# Dynamic 2021 • ESG Report

TON

**ICFD** 

TASK FORCE SH CUMATE-RELATED FINANC AL

ato

((•₩•,))

### Company Vision, Mission, Values, and Management Philosophy



### **Vision**

Be a PCB manufacture service provider with outstanding performance that surpasses customer expectations.

## **Mission**

Participate in customer's product development with professional technical support from early stage. Create excellent quality and fast production with intelligent manufacturing and precise manufacturing processes. Build an environmentally friendly production environment. Reduce emissions, waste, and enhance utilization of energy and resources.

## **Values**

Integrity : reliable and trustworthy Enthusiasm : mindset of responsibility, strength to take tasks upon yourself, determination to fulfill the mission. Learning : keep up with the trend and pursue innovation. Teamwork : Unconcerned with personal gains and losses, bear humiliation and burden, achieve team goals.

Business Philosophy					
Care for our	Value our	Respect our	Care for	Care for the	
team members	partners	shareholders	society	environment	

## 2021 ESG Contents Report

NE. Introduction ••••••••••••••••••••••••••••••••••••
I. About This Report ••••••••••••••••••••••••••••••••••••
II. Message from Chairman of ESG Sustainability Committee
III. 2021 Key Performance • • • • • • • • • • • • • • • • • 06
IV. Company Overview 08
V. External Environment • • • • • • • • • • • • • • • • • • •
VI. Business Model ••••••••••••••••••••••••••••••13

WO. Sustainable Performance1
I. Sustainable Development Strategy ••••••• 15
II. Corresponding United Nations Sustainable Development Goals •••••••••••••••••••••••••
III. Six Major Capitals and Value Creation Process 18
IV. Stakeholder Interaction and Management •••• 20
V. R&D and Innovation ••••••••••••• 26

I. Performance Highlights • • • • • • • • • • • • • • • • • 30
II. Energy and Climate Change Strategy • • • • • • 30
III. Greenhouse Gas Emission •••••••• 46
IV. Water Resource Management ••••••• 50
V. Waste Water/Sewage Management ••••• 52
VI. Air Pollution ••••• 54
VII. Waste Management ••••••••• 56
V. Green Product and Process ••••••••63



FOUR	. Co-prosperity in Society······	65
	I. Product Quality and Customer Service • • • • • • • • • • • • • • • • • • •	66
	II. Talent Structure and Development •••••••	73
	III. Talent Attraction and Retention ••••••••••••••••••••••••••••••••••••	75
	IV. Occupational Health and Safety · · · · · · · · · · · · · · · · · · ·	83
	V. Societal Involvement and Social Wellness ••••••••••••	91

VE. Economic Performance and Corporate Governance •••••• 93	
I. Economic Performance • • • • • • • • • • • • • • • • • • •	
II. Development of New Markets • • • • • • • • • • • • • • • • • • •	
III. Corporate Governance ••••••••••••••••••••••••••••98	
IV. Compliance ••••••••••••••••••••••••••••••••••••	
V. Ethics and Integrity ••••••	
VI. Risk Management ••••••••••••••••••••••••••••••••••••	
VII. Continuous Operational Management ••••••••••••••••••••••••••••••••••••	
VIII. Sustainable Supply Chain ••••••••••••••••••••••••••••••••••••	

VI. Ap	oendix ••••••••••••••••••••••••••••••••••••
	I. Independent Assurance Opinion Statement •••••••••••••••••117
	II. Index of Contents of Global Reporting Initiative (GRI)
	Guidelines - Core ••••••••••••••••••••••••••••••••••••
	III. Sustainability Accounting Standards Board (SASB)
	GRI Reference Table ••••••••••••••••••••••••••••••••••••



ESG Report

4



#### **ONE** | Introduction

#### I. About This Report

#### **Reporting Period**

Dynamic Electronics Co., Ltd. has been releasing its Corporate Social Responsibility Report each year since 2013. In 2020, the name has been changed to "ESG Report", with an emphasis on disclosure of information about the environment, society, and corporate governance (ESG), to address the increasing concerns of stakeholders about these issues.

This Report covers the actions and performance of Dynamic Electronics in terms of sustainable development and the implementation and achievements in terms of sustainability issues concerning important stakeholders from January 1 through December 31, 2021. For thorough descriptions, some of the contents cover action plans and their efficacy before January 1, 2021 and after December 31, 2021, too. The previous report was issued in September 2021. In the future, reports will continue to be issued on an annual basis.

#### **Boundary and Scope**

This Report is organized with a boundary covering the Taoyuan Operation Center of Dynamic Electronics Co, Ltd. and the two subsidiaries it invests in, Dynamic Electronics (Kunshan) Co, Ltd. and Dynamic Electronics (Huangshi) Co, Ltd. All three deal mainly with the production and distribution of PCBs. F inancial data in this report is taken from the financial report data certified by the CPAs (at Ernst & Young) that cover the consolidated materials of Dynamic Electronics Co, Ltd. and all of its subsidiaries.

#### **Reporting Principles**

This Report is prepared also on the basis of the International IR Framework published by the International Integrated Reporting Council and the Guidelines released by the Global Reporting Initiative (GRI). The disclosure is done on the basis of the core items. Meanwhile, this Report also takes reference from the Task Force on Climate-Related Financial Disclosures (TCFD) framework of the Financial Sustainability Board (FSB) and the guidelines of the Sustainability Accounting Standards Board (SASB).

#### **Internal and External Assurance**

#### Internal Assurance:

Contents of this Report were provided after they were finalized by the most senior supervisor at each of the responsible units. Its first draft was confirmed by members of the Core Group of the ESG Sustainability Committee before it was reviewed and finalized by the most senior official at each department, the vice president, the president, and eventually the chairman. This Report has also been audited by the Audit Office of Dynamic Electronics on the sources of non-material financial information. The audit findings answered to the contents of this Report.

#### External Assurance:

For this Report, independent verification was done by the impartial and publicly credible the British Standards Institution (BSI) according to Type I medium assurance criteria of AA1000AS and it has been confirmed to be compliant with the core items of the GRI Guidelines. Upon completion of the verification, related results were sufficiently communicated with the governance unit. For the conclusions, please refer to the Independent Assurance Statement attached to this Report.

#### **Contact Information**

Dynamic Electronics Co., Ltd. Chia-Chen Tsai, ESG Sustainability Committee Address: 6F, 50 Minquan Road, Luzhu District, Taoyuan City 33846 Telephone: 03-349 3300 ext 7107 Fax: 03-357 3300 Email: Irene\_Tsai@dynamicpcb.com Website: www.dynamicpcb.com



#### II. Message from the Chairman of the ESG Sustainability Committee

2021 marked a year full of challenges for everyone. Covid-19 has been here with us for two full years. The recurrent pandemic and the appearance of variant strains allowed no relaxation for us. Meanwhile, rare and extreme weather events continue around the world to result in serious casualties and property losses. Climate change remains a steadfast issue that shows no signs of remission and has been topping the list of risks for six consecutive years. All of them are contributing the importance of ESG as a global consensus.

This is why we need to define ourselves even more with "sustainability", taking care of profit growth and sustainable implementation to make a difference in a positive way and benefit both "the earth and the environment" and "society and mankind". To fulfill this corporate goal, first, we include sustainability as part of our Board of Directors by establishing the ESG Sustainability Committee. Under the guidance and supervision of the Board of Directors, all related departments are involved, including operations, environmental safety and health, public facilities, R&D, quality assurance, sales, supply chain management, human resources, information technology, finance, and legal affairs, among others, to define the strategic goals in each domain of ESG and to plan the action initiative on the solid ground of normalized corporate governance before



further steps are taken to adjust the directions and maximize the scope. The hope is to establish a top-down operational model and make it part of our daily operations.

First, we embarked on "governance" to ensure that we are marching forward on a defined purpose as a whole before linking the compensation for directors and senior managers to the overall corporate "environmental" and "social" performances. As far as the age and gender diversification of Board members are concerned, we involve more young people in the decision-making process so that their voices can be heard. Meanwhile, we make our people feel that they are indispensable to make the Company better in the tasks they carry out on a daily basis so that they are motivated and take on more beneficial sustainable action.

For the sake of creating a sustainable system and improving information transparency, in last year's report, we identified climate-related risks and opportunities according to the TCFD and defined the management policy and corresponding measures to address climate change. This year, we took a step further by including a complete climate change risk scenario analysis. Meanwhile, we demonstrate long-term performance and value comprehensively. This year, we also tried to prepare ESG information by the SASB Guidelines to meet the needs of stakeholders on all fronts.

We want to thank all our partners who share the same ambitions on this path to sustainability that is filled with challenges and visions. We are all connected in the web of life. Let us realize the vision of sustainability featuring governance, earth, mankind, and prosperity with the sincerest attitude a reality together.

Chairman of the Board and Chairperson of the ESG Sustainability Committee



#### III. 2021 Key Performance

The following shows the performance on key indicators over the past two years of the PCB business and the goals for the coming year and over the long term:

Key indicator	Plant	2020 Performance	2021 Goal	2021 Performance	Goal achieved?
Revenue growth rate	Group	-8.0%	22.8%	24.8%	$\odot$
EPS	Group	2.58	1.53	1.70	$\odot$
Ratio of automotive boards in revenue	Group	47%	51%	52 %	$\odot$
Operational performance growth rate**	Group	-11%	5%	51%	$\odot$
Customer satisfaction survey score	Group	7.55	7.60	9.00	$\odot$
Ratio of value of raw materials and regular	Kunshan Plant	100%	95%	98%	$\odot$
materials purchased locally	Huangshi Plant	99%	95%	99%	$\odot$
Ratio of suppliers having signed a Pledge to Not Use Hazardous Substances, complied with the	Kunshan Plant	100%	99%	100%	$\odot$
RBA Code of Conduct, the Integrity Commitment, and the Letter of Undertaking for Non-use of Conflict Minerals	Huangshi Plant	100%	99%	100%	$\odot$
Annual electricity saving rate (with 2015 as the baseline for the Kunshan Plant and 2018 for the	Kunshan Plant	-15%	-6%	-1.32%	
Huangshi Plant)	Huangshi Plant	+51%	-3%	+82.5%	$\odot$
Increase/decrease in greenhouse gas emissions	Kunshan Plant	-23%	-6%	-29.8%	$\odot$
(with 2015 as the baseline for the Kunshan Plant and 2018 for the Huangshi Plant)	Huangshi Plant	+46%	-3%	+121.9%	$\odot$
Annual water conservation rate (with 2015 as the	Kunshan Plant	-39%	-12%	-10.58%	$\odot$
baseline for the Kunshan Plant and 2018 for the Huangshi Plant)	Huangshi Plant	+48%	-6%	+90.18%	$\odot$
Percentage of water resource recycled for reuse	Kunshan Plant	30.61%	31%	20.80%	
	Huangshi Plant	33.20%	31%	35.84%	$\odot$
Safe production	Kunshan Plant	0	Zero major accidents	0	$\odot$
	Huangshi Plant	0	Zero major accidents	0	$\odot$
	Taoyuan Operation Center	22.0	21.0	18.8	$\odot$
Average number of hours of educational training provided	Kunshan Plant	18.2	19.0	19.6	$\odot$
	Huangshi Plant	16.3	19.0	17.6	$\odot$

 <sup>\*</sup> Please refer to the information available at the Market Observation Post System or the Annual Report provided during the Shareholders' Meeting.
 \*\* Operational performance = Total revenue/number of employees; growth rate = (Operational performance of the current year - Operational performance of the preceding year)/
 Operational performance of the preceding year.
 \*\*\* Starting in 2022, the goal is revised as: with 2020 as the baseline, the energy consumption density and greenhouse gas emission (by revenue) drops 4 % a year and at least 20 % by 2025.



Description	Description of countermeasures	2022 Goal	2025 Goal
The new throughput contributed by the Huangshi Plant satisfies the powerful demand on the market.		*	*
ESP TWD 2.58, including TWD 1.62 from the sale of the plant compound in Taoyuan and profits of TWD 0.96 from the mainstream business. As far as the mainstream business is concerned, the EPS has growth by 77%.		*	*
The demand from automobiles was strong in 2021, particularly in terms of electric vehicles.		57%	*
The throughput at the Huangshi Plant is gradually increasing. The enhanced process capabilities and advanced smart manufacturing are taking the Company towards positive operational performance.		5%	Fulfill the expected growth rates through automation, smart processes and manufacturing, and increased sale per unit on average.
The easing pandemic and the availability of other ways to cope with logistic issues contributed to the rebounding lead-time ratings among customers. On the other hand, electronic management of customer services is provided to allow improvements throughout the plant and to improve customer satisfaction.		9.00	9.00
The local procurement strategy of Dynamic Electronics not only helps bring down the transport cost, shorten lead-times, reduce the supply chain risk, but also supports local economic developments, creates jobs, and attracts devotion of more capital. It is an		95%	95%
important indicator of the corporate social responsibilities of Dynamic Electronics and contributes to the fulfillment of the sustainable development goals set by the United Nations.		95%	95%
Under persistent communication, suppliers are placing more and more emphasis on		100%	100%
the fulfillment of corporate social responsibilities.		100%	100%
The revenue increased by 8.1% from the baseline, which made it impossible to attain the electricity saving goal.	Prioritize purchase of energy-saving equipment; reduce the energy consumed per unit through energy conservation control over highly energy-consuming equipment.	***	***
The revenue growth (454.6% from baseline) resulted in the significant growth in electricity consumption. When looked at by the electricity consumption per unit of revenue, however, it dropped 66.33 % from baseline.	Proactive promote use of renewable energy to continue with the respective energy conservation and clean production plans.	***	***
Mainly because of the 15 % on the purchase of green electricity in the consumption structure of 2021, which brought down the emissions of CO <sub>2</sub> .		***	***
The increase in revenue resulted in a corresponding increase in greenhouse gas emissions. When calculated by the greenhouse gas emissions per unit of revenue, however, it dropped by 43.59% from baseline.	Build new photovoltaic generation projects, purchase of green electricity, repair and modification of highly energy-consuming equipment, etc.	***	***
The volume of water used at the Kunshan Plant in 2021 came to around 2.93 million tons, a decrease of 10.6 % from 2015 while the unit water consumption dropped 17.27% from 2015.	Optimized production adjustment will be made in 2022 to continue bringing down the volume of water consumed.	-14%	-20%
The revenue growth (an increase of 454.6% from baseline) resulted in the relative increase in the amount of water used. When calculated by the water consumption per unit of revenue, however, it dropped by 55.83% from baseline.	The reclaimed water for reuse system will be added to the Huangshi Plant in 2022 to increase the amount of water reused each day; it helps reduce the amount of tap water and reverse osmosis (RO) water used.	-8%	-14%
For the amount of water recycled for reuse at the Kunshan Plant in 2021, restricted by the size of the facility, despite an increase in the volume, the water reuse rate dropped as a result of the increased throughput and the corresponding increased amount of water used.	Optimize production adjustment to bring down the overall volume of water consumed and to maximize the water reuse rate.	30%	35%
Recycle and reuse effluent, recycle air-conditioning condensation, and collect rainwater for use, etc. National advanced green plant approved and honored by the Ministry of Industry and Information Technology		32%	35%
Supervisors in the field communicate to and set requirements for employees before each shift to improve their awareness of safety and to consolidate the use of personal protection supplies. Equipment and facilities as well as environmental conditions in the field are replaced or modified in a timely manner.		Zero major accidents	Zero major accidents
Spearheaded by the president, a team constantly performs a comprehensive inspection throughout the plant at least twice a year and an external safety expert is hired to perform monthly safety checks as well as provide timely feedback.		Zero major accidents	Zero major accidents
Educate supervisors to cope with the operational setting by equipping them with the strategic planning capability to explore new markets and new industries and to help the Company keep track of its business environment.	Embark on personal training plan follow-up and proactively arrange courses suitable for the occupational training needed for supervisors.	21.0	24.0
Enhance the management philosophy of mid-level managers, broaden their thinking, increase their comprehensive managerial and innovative capabilities and the ability to enforce them.		19.5	21.0
Quality assurance and engineering-related departments complete Top 5 tool training, quality system, internal review training on TS concerning products manufactured to ensure the professionalism of related people. This goal, however, is yet to be fulfilled due to the reduced physical hands-on courses where people will have to be gathered in one place in light of the pandemic.	Try to organize courses through video- conferencing wherever possible and conduct tests upon completion of training to confirm the training efficacy.	19.5	21.0



#### **IV. Company Overview**

Despite the impacts of Covid-19 in 2021, which led to suspending interactive events organized by unions and associations that required a physical venue , Dynamic Electronics continued to stay interactive with related members through the web-based and online groups put together by the unions and associations. Besides continuous membership with the Taiwan Printed Circuit Association (TPCA) and each of its subordinate organizations (the Human Resources Promotion Committee and the Environmental Safety Committee, among others), Dynamic Electronics remains active in related online events initiated by the TPCA academy, such as the PCB Equipment Safety Committee and the PCB EHS group organized by the TPCA. In addition, being a member of the Taoyuan City Industrial Association, the Company receives and communicates related information, which serves as reference for its policies in the future on developments and operations. Meanwhile, safety response is planned with responsibilities assigned through the organizational operation in Senbao Park. Dynamic Electronics will continue to maintain and develop optimal relationships with these organizations while performing its tasks.

P	rofile of Dynamic Electronics
Date established:	August 18, 1988
Main scope of operation:	Specialized PCB manufacturer/service provider
Capital size:	TWD 2.77 billion (USD 99 million)
Revenue:	TWD 15.75 billion (USD 563 million)
Operation sites:	The operation center is located in Taoyuan, Taiwan and the two production sites are in Kunshan, Jiangsu and Huangshi, Hubei, respectively.
Total number of employees:	About 4,872 people
Industrial ranking:	Ranking 12th in Taiwan
	Ranking 37th in the world
	Ranking 10th in the automotive industry around the world

#### **Organizational Chart of Affiliated Enterprises**

The following explains the nature and legality of the ownership Dynamic Electronics has over its affiliates.





#### Recognition

1. Dynamic Electronics has been able to maintain its Top 5% performance in corporate governance review for five consecutive years

While promoting corporate governance, Dynamic Electronics truly feels the long-term benefits brought about by corporate governance, particularly in terms of the sound governance structure and procedure. Corporate governance is an endless game where we will keep up the hard work in the pursuit of excellence on the path to corporate sustainable development.



2. Huangshi Plant announced to be national green plant

After its hard work over the long term, the Huangshi Plant of Dynamic Electronics is on the 2021 green plant list released by the "Ministry of Industry and Information Technology". The indicators in the current green plant performance evaluation included: land use intensification, harmless raw materials, clean production, waste-turned resources, and lowcarbon energy.



授予:定额电子 (黄石) 有限公司

3. Huangshi exemplary transformed smart enterprise

With its highly automatic equipment, smart and maximized information technology, the Huangshi Plant managed to reduce its dependency on manpower, improve the yield rate, increase the output value, and become a pioneer smart facility. The high-end process in the newly built second Huangshi plant, in particular, features smart width and comprehensive coverage throughout the plant to bring up technology and quality further.





#### **Global Operational Service Network**

The global operational service network of Dynamic Electronics covers Taiwan, China, US, Mexico, Germany, Czech Republic, Macedonia, Japan, Korea, and Singapore; there are plants, subsidiaries, or offices in each of these countries to provide real-time sales, product service, and technical support to customers around the world.







#### V. External Environment



According to Prismark, the growth of PCBs in 2021 was powerful; it was up to 22.6%. The demand was mainly supported by: continuous X-From-Home trends; industrial, medical, and automotive recovery; product upgrade, such as server platform upgrade, automotive electric vehicle transition, and more extensive adoption of ADAS; preventive inventory replenishment; economic recovery, such as re-opening, financial support, and vaccination, etc.

The 2021 PCB market featured: rapid growth in the income and profits of encapsulation substrates, strong fixed and flexible demand for PCBs, high material cost and squeezed profit rate, supply logistic gap, increased inventory, tightened cash flows, and investment cycle (2019~2023) at its super peak.

All parts of the 2021 supply chain grew at a rate twice to four times the long-term mean level. In 2022 and thereafter, it will be more and more possible to correct towards the mean value. It is estimated by Prismark that the growth rate of PCBs in 2022 is only about 4.8% and may be even lower in 2023 to 2024. We should get ready for the next economic cycle.

12



#### **VI. Business Model**

Dynamic Electronics is devoted to producing high-quality and high-technology PCBs to satisfy the needs of customers; this is its business model.

The PCB industry is highly related to the developmental trends of technology. The explosive growth in the demand for 3C products so far has also contributed to the flourishing developments of PCBs. The demand for 3C is slowing down now. Emerging technologies, however, such as the high-frequency and high-speed 5G that connects everything together, the ever more popular utilization of automotive electronics, and the speedy expansion of the ADAS and electric vehicles, are offering new opportunities in the development of the PCB industry. In 2021, the revenue created by each employee came to TWD 3.23 million, an increase of 51% from 2020, which is contributed mainly by the new throughput from the Huangshi Plant that satisfied the powerful demand on the market. Faced with the demand of these emerging technologies, Dynamic Electronics, besides continuing to improve the quality of its products, enhancing its process capabilities, and strengthening its developmental technologies, is constantly deepening automatic and smart production as well. Dynamic Electronics has 5G communication, satellite, and new-energy vehicles, as well as self-driving applications as its medium-term and long-term priorities. Based on these developmental trends in the future, Dynamic Electronics sets its operational strategies and then product strategies, with high multi-layer boards, high-density linking boards, high-frequency boards, thick copper boards, and bendable boards, the five types of PCBs as its mainstream. Their value chain begins with the Sales Department that takes orders and covers other collaborative departments, such as purchase, production control/production and distribution, manufacturing, environmental safety and health, quality assurance, and customer service before the products are ultimately delivered to customers end. Besides the departments mentioned above, production demand is fulfilled with assistance from departments such as finance, human resources, information technology, administration, and R&D, too. The ultimate goal is to provide customers with the required high-tech quality PCBs through the long-term close communications between sales and customers. Faced with the demand of these emerging technologies, Dynamic Electronics, besides continuing to improve the quality of its products, enhancing its process capabilities, and strengthening its developmental technologies, is constantly deepening automatic and smart production as well. Dynamic Electronics has 5G communication, satellite, and new-energy vehicles, as well as self-driving applications as its medium-term and long-term priorities. Based on these developmental trends in the future, Dynamic Electronics sets its operational strategies and then product strategies, with high multi-layer boards, high-density linking boards, high-frequency boards, thick copper boards, and bendable boards, the five types of PCBs as its mainstream. Their value chain begins with Sales Department that takes orders and covers other collaborative departments, such as purchase, production control/production and distribution, manufacturing, environmental safety and health, quality assurance, and customer service before the products are delivered to customers in the end. Besides the departments mentioned above, production demand is fulfilled with assistance from departments such as finance, human resources, information technology, administration, and R&D, too. The ultimate goal is to provide customers with the required high-tech quality PCBs through the long-term close communications between sales and customers.



## Sustainable Performance



#### Sustainable Development Goal



Gender equality and empowerment of women



Inclusive, safe, resilient, and sustainable cities and human housing



Adoption of emergency measures to cope with climate change and its impacts



Promotion of inclusive and sustainable economic growth to realize comprehensive and productive employment and make everyone enjoy a good



job

Build resilient infrastructures, promote inclusive and sustainable industries, and expedite innovation



Reinforce the implementation of sustainable development and activate global partnership in sustainable development

#### Accomplishment

The ratio of female supervisors increased to 32%.

The ratio of automotive boards in the overall revenue climbed to 52% and the ratio of electric vehicle boards reached 13% of the overall revenue.

The climate scenarios and evaluation of the scope impacted by risks is completed according to the TCFD framework.

The local procurement ratio of raw materials and regular materials for the Huangshi Plant is up to 99% and the ratio of people hired locally throughout the province of Hubei is 60%.

The plant was planned to be automatic, smart, and Internetbased while at the same time meeting the energysaving, emission-reduction, environmental protection, and industrial safety requirements. Minimized impacts on climate change and adaptation to and resilience under climate change are equally emphasized.

Prepare the ESG information according to the SASB guidelines and work with more than 1,000 suppliers around the world to jointly promote corporate social responsibilities and sustainable development.



#### TWO | Sustainable Performance

#### I. Sustainable Development Strategy Core Value



#### Short-term, Medium-term, Long-term Goals and Actions

Dynamic Electronics plans short-term, medium-term, and long-term operational goals and consolidate daily operational management and performance settings reflective of these goals.





