knowledge and relevant precautions are publicized through emails and bulletin boards, thereby improving employees' healthcare knowledge and skills.

To prevent ergonomic damages of work-related musculoskeletal injuries and diseases of all employees due to repetitive operation, improper operation posture, or improper working time management, Sysgration has established the ergonomic hazard prevention plan according to the Occupational Safety and Health Act. For personnel performing office administrative works, factory operators and drivers, the Company has conducted musculoskeletal symptom investigation respectively, in order to provide relevant health management recommendations and to implement subsequent ergonomic improvement follow-up. Up to 2021, there were a cumulative total of 21 employees reporting to have or suspected to have musculoskeletal related hazards.

In 2021, the COVID-19 pandemic broke out in Taiwan. Sysgration adopted relevant pandemic control measures such as providing alcohol, masks, and test kits to employees for use, periodically sent out pandemic control related operation instructions, in order to actively care for employees about vaccination status and bodily discomfort conditions if any, and to remind employees to be aware of personal health management. To reduce the risk of group infection, the Company distributed pandemic control survey form daily to employees to be in control of employees' health condition. Control on the workplace was implemented according to different pandemic levels. All employees are required to wear masks and measure body temperature during business hours. Split operation and distributed areas and floors for office works were implemented during this period. All visitors and suppliers or contractors are required to present a negative PCR test proof during the Level 3 alert before entering the office area or plant site.

### Physician and nurse on-site service

Contracted physician and nurse proceed to the Company to provide on-site service, and employee health consultation



Nurse: 4 times/month ; Physician: 4 times/year

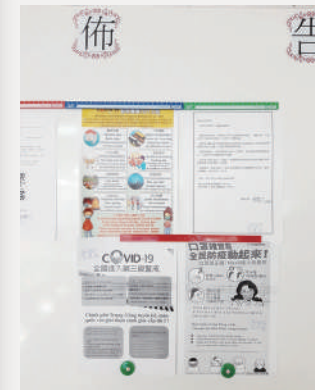
### Maternity protection



Establish breastfeeding room, and arrange pregnant female employees and breastfeeding employees to have on-site interviews with a nurse

When in need

### Health information announcement



Share health management information through emails and bulletin boards

Once a month

## Response to COVID-19 Pandemic

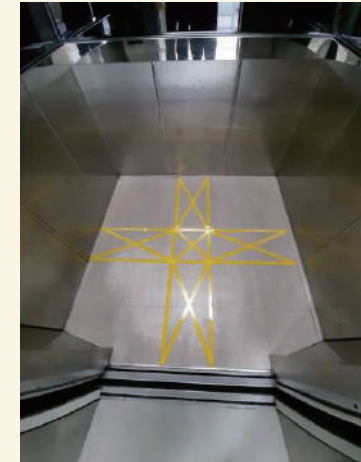
In mid-2021, the COVID-19 pandemic broke out in Taiwan. During such period, Sysgration immediately established the Pandemic Control Task Force. Under the Task Force, the Company further established the Employee Health Status Survey Team, Plant Site Sterilization Team, Pandemic Information Promotion and Education Team, and Protection Supply Preparation Team, in order to properly allocate responsibilities and coordinate the pandemic control work of the Company.

For Nankang Plant, closed access management and diversion of people and vehicles were implemented. For on-the-job employees, health condition survey forms were collected weekly, and new employees and dispatched workers were requested to fill out the COVID-19 pandemic control survey form. All employees are required to complete the training of COVID-19 special protection safety knowledge. The Company also adopted necessary quarantine for any notified or confirmed individuals. In terms of the purchase management, in addition to the early purchase of pandemic control supplies of alcohol, sodium hypochlorite, sterilized water, medical masks, and disposal gloves, etc., the Company also contacted raw material suppliers early to cope with the delay of material arrival time due to the pandemic. Suppliers were further requested to perform sterilization before packaging and shipping, thereby reducing the possibility of spread of virus due to the materials transportation.