#### Contents Sustainable Performance

#### **II. Corresponding United Nations Sustainable Development Goals**

There are 17 UN sustainable development goals (SDGs). Dynamic Electronics, reflective of its own core competencies, can combine 8 of them in its goals while continuing to realize the people-centered, sustainable, and co-prospering vision through more proactive devotion at the management and operational level over the short term, mid term, and long term.



Sustainable Development of the Executive Yuan http://nsdn.epa.gov.tw/NSDN/UnitedNations2.htm

#### United Nations' 17 Sustainable Development Goals (SDGs)



#### Sustainable Performance

#### Contents

 $\diamond$ 

	Goal	What Dynamic Electronics does	Accomplishment
5 COULITY	Gender equality and empowerment of women	Dynamic Electronics does not differentiate salaries and benefits by gender.	<ol> <li>Men and women share the same transparent compensation table that determines their salary.</li> <li>In 2021, there were 40 female supervisors, which was the same as in 2020; the ratio, however, climbed from 31 % to 32 %.</li> <li>There is one female independent director on the Board.</li> </ol>
11 SUSTAINABLE CITIES	Inclusive, safe, resilient, and sustainable cities and human housing	Automotive boards are the core product being developed by Dynamic Electronics, which answers to the vehicle-to-everything trend in the future and is highly relevant in automotive safety and urban travel planning.	In 2021, the ratio of automotive boards to the overall revenue already climbed to 52 % and the ratio of electric vehicle boards, in particular, also reached 13 % of the overall revenue. Both will continue to climb. Technically, it covers high-density linking boards, high-frequency radar boards, thick copper boards, and bendable boards, etc.
13 climate	Adoption of emergency measures to cope with climate change and its impacts	Both the annual electricity conservation rate and greenhouse gas emissions of Dynamic Electronics are set with a goal above 1 % and related energy conservation action plans are prepared accordingly to proactively enforce energy conservation improvement plans, such as process improvement, equipment elimination, and electricity-saving plan, etc.	<ol> <li>The climate scenarios are set and the scope of impacts from risks is evaluated according to the TCFD framework.</li> <li>With 2015 as the baseline, the electricity conservation rate of the Kunshan Plant in 2021 was -10 %, mainly because of the energy conservation control through highly energy- consuming equipment; greenhouse gases were reduced by -30 % mainly because of the 15 % green electricity in the electricity consumption structure that brought down the emissions of CO2.</li> <li>With 2018 as the baseline, the electricity conservation rate and greenhouse gas reduction in 2021 were, respectively +87 % and +122 % mainly because of the revenue growth (an increase of 454.6 % from baseline. When calculated by the amount of electricity consumed and emissions per unit of revenue, they dropped by 66 % and 44 %, respectively, from baseline. The Huangshi Plant completed the review as a national green plant in 2021.</li> </ol>
16 PEACE JUSTICE AGISTRATE INSTITUTIONS	Promotion of a peaceful and inclusive society to consolidate sustainable development; availability of judicial access for everyone; creation of an effective, accountable, and inclusive system at all levels.	<ol> <li>Dynamic Electronics has an "wrong phenomena That's Not Right Mailbox" in place for its employees to express opinions about any managerial deficiency, administrative process, and protection of individual rights, among others.</li> <li>Dynamic Electronics has a "CEO mailbox" in place for its employees, business partners, third parties, and customers to file written complaints or reflect upon any corruption, bribery, and unethical behavior inside and outside the Company.</li> <li>Dynamic Electronics is a hotline for its partners as one of the multiple convenient electronic ways to make their complaints heard.</li> </ol>	<ol> <li>Throughout 2021, there were 14 complaints filed in total, a reduction of 7 % compared to 15 in 2020, indicating that most issues have been corrected.</li> <li>No mails were received through the CEO mailbox in 2021.</li> <li>No notifications were received through the hotline in 2021.</li> </ol>
4 duality Education	Assurance of non- classified, fair, and high-quality education and promotion of life- long learning	<ol> <li>Continue to perfect and consolidate the educational training system for its employees.</li> <li>Establish an iLearning (knowledge and learning) Committee as the unit to take charge of advanced educational training. Besides keeping track of professional knowledge and technical information of customers and in the industry, it is also responsible for defining the internal knowledge management system.</li> <li>Promote higher educational level for adult colleagues throughout the Huangshi Plant.</li> </ol>	<ol> <li>The mean number of hours of educational training provided at the Taoyuan Operation Center, Kunshan Plant, and Huangshi Plant in 2021 was 19, 19, and 18, respectively. Due to Covid-19, courses were provided through video- conferencing wherever possible and tested were performed upon completion of training to confirm the training efficacy.</li> <li>The yield rates at both plants climbed, the quality cost dropped, and employees had increased income; it helped create a stable working environment.</li> <li>In 2021, those holding a diploma of college and above at the Huangshi Plant accounted for 40 % and 45 people increased their educational level by completing successfully their studies at the Hubei Polytechnic University and the Hubei Normal University.</li> </ol>
8 BECENT WORK AND ECONOMIC GROWTH	Promotion of inclusive and sustainable economic growth to realize comprehensive and productive employment and make everyone enjoy a good job.	<ol> <li>Built the Huangshi Plant to satisfy customer demand and offer more jobs.</li> <li>The Huangshi Plant in a local industrial park creates a cluster effect to support the upstream and downstream of the electronics industry, improve the local employment rate, and enhance infrastructures in the surroundings.</li> </ol>	<ol> <li>By the end of 2021, the throughput of the first plant in Huangshi had been fully available, reaching 1.7 million square meet. Construction of the second plant in Huangshi, therefore, began in the first quarter of 2021. It is expected that 10~15 % of the throughput will become available by the third quarter of 2022. Both the revenue and profitability will continue to grow and employees are entitled to a steady working environment.</li> <li>The local procurement ratio of raw materials and regular materials for the Huangshi Plant is up to 99 % and the ratio of people hired locally throughout the province of Hubei is 60%.</li> </ol>
9 RUSTRY MOMITON ANDREASTRICTURE	Build resilient infrastructures, promote inclusive and sustainable industries, and expedite innovation	Dynamic Electronics plans beyond conventional industrial competition and has the automatic, smart, and information-based innovative generation in mind to secure the competitive advantages of itself and all its partners whiling welcoming Industry 4.0.	The Huangshi Plant is planned with an emphasis over automatic, smart, and Internet-based applications while at the same time fulfilling energy conservation, emission reduction, water and electricity saving, environmental protection, and industrial safety requirements. It is a modern plant that is economic, environmental, and features the latest technology. The second plant in Huangshi, once completed, will further emphasize reduced impacts on climate change and adaptation and resilience to climate change.
17 PARTINEPSHIPS FOR THE GOALS	Reinforce the implementation of sustainable development and activate global partnership in sustainable development	Dynamic Electronics introduces integrated thinking, combines corporate operation and sustainable management, and emphasizes interaction and co- prosperity with stakeholders, including enhanced global partnerships. The goal is to serve customers with highly-efficient quality and create long-term supply chain partnerships.	<ol> <li>Dynamic Electronics ranked Top 5 % among public companies for five years consecutive years in corporate governance review.</li> <li>Dynamic Electronics works with more than 1,000 suppliers around the world to jointly promote corporate social responsibilities.</li> <li>ESG information is prepared according to the SASB Guidelines.</li> </ol>



#### Sustainable Performance

#### III. Six Major Capitals and Value Creation Process

Dynamic Electronics fully takes into consideration the dual impacts from the external environment and internal resources while creating value and enhances the output of six major capitals by strengthening its core competencies. Dynamic Electronics identifies the impacts of respective capitals on its operations and subsequent capital expenditure. The procedure that impacts the creation of value for Dynamic Electronics from respective capitals is explained below:

## External



#### Natural Capital

We care about improving efficiency in the use of energy resources such as electricity, water, and diesel. In combining natural capital with high-performing energy technologies and improved product yield rates, we help reduce resource wastages which eventually translate into reduced generation of waste and sewage. Waste and waste sewage generated are ultimately properly treated to achieve our zero waste emissions goal.

#### Production capital

Our manufacturing capital is primarily factory equipment. According to our customer's purchase order, raw materials enter the production line as optimal technical capabilities reduce rework rates and scrap rates along the production line, this translating into a steady output of high-guality products and highly efficient shipment speeds to satisfy our customer's needs on all fronts. At Dynamic Electronics, manufacturing capital is an important operating capital.

#### Intelligence capital

At Dynamic Electronics, innovative R&D and process improvement technologies make up our core technical competencies. As we develop innovative technologies with our customers to meet their requirements for new products, we also continuously improve process technologies in the plant. continuously optimize production processes, and continually increase production efficiency.



## Environment



#### Financial capital

At Dynamic Electronics, we promise our shareholders steady profits and strive to achieve strengthened operational performance to deliver higher dividends. Dynamic Electronics continues to improve its financial capital through its core competencies: technology, speed, and quality. Dynamic Electronics is as devoted to increasing revenue, increasing dividends paid out, and enhancing cash flow.

#### Manpower capital

Dynamic Electronics, believing in the concept of "Family", creates amongst its employees a sense of identity towards Dynamics through measures such as enhancing their professional skills, creating safe working environments, and delivering innovative welfare and benefits. These measures hence contribute to improve Dynamic Electronics's technologies and capacities in both delivery and quality.

#### Social and relationship capital

Dynamic Electronics continues to create and maintain optimal relationships with customers as we satisfy their needs, thus gaining their trust and affirmation over the long term. Dynamic Electronics also continues to strive to develop supply chain partnerships and win-win outcomes within the communities at its various operational locations. Through exchanges with our suppliers, community engagement, and caring for the disadvantaged, Dynamic Electronics continues to strengthen mutual reliance and win-win relationships with all parties.



#### **IV. Stakeholder Interaction and Management**

Stakeholders share the same life as Dynamic Electronics. They exist inside and outside Dynamic Electronics, near or far, and support Dynamic Electronics on all fronts. We plan to reinforce the communications with respective stakeholders through various channels to satisfy their expectations and align our sustainable management strategies and long-term goals while we march together towards sustainable management goals.

#### Stakeholder Engagement

#### Identification of Stakeholder

To identify stakeholders, we first have representatives at respective departments to provide groups that we affect or are affected by, dependent on Dynamic Electronics or that Dynamic Electronics is responsible for in operational activities. Meanwhile, we refer to stakeholders of several benchmark enterprises in the industry to avoid any omissions. Once all stakeholders are compiled, discussions and screening take place. After that, according to the five principles under the AA1000 Stakeholder Engagement Standard (AA1000SES) issued by Accountability - dependency, responsibility, influence, diverse perspectives, and tension, supervisors, 13 in total, namely, the Chairman, General Manager of the Plant, and heads of sales, R&D, quality assurance, information technology, finance, purchase, human resources, and environmental safety and health, evaluate the weights of concerns of respective stakeholders and eventually choose the following seven categories of primary populations and engage them.





► Contents

Sustainable Performance

#### Topics Concerning Stakeholders and Dynamic Electronics and Stakeholder Engagement and Response

Dynamic Electronics maintains optimal interactions with its stakeholders over the long term. For each stakeholder, there is a corresponding department and expert to communicate with them, listen to what they have to say, and address their needs.

Stakeholder	Topic of concern	Response from Dynamic Electronics	Replying department	Communication and interaction method and frequency	
Customer	Customer service	Understands and satisfies customers' needs through customer relationship management and professional service provided through a fixed window	Sales Quality assurance	<ul> <li>Frequent telephone and email correspondences on a daily basis</li> <li>Mutual visits and meetings as needed</li> <li>Non-scheduled audit</li> </ul>	
	Product quality	Proactively enhance the internal yield rate, creates profits and shares it with customers, and reduces the external discount rate to ensure customer satisfaction		<ul> <li>At least 2 visits between senior supervisors a year</li> <li>Non-scheduled questionnaires: surveys about our customer satisfaction and what customers know about our Business</li> </ul>	
	Supplier sustainable management	Continues to promote local procurement and supplier assistance projects and invites suppliers to follow international standards together for enhanced overall quality and to fulfill sustainable operations goals.		Continuity Plan (BCP), Corporate Social Responsibility (CSR), Responsible Business Alliance (RBA), conflict minerals (CMRTs), and Authorized Economic Operator (AEO) certified safe quality enterprise, etc.	
	Continuous operational management	With sustainable operations as the goal, consolidates business continuity management, and needs to maintain operation and ensures retained growth momentum now and in the future in the event of possible operational crises.		Interviews from time to time     Announcements on the Intranet 3-10	
Employees	Corporate governance	Dynamic Electronics has secured the outstanding performance of being rated Top 5 % in the corporate governance review performed by the Taiwan Stock Exchange for five consecutive years and will continue to deepen its corporate governance culture, effectively fulfill the functionality of directors, improve quality of information disclosed, and strengthen compliance with regulatory requirements		times a month • One operational and managerial meeting a month • Occupational safety and health meetings to be called for from time to time • Health promotion once a quarter • Labor-management and Employee Welfare Committee meetings once a quarter	
	Employee welfare	To fully take care of its employees, besides complete compliance with the requirements under labor laws and regulations, additionally provides multiple measures to help employees relieve pressure and enjoy a joyful and enriched life.		Corporate and departmental workshops 20 times a year	
	Supplier sustainable management	Continues to promote local procurement and supplier assistance projects and invites suppliers to follow international standards together for enhanced overall quality and to fulfill sustainable operations goals.		<ul> <li>Frequent telephone and email correspondences on a daily basis</li> <li>Mutual visits and meetings as needed</li> <li>Non-scheduled audit</li> <li>Update of related information on the Market Obegonation Boot System and</li> </ul>	
Supplier	Product quality	Proactively enhance the internal yield rate, creates profits and shares it with customers, and reduces the external discount rate to ensure customer satisfaction	Procurement Research and development		
	Corporate governance	Dynamic Electronics has secured the outstanding performance of being rated Top 5 % in the corporate governance review performed by the Taiwan Stock Exchange for five consecutive years and will continue to deepen its corporate governance culture, effectively fulfill the functionality of directors, improve quality of information disclosed, and strengthen compliance with regulatory requirements.		the official website at least once a month • Update of company profile and the annual report at least once a year	
Bank	Continuous operational management	With sustainable operations as the goal, consolidates business continuity management, and needs to maintain operation and ensures retained growth momentum now and in the future in the event of possible operational crises.	Finance		
	Development of new market	For emerging enterprises in the process of developing products of the future, we devote various resources to help with the R&D and to accordingly build the fundamental collaborative relationship with customers and become their long-term partners.		<ul> <li>Frequent telephone and email correspondences on a daily basis</li> <li>Mutual visits and meetings as needed</li> </ul>	
	Corporate governance	Corporate       We will continue to deepen our corporate governance culture, effectively fulfill the functionality of directors, improve quality of information disclosed, and strengthen compliance with regulatory requirements.         Risk       We continue to evaluate changes inside and outside the organization and possible influences and impacts on the organization in the future to accordingly find opportunities in the pursuit of corporate sustainability.		Communication on written materials from time to time     ESG Report	
	Risk management				



#### Contents Sustainable Performance

Stakeholder	Topic of concern	Response from Dynamic Electronics	Replying department	Communication and interaction method and frequency
	Corporate governance	We will continue to deepen our corporate governance culture, effectively fulfill the functionality of directors, improve quality of information disclosed, and strengthen compliance with regulatory requirements.		
Government	Compliance	Pledge compliance with international standards and the regulatory requirements of governments at the operational site and no violation of requirements is allowed. The authority to file complaints with is the Legal Affairs Office and complaints can be filed through the hotline or the mailbox.	Management Department Human	<ul> <li>Official letter correspondence at least 24 times a year</li> <li>Communication on regulatory requirements and policies once a month</li> <li>25 educational training sessions per quarter</li> </ul>
	Energy and climate change strategy	Proactively promote energy conservation and improvement plans to reduce greenhouse gas emissions and to slow down impacts on global warming.	Tesources	<ul> <li>1 visit per quarter</li> <li>Charity events from time to time</li> <li>ESG Report</li> </ul>
	Ethics and integrity	The Legal Affairs Office is the responsible unit for the promotion of ethical corporate management and to report to the Board of Directors periodically.		
	Development of new market	For emerging enterprises in the process of developing products of the future, devotes various resources to help with the R&D and to build the fundamental collaborative relationship with customers and become their long-term partners.		Communication over the phone and
Shareholders	R&D and innovation	Takes part in customers' product development early on with its professional technical service and drive outstanding quality and quick production through smart manufacturing and a precise process.	Finance Chairman's Office	<ul> <li>provision of materials from time to time</li> <li>Update of the webpage and the Market Observation Post System each month</li> <li>Organization of at least 4 investor conferences a year and workshops from time to time</li> </ul>
	Corporate governance	We will continue to deepen our corporate governance culture, effectively fulfill the functionality of directors, improve quality of information disclosed, and strengthen compliance with regulatory requirements.		<ul> <li>One Shareholders' Meeting a year</li> <li>Release of the Annual Report through the Shareholders' Meeting each year</li> <li>ESG Report</li> </ul>
	Product quality	Proactively enhance the internal yield rate, creates profits and shares it with customers, and reduces the external discount rate to ensure customer satisfaction		
	Continuous operational management	With sustainable operations as the goal, consolidates business continuity management, and needs to maintain operation and ensures retained growth momentum now and in the future in the event of possible operational crises.		
	Water resource management	Maximize water use efficiency, promote process water conservation and reuse of re-claimed water, reduce the amount of primary water used per unit of throughput, and minimizes the discharge of sewage.	Management	Contacts and visits from time to time
Society	Environmental protection expenditure and investment	Reduce the output of wastewater and waste generated per unit of area, improve the use efficiency of water and energy, and becomes an environmentally-friendly enterprise.	Human resources	Charity events from time to time     ESG Report
	Societal involvement and social wellness	Highly emphasize the interaction with surrounding neighborhoods and future developments of the community and respond positively to and cope proactively with the various issues indicated in the community and follow the close-to-estranged and close-to-far principles in social care.		



#### Sustainable Performance

#### **Topics of concern**

It is our belief that the emphasis that a business on sustainable development and the action taken help boost the operational efficiency of the organization and affect the society in a positive way. As such, we identify key sustainability topics and prepare the corresponding strategy and mid-to-long-term goals while promoting continuous improvements. We adopt the materiality principle and follow the GRI Guidelines and AA1000 SES Standard while creating a systematic procedure.

#### Procedure to identify key sustainability topics

quality, R&D and innovation, risk management, ethics and integrity, talent attraction and retention, development of new market, management of waste and hazardous substances, and energy and climate

change strategy.



Contents

23



#### **Top 11 Key Topics**

After having summarized the extent of concern expressed by stakeholders on each topic and the impacts evaluated by the core management of the Company of each topic on the organization, we obtained the Top 11 key topics, with their clarifications provided below, and produced the matrix. We will respond in further depth to these Top 11 key topics in each of the subsequent sections and explain the current performance indicators and management policies of these key topics. In light of the concern expressed by international customers and investors about the topics and the fact that Dynamic Electronics has gradually introduced the TCFD, the "energy and climate change strategy" is also upgraded to be one of the material topics.

#### **Clarification of Top 11 Key Topics**

Operational model	Economy	Environment	Society
<ol> <li>Corporate governance</li> <li>Business continuity management</li> <li>R&amp;D and innovation</li> <li>Risk management</li> <li>Ethics and integrity</li> <li>Development of new markets</li> </ol>	<ul> <li>3 Compliance</li> <li>4 Product quality</li> </ul>	<ol> <li>Management of waste and hazardous substances</li> <li>Energy and climate change strategy</li> </ol>	3 Talent attraction and retention
Because it involves the long-term survival and development of a company, stakeholders have been highly concerned about the issue of operational model. Like last year, all the six major topics have been selected as part of the Top 10 topics this year.	"Compliance" explains the harsher challenges facing a company under stricter and stricter environmental laws and regulations. "Product quality" is a decisive factor for the protection and creation of better business opportunities for a company. "Customer service" was not selected as part of the material topics this year.	To protect a beautiful home on earth, "management of waste and hazardous substances" is highly stressed. In addition, in light of the concern that the international society has about climate change, we also upgraded "energy and climate change strategy" to be a material issue and the TCFD framework has been fully introduced in response.	The concern about "talent attraction and retention" reflects the issue of internal and external talent gaps. A company needs to reinforce its long-term development plan, offer an optimal vision for promotions, welfare and working conditions, attract talent, and enhance employee loyalty.

#### **Top 11 Key Topics Matrix**



#### Setup of topic boundaries

Sustainable Performance

After having taken into consideration whether each of the Top 11 topics inside and outside the Company is material, ▶ Contents we set the boundary of each topic as follows:

#### Boundary setting for material topics

	Aspect to be	0.1	Scope of	impact and involvemer	d extent of nt		Corresponding indicato	r and page
	considered	Category	Upstream (Supplier)	Dynamic Electronics Operation	Downstream (Customer)	Management approach	number	
1	Corporate governance	Operational model	-	V	-	Follow the core vision set forth in the sustainable development blueprint of Corporate Governance 3.0. of the Financial Supervisory Commission: Consolidate corporate governance, enhance corporate sustainable development, create a normalized ESG ecology, and strengthen international competitive advantages on the capital market.	FIVE. Economic Performance and Corporate Governance	▶ P98
2	Business continuity management	Operational model	v	v	V	With sustainable operations as the goal, consolidate business continuity management, evaluate possible operational crises now and in the future, maintain operation, and retain the momentum for continuous growth for the Company.	FIVE. Economic Performance and Corporate Governance	▶ P111
3	Compliance	Economy	-	v	-	Promises compliance with international standards and the regulatory requirements of governments at the operational site and no violation of requirements is allowed. The authority to file complaints with is the Legal Affairs Office and complaints can be filed through the hotline or the mailbox.	FIVE. Economic Performance and Corporate Governance	▶ P103
4	Product quality	Economy	V	V	v	Improve the yield rate and create value through automation and intelligence orientation to realize customer satisfaction	FOUR. Co-prosperity in Society	▶ P66
5	R&D and innovation	Operational model	-	V	v	Take part in customers' product development early on with its professional technical service and drive technical upgrade and innovation through smart manufacturing and a precise process.	TWO. Sustainable Performance	▶ P26
6	Risk management	Operational model	v	v	v	Continue to evaluate changes inside and outside the organization and possible influences and impacts on the organization in the future to accordingly find opportunities and prepare countermeasures and take action in advance in the pursuit of corporate sustainability management.	FIVE. Economic Performance and Corporate Governance	▶ P108
7	Ethics and integrity	Operational model	v	V	v	Set up the "Ethical Corporate Management Best Practice Principles"; the Board of Directors and the management promise to proactively enforce policies and create an optimal business model.	FIVE. Economic Performance and Corporate Governance	▶ P106
8	Talent attraction and retention	Society	-	v	-	Reinforce two-way communication between employees and the Company to improve corporate identity, build optimal labor- management relations, provide a sound training plan, define career planning, optimize the compensation and welfare system and the working environment.	FOUR. Co- prosperity in Society	▶ P75
9	Development of new market	Operational model	-	v	v	For emerging enterprises in the process of developing products of the future, devote various resources to help with the R&D and to accordingly build the fundamental collaborative relationship with customers and become their long-term partners.	FIVE. Economic Performance and Corporate Governance	▶ P97
10	Management of waste and hazardous substances	Environment	v	V	v	Reduce the output and discharge of waste by increasing the recycling rate of waste, fully utilizing raw materials and regular materials, improving the yield rate of products, eradicating illegal management of hazardous substances, and periodically auditing suppliers' products to make sure that they do not contain hazardous substances.	THREE. Environmental Performance	▶ P56
17	Energy and climate change strategy	Environment	v	V	v	Continue to identify risks and opportunities related to climate change, define the management approach, and enforce countermeasures while at the same time analyzing financial impacts and planning subsequent policies and disclosing impacts of climate change on the finance.	THREE. Environmental Performance	▶ P31

Notes: 1. The upstream boundary is the raw materials, regular materials, equipment, and related services purchased by Dynamic Electronics.
2. Dynamic Electronics operation means the business of PCBs supplied by Dynamic Electronics.
3. The downstream boundary is the products and services provided by Dynamic Electronics to customers.
4. "v" means presence of substantial impacts of this topic.



#### Contents Sustainable Performance

#### V. **R&D** and Innovation

#### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Create an innovative corporate culture; encourage employees o think about various possibilities for innovation and improvement in multiple ways; develop products that are the most popular on the market; continue to invest n the R&D of new products and new process; enhance the throughput efficiency and product quality; and introduce information technology tools.	All staff Human Resources Department R&D Department Process Technology Office Information Technology Department	<ol> <li>Promotion of and incentives for proposed improvement activities</li> <li>Talents</li> <li>New processes</li> <li>New software and hardware equipment</li> </ol>	<ol> <li>Set up various incentives for proposals on improvements.</li> <li>Reinforce the R&amp;D Department to support new knowledge about the industry at the Sales Department and the status of process R&amp;D at Dynamic Electronics; and enhance opportunities available for sales representatives to secure trust from customers and joint developments.</li> <li>Increase the amount of investment in the innovation of R&amp;D technologies and effectively distribute resources to the most forward-looking products.</li> <li>Recruit suitable talent to be devoted to R&amp;D according to the functional requirements of innovative targets.</li> </ol>	Departmental head Head of human resources Head of research and development Head of information technology President Chairman (Hotline, mailbox)

Material

topic

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Number of R&D people	At least 5 % of all people	At least 5 % of all people	At least 5 % of all people	5.97 %	At least 5 % of all people
Value invested in R&D	At least 2 % of all revenue	At least 2 % of all revenue	At least 2 % of all revenue	4.71 %	At least 2 % of all revenue
Patents	20 and more	24 and more	16	20	18
Information technology applied to fulfill the goal of creating Dynamic Electronics-specific smart plants.	<ul> <li>Properly apply PMP standards and create a digital database and recipe management for PCBs.</li> <li>FMEA: Introduce visualized exploration and analysis and machine learning smart tools to expedite improvement of process capabilities.</li> </ul>	<ul> <li>* Forecast possible abnormalities in equipment, spontaneously advise on the replacement and repair of key parts, and enhance product quality and equipment uptime.</li> <li>* APC: Take advantage of the created recipe database, include Al capabilities for marginal computing, and include dispositions in the event of abnormalities as part of the smart decision-making process.</li> </ul>	<ul> <li>* WPNL management - The demo line for reading and writing in the QR Code on the side of the board.</li> <li>* Increase the data warehouse output speed and data extraction capability.</li> <li>* Evaluate and design the AGV transport of in-process products while they are being manufactured.</li> <li>* Introduce the design and demo line for electronic worksheets.</li> <li>* Introduce the design and demo line for the auto-payment mechanism.</li> </ul>	<ul> <li>* WPNL management - Complete the reading and write-in of the demo line for the QR Code on the side of the board.</li> <li>* The data warehouse output speed and data extraction capability increased by 50 %.</li> <li>* The evaluation and design of the AGV transport of in- process products while they are being manufactured were completed.</li> <li>* The introduction of the design and demo line for electronic worksheets was completed.</li> <li>* The design and demo line for the auto- payment mechanism were completed.</li> </ul>	<ul> <li>* WPNL management - Introduce P2 for the reading and write-in of the QR Code on the side of the board were introduced throughout the line</li> <li>* Introduce P2 for the AGV transport during the manufacturing process</li> <li>* Introduce P2 for electronic worksheets throughout the line</li> <li>* Introduce automatic payment P2 throughout the line</li> </ul>

PMP: Project Management Professional
 FMEA: Failure Mode & Effect Analysis

• APC: Advanced Process Control

• AGV: Automation Guided Vehicle

• SECS: Semiconductor Equipment Communication Standard

• WPNL: Working Panel, the substrate being processed on the production line

Innovation is critical to the sustainable operations that Dynamic Electronics wishes to fulfill in the face of the market demand and the rapid developments and changes of product technologies. This innovation is not limited to R&D technologies but also operational activities and management mechanisms at each segment of the value chain. Constant advancements and pursuits of excellence are needed. In addition, all operational sites shall be close partners of customers and suppliers to create multi-win opportunities. Faced with the rapid changes brought about by the Internet, the quickly emerging innovative technologies, and innovative products that never stop making their debuts to gain market presence at a lower price, "innovation" is a particular key indicator of sustainable management.



#### Sustainable Performance

#### The primary R&D projects and accomplishments of Dynamic Electronics are summarized as follows for 2021:

Contents

R&D project	R&D accomplishment	Future plans	
	The ultra-low-loss material has been certified for Insertion Loss -0.83 dB <i>l</i> in (frequency:12.89 GHz) successfully and has been applied to the corresponding 400G optical modules quantitatively.		
High-speed low-signal	The material, applied to the development of AI servers and data center servers, has entered the sample production stage.	Continue to develop the black oxide solution	
consumable	Mass production of Server 16-layer (8+8) used in module testing is successfully ongoing.	minimal etching	
	Pulse plating has been officially introduced to mass production.		
	The material required for the Intel Eagle Stream platform has been certified for the application in the 5G generation.		
	The 16-layer Anylayer HDI sample certification has been completed for advanced HDI		
	The 14-layer business-grade SSD HDI has entered mass production successfully.	Increases the process conchility for the Minil FD	
Advanced HDI and thin products	The 14-layer Anylayer mobile test module has entered mass production successfully; the motherboard of the 12-layer Anylayer Cavity advanced notebook computers has gone through mass production successfully.	so that production with a thinner thickness of 0.1mm is possible.	
	Thin products are being certified for a thickness of MiniLED 0.2mm.		
	The shipment size continues to climb in automotive millimeter wave radars 24 GHz/60 GHz/77 GHz. The GEO (synchronized satellite on earth) ground	Regin more advanced collaboration with	
High fraguency millimater wave	receiving stations continue to minimize in terms of satellite telecommunication and microwave products.	customers in autonomous testing of the antenna performance and the development of novel antenna technologies. Begin mass production for the ground low-track satellite (LEO) ground receiving station of the best developmental potential of scale.	
(mmWave) product	As far as 5G small sub-station fixed wireless access (FWA) and customer-plant compound equipment (CPE) are concerned, customer certification has continued to increase and customers are involved during the preliminary development and design stage. Now it is a matter of time for the end-user market of 5G mmWave to boom.		
	It is applied to high-frequency communication receivers, electric vehicle chargers, and automotive engine control modules.	Begin the sample development and process	
Highly heat-dissipating product	The copper thick 6 oz automotive relays have entered mass product; for the 8 oz products, they are being developed and designed jointly with customers and materials and process development are completed for 12 oz products.	optimization stages for high-frequency power products. Complete sample development testing for busbar products and continue to enhance related process capabilities.	
	The copper module is built in the high-frequency receiver and sample certification is completed.		
Built-in active and passive elements and products	Applying the embedding technology, the 48V integrated belt starter generator (iBSG) products are jointly developed with customers to proactively cut in the 48V light oil automotive part supply chain; the product has now entered the trial mass production stage.	Proactively develop other embedded components with customers for automotive products.	
	Other embedded elements (such as passive components and magnetic materials) are being developed jointly with customers.	simultaneously develop the processes for components embedded in different ways.	



#### Contents Sustainable Performance

The R&D directions from 2021 will be continued in 2022 and be slightly adjusted reflective of the market condition and product development. The major types of products being developed are as follows:

5G high-frequency communication network base stations, satellite communication, 800G high-speed data transmission, and Advanced Drivers Assistance System (ADAS), Light Detection And Ranging (LiDAR), and engine control modules

Wearable devices, 48V belt-start generator (iBSG)





EV charging points and relays

5G base station equipment (Open RAN RU, DU, CU), user-end equipment (CPE, customer premise equipment), small cell base stations

#### Manufacturing capital

#### Huangshi Plant

Accomplishments in 2021:

- Area of all products sold: 17.86 million square feet/year
- Area of automotive boards sold: 7.84 million square feet/year
- Growth in all products sold: 18 %
- Growth in automotive boards sold: 25 %
- ▶ Warehousing fulfillment rate: 107 %



Accomplishments in 2021:

- Area of all products sold: 20,60 million square feet/year
- Area of automotive boards sold: 11.14 million square feet/year
- ► Growth in all products sold: 22 %
- Growth in automotive boards sold: 28 %
- ▶ Warehousing fulfillment rate: 101 %

#### Trends in the growth of automotive boards and electric vehicle boards

The ratio of automotive boards of Dynamic Electronics has grown from 47 % last year to 52 % and that of electric vehicle boards has also climbed from 8 % last year to 13 %.



## Environmental Performance





### **THREE | Environmental Performance**

#### I. Performance Highlights

Project	Group overview	Kunshan Plant	Huangshi Plant
Energy	Electricity-using intensity reduced by 17.82 %	Revenue grew by 30.03 % but electricity-using intensity dropped from 28.23 MWh/TWD million of revenue in 2020 to 22.92 MWh/TWD million of revenue in 2022, a reduction of up to 18.81 %.	Revenue grew by 44.97 % but electricity-using intensity dropped from 22.62 MWh/TWD million of revenue in 2020 to 19.33 MWh/TWD million of revenue in 2022, a reduction of up to 14.54 %.
Greenhouse gas	Greenhouse gas emission intensity reduced by 19.52 % (from 18.66→13.84 tonnes/TWD million of revenue)	-	-
Water resource	Water recycled and reused 1,226,880 tonnes	-	Honored as a national green factor pioneer; water consumption per unit of revenue dropped by 11.24 %.
Wastewater/ sewage management	0 violations in the discharge of wastewater	The amount of wastewater discharged per TWD million of revenue dropped from 270.97 to 223.21, a reduction of up to 17.63 %	The amount of wastewater discharged per TWD million of revenue dropped from 309.67 to 274.30, a reduction of up to 11.42 $\%$
Air pollution	0 violation in emission	The concentration of nitrogen oxides in photochemical smog discharged lowered to 50 mg/Nm <sup>3</sup>	For pollutants containing obvious foreign odors such as VOCs, hydrogen chloride, and ammonia, the reduction consistently exceeded 75 $\%$
Waste management	0 violations in treatment	0 cross-boundary treatment	Promotion of UL2799 certification began in 2022 0 cross-boundary treatment The spontaneous re-utilization of waste liquids inside the plant came to 9,100 m <sup>3</sup> The copper extracted from waste liquids in the plant came to 1,105 tonnes.

#### II. Energy and Climate Change Strategy

#### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
It is pledged to apply technical control within the plant while the reduced emission goal of the government is fulfilled to reduce waste of energy.	Factory Affairs Department Factory Affairs Department Factory Affairs Department	Equipment, venue, generation planning, generator modules Equipment modification Equipment modification	<ul> <li>Huangshi Plant - plan the solar power generation facility to supply electricity for the living area (it is planned to save 150 thousand kWh of electricity a year).</li> <li>Huangshi Plant - Process and air-conditioning heating is changed to heating through hot water boilers.</li> <li>Automatic online cleaning of iced water machines with the addition of the condenser for the Huangshi Plant (which is expected to lower energy consumption of the iced water machine by about 31,026 kWh)</li> </ul>	
Improve product yield rate and reduce waste of resources	Process Technology Office	Technology research and development	HDI production upgrade and yield rate enhancement project	Plant President,
Obtain environment- related certifications and maintain effective operations to become an "environmentally- friendly enterprise" and fulfill the commitment of Dynamic Electronics to environmental sustainability	Environmental Engineering Department Environmental Engineering Department	Various energy conservation and clean production plans Complete the "Green Factory Evaluation Report"	Normalize a persistent and valid environmental management system (both the Kunshan Plant and the Huangshi Plant have been certified for their ISO 14001 systems and the external inventory check of greenhouse gases as per ISO 14064. The Kunshan Plant has also been certified for its ISO 50001 energy management system. Green Plant Application Project (The Huangshi Plant has been reviewed and approved by the Ministry of Industry and Information Technology to be one of the sixth batches of green plants at the national level created)	(Hotline, mailbox)



Contents

#### **Environmental Performance**

#### Goal and Accomplishment

Goal	2025 (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Energy reduction goal of the Kunshan Plant (GJ) (With 2015 as the baseline)	-	-	868,306 (Reduction of 6 %)	911,582 (Reduction of 1.32 %)	-
Energy reduction goal of the Kunshan Plant (GJ) (With 2018 as the baseline)		-	300,413 (Reduction of 3 %)	565,207 (Increase of 82.5 %)	-
Target consumption intensity of the Kunshan Plant (GJ/TWD million of revenue) (With 2020 as the baseline)	91.51 (Intensity dropped by 20 %)	77.79 (Intensity dropped by 32 %)	-	94.74 (Intensity dropped by 15.9 %)	105.24 (Intensity dropped by 8 %)
Target consumption intensity of the Huangshi Plant (GJ/TWD million of revenue) (With 2020 as the baseline)	87.57 (Intensity dropped by 20 %)	74.43 (Intensity dropped by 32 %)	-	92.07 (Intensity dropped by 15.9 %)	100.7 (Intensity dropped by 8 %)

Remarks: Starting in 2022, the goals are modified, with the reduction in the energy consumption intensity as the indicator and 2020 as the baseline (Kunshan Plant 114.39 GJ/TWD million of revenue and Huangshi Plant 109.46 GJ/TWD million of revenue). The energy consumption density and greenhouse gas emission (by revenue) drops 4 % a year and at least 20 % by 2025.

2021	Statistics	of	consumption	of	various	types	of	energy
------	------------	----	-------------	----	---------	-------	----	--------

					Kunshan Plant			Huangshi Plant	
C,	atogony	Description	Type of	Energy consum	nption in 2021	Compared to 2020	Energy consu	umption in 2021	Compared to 2020
U.	ategory	Description	energy	Amount consumed	Unit conversion (GJ)	Extent of difference (GJ)	Amount consumed	Unit conversion (GJ)	Extent of difference (GJ)
					Energy ratio (T)	Difference %		Energy ratio (T)	Difference %
	Electricity consumption	-	Electricity	187,482,273 kWh	674,936.18 74.04%	73117.82 -9.77%	118,673,342 kWh	427,224.03 75.59 %	82,355.03 23.88%
	Power generating consumption	Emergency Generator	Diesel	3,000 kg	128.12 0.01%	79.89 -38.41%	2,100 kg	89.68 0.02%	17.32 -16.19%
		Boiler	Natural gas	1,178,093 m <sup>3</sup>	41,925.97 4.60%	382.97 0.92%	3,855,999 m <sup>3</sup>	137,227.29 24.28 %	19,053.29 16.12 %
Non	Heat supply consumption	operation	Diesel	-	-	21.00 -100.00%	2,184 kg	93.27 0.02 %	4.27 4.80%
-renewa		Process and living area heating	Steam	18,424 T	69,329.51 7.61%	19,510.51 39.16%	-	-	-
ble ene	Auxiliary fuel	CTO, RTO	Natural gas	91,252 m <sup>3</sup>	3,247.48 0.36%	(389.52) -10.71%	-	-	-
rgy	Transport	Public vehicles,	Gasoline	14,723 kg	634.91 0.07%	(2,591.09) -80.32%	3,990 kg	172.05 0.03%	(167.95) -49.40%
	consumption	trucks Forklifts	Diesel	53,235 kg	2,273.41 0.25%	2,273.41 (New energy)	9,380 kg	400.58 0.07%	400.58 (New energy)
	Total of r	non-renewable consumed	energy	-	792,475.58 86.93%	(54,032.42) -6.38%	-	565,206.90 100.00%	101,627.90 21.92%
Ren	Electricity consumption	Purchase o electri	of green city	33,085,107 kWh	119,106.39 13.07 %	119,106.39 (New energy)	-	-	-
ewable lergy	Total of rene	ewable energy	consumed	-	119,106.39 13.07%	119,106.39 (New energy)	-	- 0.00%	-
	Total of en	ergy consum	ied	-	911,581.97	65,073.97 7.69%	-	565,206.90	101,627.90 21.92%

Remarks: 1. The energy conversion coefficient adopted for the Taoyuan Operation Center came from the unit heating value table of energy products on the webpage for energy statistics of the Bureau of Energy, Ministry of Economic Affairs, while that for the Kunshan Plant and the Huangshi Plant came from GB-T 2589-2020 General rules statistics of the Bureau of Energy, Ministry of Economic Artains, while that for the Kunshan P for calculation of the comprehensive energy consumption of the People's Republic of China. 1 kcJ = 4.186 kJ1 kcJ =  $10^3 \text{ J}$ 1 GJ =  $10^9 \text{ J}$ 

1 KWh = 100 W × 3600 sec = 3600000 J = 3.6×10<sup>3</sup>GJ 2. The heating value (GJ) is obtained from the energy conversion coefficient for each energy item. 3. The data are collected through the receipts received and meter pictures. For the amount of green electricity purchased, the green electricity certificate is adopted as

4. The Taoyuan Operation Center only has an office and the energy consumed is mainly electricity. There is one vehicle assigned to the senior supervisor and its energy consumption only accounts for 0.06 % of the total energy consumed throughout the Group; as such, it is not included in the statistics.



Energy consumed by Dynamic Electronics is mainly electricity. For the types of energy, however, there are the renewable and non-renewable ones. Non-renewable energy, in particular, accounts for a majority, that is up to 92 %. China's National Energy Administration announced applicable laws and regulations on green electricity in 2020 to promote voluntary adoption of green electricity, a type of renewable energy, by enterprises. Dynamic Electronics, besides paying close attention to the trends of revisions made to laws and regulations on renewable energy, started to purchase green electricity through its Kunshan Plant in 2021. For the Huangshi Plant, on the other hand, the purchase is scheduled for 2022 and the amount involved will be 24 million kWh (accounting for 15 % of all electricity used throughout the plant) and it is planned to devote TWD 3 million to a photovoltaic project with an annual volume of electricity generated about 150 thousand kWh to meet the demand for electricity consumed in the living area.

The amount and intensity of electricity used at each plant throughout 2021 (megawatt hours/TWD million of revenue)



The electricity consumed at the Kunshan Plant in 2021 totaled 22,567.38 MWh, an increase of 5.57 % from 2020, mainly because of the increased throughput that was enhanced by 20.1 % in 2021, directly resulting in an increase in the amount of electricity used. When looked at from the electricity-using intensity per unit of revenue, however, it was 28.23 MWh per TWD million of revenue in 2020 and 22.92 MWh in 2021, a reduction of up to 18.81 %.

The electricity consumed at the Huangshi Plant in 2021 totaled 118,673 MWh, an increase of 23.9 % from 2020, mainly because Huangshi Plant remained at the expansion stage and its throughput climbed by 26.25 % in 2021, directly resulting in an increase in the amount of electricity used. When looked at from the electricity-using intensity per unit of revenue, however, it was 22.62 MWh per TWD million of revenue in 2020 and 19.33 MWh in 2021, a reduction of up to 14.54 %.

## The volume and intensity of fuels used at each plant over the past nearly seven years

The use of steam began at the Kunshan Plant in November 2018 in air-conditioning and domestic hot water; it replaces the air-conditioning humidification and hot water in the living area originally supplied by electricity. Meanwhile, for all the kerosene boilers, they were switched to natural gas ones in 2021. The boiler efficiency can be improved potentially by about 6 % in theory. The fuel density in 2021 was 10.19 GJ/TWD million of revenue, a drop of 23.38 % from 2020.



#### Trends in the volume and intensity of fuels used at the Kunshan Plant

Volume of gasoline Volume of steam used Volume of natural gas Volume of diesel - Fuel intensity (GJ/million of revenue) used (GJ) used (GJ) used (GJ)



#### ► Contents

The fuels used at the Huangshi Plant in 2019 were mainly natural gas that features low emissions, which accounted for 99.23 %, followed by gasoline and diesel (0.77 %). The fuel intensity was 32.19 GJ/TWD million of revenue. Starting from the end of 2020, process heating and air-conditioning heating were switched to be done by hot water boilers, which have higher heat-exchange stabilities than steam boilers. By comparison, the amount of natural gas used is more cost-effective compared to steam boilers. The fuel intensity in 2021 was 22.48 GJ/TWD million of revenue, a drop of 19.80 % from 2020.



#### Trends in the volume and intensity of fuels used at the Huangshi Plant

#### **TCFD Climate Change Risk Identification**

The global climate change has made climate crises material challenges that need to be dealt with in the pursuit of global sustainable development. In other words, identifying risks of climate change early on, reinforcing climate resilience adaptation, and reducing the impacts and influences on operations that may be brought about by climate change must be done right away. Dynamic Electronics identifies risks and opportunities relevant to climate change by comparing against the indicators according to the Task Force on Climate-Related Financial Disclosures (TCFD). In 2020, through internal discussions among the main office and subsidiaries, Dynamic Electronics identified and prioritized climate-related risks and checked respective climate change risk issues. In 2021, with the results identified in 2020, nine material climate risk issues were disclosed. The climate risk materiality matrix was produced, and potential financial impacts and related risk management policies and countermeasures brought about by climate change were disclosed to perfect climate change governance at Dynamic Electronics.







The matrix was produced according to the frequency at which each risk occurred (5 levels) and the extent of impacts of each risk (5 levels) to keep track of material risks and prepare management guidelines to help reduce and transfer impacts when risks occur.

#### Sequencing of climate change risks



#### Climate change material risk matrix



Frequency of Risks

#### Environmental Performance



#### **Core TCFD framework**

Governance

Strategy

Risk management Dynamic Electronics formed the Corporate Social Responsibility Committee to manage and monitor climate change-related issues. Under the Committee are five evaluation and implementation groups, namely for corporate governance, environmental sustainability, customer rights and public interest, employee care, innovation, and R&D. They are responsible for daily management and matter concerning climate change and follow up on the performance of each strategic goal and meet on a quarterly basis to keep track of related issues.

Through the Corporate Social Responsibility Committee, potential impacts possibly brought about by climate change are included in the operational considerations. The frequency and extent of influence of the risks are analyzed through questionnaires. The management policy and countermeasures are defined. Dynamic Electronics also does an inventory check of opportunities brought about by each climate change risk and defines conforming strategies and goals that effectively contribute to corporate efficacy as required by applicable environmental and energy laws and regulations. In terms of process, there are the optimized use efficiency of energy and resources, management of the discharge of waste, and increased ratio of renewable energy used, for example. In business operation, on the other hand, enhancing the ratios of the green energy industry and low-carbon products answers to the constantly climbing demand for sustainable products among the general public and consumers. The implementation of strategies on all fronts helps respective plants achieve the energy conservation and carbon reduction goals and sustainable transformation and adaptation, realizing corporate sustainability of Dynamic Electronics.

Dynamic Electronics follows the TCFD Guidelines by dividing the risk management process into four parts, namely identification, evaluation, management, and supervision. Executive members, the Risk Management Committee, and the Board of Directors are involved in the sound climate change-related risks and opportunities management mechanism created. The detailed process is as follows:

Executiv	e member		Board of Directors	
Identification	Evaluation	Mana	agement	Supervision
Periodically evaluates risks with impact on the Company's operation	Evaluates the extent of impact of identified risks on the Company	<ol> <li>Stipulates countermeasures and monitoring mechanism</li> <li>Sets up performance goals</li> <li>Compiles major risks annually</li> </ol>	<ol> <li>Compiles related information of major risks facing the Company</li> <li>Periodically reports to the Board of Directors</li> <li>Communicates risk management decisions made by the Board of Directors</li> </ol>	<ol> <li>Defines the corporate risk management policy</li> <li>Confirms the effectiveness of the risk management mechanism</li> </ol>

1. Reduced greenhouse gas emission intensity, lower energy consumption and increase energy use efficiency: With 2020 as the baseline, the electricity-using intensity (by revenue) drops 4 % each year and at least 20 % by 2025.

2. Reduced water consumption intensity: With 2020 as the baseline, the water consumption intensity (by revenue) drops 4 % each year and at least 20 % by 2025.

- 3. Planning of a solar energy generation area: For the Huangshi Plant, a solar power generation area of nearly 33,000 m<sup>2</sup> to generate nearly 8,000 MW of electricity a day is planned, accounting for 2 % of the electricity consumed at the Huangshi Plant. It is expected to be completed between 2023 and 2024.
- 4. Use of renewable energy: For the Huangshi Plant, 10 GW of green electricity has been purchased for 2022, accounting for about 6 % of the electricity consumed at the Huangshi Plant. The green electricity purchase plan continues to be planned for 2023 to 2025.
- 5. Resilience of the supply chain in the face of climate change risks: 25 % of raw materials, regular materials, and accessories suppliers from whom the purchase value totaled TWD 6 million and above in 2021 were surveyed on their energy consumption each quarter and by the end of the year, all of them were surveyed.