Regarding the administrative management, the Company consistently implemented thorough cleaning operation on a daily basis for the workplace, foreign employee dormitory, and public areas of the employee cafeteria, lobby, meeting rooms, stairs and aisles, elevators and toilets, etc. The production area floor, changing room and office space of the plant site were sterilized daily after work. In addition, all large meetings, gatherings, visits, trainings, and unnecessary business trip activities of the Company were suspended or canceled. Video conference, telephone or email were used for communication as much as possible.



Migrant worker dormitories were provided with 75% alcohol and sterilized water at fixed spots



Elevator floor indicated with grids to maintain social distancing



Production area floor sterilized daily



Plant site sterilized daily



## Occupational Safety and Health Training and Management

In addition to performing annual ISO 45001 audit, routine safety, and health audit, and communicating relevant matters through emails and bulletin boards, Sysgration also organized a total of 13 sessions of occupational safety and health training in 2021, and a total of 1,139 attendances were reached for the training.



Annual fire drill at the plant site in Mainland China



Annual fire drill in Taiwan



Emergency medical personnel re-training



Fire safety educational announcement

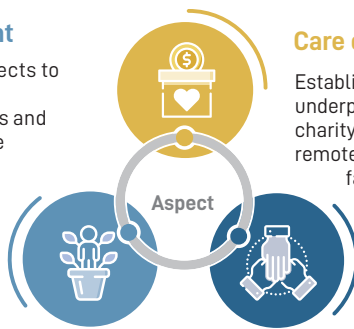
## 4.6 Social Participation

Sysgration actively participates in social care and continues to pay attention on local community development. Based on the philosophy of "Taken from the community, giving back to society," Sysgration is committed to making contribution to the society through the three main aspects of industry-academia collaboration, charity donation and emergency aid. In 2021, Sysgration donated NT\$200,000 to the New Taipei City Rhyme-Cai Charity for public welfare aid, and donated NT\$400,000 to National Taipei University of Technology and National Taiwan Sport University to support promising students and renewable energy facility at the campus. In 2022, the Company plans to establish the Sysgration Foundation to devise and implement the directives related to three main aspects of care of disadvantaged, talent development and emergency aid, while integrating with the Company's products.

### Future Planning of Sysgration Foundation

#### Talent development

- Establish specific projects to sponsor schools, local organizations or groups and individuals that require support
- Establish special achievement award to encourage personnel making special contribution to the country and society



#### Care of disadvantaged

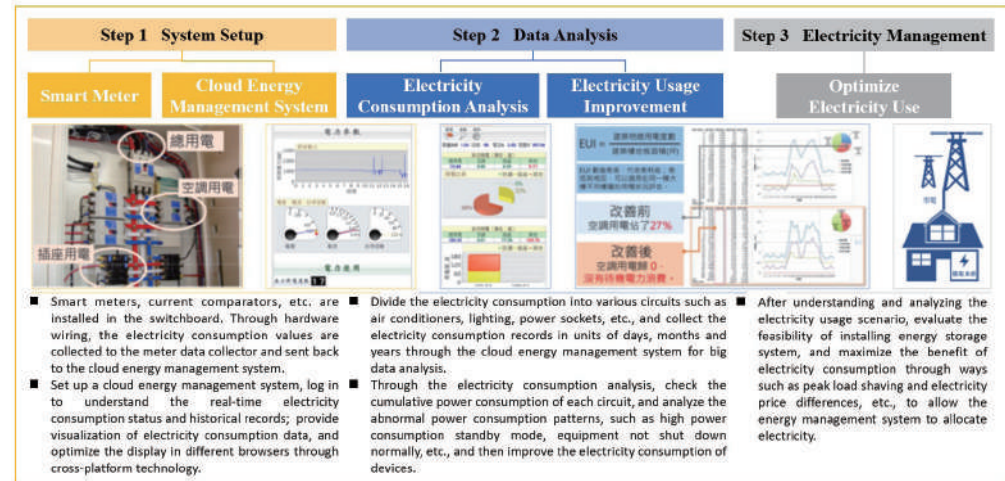
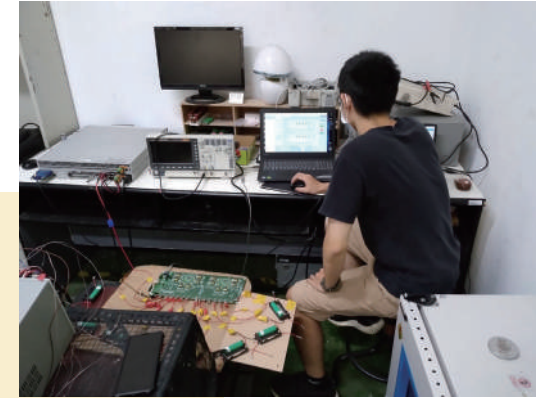
Establish scholarships for underprivileged students and charity fund, in order to support remote and disadvantaged families and students