Indicators and goals


## Contents Environmental Performance

Climate Change Risks and Opportunities The extreme weather events that are getting worse each day can have serious underlying impacts on corporate operations and finance. Therefore, Dynamic Electronics identified climate-related risks and opportunities according

Risk classification (Transition/	Climate-related risk	Description of risk impact	Potential financial impact	Stakeholder
Transition Risk	Supply of raw materials and regular materials	Extreme weather events will lead to disrupted logistics, production stalemates or increased risks in the supply of raw materials and regular materials and they will impact plants in terms of downtime and production delays. Moreover, price hikes may occur for raw materials and regular materials.	Natural disasters drive up transport and purchase costs while production delays or downtime will lead to losses of throughput, revenue, and purchase orders.	Supply chain, shareholders, customers, and employees
	General environmental laws and regulations	The "Environmental Protection Act" came into force on January 1, 2015 to better cope with environmental pollution. It includes the empowerment of the environmental protection authority to seal, seize facilities seriously polluting the environment and mandate production rationing, discontinued production and restoration for facilities with pollution that is non-conforming and exceeding the limits, and reinforcing penalties and disciplines for violators. The scope of pollution includes the recycling of waste, discharge of wastewater, emission of waste gas, soil, and ground water.	<ol> <li>With stricter protection laws and regulations, the enhancement of pollution prevention and control facilities and the treatment of pollutants to meet stricter requirements can bring up the operational cost.</li> <li>Violating environmental protection laws and regulations is subject to mandated downtime, resulting in delayed shipments.</li> <li>Only the qualified remain on the waste processing market. The qualified processors can only process limited amounts. As such, the processing cost will surge.</li> </ol>	Governments, customers, supply chain, and community
	Cap control and carbon credit, energy trade-related	The "Hubei Carbon Emission Credit Trade Regulations" were released in 2013 in the province of Hubei and the local carbon emission credit trade market was officially operative in April 2014 with trial trade sites available. The "Carbon Emission Credit Trade Regulations (Trial)" were enforced on February 1, 2021 in China and the National Carbon Emission Credit Trade Market was established to promote reduced greenhouse gas emissions and to govern the carbon emission credit trade and related activities as well as laws and regulations defined according to applicable national requirements for the control over greenhouse gas emissions throughout the nation. The Shanghai Environment and Energy Exchange also announced on July 16, 2021 that carbon emission credit trade were officially available in China to market the beginning of relaxation on carbon emission trade. The government will set the target carbon emission limit on the market according to the national reduction goals and then assign the carbon emission credit to the corporate entity. If the amount of carbon actually released by the business is higher than that under the contract, the excess will need to be purchased on the carbon quota market; otherwise, a fine will apply.	For emissions in excess, it is required to purchase reduced-emission energy such as photovoltaic or wind power on the market, which will bring up expenditure on energy cost and cost associated with the purchase of carbon credit.	Government, supply chain, customers, employees, shareholders



to the TCFD and found out the potential impacts and possible opportunities in terms of corporate finance taking into consideration internal and external environmental changes and prepared the management policy and countermeasures against climate change accordingly.

Climate-related opportunity	Management policy/countermeasure
<ol> <li>Integrated selection of raw materials: supplies are sought through maximized right of choice to reduce the disruption risk caused by extreme weather events.</li> <li>Increased diversity in the sources of raw materials and regular materials for reduced risk of disruption.</li> </ol>	<ol> <li>Explore new suppliers and new regular materials, increase the number of suppliers, diversify sources of raw materials and regular materials, and avoid having only one supplier.</li> <li>Create secondary suppliers to avoid supply risks with single suppliers and to guarantee smooth supplies and increase room for price negotiation and service.</li> <li>Periodically reflect upon the supply risk rating of the supply chain and evaluate supplier alternatives.</li> <li>Enhance the raw material utilization rate and lower the scrap rate.</li> <li>Improve process capabilities and reduce consumption of raw materials.</li> <li>Increase the safety inventory of common raw materials and regular materials.</li> <li>Provide sales representatives with trends in the contemporary raw material costs and prices and price hikes among regular materials to propose a price increase to customers, to discuss countermeasures together, and to share the</li> </ol>
1. Draper management helps onhance the corrects image, externing a set-birs	cost rise pressure.
<ol> <li>Proper management helps enhance the corporate image; enterprises catching more attention will have more positive operational developments.</li> <li>The resource recycling technology turns waste into reusable resources and brings down the waste processing cost. The recycled resources can also be sold to bring about profits.</li> </ol>	<ul> <li>Environmental Protection Act:</li> <li>Normalize the management measures, reinforce pollution control hardware equipment, introduce low-pollution raw materials and regular materials to proactively meet the pollution control requirements of the competent authority.</li> <li>Waste recycling:</li> </ul>
3. Over the past two years, Dynamic Electronics has not been included by the government on the list of businesses for which reduced production is mandated for severe air pollution caused, indicating that the improvements made by Dynamic Electronics are well approved by the surrounding residents and the list of the surrounding residents are the surrounding residents.	<ol> <li>Turn waste to treasure by means of recycling technology, which not only reduces impacts on the environment but also increases profits for the Company.</li> <li>Find qualified waste processors to create a win-win situation.</li> </ol>
local authority and it guarantees the output to meet customers' demand.	Discharge of wastewater:
	<ol> <li>Select processes with low pollution equivalents and reduce the output and divert water from respective processes according to the quality.</li> </ol>
	<ol> <li>Have someone to take charge of managing the adequacy of wastewater systems and to ensure normal operations of equipment.</li> </ol>
	3. Continue to cooperate by modifying new technologies for improved processing efficiency.
	<ol> <li>Evaluate low-nitrogen boilers; they need to be completely improved ahead of official requests.</li> </ol>
	Soil and ground water:
	1. Improve the source of leakage on the plant compound.
	2. Normalize extraction wells on the plant compound.
	3. Continue to test soil and ground water on the plant compound each year.
<ol> <li>Set emission goals for the Company, start carbon emission deployment early on, reserve momentum for expansion, and ensure smooth production to gain more attention on the market.</li> </ol>	<ol> <li>Turn the plant compound green, promote green production, reduce energy consumption, plan solar power generation, and enforce ISO 50001 systems to achieve energy-saving goals.</li> </ol>
<ol> <li>Expedite clean production, embark on low carbon transformation, sell redundant carbon credit to make profits, or retain it to allow operational developments.</li> </ol>	<ol> <li>Due to the varying progresses made in respective provincial cities, close attention will be paid to the management of carbon emissions in respective provincial cities to comply with applicable regulations.</li> </ol>
	<ol> <li>Define the total emissions from operational activities in the plant and prepare plans to improve equipment with maximum emissions and involving high energy consumption.</li> </ol>
	4. Define end users of renewable energy and green energy.
	5. Continue to promote certification of the environmental protection system.
	<ol><li>Improve waste gas and wastewater discharge and define management guidelines and enforce them and periodically reflect upon them.</li></ol>
	<ol> <li>Embark on water and electricity-saving measures and involve everyone in the Company.</li> </ol>
	8. Improve the energy and resource use efficiency and increase the utilization rates of water, electricity, and gas; control the unit output.
	9. Enhance the use rate of renewable energy.
	10. Convert carbon emission issues to management items.
	11. Secure sufficient opportunities for the purchase of carbon emission credit to minimize the possibilities of downtime or reduced production.
	12. Increase workshops and process yield rates and reduce consumption.



## Contents Environmental Performance

Risk classification (Transition/ physical)	Climate-related risk	Description of risk impact	Potential financial impact	Stakeholder
Transition Risk	Renewable energy- related	The National Energy Administration of China released the "14th Five-Year Plan for Renewable Energy Development Planning Notification" on April 15, 2020. The 14th Five-Year Plan, in particular, is referred to as an important phase for the promotion of "energy transition" and "green development". Enterprises are asked to fully take advantage of the low cost of renewable energy by prioritizing the use of renewable energy.	The Chinese government promulgated green electricity-related laws and regulations and promotes spontaneous adoption of green electricity, part of renewable energy, among enterprises. It is possible that there will be additional cost from the use of green electricity for enterprises.	Government
	Transformation of customer demand	Given the energy-saving and waste reduction macro-environment and the awareness of consumers in purchasing environmentally-friendly green products, brand suppliers such as Apple and ASUS are demanding that renewable energy be used throughout their supply chains and carbon reduction be practiced. They are tracking carbon footprints during the production process and the transport process and environmental protection- related management, which is likely to bring up environmental protection-related costs.	With customers emphasizing environmental protection and carbon reduction, costs will rise. The demand for suppliers to join in the green supply chain will also drive up the operational cost for the suppliers, which accordingly will mean additional cost of the product to be transferred to the downstream.	Supply chain, shareholders, community
	Unstable energy supply	To go with the air pollution and carbon emission reduction policies of the government, power plants throughout China are gradually slashing the amount of coal-fired electricity. The economic recovery leads to a significant rise in electricity consumption and the generation of clean energy such as wind and water power is subject to environmental factors, which makes a rapid increase in power supply impossible. As a result, power rationing occurs in some provincial cities. The insufficient electricity generated and supply of energy give rise to issues such as discontinued production and reduced capacity.	<ol> <li>Lost revenue caused by discontinued production and reduced capacity.</li> <li>Increased costs caused by the use of spare electricity, from power generators.</li> <li>Cost of overtime due to work behind schedule.</li> <li>Increased cost caused by the purchase of alternative energies.</li> </ol>	Supply chain, customers, shareholders, employees, and community
	Market demand transformation/new innovative industrial technologies	Electronic products are growing towards high frequencies and high speeds. PCBs, accordingly, are featuring high heat dissipation coefficients and thick copper design. As a result, carbon emissions associated with raw materials are increased. The complex and difficult process also drives up carbon emissions. Meanwhile, customers continue to increase their emphasis on environmental protection ratings and their demand for raw materials and regular materials being environmentally friendly climbs accordingly, too.	To meet the environmental protection requirements, new product development and environmental protection test costs and green raw materials purchase costs will be increased.	Supply chain, shareholders, community



#### ▶ Contents

Climate-related opportunity	Management policy/countermeasure
<ol> <li>Because of the promotion by the Chinese government of provincial power grid enterprises undertaking grid-parity or low-price grid renewable energy electricity and the fact that the Chinese government has signed the long-term fixed electricity price contract with power-generation businesses at the local coal-fired benchmark grid price (which may not be less than 20 years), it is likely that the price of green electricity will be the same as that of coal-fired electricity.</li> <li>An increased utilization rate of renewable energy and the rising percentage of green product help compared among interprint outparent.</li> </ol>	<ol> <li>Continue to pay close attention to the trends in revisions made to renewable energy laws and regulations and evaluate the cost effectiveness of renewable energy to consolidate the operation of the energy management system and to lower the amount of electricity used in the manufacturing of products.</li> <li>If green electricity is available for purchase, purchase of green electricity is expected to begin in 2022.</li> </ol>
The promotion of clean production helps boost competitive advantages on	1. Set up a water reuse system.
the market and shape the positive corporate image to secure approval among international customers.	<ol> <li>Evaluate the establishment of a system for recycling and reuse of scraps, such as the etching solution and the gold plating solution, among others, to be introduced.</li> </ol>
	<ol> <li>Introduce clean energy; promote and maintain the environmental management system, the system to manage absence of hazardous substances in products, and the energy management system, etc.</li> </ol>
	<ol> <li>Set the water and electricity-saving goals for new processes to inspire carbon reduction awareness in suppliers.</li> </ol>
	5. Create a product environmental footprint management system.
	6. The carbon footprint cost shall be included as part of the process cost.
	7. Develop products meeting the Energy Star symbol requirements.
	8. Introduce new design/new technology/new materials.
	9. Control reasonable cost to ensure revenue and profitability.
<ol> <li>Enhanced electricity use efficiency throughout the Company will not only bring down production cost but also maintain operations under limited power supply.</li> </ol>	1. Continue to promote ISO 50001 systems and use other heat sources to replace electricity for heating purpose, such as steam.
2. The use of green alternative energy helps not only avoid the risk of power	2. Try to obtain additional energies to reduce impacts of power rationing.
rationing but also enhance the environmentally-friendly image of the Company	3. Create back-up solutions where fuels and diesel are used alternately.
	<ol> <li>Adjust the production schedule and unnecessary bottleneck processes.</li> </ol>
<ol> <li>Low-energy-consumption materials and process development and investment in advanced processes help satisfy the demand for products in the future.</li> <li>The promotion of green production not only meets the requirements of applicable international organizations but also contributes to more competitive advantages on the market to shape a positive corporate image.</li> </ol>	<ol> <li>Strictly follow the "supplier management and raw material evaluation" requirements while managing the environmental protection requirements and implementation status of suppliers and raw materials and regular materials and reflect upon their improvements according to applicable articles.</li> <li>Collect the test reports of hazardous substances in the products of suppliers each year and set water conservation goals for new processes to inspire each get reducting aurogenees in guardiant.</li> </ol>
	<ol> <li>Develop green materials that meet the new environmental protection requirements.</li> </ol>
	<ol> <li>Include enhanced high-precision process capabilities as part of the precision process project.</li> </ol>



## Contents Environmental Performance

Risk classification (Transition/ physical)	Climate-related risk	Description of risk impact	Potential financial impact	Stakeholder
Physical risk	Worse extreme weather events	Traffic disruption caused by extreme weather events and the downtime and discontinued production because of floods, power outages, and damaged plant facilities also make the supply throughout the supply chain difficult, elongate the purchase cycle of raw materials and regular materials, and even lead to losses of tangible and intangible assets throughout the enterprise.	<ol> <li>The frequent occurrence of extreme weather events will increase the costs associated with the prevention against them and those with aftermath rescues and recoveries.</li> <li>Lost revenue caused by downtime and discontinued production</li> <li>Increased cost from emergency purchases and tying-down of capital from increased stocks.</li> <li>Increased maintenance cost for damaged equipment and facilities</li> </ol>	Supply chain, customers, shareholders, employees, and community
Transition Risk	Climate issues concerning stakeholders	If it is impossible to continue advancing ESG performance, corporate reputation is likely to be undermined and capital-raising will be affected accordingly.	It may be distavoring the intended financing of the Company in the future.	customers, shareholders



#### Contents

Climate-related opportunity	Management policy/countermeasure
<ol> <li>Proper disaster prevention enables Dynamic Electronics to be relatively minorly impacted when the industry bears the brunt and to be better competitive.</li> </ol>	1. Reflect upon and enhance the tolerance of environmental impacts.
	2. Hold emergency response drills on rosy days.
<ol> <li>With expanded sources for the purchase of raw materials, it helps enhance the ability to respond to insufficient supply of raw materials.</li> </ol>	3. Create secondary support for the supply chain.
	4. Minimize the public dependency on energy and search for backup energy.
<ol><li>Order transfer effect in the event of the urgent for other counterparts in the industry to meet the delivery deadline.</li></ol>	<ol><li>Have natural disaster impact evaluations in place on the plant compound and proactively follow up on the developments of various natural disasters.</li></ol>
	<ol><li>Create a flexible allocation mechanism through different plant compound and processing plants.</li></ol>
	<ol><li>Have sufficient materials to meet production demand in advance as soon as expected risks occur.</li></ol>
	<ol> <li>Prepare the Company for risks in advance by elevating the foundation of the plant compound during the early planning stage and planning expensive equipment for higher floors and smooth rainwater drainage systems, among others.</li> </ol>
	<ol><li>Related departments are notified timely according to the weather forecast and supervise them over proper preparations for the emergency.</li></ol>
	9.1. Simulate the secondary travel path in advance.
	9.2. Lower the air-conditioning temperature and reduce the high-temp operating time. Have anti-heat stroke and temperature-lowering medications ready at the health station.
	<ol> <li>Add equipment and facility inspection and maintenance frequencies for the mechanical/electrical/equipment department and do proper equipment monitoring and management</li> </ol>
	10.1. Introduce electrical smart monitoring systems for the machines; the smart power grid and AI operational mode enable optimization of electricity utilization.
	10.2. Increase the setup of UPS systems to be ready upon impacts from sudden shortage in power supply.
	10.3. Monitor the amount of water used by equipment and machines. Manage by each separate piece of equipment to monitor water consumption changes more precisely.
	10.4. Activate industrial water tanks throughout the plant for backup and expand the process recycled water system.
	10.5. Commit to the use of recycled water, which, along with the local government's engineering management, will help reduce the dependency on tap water on the plant compound.
	<ol> <li>Build a normal mechanism for the inspection and prevention of buildings and equipment, among others by industrial safety/environmental protection/administration units.</li> </ol>
	<ol> <li>Build a pre-warning mechanism for transport and allocation to act early on and to reduce the damage to a minimum.</li> </ol>
Obtain ratings and certifications from third-party institutions for investors' reference to stabilize steady funding sources and share prices.	<ol> <li>Drive ESG actions (targets and strategy, impacts, efficacy, and continuity of implementation, demonstrated outcome, and leadership)</li> </ol>
	<ol> <li>Improve the quality of what is included in the Report (integrity, credibility, communicability)</li> </ol>
	<ol> <li>Reinforce external disclosure channels) (diversified media design and interactive features, stakeholder communication and feedback channels, website CSR section management, electronic version of the Report).</li> </ol>



Climate Change Risk Management and Goals - Implementation in 2021 and Goals of 2022

Based on the climate change risks mentioned above, Dynamic Electronics established its tracking and management system. The implementation of goals in 2021 and the goals set for 2022 are shown in the table below:

Project	Implementation of goals in 2021	Goals set for 2022
Supply of raw materials and regular materials	<ul> <li>Disrupted supply of raw materials for zero days as a result of climate change</li> <li>Complete the evaluation of three alternative solutions: two for the copper foil and one for the dry film</li> <li>The mean utilization rate of raw materials and regular materials was 79.79 %, an increase of 0.09 % from 79.7 % from 2020</li> <li>The mean scrap rate of raw materials and regular materials was 8.44 %</li> </ul>	<ul> <li>Disrupted supply of raw materials for zero days as a result of climate change</li> <li>Complete the evaluation of three alternative solutions</li> <li>A mean annual utilization rate of raw materials and regular materials of up to 80 %</li> <li>Reduced scrap rate of raw materials and regular materials, with a mean scrap rate lowered by 10 % from the preceding year</li> </ul>
General environmental laws and regulations	<ul> <li>Huangshi Plant</li> <li>Environmental pollution incidents x 0</li> <li>The fulfillment rate of pollutants in meeting discharge criteria was 100 % and that meeting stricter discharge criteria by 50 % was 89 %.</li> <li>Waste liquid reduction and recycling system: 409 cubic meters of waste liquid were processed concentrated and the volume transported out of the plant compound dropped by 80 %.</li> <li>The additional nitric acid electrolysis and recycling equipment generated 28 tonnes of copper and recycled 474.5 cubic meters of nitric acid.</li> <li>Planned and installed the sludge dryer equipment</li> <li>Film slag reduction and recycling system: The film slag water content dropped from 80 % to 15 %, which brought down the amount transported out of the plant compound by 394 tonnes.</li> <li>Extracted copper through electrolysis on the plant compound by 394 tonnes.</li> <li>Extracted copper through electrolysis on the plant compound from pickling etching solution, etching solution, and micro-etching copper-based solution: 939 tonnes of copper were generated.</li> <li>Reduced the pollutants discharged per TWD million of production value by 14 %</li> <li>Kunshan Plant</li> <li>Replaced the burner of the boilers to improve combustion efficiency and to reduce energy consumption and the amount of NOX discharged</li> <li>Added CTO, RCO, and activated carbon absorbers to effectively enhance the VOC processing efficiency to more than 95 %</li> <li>The water content of sludge dropped to 63 % after the filter of new composition was replaced</li> <li>Scheduled inspections of pipe networks throughout the plant. Blocked inter-pipe interference during construction and repaired damaged pipes. Partner test results were normal within the perimeter and outside the perimeter. Monitoring within and outside the perimeter twice a day was defined for the Company.</li> </ul>	<ul> <li>Huangshi Plant</li> <li>Environmental pollution incidents x 0</li> <li>All pollutants meeting the criteria before they are discharged (and the discharged concentration controlled below 50 % of the specified value)</li> <li>Maximize water resource recycled and reused volume, increase conforming wastewater utilization volume, and add rainwater collection and recycling facility 20,000 tonnes/year</li> <li>Kunshan Plant</li> <li>Add sludge drying equipment to bring down the volume of hazardous waste sludge transported out of the plant compound for treatment by around 640 tonnes/year</li> <li>Reduce the environmental protection processing cost and the unit cost of wastewater processing agent consumed by 5 %</li> <li>Enhance the operational adequacy of environmentally-friendly facilities; the production at each section a month impacted may not exceed 0.5 days</li> <li>Cooperate 100 % with the government in the monitoring and disclosure of each emission to have 0 environmental pollution incidents</li> </ul>

#### Contents

Project	Implementation of goals in 2021	Goals set for 2022
Cap control and carbon credit, energy trade- related	<ul> <li>Purchase raw materials and regular materials that are 100 % compliant with environmental protection requirements; prioritize the purchase of appliances of Grade 1 energy efficiency that are available on the market; Grade 1 energy efficiency of newly purchased appliances greater than 50 %.</li> <li>Huangshi Plant</li> <li>Purchased 519 tonnes of carbon credit in November 2021.</li> <li>The greenhouse gas emissions per unit of revenue dropped by 14.70 % from the preceding year.</li> <li>Paid RMB 59,000 for the environmental protection tax, an increase of 7.78 % from 2020.</li> <li>Kunshan Plant</li> <li>Completed the remodeling of the burners of four boilers; the original diesel boilers were switched to be dual-fuel (natural gas and diesel) boilers (diesel as backup), which is expected to bring down the carbon dioxide discharged by 27 %.</li> <li>The unit intensity of emissions in 2021 dropped by 29.59 % from the preceding year (tonne of carbon dioxide/TWD million)</li> <li>Paid RMB 57,000 for the environmental protection tax, an increase drop 1.96 % from 2020</li> </ul>	<ul> <li>Purchased carbon credit as required by the government.</li> <li>Continue to consolidate production lines and optimize product structures to ensure optimized efficacy.</li> <li>Purchase raw materials and regular materials that are 100 % compliant with environmental protection requirements; prioritize the purchase of appliances of Grade 1 energy efficiency that are available on the market; Grade 1 energy efficiency of newly purchased appliances greater than 60 %.</li> <li>Huangshi Plant</li> <li>Plan to purchase 10 million MW of green electricity if enterprises are allowed in 2022 to purchase it.</li> <li>Bring down greenhouse gas emissions per unit of the product by 8 % from 2020.</li> <li>Build new solar power photovoltaic generation centers to conserve electricity by 150,000 kWh a year and reduce carbon emissions by 146 tonnes.</li> <li>Kunshan Plant</li> <li>Prioritize the purchase of energy-saving equipment 100 % if equipment needs to be replaced.</li> <li>Follow 100 % governmental requirements for the Yangtze River Delta in the purchase of carbon credit.</li> <li>Reinforce control over water, electricity, and gas to reduce the unit energy consumed and carbon emissions by 8 % from 2020.</li> </ul>
Renewable energy- related	<ul> <li>Huangshi Plant</li> <li>Honored as advanced enterprise in water conservation in the Province of Hubei.</li> <li>Named National Green Plant for its advancement in the use of energy as reviewed and approved by the Ministry of Industry and Information Technology in December 2021.</li> </ul>	<ul> <li>Huangshi Plant</li> <li>Build new solar power photovoltaic generation centers to generate 150,000 kWh of electricity a year.</li> <li>Plan domestic electricity consumed 100 % photovoltaic</li> <li>Evaluate the ice and energy storage system to bring down the overall electricity consumed throughout the Plant.</li> <li>Kunshan Plant</li> <li>Evaluate illumination throughout the Plan and the feasibility of changing electricity used in the living area to be photovoltaics.</li> </ul>
Transformation of customer demand	<ul> <li>Huangshi Plant</li> <li>Fulfilled customer requirements 100 %</li> <li>Discussed with the certifying body certification of the AWS water management system.</li> <li>Kunshan Plant</li> <li>Certified by WIT Assessment for its 2020 greenhouse gas verification; certification for 2021 is expected to be completed in August 2022.</li> </ul>	<ul> <li>Zero deficiency found during an audit performed by the customer as the goal.</li> <li>Huangshi Plant</li> <li>Fulfilled customer requirements 100 %</li> <li>AWS water management system platinum certification once the P2 plant is commissioned</li> <li>Kunshan Plant</li> <li>Fulfilled customer requirements 100 %</li> <li>Approved for its ISO 50001 energy management system</li> </ul>
Unstable energy supply	Huangshi Plant • Continued to keep communications open. • Established the energy emergency response proposal. Kunshan Plant • Q4 throughput dropped to be <1.4 million feet a month.	<ul> <li>Continue to consolidate production lines and optimize product structures to ensure optimized efficacy.</li> <li>Huangshi Plant</li> <li>Add new pipes for natural gas in the north of the Plant to ensure steady supply of natural gas on the plant compound.</li> <li>Communicate with the local government about the focused heat supply (steam) engineering matter.</li> <li>Kunshan Plant</li> <li>Bring down the throughput to 1.2 million feet, with excessive purchase orders transferred to the Huangshi Plant.</li> <li>Continue to promote energy diversification and evaluate the solution of switching electrical heating equipment to steam heating one.</li> <li>Introduce the 15000 KW/H energy storage equipment and adjust the key process by buffering it 2 hours in response if possible.</li> <li>Maintain 100 % adequacy of the power generators, with the increased backup capacity of 650 MWh.</li> <li>Strategic reserve of 20 tonnes to support boilers for 10 days of operation in the event of disrupted supply of gas.</li> </ul>