#### Emergency aid

- Establish emergency aid fund for emergency response in natural disasters or man-made major accidents
- Encourage employees to participate in community services, and give back to villages and communities
- Integrate company's products to support rescue service in remote areas: provide electric vehicles and movable energy storage equipment for power support in remote police stations, fire departments, hospitals, and schools, etc.

## Industry and Academia Collaboration

Since 2019, Sysgration has engaged in industry-academia collaboration with numerous universities to develop and improve key technologies of battery products, energy storage systems and tire pressure devices. In 2021, Sysgration collaborated with National Taipei University of Technology, Lunghwa University of Science and Technology and Jiangsu Chunlan Clean Energy Academy to perform technical experiments and conduct periodic feedback discussion with the schools in terms of the latest technologies and industrial trends. Report was provided every two weeks or during the monthly progress review meeting. In 2021, Sysgration further provided internship opportunities for 3 students from the Department of Vehicle Engineering of National Taipei University of Technology, in the hope of reducing the gap between academic study and industrial practices and increasing the students' knowledge on energy storage industry.



2021 R&D Outcome of Industry-Academia Collaboration with Lunghwa University of Science and Technology

|      | Institution                                  | R&D Outcome  | Future Planning  |
|------|--|--|--|
| 2021 | National Taipei University of Technology     | Developed smart charging technology platform and lithium battery balance technology  | Transform project outcome into mass-production products  |
|      | Jiangsu Chunlan Clean Energy Academy         | Completed high performance UPS lithium battery module development, and obtained the international safety standard certification  | Extend the project outcome to large energy storage architecture, and obtain the international safety standard certification for the system level |
|      | Lunghwa University of Science and Technology | Established corporate headquarters smart electric meter deployment and electricity analysis platform to perform Taiwan electric power storage market user scenario analysis                              | Plan the autonomous development of energy management system (EMS) platform   |
| 2020 | Jiangsu University                           | Completed key technology development of the anti-burning lithium battery energy storage system made for large energy storage power station, and received the international safety standard certification | Expand the research outcome to whole series of applications, and add the blocking strategic safety design to existing model                      |
| 2019 | Jiangsu University of Science and Technology | Assisted the company in technology development process management  | Obtain the qualification for local technology research and development center  |
|      | Nanchang University                          | Developed highly reliable built-in tire pressure monitoring system (TPMS), which not only reduces product power consumption but increases anti-interference and precision                                |  |



National Taipei University of Technology and Sysgration team convened industry-academia collaboration meeting



Booth jointly set up by teachers and students of Lunghwa University of Science and Technology and Sysgration team at Taiwan International Smart Energy Week Exhibition at the end of 2021

## Emergency Aid

Sysgration cares the local community development. In 2021, the Company participated in Share Love and Care event held by Taiwanese Chambers of Commerce, and donated rice, oil, and quilt to provide charity support. In addition, the Company also participated in the kindergarten construction located at Dongsheng Island, Daya Bay, on the boundary between Huizhou and Shenzhen, and provide new equipment free of charge to the kindergarten. In response to the continuous impact of COVID-19 pandemic, Sysgration also provided donation and material supplies at the areas of Zhenjiang New Area, Huizhou Daya Bay Area, and Shanghai, etc. Employees of the Company also serve as volunteers to support the community pandemic control with inputs equivalent to NT\$150,000.



Cleaning and removal of old and obsolete equipment and facilities at a kindergarten in Dongsheng Island



Participation in charity event with donation of rice, oil, and quilt



## ISO Certification

| Item                                      | Plant Site      | Verification Date / Due (Effective) Date           |
|---|-----------------|--|
| ISO 9001:2015                             | Nankang Plant   | 2019.11.21 ~ 2022.12.12                            |
|   |                 | 2021.02.22 ~ 2024.02.22                            |
|   | Huizhou Plant   | 2018.12.13 ~ 2021.12.13<br>2021.12.20 ~ 2024.12.13 |
|   | Zhenjiang Plant | 2019.02.14 ~ 2022.02.13                            |
| ISO 14001:2015                            | Nankang Plant   | 2020.01.08 ~ 2023.01.07                            |
|   | Huizhou Plant   | 2019.07.17 ~ 2022.07.16                            |
|   | Zhenjiang Plant | 2020.05.28 ~ 2023.05.27                            |
| ISO 45001:2018                            | Nankang Plant   | 2020.01.08 ~ 2023.01.07                            |
|   | Huizhou Plant   | 2019.07.17 ~ 2022.07.16                            |
|   | Zhenjiang Plant | 2020.05.28 ~ 2023.05.27                            |
| IATF 16949:2016                           | Nankang Plant   | 2018.02.06 ~ 2021.02.05                            |
|   |                 | 2021.02.03 ~ 2024.02.02                            |
|   | Huizhou Plant   | 2018.09.19 ~ 2021.09.18                            |
|   |                 | 2021.10.21 ~ 2024.10.20                            |
|   | Zhenjiang Plant | 2019.02.14 ~ 2022.02.13                            |
| IECQ QC080000:2017<br>IECQ-H ARES 20.0008 | Nankang Plant   | 2020.03.06 ~ 2023.03.05                            |

## GRI Index

| GRI Standards                      | Disclosure  | Corresponding Section and Notes                 | Page        |
|------------------------------------|---|---|-------------|
| General Disclosures                |   |   |             |
| GRI 102 General Disclosures (2016) | 102-1 Name of the organization                                      | [About The Report] Contact Information          | 2           |
|                                    | 102-2 Activity, brands, products and services                       | 1.1 About Sysgration                            | 5           |
|                                    | 102-3 Location of headquarters                                      | [About The Report] Contact Information          | 2           |
|                                    | 102-4 Location of operations  | 1.1 About Sysgration                            | 7           |
|                                    | 102-5 Ownership and legal form                                      | [About The Report]                              | 2           |
|                                    | 102-6 Markets served  | 1.1 About Sysgration                            | 5           |
|                                    | 102-7 Scale of the organization                                     | 1.1 About Sysgration                            | 5           |
|                                    | 102-8 Information on employees and other workers                    | 4.1 Labor-Management Relation                   | 62-63       |
|                                    | 102-9 Supply chain  | 2.7 Supplier Sustainability Management          | 42          |
|                                    | 102-10 Significant changes to the organization and its supply chain | No major change during the reporting period     | -           |
|                                    | 102-11 Precautionary Principle or approach                          | 2.1 Corporate Governance<br>2.4 Risk Management | 29<br>34-36 |