#### Contents Environmental Performance

Project	Implementation of goals in 2021	Goals set for 2022
Market demand transformation/new innovative industrial technologies	<ul> <li>The improvement rate of upstream suppliers after evaluation and reflection was &gt; 99 %; communicated to the upstream for obtaining approval for carbon emissions and prioritized 100 % raw materials and regular materials with fewer carbon emission per unit product compared to their equivalents</li> <li>Among the Top 4 precision processes, thin line capabilities were enhanced from being incapable of producing 2/2 line width products to being capable of mass product although the yield rate is still pending enhancement.</li> <li>The black hole lines were discontinued due to the limited capabilities of the equipment supplier, which makes fulfillment of the technical requirements of advanced products on the plant compound impossible.</li> </ul>	<ul> <li>Prioritize 100 % raw materials and regular materials with fewer carbon emission per unit product compared to their equivalents</li> <li>Introduce pulse plating VCP highly-plated through-hole products; reduce surface copper thickness; enhance the yield rate; and minimize the consumption of copper and that of etching solution</li> <li>Continue to study black-hole or black-shadow directly plated products to meet technical requirements and to reduce the wastewater discharged in response to the further tightened dimensions and specifications of high-frequency antennas</li> </ul>
Worse extreme weather events	<ul> <li>Created a safety inventory of at least seven days for raw materials and regular materials throughout the Province of Hubei or Jiangsu if they are crucial and likely impacting the production to ensure disruption in the supply caused by extreme weather events for zero days</li> <li>Huangshi Plant</li> <li>There were no major natural disasters.</li> <li>No failure of facilities caused by natural disasters occurred.</li> <li>No additional cost expenditure having derived from natural disasters occurred.</li> <li>Kunshan Plant</li> <li>Scheduled inspections of internal pipe networks were completed and so were repairs and optimization.</li> <li>Completed the dual-track mechanism (electricity + steam) for three major production equipment heaters to cope with emergencies by allowing a switch-over.</li> <li>Completed the dual-track mechanism (electricity + steam) for four major production equipment heaters to cope with emergencies by allowing a switch- over.</li> </ul>	<ul> <li>Disrupted supply of raw materials for zero days as a result of extreme weather events</li> <li>Continue to update and maintain the traceability of antifreeze project; inspect and reinforce prior to extreme weather events</li> <li>Define the emergency response proposal and backup solution to ensure stable and reasonable rates</li> <li>Huangshi Plant</li> <li>Incidence of major risks 0 %</li> <li>Failure of related facilities 0 %</li> <li>Control over response cost 0 %</li> <li>Kunshan Plant</li> <li>Reinforce the linkage between the rainwater system on the plant compound and the city pipe networks; it is expected that one more outlet will be added in 2022.</li> <li>Keep records of abnormal low temperatures and configure the drainage slope to minimize chances of water being built up and frozen in the pipes.</li> <li>Reinforce the anti-freeze shielding for the workshops and change to low-temperature-tolerant sprinklers in the airway outlet area.</li> </ul>
Climate issues concerning stakeholders	<ul> <li>Understood the carbon emissions and requirements in the carbon reduction plan of some customers.</li> </ul>	Continue to focus on customer demand and understand applicable requirements and plans of each customer group on climate issues.

#### Analysis of Scenarios Where Climate Change Impacts Finance

Climate change is a risk that deeply impacts the daily operations of Dynamic Electronics. The increasing incidents caused by extreme weather events in China over the past years plus the ever-stricter environmental protection laws and regulations in Taiwan and China are driving up impressive costs for Dynamic Electronics. In other words, for "physical risk" or "transition risk", Dynamic Electronics carefully evaluates their resultant impacts and plans ahead of time the response mechanism and related measures to minimize the operational risk.

#### Scenario Analysis of Physical Risks and Financial Impacts – Analysis of Disasters **Caused by Rainfall for Primary Suppliers**

Dynamic Electronics takes an inventory check of the exposure to the climate risk among its Top 3 suppliers and evaluates the disasters brought about by rainfall in the locations of primary suppliers. With the difference equivalent between 2100 and 1750 of radiative forcing as the benchmark according to "Representative Concentration Pathways" (RCPs) in the Fifth Evaluation Report of the United Nations Intergovernmental Panel on Climate Change (IPCC), Dynamic Electronics adopts RCP 2.6 and RCP 8.5 as two scenarios and cites data of these two scenarios from Climate Analytics.

Results of the evaluation show that the risk exposure percentage of revenue from the analysis of the simulated RCP 2.6 scenario was 0.0160 % and that of RCP8.5 was 0.0169 %. Primary suppliers of Dynamic Electronics are not exposed to significant physical risks and hence there will be no significant financial impacts.



#### Physical Risk Scenario-based Analysis and Evaluation Procedure



#### Scenario Analysis of Transition Risk and Financial Impacts – Risk Analysis of Carbon Charge

To achieve the goal of "net zero emissions by 2050", the Executive Yuan of Taiwan recently approved the draft amendment to the "Greenhouse Gas Reduction and Management Act" and the title of the act was changed and modified as "Climate Change Response Act". It is expected that carbon charge will apply to emission sources throughout the nation in the future. In China, on the other hand, under the background goal of "carbon peaking by 2030 and carbon neutralization by 2060", the National Carbon Trade Market was commissioned in 2021. Therefore, Dynamic Electronics evaluates the impacts of carbon charge on its finance in the future according to the current climate change strategy and current operational status as the fundamental scenario.

The overall greenhouse gas emissions of Dynamic Electronics throughout 2020 came to 217,322.5717 tonnes (only Scopes 1 and 2). With 2020 as the baseline, the annual carbon reduction ratio is forecast according to Dynamic Electronics' carbon reduction goal of 4 % linear reduction a year and the five criteria of carbon prices, namely "EPA-recommended rate", "EU-estimated carbon tax rate", "IEA-estimated rate", Greenpeace-recommended rate", and "carbon price trend survey of the China Carbon Forum" and is calculated according to the current actual carbon credit trade ratio while Dynamic Electronics is evaluated for its extent of risk exposure under different scenarios in the future and up to 2050.

Results of the evaluation show that under each of the five estimated rates by 2050, financial impacts are the most significant applying the EU carbon tax and the Greenpeace-estimated rate and the minimal with the EPA-recommended rate. Although analysis findings do not impact the operations of Dynamic Electronics to a hazardous extent, Dynamic Electronics is highly concerned about related issues. Besides proactively introducing renewable energy equipment, it communicates with upstream suppliers on getting approvals for carbon emissions and prioritizing 100 % the purchase of raw materials and regular materials with fewer carbon emissions per unit product to reduce emissions at each segment of the product's life cycle and to hopefully provide customers with environmentally-friendly and low-carbon-emission products.



#### Carbon charge scenario analysis of Dynamic Electronics

Inferred year		2020	2040	0050
Carbon emission scenario Carbon charge scenario		2030	2040	2050
	Rate recommended by the Environmental Protection Administration	\$2,868,658	\$1,051,841	\$595,464
Linear reduction of 4	Rate estimated for the EU carbon tax	\$28,893,253	\$21,463,560	\$13,758,692
% a year as the carbon reduction goal of Dynamic Electronics	Rate recommended by Greenpeace	\$33,020,861	\$17,403,522	\$13,758,692
	Rate estimated by the International Energy Agency	\$36,138,570	\$17,035,885	\$12,046,190
	Carbon price estimated through the China Carbon Forum	\$15,744,929	\$7,032,929	\$4,712,192

Note: The current actual carbon credit trade ratio in China is 20 %



## III. Greenhouse Gas Emission

Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Pledge to impose internal technical control under the governmental reduced emission goals	Factory Affairs Department	Modification of the boiler head	Improvement project of low-nitrogen energy- saving burners for boilers at the Kunshan Plant	
Technical control, enhanced energy efficiency	Factory Affairs Department Factory Affairs Department Management Department Management Department	Equipment remodeling Hot water boiler Installation of timers and electricity savers Painting manpower	Automatic online cleaning of condensers of iced water machines Huangshi Plant - Process and air-conditioning heating is changed to heating through hot water boilers. Taoyuan Operation Center iced water machine electricity conservation project Roof sunscreen paint thermal insulation project of the Taoyuan Operation Center	Plant President, CSR Office (Hotline, mailbox)
Green purchase for reduced pollution	Environmental Safety Department	Purchase funds	Renewable energy procurement project	

#### Goal and Accomplishment

Goal	2025 (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Taoyuan Operation Center Greenhouse gas emissions (tonnes) (With 2020 as the baseline)	121.07 (Reduction of 10 %)	115.69 (Reduction of 14 %)	131.83 (Reduction of 2 %)	128.95 (Reduction of 4.14 %)	129.14 (Reduction of 4 %)
Kunshan Plant greenhouse gas emissions (tonnes) (With 2015 as the baseline)		-	148,118 (Reduction of 6 %)	144,267 (Reduction of 29.89 %)	-
Huangshi Plant greenhouse gas emissions (tonnes) (With 2018 as the baseline)	-	-	57,828 (Reduction of 3 %)	73,741 (Increase of 23.69 %)	-
Target reduction in greenhouse gas emission intensity of the Kunshan Plant (T CO₂e/TWD million of revenue) (With 2020 as the baseline)	17.03 (Intensity dropped by 20 %)	14.48 (Intensity dropped by 32 %)	-	14.99 (Intensity dropped by 29.59 %)	19.59 (Intensity dropped by 8 %)
Target reduction in greenhouse gas emission intensity of the Huangshi Plant (T CO₂e/TWD million of revenue) (With 2020 as the baseline)	11.26 (Intensity dropped by 20 %)	9.57 (Intensity dropped by 32 %)	-	12.01 (Intensity dropped by 14.70 %)	12.95 (Intensity dropped by 8 %)

Remarks: Targets for the Kunshan Plant and the Huangshi Plant are modified for 2022 onwards. Reduction in the greenhouse gas emission intensity becomes the indicator. With 2020 as the baseline (21.29 T CO<sub>2</sub>e/TWD million of revenue for the Kunshan Plant and 14.08 T CO<sub>2</sub>e/TWD million of revenue for the Huangshi Plant), the greenhouse gas emission intensity (by revenue) is to drop 4 % each year and at least 20 % by 2025.

Inventory check findings of greenhouse gases of the threee places across the Taiwan Strait in 2021 are as follows:



The spontaneous inspection was performed as decided by the Board of Directors of the Taoyuan Operation Center in May 2022 and such inventory checks are planned to be outsourced starting from the next year. External verification was not done for the Kunshan Plant because of the pandemic until early August. The external verification of the Huangshi Plant is arranged centrally by the Department of Ecology and Environment of Hubei Province and notification of the results as pending as of the cut-off date for the Report.





#### Scope 1 (Direct) Greenhouse gas emissions



# 2021 S ESG Report

Contents



In 2021, direct greenhouse gas emissions increased by 10.9 % for the Kunshan Plant mainly because of the increased throughput (production area increased by 14.09 % and revenue by 30.03 %). To lower the emissions, boilers were modified at the Kunshan Plant with improved low-nitrogen energy-saving burners. The improvement not only contributed to reduced emissions of carbon and acid gases such as sulfur dioxide but also is free of impacts from power rationing in the case of electric boilers. With the same heating value, it helps bring down  $CO_2$  generated by 24 % at the Kunshan Plant and annually, the total reduction will come to 220 tonnes for  $CO_2$  and 0.01 tonnes for SOx.

Similarly, because of the increase in revenue by 44.97 %, Scope 1 greenhouse gas emissions climbed 22.68 % for the Huangshi Plant. By improving the heat supply method, the Scope 1 emissions per unit of revenue dropped by 15.53 %. For the Huangshi Plant, process and air-conditioning heating is changed to heating through hot water boilers. Compared to steam, hot water is free of the issues of condensation and secondary evaporation loss. Secondly, pipe heat dissipation loss is relatively minor, too, with hot water. Meanwhile, hot water can be regulated qualitatively in a flexible way reflective of the changes in outdoor ambient temperatures to accomplish fuel conservation and guaranteed quality of heat supplied. The fuel gas intensity dropped 12.92 % with this solution and greenhouse gas emissions dropped by 666.6 tonnes.



### Scope 2 (Indirect) Greenhouse gas emissions

Contents

No production is taking place at the Taoyuan Operation Center, there is only the office. Hence energy consumption involves primarily electricity and accounts for only 0.06 % of the overall energy consumed throughout the Group. Nevertheless, timers are added to iced water machines and sunscreen paint is applied to the roof to reduce energy consumption; the annual reduction in greenhouse gas emissions reached 4.6 %.

The Scope 2 greenhouse gas emissions dropped by 9.20 % at the Kunshan Plant mainly because of the 15 % green electricity purchased in the electricity consumed throughout 2021, which contributed to reduced emission of  $CO_2$ ; the emissions per unit of revenue dropped by 30.16 %.

The Scope 2 greenhouse gas emissions climbed by 23.88 % at the Huangshi Plant mainly because of the significant increases in revenue and throughput; the emissions per unit of revenue, however, dropped by 14.55 %. In 2021, modification took place at the Huangshi Plant to allow automatic online cleaning of condensers of iced water

machines. The scale formed because of circulation and filtration over the long term in iced water machines requires maintenance and care after a certain period of time. Besides downtime, suspended work, and increased manpower cost, the scaling also leads to waste of energy. Through automatic online cleaning of condensers of iced water machines, heat transfer efficiency can be enhanced at any time. It contributes to improved efficiency of the condenser. The annual electricity consumed of iced water machines throughout 2021 came to 11,484,960 kWh. The electricity conserved came to 294,486.15 kWh and reduced greenhouse gas emissions totaled 154.81 tonnes. In addition, control over the use of energy continued throughout the Plant. It has applied for becoming one of the sixth batch of national green plants.



Ongoing photovoltaic generation system planned for the Huangshi Plant

Projects planned to be enforced by Dynamic Electronics throughout 2022 are as follows:

Plant	Name of project	Planned resources to be devoted	Expected outcome (target fulfillment rate)
Taoyuan Operation Center	Modification of air-conditioning equipment	Grade 1 energy-efficiency air-conditioning equipment (TWD 1.5 million)	Air-conditioning electricity conserved 10 %
	New photovoltaic generation project	Land and configuration RMB 687 thousand	Expected annual electricity generated 150,000 kWh and reduced Scope 2 greenhouse gas emissions by 105 tonnes
Huangshi Plant	Purchase of green electricity 24 million kWh	Devotion of RMB 1.7 million	15 % of the overall electricity consumed throughout the Plant to bring down Scope 2 greenhouse gas emissions by 12,624 tonnes
	Roots blowers at the wastewater facility replaced with turbo blowers	Devotion of RMB 280 thousand	Annual reduction of electricity consumed by 175 thousand kWh and reduced Scope 2 greenhouse gas emissions by 92 tonnes



Trends in the overall greenhouse gas emissions at each operational site



## Contents Environmental Performance

## **IV. Water Resource Management**

Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Enhance the ability to cope with water risk	Board of Directors	Management	Form the Risk Management Or- ganization and include water risk response and management	
Promote efficient water utilization management and maximize water use efficien- cy by conserving water and reusing reclaimed water during the manufacturing process	Public Facility Department Environmental Engineering De- partment, Public Facility Depart- ment	Increased equipment and operational cost Increased equipment Additional pipes Equipment modification	Gradually add raw water inlet pipes to the reclaimed water reuse equipment at the Kunshan Plant Perfect Stage 2 equipment and facilities at the Huangshi Plant The reuse proposal for conforming effluent at the Huangshi Plant Use the air-conditioning conden- sation recycling system at the Huangshi Plant to green the plant compound	Plant President, CSR Office (Hotline, mailbox)
Reduce the discharge of sew- age by conserving water and lower the operational cost	Environmental Engineering Department	Management manpower, incentive prize	Continue to promote the process water conservation project and the water conservation prize and divert process wastewater	

#### Goal and Accomplishment

Goal	2025 (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Annual water conservation rate of the Kun- shan Plant (2015 as the baseline)	-20%	-	-12%	-10.58%	-14%
Annual water conservation rate of the Huangshi Plant (2018 as the baseline)	-14%	-	-6%	+90.18%	-8%
Percentage of water resource recycled for reuse at the Kunshan Plant	35%	36%	31%	20.8%	32%
Percentage of water resource recycled for reuse at the Huangshi Plant	35%	36%	31%	35.84%	32%

#### Assessment of the impacts on sources of water for Kunshan and Huangshi Plants of Dynamic Electronics

Plant		Kunshan Plant	Huangshi Plant			
Source of	water	Dual sources from Yangtze River and Kuilei Lake	Dual sources from Yangtze River and Yangxin Xiandao Lake			
Water shortag stress	Water shortage stress	High	Low			
as determined	Intrayear change	Low	Low			
Aqueduct Water Risk Atlas	Quarterly change	Low	Low-medium			
	Flood risk	High	Low-medium			
Amount of water used in the region		1.37 million tonnes/day	300 thousand tonnes/day			
Amount of water used on the plant compound		8000 tonnes/day	5300 tonnes/day			
Ratio of annual wat	er usade versus	0.6 % 1.8 %				
the amount of water accessed in the water supply area		None of the plant compound are located in areas subject to frequent water shortages and droughts; therefore, tap water is the main source of water. The ratio of water usage versus the amount of water supplied in the accessible was minimal in 2021, with no significant impacts (>5 %) on the water accessible area.				
Information on Water Usage		Cooling, board cleaning, dispensing tanks, wash troughs, fire prevention, domestic water consumption. Wet processes, in particular, require the use of an excessive amount of water for washing acid solutions and other pollutants on the surface of boards, which accounts for 60 %~80 % of all water used. The cleaning wastewater in this regard, on the other hand, is emphasized by Dynamic Electronics in the recycling and reuse of water resource.				
Water-related potential impacts		Water resource pollution: Serious silt-up of traveling water, the excessive amount of domestic wastewater generated, rapid urban expansion, rapid population growth, and the significant shrinkage of ecological land are causing urban issues in terms of water environment, water security, water ecology, and water resource.	Tap water is used. It results in insufficient supply of domestic water for surrounding residents.			



#### Trends in the amount and intensity of water consumed at the Kunshan and Huangshi Plants

Contents



The volume of water used at the Kunshan Plant in 2021 came to around 2.93 million tons, a decrease of 10.6 % from 2015 while water consumption per unit of revenue dropped 17.27 % from 2015. Primary water conservation measures adopted include:

1. With recycling of reclaimed water, it saves about 1,007 tonnes of water a day.

2. Water usage is monitored daily for the manufacturing process and reflected upon as soon as abnormal excesses are noted.

The water usage at the Huangshi Plant in 2021 was around 2.1 million tonnes, an increase of 28.68 % from 2020, mainly because also of the amount of water needed for the increased throughput in 2021. The conforming effluent recycling solution, however, allows the reuse of conforming effluent in the rinsing of the wastewater towers and in the resource recovery facility. In 2021, 98,300 tonnes were recycled. The recycled air-conditioning condensation is used for the greening on the plant compound. 3,500 tonnes were recycled throughout the year. In addition, through water conservation incentive and energy consumption control measures as well as the process water conservation model and technology, among others, the amount of water consumed per unit of revenue dropped by 11.24 % instead.

#### Balance chart of water consumption at the Kunshan Plant in 2021



Note: CMD: cubic meter/day.

#### Balance chart of water consumption at the Huangshi Plant in 2021





#### Water Resource Recycled for Reuse



Water Resource Recycling Rate

For the amount of water recycled for reuse at the Kunshan Plant in 2021, restricted by the size of the facility, despite an increase in the volume, the water reuse rate dropped as a result of the increased throughput and the accordingly increased amount of water used.

In 2021, it was planned to recycle for reuse of the effluent, recycle air-conditioning condensation, and collect for use of rainwater at the Huangshi Plant. The water recycling rate climbed from 33.20 % to 35.84 %. Meanwhile, after the honors as an advanced water-conserving community in Huangshi and advanced water-conserving enterprise of Hubei Province in 2020, the Plant was reviewed and approved in December 2021 by the Ministry of Industry and Information Technology as an advanced national green plant energy user.

For the 2022, the reclaimed water recycled a system will be added to the plan for the Huangshi Plant and it is expected to increase the amount of water recycled a day to 800~1,000 CMD. The amount of tap water used, in particular, is estimated to drop by 500~600 CMD and that of the RO water used, on the other hand, is estimated to drop by 300~400 CMD.

## V. Waste Water/Sewage Management

#### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
	Environmental Engineering Department	Renewing and maintenance of obsolete equipment	Kunshan Plant Clean up the nickel sedimentation basin and replace the pipes, clean up primary biochemistry conversion ponds and pipes to keep up the processing capacity of the wastewater facility.	
1."0" violation in emission 2. Fulfillment of autonomous management goals	Environmental Engineering Department	Continued addition of new equipment and optimization of the wastewater treatment system	<ol> <li>Huangshi Plant</li> <li>Perfect the Stage 2 equipment and facilities.</li> <li>Preparatory dosing of biological bacteria in winter to enhance the bioactivity of the biochemistry system.</li> <li>Add filtering facilities to reduce the amount of sludge transported out of the plant compound; plan additional sludge drying facilities to bring down the amount of sludge outsourced for disposition.</li> </ol>	Plant President, CSR Office (Hotline, mailbox)

#### Goal and Accomplishment

Goal	2025 (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
"0 " violation in emission (Kunshan Plant, Huangshi Plant)	0	0	0	0	0
Fulfillment of autonomous management goals (Kunshan Plant)	>90%	>90%	>90%	>90%	>90%
Fulfillment of autonomous management goals (Huangshi Plant)	>90%	>90%	>90%	>90.13%	>90%



Contents

Water quality Project	Amount of wastewater (<7,590CMD)	Wastewater dis- charge intensity (m <sup>3</sup> /TWD million of revenue)	Copper ion (<0.3ppm)	COD (<50ppm)	Ammonia (<5ppm)	Total nitro- gen (<15ppm)	Nickel ion (<0.1ppm)
2019	5,115	229.25	0.03	24.95	0.43	6.38	0.03
2020	5,570 (↑8.9%)	270.97 (†18.20%)	0.03(-)	21.32 (↓14.5%)	0.42 (↓2.3%)	6.38 (-)	0.02 33.3%
2021	5,966 (↑7.1%)	223.21 (↓17.63%)	0.03(-)	22.00 (†3.2%)	0.36 (↓14.3%)	4.15 (↓35.0%)	0.02 (-)

2021 wastewater treatment at the Huangshi Plant is provided as follows:

Water quality Project	Amount of wastewater (< 8,523 CMD)	Wastewater dis- charge intensity (m <sup>3</sup> /TWD million of revenue)	Copper ion (<0.5ppm)	COD (<300ppm)	Ammonia (< 25ppm)	Nickel ion (< 0.5ppm)
2019	3,500	333.30	0.05	50	1	0.07
2020	3,643	309.67	0.06	26.6	2.46	0.034
	4.1%	7.1%	20%	46.8%	146%	51.4%
2021	4,678	274.30	0.05	29.6	4.38	0.08
	28.4%	11.42%	16.7%	11.3%	78.0%	135.3%

Starting from 2018, the strictest water resource management has been enforced comprehensively at the Kunshan to further control the pollutants released and reinforce the management of pollutant outlets to rivers. Implementation of the "river chief/keeper system" continued in 2021. Besides water auto-monitoring stations that were set up at major rivers and lakes and their branches, routine water quality monitoring has been occurring at least once a month. The focus is placed mainly on phosphorus lowering and nitrogen control. Wastewater from the Kunshan Plant is discharged to the Taicang River Basin. To go with the local government's policy, besides perfecting the pre-treatment facilities for high ammonia-nitrogen/high total nitrogen, improvements will be made at the source, too, to improve the discharge of COD.