| GRI Standards   | Disclosure  | Corresponding Section and Notes  | Page  |
|---|---|--|-------|
| GRI 102 General Disclosures (2016)                                | 102-12 External initiatives                                 | Sysgration did not sign any external initiatives during the reporting period   | -     |
|   | 102-13 Membership of associations                           | 1.1 About Sysgration   | 10    |
|   | 102-14 Statement from senior decision-maker                 | [About The Report] Message from the Chairman   | 3     |
|   | 102-16 Values, principles, standards, and norms of behavior | 2.3 Ethical Corporate Management   | 31-33 |
|   | 102-18 Governance structure                                 | 1.2 Sustainable Practices  | 12    |
|   |   | 2.1 Corporate Governance   | 24    |
|   | 102-40 List of stakeholder groups                           | 1.4 Stakeholder Engagement   | 17-18 |
|   | 102-41 Collective bargaining agreements                     | 4.4 Talent Management Communication and Salary Guarantee (Presently, Sysgration has no collective bargaining agreements) | 71    |
|   | 102-42 Identifying and selecting stakeholders               | 1.3 Materiality Analysis   | 13    |
|   | 102-43 Approach to stakeholder engagement                   | 1.4 Stakeholder Engagement   | 17-18 |
|   |   | 2.6 Customer Relationship Management   | 38-40 |
|   |   | 4.4 Talent Management Communication and Salary Guarantee   | 71    |
| 102-44 Key topics and concerns raised                             | 1.3 Materiality Analysis                                    | 15-18  |       |
| 102-45 Entities included in the consolidated financial statements | [About The Report] Release Date, Report Boundaries and Data | 2  |       |

| GRI Standards                      | Disclosure  | Corresponding Section and Notes                             | Page  |
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| GRI 102 General Disclosures (2016) | 102-46 Defining report content and topic Boundaries             | 1.3 Materiality Analysis                                    | 16    |
|                                    | 102-47 List of material topics                                  | 1.3 Materiality Analysis                                    | 15    |
|                                    | 102-48 Restatements of information                              | This is the first report issued by Sysgration               | -     |
|                                    | 102-49 Changes in reporting                                     | This is the first report issued by Sysgration               | -     |
|                                    | 102-50 Reporting period   | [About The Report] Release Date, Report Boundaries and Data | 2     |
|                                    | 102-51 Date of most recent report                               | This is the first report issued by Sysgration               | -     |
|                                    | 102-52 Reporting cycle  | [About The Report] Release Date                             | 2     |
|                                    | 102-53 Contact point for questions regarding the report         | [About The Report] Contact Information                      | 2     |
|                                    | 102-54 Claims of reporting in accordance with the GRI Standards | [About The Report]  | 2     |
|                                    | 102-55 GRI content index  | [Appendix] GRI Index  | 82-86 |
|                                    | 102-56 External assurance                                       | [About The Report] Report Assurance                         | 2     |
|                                    |   | [Appendix] Summary of Information Assured                   | 87    |
|                                    |   | [Appendix] Independent Auditor's Limited Assurance Report   | 88    |

| GRI Standards                                    | Disclosure   | Corresponding Section and Notes                                    | Page  |
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| <b>Material Topics</b>                           |  |  |       |
| <b>Ethical Corporate Management</b>              |  |  |       |
| GRI 103 Management Approach (2016)               | 103-1 Explanation of the material topic and its Boundary                       | 1.2 Sustainable Practices  | 16    |
|  | 103-2 The management approach and its components                               | 1.3 Materiality Analysis<br>2.3 Ethical Corporate Management       | 21    |
|  | 103-3 Evaluation of the management approach                                    | 2.3 Ethical Corporate Management                                   | 21    |
| GRI 205 Anti-corruption (2016)                   | 205-2 Communication and training about anti-corruption policies and procedures | 2.3 Ethical Corporate Management                                   | 31-32 |
|  | 205-3 Confirmed incidents of corruption and actions taken                      | 2.3 Ethical Corporate Management                                   | 33    |
| <b>Supply Chain Management</b>                   |  |  |       |
| GRI 103 Management Approach (2016)               | 103-1 Explanation of the material topic and its Boundary                       | 1.2 Sustainable Practices  | 16    |
|  | 103-2 The management approach and its components                               | 1.3 Materiality Analysis<br>2.7 Supplier Sustainability Management | 23    |
|  | 103-3 Evaluation of the management approach                                    | 2.7 Supplier Sustainability Management                             | 23    |
| GRI 204 Procurement Practices (2016)             | 204-1 Proportion of spending on local suppliers                                | 2.7 Supplier Sustainability Management                             | 42    |
| GRI 308 Supplier Environmental Assessment (2016) | 308-1 New suppliers that were screened using environmental criteria            | 2.7 Supplier Sustainability Management                             | 43-46 |
| GRI 414 Supplier Social Assessment (2016)        | 414-1 New suppliers that were screened using social criteria                   | 2.7 Supplier Sustainability Management                             | 43-46 |