The total amount of wastewater discharged from the Kunshan Plant in 2021 came to around 2.18 million tonnes, an increase of about 7.1 % from 2020. The emission intensity per TWD million of revenue, however, dropped by approximately 17.62 %. Significant reductions were also noted for other projects, in terms of the mean concentration of each pollutant discharged, except for the copper and nickel ions and the COD, which remained about the same.

The Huangshi Plant is located in the Huangshi Economic And Technological Development Zone and has its own wastewater treatment facility. The wastewater goes through chemical sedimentation and biological oxidation units and is treated to comply with the regulatory emission criteria before it is discharged to the Wangren Sewage Treatment Facility in the Development Zone and the ultimate receiving waters are the Huangshi Plant section of Yangtze River.

The quality of water from the surface water environmental quality monitoring effort of the Huangshi section of Yangtzi River in 2021 was determined as Class 2. Water quality is optimal. The Company treats water before it is discharged according to criteria that are stricter than regulatory requirements to jointly maintain the quality of receiving waters.

Despite the increase in the amount of wastewater discharged by the Huangshi Plant by around 28.4 %, the Plant is at its expansion stage. By improving the water conservation measures, the emission intensity per TWD million of revenue, on the other hand, dropped around 11.4 %. The concentration of pollutants in wastewater discharged, on the other hand, remained far lower than the standard emission value despite the consistent rises in multiple indicators. This shows the proper environmentally-friendly facilities planned for the Huangshi Plant. In response to the fact that environmental protection laws and regulations will gradually become stricter and stricter in the future, besides devoting to the reduction of pollution at the source through their R&D unit, both plants will continue to invest in resources to improve the efficacy of their wastewater treatment facilities.



## **VI. Air Pollution**

Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
<ol> <li>Achieve environmental sustainability goals</li> <li>Improve the satisfaction index among surrounding residents of the plant compound</li> <li>Fulfill 100 % in waste gas being monitored and discharged</li> </ol>	Environmental Safety Department	Introduce clean energy, modify the boiler equipment, Budget for the processing equipment, Budget for the modification of processing equipment	<ol> <li>Improvement project of low-nitrogen energy- saving burners for boilers at the Kunshan Plant; introduce clean energy instead of fossil fuels</li> <li>Addition of the activated carbon absorbers to the Huangshi Plant</li> <li>Modification of waste gas towers at the Huangshi Plant</li> </ol>	Plant President, CSR Office (Hotline, mailbox)

#### Goal and Accomplishment

Goal	2025 (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Kunshan Plant Number of complaints filed by surrounding residents	0	0	0	0	0
Huangshi Plant Number of complaints filed by surrounding residents	0	0	0	0	0
Kunshan Plant Number of penalties imposed due to non-conforming air-polluting emissions	0	0	0	0	0
Huangshi Plant Number of penalties imposed due to non-conforming air-polluting emissions	0	0	0	0	0
Fixed air pollutants at the Kunshan Plant Operating parameter compliance rate	100%	100%	100%	100%	100%
Fixed air pollutants at the Huangshi Plant Operating parameter compliance rate	100%	100%	100%	100%	100%

#### Air pollutant emissions and emission intensity trends of the Kunshan Plant:



📕 Nitrogen oxide (NOx, kg) 🛶 Nitrogen oxide (NOx, kg/revenue) 📕 Volatile organic compounds (VOC,kg) 🛶 Volatile organic compounds (kg/revenue)



#### Contents

Reduced emission of NO<sub>x</sub> is one of the important tasks in improving the quality of air in the surroundings. The "Blue Sky Protection Campaign" began in Jiangsu Province and the strictest air-polluting emission criteria were released in 2021. Meanwhile, for NOx, the comprehensive governance fortification assault action plan targeting the atmospheric pollution in fall and winter in the Yangtze River Delta was referred to. The Kunshan Plant proactively responded to the government's policy by completing modifications for the improvement project of low-nitrogen energy-saving burners for boilers in October 2021. Existing boilers with higher emission coefficients were transformed to be low-nitrogen ones and the target is to reduce the concentration of NOx discharged to 50 mg/Nm<sup>3</sup> while at the same time reducing the emission of CO<sub>2</sub> by 220 tonnes a year and that of SOx<sub>x</sub> by 0.01 tonnes a year. The applicable fuels include natural gas and diesel. Therefore, even with stress in the supply of gas, the operational demand can be fulfilled as usual. Expected goals have been accomplished successfully so far. For the elevated concentration of volatile organic matters discharged, CTO, RCO, and activated carbon absorbers have been added to the Kunshan Plant and are expected to effectively bring down the concentration of VOCs discharged.



Air pollutant emissions and emission intensity trends of the Huangshi Plant:

Besides optimal feasible control technologies that are used to effectively reduce pollutant emissions, VOCs, sulfuric acid mist, hydrogen chloride, formaldehyde, ammonia, NOx, particulates are outsourced on a quarterly basis for monitoring. The monitoring fulfillment rate for waste gas emissions in 2021 was 100 %.

	2020	2021		
Sum	KG	Sum	KG	
Particulates	12,602.45	Particulates	5,033.02 (↓)	
Sulfuric acid mist	24,094.66	Sulfuric acid mist	1,180.83 (↓)	
Formaldehyde	17,194.15	Formaldehyde	286.02 (↓)	
NO <sub>x</sub>	22,158.48	NO <sub>x</sub>	23,999.26 (↑)	
VOCs	4,409.44	VOCs	518.66 (↓)	
hydrogen chloride	13,365.90	hydrogen chloride	1,409.65 (↓)	
Tin and its compounds	340.18	Tin and its compounds	4.74 (↓)	
Ammonia	2,818.06	Ammonia	617.96 (↓)	
SO <sub>2</sub>	3,452.27	SO <sub>2</sub>	653.91 (↓)	

Clarification: Since test data for 2018 are available only for June through December of the Huangshi Plant, the total volume of each pollutant (as inferred) in 2018 = (sum of June through December)/7\*12



The action plans of the Huangshi Plant in 2021 included:

1. Add two activated carbon absorbers to dedicatedly process organic waste gas coated on the external layer.



Add cyanide-based waste gas treatment towers

- 2. Collect separately ENIG and plating cyanide-based waste gas, enhance the removal efficiency of the system, reduce pollutant emissions.
- 3. For the etching solution electrolytic air pumping system, it was originally to add one set of the absorber for every 3 series and it is not adjusted to be 4 series to reduce pollutant emissions.
- 4. Add the electrostatic photolytic composite oil fume eliminator for HASL; particulates are ionized from the fume gas and then absorbed through electrostatically to thoroughly remove the fume gas and foreign odor discharged.
- 5. Add organic and acid emission backup blowers to ensure safety in the emission of waste gases.

#### **VII. Waste Management**

Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Reinforce storage facilities and pollution management during the cleaning process and eradicate illegal treatment of hazardous substances	Environmental Safety Department	ISO 14001 annual follow-up review, specialized declaration, supervisory review; daily routine environmental protection facilities and labeling inspection	Plan and manage the area for scraps; inspect the site of the clearance and processing contractors, maintain the validity of the management system	
Clean production, circular economy	Environmental Safety Department	Optimize the classification of scraps; precisely manage the stocks of regular materials to enforce the first-in first-out principle for the use of materials. Establish the film slag reduction and recycling system	Promote UL 2799 certification	Plant President, CSR Office (Hotline, mailbox)
Recycle for reuse and optimize prevention against pollution	Environmental Safety Department, Processing Technology Department	Evaluation of the in-line recycling feasibility of respective production lines and the improvement Existing recycling equipment	Introduce the "in-line electrolysis and recycling system" of acid/ base etching solutions and the nitric acid electrolysis and recycling equipment to reduce hazardous wastewater	
Sustainable development, zero waste	Environmental Safety Department, Management Department	Promotion of domestic waste reduction; comprehensive promotion of in-line recycling of production lines	Introduce reusable dining ware and compost equipment in the cafeteria and comprehensively introduce in-line recycling on newly plant compound	



#### ► Contents

### Goal and Accomplishment

Goal	2025 (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Zero fines for storage facilities, zero-cross-border treatment, 100 % qualified suppliers, maintained system operations	Conforming at both the Kunshan and Huangshi Plants	Conforming at both the Kunshan and Huangshi Plants			
Ratio of waste metallic etching solution being activated and reused in the Plant	Huangshi Plant: >30 %	Huangshi Plant: >32 %	Huangshi Plant: >25 %	Huangshi Plant: 29.9 %	Huangshi Plant: >26.5 %
UL 2799-certified	Huangshi Plant Gold and above	Huangshi Plant Platinum	NA	Planned and evaluated	Huangshi Plant Silver and above (Certificate obtained around January 2023)
The amount of non- recyclable waste per unit of revenue (kg/TWD million of revenue)	Kunshan Plant: <0.12 Huangshi Plant: <0.16	Kunshan Plant: <0.11 Huangshi Plant: <0.15	Kunshan Plant: <0.13 Huangshi Plant: <0.18	Kunshan Plant: 0.12 Huangshi Plant: 0.16	Kunshan Plant: <0.13 Huangshi Plant: <0.18
Ultimate recycling ratio	Kunshan Plant: >97.5 Huangshi Plant: >96.5	Kunshan Plant: >98.0 Huangshi Plant: >96.8	Kunshan Plant: >97.0 Huangshi Plant: >96.0	Kunshan Plant: 97.83 Huangshi Plant: 96.73	Kunshan Plant: >97.2 Huangshi Plant: >96.2

Mainland China released the new "Solid Waste Law" in September 2020 to strengthen the penalty imposed in the event of non-conforming waste management and include stricter labeling requirements for the containers and packing materials of as well as the facilities and venues for collecting, storing, transporting, utilizing, and processing hazardous waste. As far as the 14th Five-Year Plan for the development of circular economy is concerned, the circular production approach will be adopted comprehensively by 2025 to popularize green design and clean production and a reduction in energy consumption and water usage per unit of GDP will be reduced by around 13.5 % and 16 %, respectively, from 2020. The bulky solid waste comprehensive utilization rate needs to be 60 % and above. Besides comprehensively examining the conformity of its facilities on respective plant compound, Dynamic Electronics will follow the goals set by the government by adjusting its management policy.



- General business waste: In response to the new Solid Waste Law, all domestic waste is further classified. The classification improved the recyclable rate of waste. In the Huangshi Plant, in particular, UL2799 certification began in 2022 to accomplish waste reduction and to enhance the recycling ratio.
- 2. Hazardous waste: To ensure that hazardous waste is properly treated in the end, our policy is not to adopt overseas cross-border treatment. Meanwhile, all the vehicles carrying hazardous waste are installed with the GPS monitoring system to keep track of the whole process and to keep records for reference.

57

#### Waste (tonnes) classified at the Kunshan Plant in 2021 by the composition

Name of waste	Name of physical property	Activity triggering the generation of waste	Environmental impacts of waste	Volume of waste generated (Tonnes)	Directly processed volume	Volume transferred for processing
Copper-based sludge	Solid	Wastewater treatment facility	Leaching toxicity	13,782.93		13,782.93
Nickel-based sludge	Solid	Wastewater treatment facility	Leaching toxicity, corrosiveness	73.72		73.72
Nickel-based waste solution	Liquid	Wastewater treatment facility	Leaching toxicity, corrosiveness	563.50	-	563.50
Surface treatment solution	Liquid	Surface treatment	Corrosiveness	519.08		519.08
Base etching solution	Liquid	Etching line	Corrosiveness	1,555.90		1,555.90
Acid etching solution	Liquid	Etching line	Corrosiveness	295.71	-	295.71
Waste negative	Solid	Negative room	Leaching toxicity	20.64	-	20.64
Waste phenol- formaldehyde resin	Solid	Packaging	Leaching toxicity	7.66	2.22	5.44
Waste resin	Solid	ENIG line	Leaching toxicity	0.16	-	0.16
Waste film slag	Semi-solid	Inner/Outer layer	Leaching toxicity	191.01	108.58	82.44
Waste activated carbon	Solid	Filtering tower	Infectious nature, leaching toxicity	56.91	11.38	45.53
Waste filter	Solid	Filtering tower	Infectious nature, leaching toxicity	120.22	120.22	-
Waste packaging container	Solid	Filtering tower	Infectious nature, leaching toxicity	85.17	-	85.17
Waste ink barrel	Solid	Filtering tower	Infectious nature, leaching toxicity	26.73		26.73
Waste mop	Solid	Filtering tower	Infectious nature, leaching toxicity	0.44	0.44	-
Waste chemical reagent bottle	Solid	Filtering tower	Infectious nature, leaching toxicity	3.44	2.08	1.36
Waste ink can	Solid	Filtering tower	Infectious nature, leaching toxicity	10.12	-	10.12
Waste medicated solution barrel	Solid	Filtering tower	Infectious nature, leaching toxicity	4.90	-	4.90
Waste leftover	Solid	Scrapped production line	Leaching toxicity	1,901.21	-	1,901.21
Waste mineral oil	Liquid	Care equipment	Inhaled toxicity	6.93	5.39	1.54
Waste ink	Semi-solid	Inner layer, solder mask, text	Leaching toxicity	42.18	42.18	-
Waste tin-based solution	Solid	Electroplating	Corrosiveness	1,070.37	-	1,070.37
Waste screen rinsing solution	Liquid	Clean the screen	Flammability, leaching toxicity	9.09	9.09	-
Dust	Solid	Board cutting, drilling	Leaching toxicity	753.32	-	753.32
Hazardous busine	ess waste	-	-	21,101.31	301.57	20,799.74
General business waste	Solid	General domestic waste	Regular waste	236.17	236.17	-
Kitchen leftover and waste	Liquid	Cafeteria	Regular waste	87.32	87.32	-
Others	Solid	General industrial waste	Regular waste	7,363.55	505.39	6,858.16
General busines	s waste	-	-	7,687.03	828.87	6,858.16

Remarks:

1. Action taken to manage the impacts of business waste generated

Perform proper pre-treatment (Such as drying and screening)

Choose suitable and conforming containers for the collection (Such as FIBC bags, IBC waste solution storage barrels, waste bags, among others)

Store in the classified storage site protected against rain where leakage can be effectively prevented

2. For the management and monitoring over clearance contractors, eligibility and technical capabilities of the contractor are validated and a written contract is signed

->

to define the pollution prevention and control requirements and demand reporting of the management outcome so that audits may be performed from time to time. 3. The weight of the output is collected through the weighing station for transport vehicles on the plant compound and the scale available at the weighing station is

calibrated periodically.

((ィ⊯ゝ))



#### ▶ Contents

Category		On-site	Off-site	Сар
	Preparation for reuse	-	43.14	43.14
	Renewal and reuse	-	17,696.82	17,696.82
Hazardous waste	Other recycling processes	-	1,989.47	1,989.47
	Сар	-	19,729.43	19,729.43
	Preparation for reuse	-	-	-
	Renewal and reuse	-	6,858.16	6,858.16
Non-hazardous waste	Other recycling processes	-	-	-
	Сар	-	6,858.16	6,858.16

#### Waste (tonnes) transferred from the recycling process at the Kunshan Plant in 2021

Waste (tonnes) directly disposed of according to the handling process at the Kunshan Plant in 2021

Cate	gory	On-site	Off-site	Сар
	Incineration	-	1,040.07	1,040.07
Hazardous waste	Other dispositions	12,209.00	20,799.74	33,008.74
	Сар	12,209.00	21,839.81	34,048.81
	Incineration	-	323.49	323.49
Non-hazardous waste	Other dispositions	-	7,363.55	7,363.55
	Сар	-	7,687.04	7,687.04

#### Waste (tonnes) classified at the Huangshi Plant in 2021 by the composition

Name of waste	Name of physical property	Activity triggering the generation of waste	Environmental impacts of waste	Volume of waste generated (Tonnes)	Directly processed volume	Volume transferred for processing
Copper-based sludge	Solid	Wastewater treatment facility	Leaching toxicity	5,459.87	-	5,459.87
Biochemical sludge	Solid	Wastewater treatment facility	Leaching toxicity	846.48	-	846.48
Nickel-based sludge	Solid	Wastewater treatment facility	Leaching toxicity, corrosiveness	168.36	-	168.36
Nickel-based waste solution	Liquid	ENIG line	Leaching toxicity, corrosiveness	591.13	-	591.13
Nickel-based nitric acid	Liquid	ENIG line	Corrosiveness	449.90	-	449.90
Waste negative	Solid	Negative room	Leaching toxicity	6.84	-	6.84
Base etching solution	Liquid	Etching line	Corrosiveness	1,008.10	-	1,008.10
Acid etching solution	Liquid	Etching line	Corrosiveness	8,415.05	-	8,415.05
Waste tin removal solution	Liquid	Electroplating	Corrosiveness	897.28	-	897.28
Etching solution	Liquid	Etching line	Toxicity	686.90	-	686.90
Waste phenol- formaldehyde resin	Solid	Packaging	Leaching toxicity	23.65	23.65	-
Gold-based resin	Solid	ENIG line	Leaching toxicity	0.18	-	0.18
Waste dry film slag	Semi-solid	Inner/Outer layer	Leaching toxicity	102.02	102.04	-
Waste light tube	Solid	Exposure room	Leaching toxicity	0.24	-	0.24
Waste activated carbon	Solid	Filtering tower	Infectious nature, leaching toxicity	106.58	106.58	-
Packaging container (Empty barrel)	Solid	Medicated solution container	Infectious nature, leaching toxicity	150.72	-	150.72
Waste ink can	Solid	Inner layer, solder mask, text	Infectious nature, leaching toxicity	97.32	97.32	-
Gold-based filter	Solid	ENIG line	Infectious nature, leaching toxicity	0.40	-	0.40
Palladium-based filter	Solid	ENIG line	Infectious nature, leaching toxicity	0.79	-	0.79
Waste filter	Solid	Washed-off section	Infectious nature, leaching toxicity	129.26	129.26	-
Waste glove and mop	Solid	Production workshop	Infectious nature, leaching toxicity	86.59	86.59	-
Waste glass reagent vial	Solid	Empty reagent vial	Infectious nature, leaching toxicity	5.52	5.52	-
Waste empty gold salt bottle (Plastic)	Solid	Gold salt container	Infectious nature, leaching toxicity	0.07	0.07	-
Waste leftover (Frame, discarded board, copper leftover, substrate leftover)	Solid	Scrapped production line	Leaching toxicity	1,351.53	-	1,351.53
Waste mineral oil	Liquid	Care equipment	Inhaled toxicity	5.62	5.62	-
Waste ink	Semi-solid	Inner layer, solder mask, text	Leaching toxicity	26.56	26.56	-
Stripping rack, copper- based waste solution	Liquid	Electroplating	Corrosiveness	1,297.44	-	1,297.44
Copper-based dust	Solid	Board cutting, drilling	Leaching toxicity	192.55	-	192.55
Resin dust	Solid	Drilling, forming	Leaching toxicity	456.89	456.89	-
Hazardo	ous business wa	aste	-	22,563.84	1,040.08	21,523.77
General business waste		Regular waste	4,601.43	-	4,601.43	



▶ Contents

Cate	gory	On-site	Off-site	Сар
	Preparation for reuse	12,209.00	-	12,209.00
	Renewal and reuse	-	8,475.96	8,475.96
Hazardous waste	Other recycling pro- cesses	-	862.46	862.46
	Сар	12,209.00	9,338.42	21,547.42
	Preparation for reuse	-	-	-
Non hazardaus	Renewal and reuse	-	4,601.43	4,601.43
waste	Other recycling pro- cesses	-	-	-
	Сар	-	4,601.43	4,601.43

Waste (tonnes) transferred from the recycling process at the Huangshi Plant in 2021

Waste (tonnes) directly disposed of according to the handling process at the Huangshi Plant in 2021

Category		On-site	Off-site	Сар
	Incineration	-	301.57	301.57
Hazardous waste	Other dispositions	-	20,799.74	20,799.74
	Сар	-	21,101.31	21,101.31
	Incineration	-	323.49	323.49
Non-hazardous waste	Other dispositions	-	7,363.55	7,363.55
	Сар	-	7,687.04	7,687.04

#### Trends in the ratio of business waste reused at the Kunshan Plant

The Kunshan Plant generated 28,8000 tonnes of business waste in 2021, an increase of 29.03 % from 2020. In terms of the total waste generation intensity per unit of revenue is concerned, it dropped by 0.66 %. The Huangshi Plant, on the other hand, generated 31,800 tonnes of business waste in 2021, an increase of 42.12 % from 2020 and the total waste generation intensity per unit of revenue dropped by 2.64 %.



Trends in the volume and re-utilization ratio of business waste generated at the Kunshan Plant



#### Contents Environmental Performance



Trends in the volume and re-utilization ratio of business waste generated at the Huangshi Plant



🛶 Kunshan Plant waste output intensity (ton/NTD million) 🛶 Huangshi Plant waste output intensity (ton/NTD million)

Since the Huangshi Plant was set up, related reduction measures have been orderly adopted and resource recycling constructions have been maximized, including waste tin solution, nitric acid recycling, sludge drying, and recycling of base etching solution, among others, to bring down hazardous waste emissions. Since August 2019, electrolysis of etching solution and micro-etching electrolysis and recycling have been unveiled in the Plant. The recycled and reused volumes are increasing each year. The accomplishments are provided below:

Project	Description	2019	2020	2021
	The amount of pickling etching solution processed ( m <sup>3</sup> )	1,463	5,746.48	8,245.55
copper solution for self- use	Metallic copper extracted from etching solution through electrolysis (kg)	166,006	692,411	993,340
	Metallic copper extracted from micro- etching electrolysis (kg)	17,494.5	68,138	83,934
Waste nickel solution reduction and recycling	Amount of waste solution treated and recycled (tonnes)	314	374	442
system	Recycling and reduction (tonnes)	273.6	323.82	311
Nitric acid electrolysis and recycling	Electroplating nitric acid goes through electrolysis and copper extraction and then 68 % of nitric acid is added for reuse in electroplating (m <sup>3</sup> )	0	0	413
equipment	Extraction of metallic copper through electrolysis (kg)	0	0	28,000

Besides the above-mentioned recycling system, the film slag reduction and recycling system is set up as well to reduce the film slag water content from 80 % to 15 % and the reduced amount transported out of the plant compound was estimated to drop 394 tonnes. Sludge drying equipment was added to bring down the volume of hazardous waste sludge transported out of the plant compound for treatment by around 640 tonnes/year. Reduction of the filtering water for the cotton filter bag and precise storage and management of regular materials were promoted. The first-in first-out principle was enforced in the use of materials.

The Huangshi Plant adheres to green transition and promotes clean production. Energy management, waste turned resources, and water circulation, among others, are headed towards sustainable development. It was further reviewed and approved by the Ministry of Industry and Information Technology in January 2022 to be a national green plant.



## ► Contents

## V. Green Product and Process

Dynamic Electronics takes seriously the impacts of its products and processes on the environment and constantly reduces the use of resources and generation of hazardous substances in the design of products, the purchase of raw materials and regular materials, and during the production process to minimize impacts on the environment and to enhance the environmental friendliness of its products.



#### Selection of More Environmentally-Friendly Solutions

The Medicated Solution Committee of Dynamic Electronics introduced one medicated solution in 2021 through electroplating that features plating jointly through-holes and blind-holes; it enhances the penetration and perfusion performance by 10 % and can bring down the amount of wastewater treated and emitted by around 5 %. 2 g/L of copper is extracted through electrolysis from the 22 g/L of copper ions in the brown oxidation solution; it helps reduce the amount of wastewater treated by around 3 %.