| GRI Standards                           | Disclosure   | Corresponding Section and Notes                                  | Page  |
|---|--|--|-------|
| <b>Customer Relationship Management</b> |  |  |       |
| GRI 103 Management Approach (2016)      | 103-1 Explanation of the material topic and its Boundary   |  | 16    |
|   | 103-2 The management approach and its components   | 1.2 Sustainable Practices  | 22    |
|   | 103-3 Evaluation of the management approach  | 1.3 Materiality Analysis<br>2.6 Customer Relationship Management | 22    |
| GRI 418 Customer Privacy (2016)         | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data |  | 40-41 |
| <b>Energy Management</b>                |  |  |       |
| GRI 103 Management Approach (2016)      | 103-1 Explanation of the material topic and its Boundary   | 1.2 Sustainable Practices  | 16    |
|   | 103-2 The management approach and its components   | 1.3 Materiality Analysis<br>3.3 Energy Management                | 49    |
|   | 103-3 Evaluation of the management approach  | 3.3 Energy Management  | 49    |
| GRI 302 Energy (2016)                   | 302-1 Energy consumption within the organization   |  | 52    |
|   | 302-3 Energy intensity   | 3.3 Energy Management  | 52    |
|   | 302-4 Reduction of energy consumption  |  | 53    |
|   | 302-5 Reduction in energy requirements of products and services                                    | 3.6 Green Products   | 56-58 |
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| <b>Occupational Health and Safety</b>   |  |  |       |
| GRI 103 Management Approach (2016)      | 103-1 Explanation of the material topic and its Boundary   | 1.2 Sustainable Practices  | 16    |
|   | 103-2 The management approach and its components   | 1.3 Materiality Analysis<br>4.5 Occupational Health and Safety   | 61    |
|   | 103-3 Evaluation of the management approach  | 4.5 Occupational Health and Safety                               | 61    |

| GRI Standards                                 | Disclosure  | Corresponding Section and Notes     | Page  |
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| GRI 403 Occupational Health and Safety (2018) | 403-1 Occupational health and safety management system  | 4.5 Occupational Health and Safety  | 73    |
|   | 403-2 Hazard identification, risk assessment, and incident investigation  | 4.5 Occupational Health and Safety  | 74-76 |
|   | 403-3 Occupational health services  | 4.5 Occupational Health and Safety  | 75-76 |
|   | 403-4 Worker participation, consultation, and communication on occupational health and safety                       | 4.5 Occupational Health and Safety  | 73    |
|   | 403-5 Worker training on occupational health and safety   | 4.5 Occupational Health and Safety  | 79    |
|   | 403-6 Promotion of worker health  | 4.5 Occupational Health and Safety  | 77-78 |
|   | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 4.5 Occupational Health and Safety  | 75-76 |
|   | 403-9 Work-related injuries   | 4.5 Occupational Health and Safety  | 76    |
|   | 403-10 Work-related ill health  | No relevant events occurred in 2021 | 76    |