#### Halogen-free Processes/Materials

Huangshi Plant

- 1. For the three types of regular materials, substrates, PP, and ink, the halogen-free composition accounted for 55 %, 56 %, and 84 %, respectively, in 2021. Halogen-based materials currently used in automotive boards still account for a certain ratio; immediate replacement is impossible.
- 2. Slashing control over the content of halogen in halogen-free materials:

Regulatory requirement: CI < 900 ppm, Br < 900ppm, and CI+Br<1500 ppm. We are assisting suppliers in preparing further slashing plans and imposing control according to CI < 700 ppm, Br < 700 ppm, and CI+Br < 1000 ppm. Among the primary material suppliers and auxiliary material suppliers in 2021, except for Hong Kong Sun and Onstatic Technology Co., Ltd. that replied that their halogen test reports could meet the requirements, but they refused to provide the Letter of Undertaking or the "Halogen-free Conformity Statement", all the other suppliers fulfilled requirements and signed the "Halogen-free Conformity Statement".

- 3. The SQE requires that all raw material suppliers sign the "Pledge to Not Use Hazardous Substances" as part of its control over substances that are hazardous to the environment, including primary material and auxiliary material suppliers, 83 in total. Except for Onstatic Technology Co., Ltd., all the others signed and submitted it.
- 4. The IQC monitored the content of halogen in regular materials imported and inspected by suppliers in 2021, 1,147 batches in total; the fulfillment rate was 100 %.
- 5. Subsequent action: The IQC continues to monitor the content of halogen in regular materials from suppliers on a monthly basis while the SQE continues to promote slashing or replacement among the suppliers and provide assistance in making purchases at the same time. For non-conforming ones or those unable to meet the slashing and control criteria of our Company, gradual replacement by other materials will be considered.



Kunshan Plant

- 1. For the three types of regular materials, substrates, PP, and ink, the halogen-free composition accounted for 45.4 %, 39 %, and 87.5 %, respectively, in 2021. Halogen-based materials that are currently used in automotive boards still account for a certain ratio; immediate replacement is impossible.
- 2. Slashing control over the content of halogen in halogen-free materials:

Regulatory requirement: CI < 900 ppm, Br < 900ppm, and CI+Br<1500 ppm. We are assisting suppliers in preparing further slashing plans and imposing control according to CI < 700 ppm, Br < 700 ppm, and CI+Br < 1000 ppm. Among the primary material suppliers and auxiliary material suppliers in 2021, except for ECOM, YUHON, and Hong Kong Sun that replied that their halogen test reports could meet the requirements, but they refused to provide the Letter of Undertaking or the "Halogen-free Conformity Statement", all the other suppliers fulfilled requirements and signed the "Halogen-free Conformity Statement".

- The SQE requires that all raw material suppliers sign the Pledge to Not Use Hazardous Substances as part of its control over substances that are hazardous to the environment, including 147 primary material and auxiliary material suppliers; all of them signed and submitted it.
- 4. The IQC monitored the content of halogen in regular materials imported and inspected by suppliers in 2021, 1,893 batches in total; the fulfillment rate was 100 %.
- 5. Subsequent action: The IQC continues to monitor the content of halogen in regular materials from suppliers on a monthly basis while the SQE continues to promote slashing or replacement among the suppliers and provide assistance in making purchases at the same time. For non-conforming ones or those unable to meet the slashing and control criteria of our Company, gradual replacement by other materials will be considered.

#### Green Product Management System

The green product management system of Dynamic Electronics has been approved by international organizations, other countries, and customers and its continuous validity and improvements are maintained.



Kunshan Plant: IECQ QC080000 Hazardous Substance Process Management (HSPM) Certificate

SON	Y			
		202	1 / 1 / 5	
	Notification of Green Partner C	ertification		
Attn : DYnamic Electronics Co.,Ltd.				
Your continuou Scope of Green	e cooperation on Sony environmental quality assu Partner Certification	rance activities is highly apprecia	ted.	
Factory Code	MC Name	FC Name	Expiry Date	
Factory Code FC011178	MC Name DYnamic Electronics (Kunshan) Co., Ltd.	FC Name (No Factory Name)	Expiry Date 20230930	
Factory Code FC011178	MC Name DYnamic Electronics (Kanshun) Cu., Lul Green Partner See Global Procurrent Seay Global Man	FC Name (No Factory Name) cretariat m Division ufacturing & Operations Co	Expiry Date 20230930	
Factory Code FC011178	MC Nome DYnamic Electoraice (Konshun) Ca, Lal. Gieren Partner, So Global Procurem Sony Global Mar	FC Name (Na Factory Name) cretariat ent Division atfacturing & Operations Co	Expiry Date 20230930	
Factory Code FC011178	MC Name DYnamic Electorisic (Kambui) Co., Lol. Green Patrice: So Giobal Procurem Sony Global Man	FC Name (No Factory Name) cretariat ent Division unfacturing & Operations Co	Expiry Date 20230930 reportaion	
Factory Code FC011178	Ni: Yane DYnanie Placense; (Konshar) (L. List Green Partne 55 Global Processo Sony Global Mar	FC Neme (No Pactory Nano) vectoriat nt Division fracturing & Operations Co	Expiry Dasc 30230930	
Factory Code FC011178	Mc New DYnamic Pilometer (Konsher Co. 1st Orens Partner So Global Processon Sony Global Mar	PC Name (Ne Factory Name) vertraint out Division affacturing & Operations Co	Expiry Daw 2022/0930	



Sony Green Partner environmental quality determination Huangshi Plant: IECQ QC080000 Hazardous Substance Process Management (HSPM) Certificate





## FOUR | Co-prosperity in Society

The core value of Dynamic Electronics is "people". Therefore, the human resources system of Dynamic Electronics emphasizes talent development and inspiration of personal potential to help employees grow, to provide a safe and friendly workplace and sound welfare measures, to attract talent, boost employee solidarity, lower the turnover rate, and enrich the organization so that it becomes more competitive. Meanwhile, Dynamic Electronics cares for relatively disadvantaged populations in society and does what it can to boost and spread the love towards each other and towards everyone!

#### Material I. Product Quality and Customer Service

Management approach



topic

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Automotive product DPPM (Number of defects out of every million products)	1	0.8	1.5	1.9	1.5

Automotive boards are the mainstream product of the Company and the customers often have the highest quality requirements. Therefore, the quality requirements for automotive products are to be followed in the formation of a product quality awareness culture to constantly reduce scraps and improve quality to the extent that is satisfying for customers and to lay the groundwork for the sustainability and survival of Dynamic Electronics.

Information on related measures to help fulfill external DPPM goals is provided below:

1. Staff quality awareness and stable regular material and equipment manufacturing process capabilities

2. Timely inspection, correction, and re-verification during the process.

Information on the action plans to help fulfill goals is provided below:

- 1. The knowledge management system featuring experience-based learning includes internal expert resume, respective process history issues and solutions search engines, experience-sharing systems, and sub-procedure risk management.
- 2. Continue to advance fundamental educational training and quality awareness among employees with "do as told" as the simple quality goal while employees are being trained daily to build awareness.
- 3. QCC incentives, to encourage supervisors, along with their teams, to spontaneously propose on the improvement of quality and efficiency.
- 4. The supervisory audit team takes part in assisting work at the production line and helping the production unit discover hidden quality risks and discuss solutions in a timely manner.
- 5. The four functional units take part in the checking and acceptance of equipment after care and teaching employees what to pay attention to during care and cleaning to keep the equipment in the best operational condition.
- 6. Emphasize the supply chain quality culture; the quality assurance unit provides educational training and management forms and systems to suppliers and helps or assists them in supplying products that are 100 % poison-free.



Contents

## **Quality Assurance Management System**

Through the comprehensive awareness of quality management among all staff, the Design and R&D Departments take quality into consideration during the design stage; the Technical and Production Departments study quality stability. The Quality Department never accepts, outputs, or releases defective products. The Quality Management System is established through these three aspects. Variance is monitored and timely adjusted through Statistical Process Control (SPC) and process stability is maintained to boost precise process capabilities and to guarantee the quality of products delivered to customers.



For abnormal conditions that are beyond the quality system control, the dedicated Lesson Learned Case Study (LLCS) Office is responsible for thoroughly investigating the failure cases and the countermeasures before holding an internal reflection meeting. Experiences will also be included in the knowledge management system to keep enriching experiences and knowledge, to prevent against recurrence, and to pass down the system for constant quality advancement.





# Quality Control System: For each key process, products are randomly sampled and inspected; process variance is audited; and deviation from process capabilities is monitored.



Internal KPIs: One-time yield rate; scrap rate External KPIs: Scorecard (DPPM & LRR)

# Abnormality feedback plan: The abnormality feedback plan is embarked on as soon as any abnormality is found.



Customer Service Department keeps customers informed of the cause of the problem/improvement measure/batch number of risks



## **Central Laboratory**

Both the Kunshan Plant and the Huangshi Plant are equipped with a central laboratory that is responsible for reliability, failure analysis, resistance, and laboratory testing. It is now capable of spontaneously completing 47 precision tests, including important tests throughout the PCB process.

Laboratory eligibility certified by multiple customers so far:

- 2018 Customer CXX-certified CAF and IST testing equipment at the Kunshan Plant.
- 2020 Customer SXX-certified resistance measurement and bending test equipment at the Kunshan Plant
- 2021 Customer CXX-certified new bending test equipment for automotive boards developed by the Kunshan Plant

## **Continuous Improvements Accomplished in 2021**

	Description of Continuous Improvements	Efficacy
1	Update of the laboratory equipment testing ERP system	Improve the test efficiency and the timeliness in the production of the Test Report
2	Purchase of salt spray testers	Test reliable quality of products and improve the testing capabilities of the laboratory
3	Upgrade of the resistance measuring ERP system	Improve the auto-lock feature to facilitate tracking of abnormalities and risk assessment
4	Purchase of four-line micro-resistance meter	Enhance the FA analysis capability

## **Central laboratory of Huangshi Plant**

The central laboratory of the Huangshi Plant is responsible for reliability, failure analysis, biopsy, and laboratory testing. All the testing equipment is of outstanding performance and is capable of spontaneously completing 37 tests, including all the important ones throughout the PCB process.

- 2018 Customer VXX certified that the testing capabilities of the laboratory at the Huangshi Plant is equivalent to those of a professional laboratory of its partner. All the tests required by the customer could be completed by the laboratory, with a report of the results submitted.
- 2019 Customers CXX and DXX certified that the testing capabilities of the laboratory at the Huangshi Plant is equivalent to those of a professional laboratory of their partners. All the tests required by the customer can be completed by the laboratory, with a report of the results submitted.
- 2021 Customer TXX certified that the testing capabilities of the laboratory at the Huangshi Plant is equivalent to those of a professional laboratory of its partner. All the tests required by the customer can be completed by the laboratory, with a report of the results submitted.

## **Continuous Improvements Accomplished in 2021**

	Description of Continuous Improvements	Efficacy
1	Purchase of ARTC online testers	Test the in-line resistance of a test board under hot and cold shocks; it enhances the testing capabili- ties of the laboratory.
2	Purchase of high-temp storage boxes	Test the quality of test boards after storage at a high temperature; it enhances the testing capabilities of the laboratory.
3	Purchase of infrared imaging machines	Enhance the precision of FA in the analysis of failures such as detachment at the bottom of the bowl for blind holes and hole copper fissure and provide analysis results to be the basis for improvement of the process. Pay attention to failure coupons of the risk high current test (HCT), hot oil, and cold and hot shocks (RTC/ARTC).
4	Spontaneously design and develop laboratory ERP electronic management systems for the care of equipment and management of consumables, among others	Realize electronic and automatic test data and automatic card control during a transfer and suspen- sion of production in the event of abnormality and enhance abnormality processing time efficiency and traceability of records.

## **Quality Management-related Certifications and Certificates**

Kunshan Plant

ISO 9001 Quality Management System	IATF 16949 Automotive Quality Management System					
AS 9100 Aerospace Quality Management System	ISO 13485 Medical Device Quality Management System					
Huangshi Plant						
ISO 9001 Quality Management System	IATF 16949 Automotive Quality Management System					

Contents

2 Contonto



## **Customer service**

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Customer satisfaction survey score	9.0	9.0	7.6	9.0	9.0
Complete ERP features	Build the market database, properly develop new needs and new products for customers, and enhance administrative exquisiteness.	Build the market database, properly develop new needs and new products for customers, and enhance administrative exquisiteness.	Link the customer end and Dynamic Electronics's ERP through EDI for precise and timely transmission of system information.	Issuance of the ASN text through the ERP shipment notification and transmission to the customer's website was realized; testing is taking place together with the customer.	<ol> <li>Introduce six customers for the ASN as planned; when operative, it helps save the time for sales representatives to visit the customer's website to maintain the data.</li> <li>Set advanced goals to link customer's EDI data and consolidate them into the MPS format to help sales representatives manage orders placed.</li> </ol>
Number of confidentiality deficiencies with customer data	0	0	0	0	0
On-time completion rate in the processing of customer cases	100 %	100 %	99 %	100 %	100 %

Dynamic Electronics has a cross-disciplinary customer service team in place that has a fixed window to provide professional and speedy services that help address customer demand. The team consists of sales, quality assurance (customer service), R&D, and pre-manufacturing design staff; they contact and communicate directly with their counterparts at the customer's end. The sales representatives are also responsible for integrating all projects and engaging themselves in bilateral communications with all customers through visits, meetings, and the customer satisfaction surveys that take place once every six months to know what customers have to say about us and their expectations.



data

As required, sort out and archive customer data according to the contract signed with the customer



(Gerber, institutional drawings, design guidelines)

Taking responsibility of the management and storage of non-engineering technologies

## Customer Satisfaction Survey

Once every six months, the sales unit of Dynamic Electronics distributes the Customer Satisfaction Survey to each of the Top 15 or 20 customers and important customers by their ratio to the revenue at each of the plants. The survey covers quality, lead time, price, cooperativeness, excessive shipment cost, hazardous substance, and labor satisfaction, among others. We prepare improvement solutions based on the feedback from customers and include them in the key performance indicators of the units concerned. Besides constantly enhancing customer satisfaction, we compare ourselves against benchmark enterprises. The feedback will serve as reference while the Company develops its short-term, medium-term, and longterm management strategies and developmental directions. According to the Customer Satisfaction Survey findings of 2021, the satisfaction in general showed obvious increases from that in 2020. The pandemic in 2020 impacted logistics and transport to a certain extent. The increased vaccination coverage in 2021 helped ease the pandemic while at the same time other alternatives were found to cope with the logistics issue. As such, rating among the customers of the lead time rose somewhat.



The number of customer service cases and electronic management of processing timeliness are turned electronic through data statistics/auditing/analysis to reflect external quality information and trends and to quide the plant while the latter seeks improvements, reduces guality issues and enhances customer satisfaction.



Contents

## **Response to Customer Cases**

Dynamic Electronics cares about what customers have to say and has an dedicated service representative assigned to each customer. Whenever a customer has needs, they can contact their dedicated service representative by phone, email, or through any related communication software. Each representative is professionally trained and will be able to confirm the needs of the customer in the first place. When support from other departments is needed, the service representative will convene heads of related units to form a cross-disciplinary team where they work by division of labor to address the customer's demand shortly. Customer service also helps the plant learn the end user's quality management system and keep the plant interactive with the customer. For example, Customer VXX is asked to give guidance on the review of "standardized implementation" to reduce the production of defective products and the "Spike abnormality point" quality monitoring and management of Customer DXX is introduced so that the plant can grow with the customer while fulfilling the constantly enhanced quality goals set by the customer.



#### Complaint Handling Procedure

71


The number of customer services provided and the processing timeliness are tallied on a monthly basis to facilitate reflections. In terms of the on-time completion rates of customer service in 2021, it was 100 % for both the Kunshan and the Huangshi Plant. We will continue to pay attention to the developments of cases after they are serviced to realize complete customer satisfaction.



### **Customer Data Confidentiality**

Dynamic Electronics has been valuing the management, retention, and confidentiality of customer data as always. "Protecting customer privacy and preventing against disclosure or loss of customer data" has been the unchanged policy and commitment of Dynamic Electronics. First, Dynamic Electronics has a comprehensive systematic customer data processing procedure in place and there is a responsible unit to take charge of receiving, managing, and storing customer data and all parties concerned have signed the Confidentiality Agreement. By the contract signed with the customer and the applicable requirements, our Business Operation Office receives and archive customer data; the Process Technology Office utilizes, manages, and stores engineering technical data (Gerber, mechanical drawings, design guidelines, among others); and the Quality Assurance Office is responsible for managing and storing nonengineering technical data. If anyone unrelated wants to retrieve the data, prior application and electronic sign-off for approval are required and reproduction of the data is disallowed. IT also builds the data encryption system. The person in charge of the data encrypts the data according to the confidentiality class for safety purpose.

In addition, Dynamic Electronics has reinforced its governance of network safety, including blocking the network hard disk drive, the instantaneous communication software, the mobile storage media, and network-based mailbox. There is no Wi-Fi access for mobile phones throughout the Company. No mobile phones are allowed at production lines. When needed at work, administrators must place mobile phones with cameras in the camera bag. Visitors who carry mobile phones must register in the Security Office upon entrance to the plant compound. Dynamic Electronics audited all customers in product and data security and confidentiality in 2021 and there were no complaints about violation of customer privacy or loss of customer data.



### II. Manpower Structure and Development

### Talent Structure

In 2021, with the increased vaccination against Covid-19, the sluggish global economy slowly recovered. The low-baseline effect contributed to better performance than expected. The crisis brought about by the pandemic also enhanced the responsiveness people have towards it, utilization of resources, and the emphasis over measures to keep employees healthy. The Taoyuan Operation Center is now fully devoted to R&D (including the development of new product technologies), providing product technical services, and taking orders on behalf of the Group, among others.

The population in China keeps growing despite the slowing growth rate. The number of women of childbearing potential keeps dropping. The workforce population (ages 16 to 59) drops and the number of dependents (ages 0~14 and above 65) is climbing. The population dividend is declining. As the population dividend reaches the end, the aging pace catches up quickly. According to the data released by the Bureau of Statistics of Jiangsu Province, the mean in-service wage of non-private entities in towns and cities throughout the province was TWD 117,868 a year (TWD 98,669 in 2019 and TWD 106,034 in 2020) and the per-capita disposable income of permanent residents in towns within the jurisdiction of Suzhou City was TWD 76,888 a year. The cost of human resources constantly climbs throughout the manufacturing sector.

Manpower structure of the Kunshan Plant: The Top 3 provinces are Henan (25.37 %), Ganzu (11.71 %), and Jiangsu (10.27 %), followed by Shangxi and Yunnan. The "Electronic Product Engraver" and "Printed Circuit Producer" evaluation center was applied for and established in 2020 after the Plant was evaluated and accepted by the Kunshan Municipal Human Resources and Social Security Bureau to lay the groundwork for the development of technical talent and for the high-quality developments of the Company. The first accreditation was held in mid-2021 and 117 were qualified through the theoretical exam and the hands-on test and conferred upon a certificate; among them were 60 engravers and 57 producers.

From 2017 to 2021, the Huangshi Plant had 870 employees in the beginning and now has 1880 employees. The performance also grew from 400 thousand meters a month five years ago to 1.6 million meters a month nowadays. To realize the overall competitive advantages fully enhanced of a smart plant, in terms of recruitment, the level and attainment of applicants tops the acceptance criteria for the Company. It has effectively enhanced and helped recruit quite a few college and university majors, 211 and 985, respectively. Respective colleges and universities out of the province are also proactively approaching. We have established optimal continuing internship collaboration with multiple higher education institutions. As of the end of 2021, employees holding a college or university or a higher diploma at the Huangshi Plant accounted for 40 %. We also encourage in-service colleagues to enhance their educational background. Since the policy was enforced, the first cohort occurred in July 2021. Forty-five employees successfully completed their 2.5-year studies at Hubei Polytechnic University and the Hubei Normal University, respectively. Dynamic Electronics values talent and treats everyone like a family member. All the employees at Dynamic Electronics will attend a custom series of training courses each year that cover personal awareness and enhancement and advancement in professional skills for optimal planning and assistance of one's career on all fronts.

Year		2020	2021
Average a	ge	31.20	33.26
Average number of ye	ears in service	2.87	2.65
Du empleument contract	Official	4561	4255
By employment contract	Contractor	1347	614
Pv condor	Male	3508	2758
By gender	Female	2400	2111
	Taoyuan Operation Center	41	41
By region	Kunshan Plant	4385	2949
	Huangshi Plant	1482	1879
By patura of work	Direct*	5181	4154
by flatule of work	Indirect	727	715
	Post-graduate school	3	2
	Graduate school	16	17
By education	College/university	1174	1220
	Senior high school	908	739
	Below senior high school	3807	2891
Total		5908	4869

### Analysis of the distribution of employees at Dynamic Electronics by the type

\* Direct employees are those involved in production while indirect ones are other employees.

Contents

**Co-prosperity in Society** 





### Career development



Dynamic Electronics values care for its employees as not only in terms of care itself, but also the many concrete solutions established in career planning for its employees. At the end of each year, heads of the respective departments introduce the required professional courses for the new year according to the operational goals and product planning of the coming year. The Educational Training Department makes the necessary arrangements to support achievement of these challenging goals set by the Company in the new year.



While the Company adopts a dual-track developmental path which places equal emphasis on management and professional technologies, it is undertaking even greater supervisory and leadership responsibilities. Colleagues in the professional track have improved both their professional skills and experiences to become experts in their respective professional fields.



Under the dual-track path, personality attributes of talent within are paid attention to. These people are both managerial talent and technical talent. The dual-track promotion system is hence established, promoted, and enforced. Starting from the entry level, managerial talent and technical talent climb up the well-defined promotion ladder step by step up and support each other at work.

### Dynamic Electronics educational training framework





► Contents

### Co-prosperity in Society

### III. Talent Attraction and Retention

### Management approach



Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
<ol> <li>Build optimal labor-management relations</li> <li>Reinforce bilateral communications between employees and the enterprise and enhance corporate identity</li> <li>Provide sound career planning and compensation and welfare</li> <li>Optimize the production line and workplace</li> <li>Enhance employee technical skills and process speed for improve product quality</li> </ol>	Human Resources Department	<ol> <li>Human resources management and planning</li> <li>Function- oriented learning development system</li> </ol>	<ol> <li>All-around training plans</li> <li>Dual-track promotion for process engineers</li> <li>Employee workshops</li> <li>Improved experience and technology relay</li> <li>Reduced severance rate</li> </ol>	President Chairman That's Not Right Mailbox (Hotline, mailbox)

### Taoyuan Operation Center

Goal	2025 Goal 2027 (Medium-term) (Long-term) 2021		Accomplishment in 2021	2022	
Employee severance rate	20 %	15 %	21 %	7 %	20 %
Average number of hours of educational training provided	24.0	26.0	21.0	18.8	21.0

### Kunshan Plant

Goal	2025 Goal 2027 (Medium-term) (Long-term		2021	Accomplishment in 2021	2022
Employee severance rate	32 %	31 %	34 %	48 %	33 %
Average number of hours of educational training provided	21.0	22.0	19.0	19.6	19.5

### Huangshi Plant

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Employee severance rate	32 %	31 %	34 %	19 %	33 %
Average number of hours of educational training provided	21.0	22.0	19.0	17.6	19.5



### Sessions of educational training at each of the three sites in 2021

Plant	Taoyuan Operation Center (number of sessions)	Kunshan Plant (number of sessions)	Huangshi Plant (number of sessions)
Educational training for new comers	2	138	124
In-service educational training - internal	28	326	370
Specialized educational training - external	53	41	34
Total number of sessions	83	505	528
Total cost	180,632	1,046,938	812,021

### Statistics of educational training hours at the Taoyuan Operation Center in 2021

Category		Male			Female		Categorical	Categorical	Categorical
	Number of people	Total number of hours (hour)	Average number of hours (hours/person)	Number of people	Total number of hours (hour)	Average number of hours (hours/person)	total number of people	total number of hours	mean number of hours
Supervisor - Managerial and above	16	326	20	11	266	24	27	592	22
Indirect employees	6	107	18	8	72	9	14	179	13
Total number of people	22	433	19.7	19	1	20.9	41	770	18.8

### Statistics of educational training hours at the Kunshan Plant in 2021

		Male			Female		Categorical	Categorical	Categorical	
Category	Number of people	Total number of hours (hour)	Average number of hours (hours/person)	Number of people	Total number of hours (hour)	Average number of hours (hours/person)	total number of people	total number of hours	mean number of hours	
Supervisor - Managerial and above	37	227	6	19	243	13	56	470	8	
Indirect employees	147	3,626	25	146	2,915	20	293	6,541	22	
Direct employees	1,470	30,083	20	1,130	20,617	18	2,600	50,700	20	
Total number of people	1,654	33,936	20.5	1,295	23,774.5	18.4	2,949	57,711	19.6	

### Statistics of educational training hours at the Huangshi Plant in 2021

Category		Male			Female		Categorical	Ostanaisal	Onteresteral
	Number of people	Total number of hours (hour)	Average number of hours (hours/person)	Number of people	Total number of hours (hour)	Average number of hours (hours/person)	total number of people	total number of hours	mean number of hours
Supervisor - Managerial and above	33	1,713	52	10	731	73	43	2,444	57
Indirect employees	167	3,618	22	114	2,890	25	281	6,508	23
Direct employees	882	15,223	17	673	8,934	13	1,555	24,157	16
Total number of people	1,082	20,553	19.0	797	12,555	15.8	1,879	33,108	17.6



### Co-prosperity in Society

Contents

### **Build Corporate Identity in Employees**

Dynamic Electronics has respective measures in place so that while employees continuing to contribute and grow within the Company, they can also enjoy an enriched life, realize their personal ideals, and bring about shared success and developments for themselves and for the Company.