| GRI Standards                           | Disclosure   | Corresponding Section and Notes | Page  |
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| Other Topics                            |  |                                 |       |
| GRI 200: Economy                        |  |                                 |       |
| GRI 201 Economic Performance (2016)     | 201-1 Direct economic value generated and distributed                                | 1.1 About Sysgration            | 30    |
|   | 201-2 Financial implications and other risks and opportunities due to climate change | 3.1 Response to Climate Change  | 50    |
|   | 201-3 Defined benefit plan obligations and other retirement plans                    | 4.2 Friendly Workplace          | 67    |
|   | 201-4 Financial assistance received from government                                  | 1.1 About Sysgration            | 30    |
| GRI 300: Environment                    |  |                                 |       |
| GRI 303 Water and Effluents (2018)      | 303-3 Water withdrawal   | 3.5 Water Resource Management   | 55-56 |
| GRI 305 Emission (2016)                 | 305-1 Direct (Scope 1) GHG emissions   | 3.2 Greenhouse Gas Emissions    | 51    |
|   | 305-2 Energy indirect (Scope 2) GHG emissions  | 3.2 Greenhouse Gas Emissions    | 51    |
|   | 305-5 Reduction of GHG emissions   | 3.2 Greenhouse Gas Emissions    | 51    |
| GRI 306 Waste (2020)                    | 306-3 Waste generated  | 3.4 Waste Management            | 54    |
| GRI 307 Environmental Compliance (2016) | 307-1 Non-compliance with environmental laws and regulations                         | 2.5 Regulatory Compliance       | 37    |

| GRI Standards                                  | Disclosure   | Corresponding Section and Notes                          | Page  |
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| GRI 400: Society                               |  |  |       |
| GRI 401 Employment (2016)                      | 401-1 New employees hires and employee turnover  | 4.1 Labor-Management Relation                            | 63    |
|  | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 4.2 Friendly Workplace                                   | 65-68 |
|  | 401-3 Parental leave   | 4.2 Friendly Workplace                                   | 67    |
| GRI 404 Training and Education (2016)          | 404-1 Average hours of training per year per employee  | 4.3 Talent Learning and Development                      | 69-70 |
|  | 404-3 Percentage of employees receiving regular performance and career development reviews               | 4.4 Talent Management Communication and Salary Guarantee | 71-72 |
| GRI 405 Diversity and Equal Opportunity (2016) | 405-2 Ratio of basic salary and remuneration of women to men   | 4.4 Talent Management Communication and Salary Guarantee | 72    |
| GRI 406 Non-discrimination (2016)              | 406-1 Incidents of discrimination and corrective actions taken   | No relevant events occurred in 2021                      | -     |
| GRI 408 Child Labor (2016)                     | 408-1 Operations and suppliers at significant risk for incidents of child labor                          | No relevant events occurred in 2021                      | -     |

| GRI Standards                               | Disclosure   | Corresponding Section and Notes     | Page  |
|---|--|-------------------------------------|-------|
| GRI 409 Forced or Compulsory Labor (2016)   | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | No relevant events occurred in 2021 | -     |
| GRI 411 Rights of Indigenous Peoples (2016) | 411-1 Incidents of violations involving rights of indigenous peoples                           | No relevant events occurred in 2021 | -     |
| GRI 412 Human Rights Assessment (2016)      | 412-1 Operations that have been subject to human rights reviews or impact assessments          | 4.1 Labor-Management Relation       | 64    |
|   | 412-2 Employee training on human rights policies or procedures                                 | 4.1 Labor-Management Relation       | 64    |
| GRI 413 Local Communities (2016)            | 413-1 Operations with local community engagement, impact assessments, and development programs | 4.6 Social Participation            | 80-81 |
| GRI 419 Socioeconomic Compliance (2016)     | 419-1 Non-compliance with laws and regulations in the social and economic area                 | 2.5 Regulatory Compliance           | 37    |



## Summary of Information Assured

| # | Assured Item   | Criteria  | Page |
|---|--|---|------|
| 1 | Customer satisfaction score in 2021 was 89.8.  | Average score in the customer satisfaction questionnaire in 2021.   | 39   |
| 2 | In 2021, 100% of Sysgration's new suppliers signed "Supplier Corporate Social Responsibility and Environmental Code of Conduct". | All new suppliers in 2021 which signed the commitment / The number of new suppliers in 2021.  | 44   |
| 3 | Total energy consumption in 2021 was 14,453.80 Gigajoule (GJ).   | The energy consumption was calculated based on the electric utility company's receipts and gas station's invoices. The information covered in the previous information included the Taipei Headquarters, Nankang Plant, Zhenjiang Plant and Huizhou Plant. If the operating base has a co-leased area, it will be shared proportionally with the other tenants. | 52   |
| 4 | Total water consumption in 2021 was 18,327 metric tons.  | The water consumption in 2021 was calculated based on the water bill issued by the water utility company. The information covered in the previous information included the Taipei Headquarters, Nankang Plant, Zhenjiang Plant and Huizhou Plant. If the operating base has a co-leased area, it will be shared proportionally with the other tenants.          | 55   |
| 5 | Proportion of female executives for 2021 was 23.7%.  | According to the HR system's information as of 2021/12/31 :<br><br>The proportion of female employees in supervisory positions was calculated by dividing the number of female employees in supervisory positions by the total number of supervisors<br><br>** Supervisor grade refers to assistant manager level (inclusive) or above                          | 67   |

# Independent Auditor's Limited Assurance Report

## Independent Limited Assurance Report

### To SYSGRATION LTD.

We have been engaged by SYSGRATION LTD. (the "Company") to perform assurance procedures on the sustainability performance information identified by the Company and reported in the 2021 Sustainability Report, and have issued a limited assurance report based on the result of our work performed.

### Subject Matter Information and Applicable Criteria

The sustainability performance information identified by the Company (hereinafter referred to as the "Subject Matter Information") and the respective applicable criteria are stated in the "Summary of Information Assured" on page 87 of the Sustainability Report. The scope of the aforementioned Subject Matter Information is set out in the "Report Boundaries and Data" on page 2 of the Sustainability Report.

### Management's Responsibilities

The Management of the Company is responsible for the preparation of the sustainability performance information disclosed in the Sustainability Report in accordance with the respective applicable criteria, and for such internal control as management determines is necessary to enable the preparation of the sustainability performance information that is free from material misstatement, whether due to fraud or error.

### Our Responsibilities

We conducted our assurance work on the Subject Matter Information disclosed in the Sustainability Report in accordance with the Statement of Assurance Engagements Standards No. 1, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" in the Republic of China, to identify whether any amendment is required of the Subject Matter Information to be prepared, in all material respects, in accordance with the respective applicable criteria, and issue a limited assurance report.

We conducted our assurance work in accordance with the aforementioned standards including identifying the areas where there may be risks of material misstatement of the Subject Matter Information, and designing and performing procedures to address the identified areas. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

The extent of the assurance work we performed were based on the identified risk areas and determined materiality, and given the circumstances of the engagement, we designed and performed the following procedures:

- Made inquiries of the persons responsible for the Subject Matter Information to understand the processes, information systems and the relevant internal controls relating to the preparation of the aforementioned information to identify the areas where there may be risks of material misstatement; and
- Based on the above understanding and the areas identified, performed analytical procedures on the Subject Matter Information and performed selective testing including inquiry, observation, and inspection to obtain evidence for limited assurance.

We do not provide any assurance on the Sustainability Report as a whole or on the design or operating effectiveness of the relevant internal controls. Our assurance does not extend to information in respect of earlier periods.

### Compliance of Independence and Quality Control Requirement

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Statement of Auditing Standard No. 46, "Quality Control for Public Accounting Firms" in the Republic of China and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Inherent Limitations

Certain Subject Matter Information involves non-financial data which is subject to more inherent limitations than financial data. Qualitative interpretations of the relevance, materiality and the accuracy of data are subject to individual assumptions and judgments.

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, we are not aware of any amendment that is required of Subject Matter Information to be prepared, in all material respects, in accordance with the respective applicable criteria."

**Other Matter**

The Management of the Company is responsible for maintaining the Company's website. If the Subject Matter Information or the applicable criteria are modified after this limited assurance report is issued, we are not obliged to re-perform the assurance work.

Chih, Ping-Chiun  
For and on behalf of PricewaterhouseCoopers, Taiwan  
September 16, 2022

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For the convenience of readers and for information purpose only, the document has been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language version shall prevail.



# **SYSGRATION<sup>®</sup>** **2021**

Sustainability Report