Starting with recruitment and throughout the whole career path, Dynamic Electronics is building corporate identity in its employees.

- 1. Comprehensive recruitment channels (network, talent market/campus/internal employee referral/media advertisement/labor/academia-business collaboration/recruitment post/internal corporate recruitment, etc.
- 2. Personalized service that covers a series of steps interview, salary approval, physical checkup, check-in, training to enhance the corporate image and build corporate identity in employees.

## Labor-management relations

The labor-management relations at Dynamic Electronics are harmonious. Communication and coordination are adopted. Besides keeping communications open, labormanagement meetings are held periodically where employees are fully informed of the operational status of the Company and their voices are heard and adequately responded to.

### Departmental meeting

In order to reach an agreement, supervisors and subordinates exchange sufficient ideas on the directions and highlights of the production process, control over safety, health, and quality through this meeting. Employee Welfare Committee Meeting

The Welfare Committee representatives are elected from amongst employees to discuss with Company representatives about various welfare measures to improve mutual trust, which thus serves as the basis for preparing the administrative management quidelines.

### Other meetings

Other meetings such as employer-employee meetings, union, and labor safety meetings, are all called for periodically by members elected among employees.

For the transfer of employees, if the regulatory transfer principle is fulfilled, the Company's "Employee Transfer Regulations" must be followed to avoid undermining the rights at work of employees. In cases of unexpected important matters for which decisions need to be made, besides workshops where all employees are briefed, such decisions must also be made known through the internal bulletin board and emails. Negotiation and announcement deadlines in governmental laws and regulations must be followed. In the face of material operational changes that will impact the employees, the Company will follow its Corporate Management Regulations and Procedures. If the negotiation and announcement deadlines are specified in applicable governmental laws and regulations, such deadlines must be followed. About the collective negotiation mechanism, decisions are made through labor-management meetings for the Taoyuan Operation Center and through discussions in the labor unions at the Kunshan and Huangshi Plants. All apply to all employees. In other words, employees are 100 % protected by collective negotiation at Dynamic Electronics.

About the collective negotiation mechanism, decisions are made through labor-management meetings for the Taoyuan Operation Center and through discussions in the labor unions at the Kunshan and Huangshi Plants. All decisions apply to all employees. In other words, employees are 100 % protected by collective negotiation at Dynamic Electronics.

Type of meeting	Intended audience	Taoyuan Operation Center (number of sessions)	Kunshan Plant (number of sessions)	Huangshi Plant (number of sessions)
Operational meeting	Supervisors at all levels	11	11	11
Labor-management meeting	Labor representatives	4	0	0
Labor union	Members of the union	0	1	1
Employee Welfare Committee	Employee representatives	4	0	0
Employee workshop	Employee representatives	0	2	2
Announced	All employees	20 and above	100 and above	100 and above

Meetings called for and announcements made in 2021

Clarification: No employee workshops have been held at the Taoyuan Operation Center because employees can fully express their opinions through their labor/employee representatives in the labor-management meetings or the Employee Welfare Committee.



### **Employer-employee relations**

The performance in 2021 is described by the operational site below. Overview of newcomers in 2021:

Region Taoyuan Operation Center			Kunshan Plant			Huangshi Plant				
Age	Gender	Number of newcomers	Number of in-service people	Ratio of newcomers	Number of newcomers	Number of in-service people	Ratio of newcomers	Number of newcomers	Number of in-service people	Ratio of newcomers
	Male	0	0	0.00 %	114	27	422.22 %	0	0	0.00 %
16 to less than 18	Female	0	0	0.00 %	53	33	160.61 %	0	0	0.00 %
	Total	0	0	0.00 %	167	60	278.33 %	0	0	0.00 %
	Male	0	1	0.00 %	967	507	190.73 %	487	492	98.98 %
19~ 30 years old	Female	0	0	0.00 %	500	338	147.93 %	226	236	95.76 %
	Total	0	1	0.00 %	1467	845	173.61 %	713	728	97.94 %
	Male	1	13	7.69 %	439	1068	41.10 %	316	571	55.34 %
31~ 50 years old	Female	2	15	13.33 %	508	898	56.57 %	382	551	69.33 %
	Total	3	28	10.71 %	947	1966	48.17 %	698	1122	62.21 %
	Male	1	8	25.50 %	1	52	1.92 %	1	19	5.26 %
51 years and above	Female	0	4	0.00 %	0	26	0.00 %	0	10	0.00 %
	Total	1	12	8.33 %	1	78	1.28 %	1	29	3.45 %
Total number thr the year	oughout	4	41	9.76 %	2582	2949	87.56 %	1412	1879	75.15 %

Ratio of newcomers = Total number of newcomers for the year (in service for > 90 days)/Number of people in service as of December 31 for the specific age group

### Overview of severed employees in 2021:

Region		Таоуиа	n Operation	Center	k	(unshan Plai	nt	H	luangshi Pla	nt
Age	Gender	Number of severed people	Number of in-service people	Ratio of newcomers	Number of severed people	Number of in-service people	Ratio of newcomers	Number of severed people	Number of in-service people	Ratio of newcomers
	Male	0	0	0.00 %	0	27	0.00 %	0	0	0.00 %
16 to less than 18	Female	0	0	0.00 %	0	33	0.00 %	0	0	0.00 %
	Total	0	0	0.00 %	0	60	0.00 %	0	0	0.00 %
	Male	0	1	0.00 %	752	507	148.32 %	141	492	28.66 %
19~ 30 years old	Female	0	0	0.00 %	524	338	155.03 %	71	236	30.08 %
	Total	0	1	0.00 %	1276	845	151.01 %	212	728	29.12 %
	Male	0	13	0.00 %	739	1068	69.19 %	98	571	17.16 %
31~ 50 years old	Female	2	15	13.33 %	738	898	82.18 %	130	551	23.59 %
	Total	2	28	7.14 %	1477	1966	75.13 %	228	1122	20.32 %
	Male	1	8	12.50 %	6	52	11.54 %	0	19	0.00 %
51 years and above	Female	0	4	0.00 %	11	26	42.31 %	0	10	0.00 %
	Total	1	12	8.33 %	17	78	21.79 %	0	29	0.00 %
Total number thro the year	bughout	3	41	7.32 %	2770	2949	93.93 %	440	1879	23.42 %

Employee severance rate = Total number of employees severed throughout the year (in service for > 90 days)/Number of people in service as of December 31 for the specific age group



### **Co-prosperity in Society**

### Employee Retirement Benefit Plan at Taoyuan Operation Center

Structure	Defined contribution system
Percentage of contribution in compensation	6 %
Enrollment	100 % compulsory

After the new retirement system was enforced on July 1, 2005, the Company has set aside 6 % as the retirement fund as required by law.

Pension Fund at Kunshan/Huangshi Plant (Including five types of insurance: retirement, medical care, unemployment, injuries at work, child birth)

Contents

	Kunshan Plant	Huangshi Plant
Structure	Defined contribution system	Defined contribution system
Ratio of unit contribution to overall social security payment base	25.00 %	25.90 %
Ratio of personal contribution to overall social security payment base	10.50 %	10.30 %
Enrollment	100 % compulsory	100 % compulsory

The pension premium is shared by the Company, the employee, and the government. The amount is deposited to the personal account of the employee on a monthly basis as required by law.

	Ma	ale	Fen	nale	То	tal
Description	Number of people	Ratio	Number of people	Ratio	Number of people	Ratio
Eligible to apply for unpaid childcare leave	1	-	1	-	2	-
Actual application for unpaid childcare leave	1	100 %	0	0 %	1	50 %
(1) To be reinstated in 2021			1	l		
(2) Actually reinstated in 2021			1	l		
Reinstatement rate = (2)/(1)			100	) %		
(3) Reinstated last year			(	)		
(4) Having been reinstated for one year			(	)		
Retention rate = $(4)/(3)$			N	A		

Overview of unpaid childcare leave at the Taoyuan Operation Center in 2021

2021 Kunshan/Huangshi Plant Maternity Protection Program

The unpaid childcare leave has not been institutionalized in Mainland China so far. As such, the following maternity protection program is still adopted at the Kunshan and Huangshi Plants:

• The number of people who are pregnant is tallied on a monthly basis and those who have been pregnant for seven months and longer are followed; they may not work night shifts or overtime. Meanwhile, their employer is reminded of adequately transferring them to other posts than engaging them in strenuous physical tasks.

• The mother is entitled to 128 days of maternity leave while the father 15 days of paternity leave.

• Lactating mothers are entitled to an hour of paid breastfeeding leave a day up to the one-year-old birthday of the child.

Plant	Pregnant for seven months and more (number of people)	Maternity leave (number of people)	Paternity leave (number of people)
Kunshan Plant	3	41	40
Huangshi Plant	1	23	36

Base day: December 31, 2020; everyone above is included in the Maternity Protection Program.

### **Compensation and Welfare**

Dynamic Electronics has the Post and Ranking Regulations in place. The compensation and remuneration system is built on the post and ranking system. This system is discussed and evaluated by the Compensation and Remuneration Committee periodically and submitted to the Board of Directors for deliberations to be fair and reasonable and integrated with the management strategy. Employees are guided on what they should work on to be on the same page as the Company.

79



The compensation system built on the reasonable post and ranking system is also the basis for defining the Compensation Regulations. For the Compensation Regulations, the corresponding compensation structure, approving method, and the respective compensation calculation criteria are defined according to post, rank, job responsibility, technical skill, professional experience, and personal performance in the Company to be followed while compensation is being determined, calculated, and distributed. Dynamic Electronics emphasizes gender equality in its compensation and remuneration system. The overall compensation and remuneration available at Dynamic Electronics include the base salary, allowance, long-term employment incentive, operational profitability bonus, and employee remuneration so that they differ by job responsibility, personal performance, and contribution to the Company of the specific employee.

The performance review at Dynamic Electronics begins with the self-assessment of employees, followed by the rating by the supervisor two levels up and interview with the first-level supervisor to render objective and fair evaluation reflective of the reality and to achieve the incentive effect. The results will also be followed for the distribution of prize, promotions, salary raise, and transfers. Items to be reviewed, the scoring criteria, and the calculation method will be made known to employees in advance to help them identify with corporate culture, devote maximum efforts, and receive the rewards and sense of achievement they serve after their hard work.

The Company has various employee welfare measures in place and helps the labor and the management reach an agreement on the protection of respective employee rights. Besides the various benefits and the retirement system required by the local laws and regulations, there is group insurance beyond regulatory requirements (to cover accidents and cancer).

To help employees relax while not working and enjoy a more joyful and enriched life, the Company organizes a series of events that are in season each year. The various welfare events throughout 2021 are summarized below:

### **Taoyuan Operation Center**

	Project	Number of Participants	
0	Healthcare facilities approved by the government are authorized to perform medical examinations on all employees. On top of the statutory items, additional test items include abdomen ultrasound scans and liver function tests.	37	P Bólitt ## 10 to the is better
2	To keep employees' healthy, healthy lunchboxes packing food prepared with olive oil keeps employees' healthy.	40	
3	Recreational events for employees.	40	

### Kunshan Plant

	Project	Number of Participant
4	Government talent declaration - National Technical Test Certified (Electronic Product Engravers)	60
5	Government talent declaration - National Technical Test Certified (Printed Circuit Technicians)	57
6	"Club Management and Subsidies Guidelines" are in place to help develop club events. As of now, there are 6 clubs established which are: dancing, yoga, jogging, swimming, basketball, and table tennis.	200
7	Outdoor Expansion Training Event for Supervisors of Job Rank 40 and Abov (to improve the communication and coordination among employees and enhance their communication skills)	e 39
8	Basketball contest	60
9	Birthday parties for employees	3,000



### Huangshi Plant

	Project	Number of Participants
10	Year-end banquet and lottery event to thank employees for their hard work	1,383
1	Chinese New Year Party - the big red packet giveaway	1,710
12	Great double heart-warming gifts for Chinese New Year (Huangshi delicac movie ticket)	<sup>y +</sup> 1,710
B	A total of 20 employees, including supervisors and those who held job rank of 40 or higher, remained in Huangshi and attended to the Chinese New Ye celebrations.	ear 20
14	Referral gifts for hires during the Chinese New Year season	100
15	Jogging Club Cross-country Contest	13
16	Outdoor Teambuilding Event for Supervisors holding Job Rank 20 and Above (to enhance the team members' communications with each other)	251
17	First graduation ceremony to celebrate employees who have completed the advanced studies.	eir 45
18	Events to thank teachers on Teacher's Day	25
19	Heart-warming noisy Christmas party and birthday party	94





Contents

### **Communication Platform**

Interaction and communication are a skill in life and at work. They help us grow inter-personal relationships, understand one another, support one another, be tolerant of other people, and share love, learn, and grow together. In light of this, we have an internal publication called "Dynamic". It is our hope that each Dynamicer can share their delights,

knowledge, and spread the positive energy, and build a consensus by exchanging ideas and forming the correct concepts. "Dynamic" is meant to make a difference and build a unique corporate culture at Dynamic Electronics.

Since 2014, "Dynamic" has had annual comprehensive reports that included an overview of all the events, large and small, and accomplishments inside and outside the Group. It is the most truthful documentary of the growing process of Dynamic Electronics and presents the diversified and colorful life at Dynamic Electronics. It is our hope that "Dynamic" is not only making a difference inside the Company but also helping communicate with stakeholders on the hard work and efforts it has made in all aspects to gain their approval, support, and feedback.

dvnəmic

nəm

Over the years, "Vitality" has covered employee events, club events, and sports events truthfully each year. "Employee Articles" encourages employees to make their writing skills seen by documenting what came to their mind at Dynamic Electronics besides their performance at work. "Honor Roll" lists affirmations from customers and competent authorities of Dynamic Electronics to share the pride with colleagues. "Charity" records the unchanged insistence of Dynamic Electronics in helping the disadvantaged to motivate employees to turn their love into action and to get involved in the various charity events organized by Dynamic Electronics. "Cover Story" features faceto-face interviews with our outstanding supervisors who share information about the latest product technologies and teams available at Dynamic Electronics and brings readers closer to the supervisors by knowing their attitude towards what they do and their life philosophy and to accordingly inspire employees to look upon themselves to become a cornerstone at Dynamic Electronics someday.

The theme of "Dynamic" in 2021 is the keynote interview on the preliminary planning of the second plant in Huangshi. Based on P1, P2 features more detail-oriented management and more personalization, with reduced ineffective artificial processes and data automation from the batch size to the working panel, realizing whole production process traceability. Equipment automation features the introduction of AGV throughout the plant to realize touch-free PCBs. The two are complementary to each other for the optimal smart plant configuration.

### **Complaint-filing mechanism**

Dynamic Electronics defined the "That's Not Right Mailbox Regulations" in 2013. Employees can express their opinions in writing by completing the Employee Poll Form and place the completed form in the "That's Not Right Mailbox". The supervisor at the Human Resources Department is responsible for opening the mailbox each day to collect the opinions. The person opening the letters must keep the writer confidential permanently and may not spread or talk about the person, event, or matter mentioned in the letters freely in private and shall cut off the area on the form showing the name of the employee after the opinions are registered before handing the letters to the person in charge at the corresponding department to address the opinions further. The complainant needs to receive the reply within seven days on how the indicated issue is addressed after it is reviewed by the president and the chairman.

The handling procedure is shown below:





### Taoyuan Operation Center

There were no complaints about wrong phenomena throughout 2021. The Company communicates with labor representatives face to face multiple times through labor-management meetings, Occupational Safety Committee meetings, and Employee Welfare Committee meetings, etc. and carefully evaluates the constructive feedback provided by the representatives, which has been widely recognized among the employees.

Analysis of complaints filed over the years by the type at the Taoyuan Operation Center

Type of complaint	2018	2019	2020	2021
Administrative advice	0	0	0	0
Reporting of wrong phenomena	0	0	0	0
Advice about public safety	0	0	0	0
Protection of individual rights	1	0	0	0
Total	1	0	0	0

### Kunshan Plant

Five complaints about wrong phenomena were received in 2021 at the Kunshan Plant, a decrease of 44 % from 2020. Employees perceived the importance of wrong phenomena to the Company and how the Company resolved them and this resulted in the relative decline in the number of complaints filed. For issues reported of wrong phenomena, supervisors gave the immediate responses and imposed penalties or warned related people reported on and issues that could be corrected were resolved, too. Each time opinions on wrong phenomena were addressed, the official responses were released on the bulletin board to be known to all employees. (Some anonymous complaints, however, since the facts could not be validated and in light of the impossibility to respond to the complainant, were not addressed.)

#### Huangshi Plant

A total of nine complaints about wrong phenomena were received at the Huangshi Plant throughout 2021, an increase of 125 % from 2020. The manpower at the Huangshi Plant grew by 13 % in 2021 and the additional employees did not know the administrative measures of the Company and unlike out-coming employees, inland employees tend to file a complaint whenever they found an issue. The Company will proactively communicate with employees. In terms of management, it will provide training and education and evaluate their performance to avoid improper communication and management approaches towards their subordinates that give rise to contradiction and the filing of complaints. Analysis of complaints filed over the years by the type at the Kunshan Plant

Type of complaint	2018	2019	2020	2021
Protection of individual rights	7	4	1	2
Administrative advice	8	6	3	1
Reporting of unfair phenomena	13	8	4	2
Advice about public safety	3	1	1	0
Others	5	1	0	0
Total	36	20	9	5

### Analysis of complaints filed over the years by the type at the Huangshi Plant

Type of complaint	2018	2019	2020	2021
Protection of individual rights	10	2	0	1
Administrative advice	19	9	4	5
Reporting of unfair phenomena	8	1	0	3
Advice about public safety	2	0	0	0
Total	39	12	4	9



### IV. Occupational Health and Safety

### ► Contents

**Co-prosperity in Society** 

### **Occupational Disaster**

Goal	Plant	Accomplishment in 2019	Accomplishment in 2020	2021	Accomplishment in 2021	Accomplishment
Frequency	Kunshan Plant	2.26	1.27	<1.41	0.86	Fulfilled
injuries	Huangshi Plant	0.66	1.64	<1.41	0.99	Fulfilled
Rate of serious	Kunshan Plant	50	40	<63	32	Fulfilled
injuries	Huangshi Plant	48	82	<63	85	Not fulfilled
Total injury	Kunshan Plant	0.34	0.20	<0.3	0.22	(↑) Fulfilled
index	Huangshi Plant	0.18	0.36	<0.3	0.29	(↓) Fulfilled
Deeth disector	Kunshan Plant	0	1	0	0	(↓) Fulfilled
Death disaster	Huangshi Plant	0	0	0	0	(-) Fulfilled

### **Occupational Safety and Health Management System**

For labor safety, Dynamic Electronics has been following regulatory requirements and fulfilling its duties by providing employees with a healthy, safe, and clean workplace, which is the one and only goal in the implementation of its occupational safety policy. The two plants set up by Dynamic Electronics in Mainland China are both based on the requirements under Article 52 of the Labor Law and Article 21 of the Production Safety Law of the People's Republic of China. There are sound labor safety and health systems in place with full-time or part-time occupational health managers configured and they are ISO 45001-certified.

Organizational system/regulatory system at each plant of Dynamic Electronics



Huangshi Plant ISO 45001 Certificate

Dy Royal Chanter tration Dynamic Bectronics (H.S.) Co., Ltd. No.88,Dag Aenous/Wargern Town Development Zone Economic & Tachnological Hanagoli Co.
Dynamic Electronics (H.S.) Co., Ltd. No.88,Dogi Avenue, Wangren Town Development Zone Economic & Trichndogical Huangshi City Ishini
Dynamic Electronics (H.S.) Co., Ltd. No.88,Daqi Avenue,Wangren Town Development Zone Economic & Technological Huangshi Oky
435000 China
和别如下:
区 合规风险主管
生改日期, 2019-01-03 有效期至, 2022-01-02
Page: 1 of 1
making excellence a habit."

Each plant of Dynamic Electronics has full-time occupational safety and health managers who all hold national licenses. For the production line, there are separate safety and health auditors who work under the supervision of the Industrial Safety Department. To encourage colleagues to pursue continuing education, it is required that all sectional heads throughout the plant and higher-ranking officials get the Safety and Health Manager License.



Occupational safety and health organization at each plant of Dynamic Electronics

Safety and health managers at the Kunshan Plant

Safety and health managers at the Huangshi Plant



Duties of safety and health managers at the Kunshan Plant

Duties of safety and health managers at the Huangshi Plant



### Hazard Identification, Risk Assessment, and Accident Investigation





Contents

Dynamic Electronics has the Risk Assessment Group in place to take charge of evaluating risks and opportunities in the workplace and identifying and rating hazards according to the Company's "Source of Hazard Identification and Risk Rating Program" and grading each process for control purpose. Control measures are defined sequentially and are reviewed again each year. The hazards identified at each plant in 2021 are summarized as follows. Material risks, once identified, need to be prioritized for immediate risk mitigation. Those determined to be intermediate are included as targets of continuous improvements. The mild ones as determined, nevertheless, need to be addressed as required by the Company.





### **Occupational Health Service**

In early 2020, with the escalating Covid-19 pandemic, multiple industries in Wuhan and other areas throughout Hubei Province were forced to be placed on hold. Dynamic Electronics formed the Cross-strait Three-Place "Pandemic Prevention and Control Response Group" on January 2 and defined its pandemic management SOP. People accessing production lines had to strictly follow the SOP for control purpose. Employees were assigned to different lunch times. Interpersonal distance was extended while they were enjoying lunch and each person had their fixed dedicated seat, which helps avoid cross-contamination from sharing the same seat. There was an isolation room set up in the Company. Employees monitored their health condition daily and as soon as one was found with concern of infection, he/she would be asked to work from home or in an isolated office. Meanwhile, employees/suppliers in intermediate-risk regions throughout the nation and in Wuhan were strictly controlled. They had to complete related medical testing prior entering the plant compound and could only enter once they were confirmed to be safe.

As of December 31, 2021, the anti-pandemic accomplishments of Dynamic Electronics are as follows:

	Kunshan Plant	Huangshi Plant
Three doses (ratio of employees)	94.28 %	100 %
Prior confirmed cases	0	0
Number of days included in the downtime caused by the pandemic throughout 2021	0	0

85





Emergency screening rehearsal

Inoculation



Temperature-taking upon access to the plant (Additional card swiping and imaging; those with an out-ofbound temperature may not swipe in for work)



Pandemic Education for Employees during Lunch Time Everyday

All employees of the Company shall complete a general physical check in the beginning of employment to know their fitness at work. In-service people complete one periodic employee health exam a year. The Environmental Safety Department authorizes outstanding hospitals found on the website of approved medical institutions to perform the labor physical checkups and health exams. The hope is to collect information about each employee's health condition on an annual basis and map out personal health to help track employees' health conditions and to adequately adjust their work. It also enables employees to have a better understanding of their physical condition. Records of the physical checkups and health exams are to be retained by the assigned associate and will be kept strictly confidential.



838 employees completed the current occupational health exam at the Kunshan Plant. 518 were not found with obvious abnormalities, accounting for 61.81 % of all examinees. 297 had abnormalities because of other disorders, accounting for 35.45 % of all examinees. 23 were found with abnormalities relevant to risk factors of occupational hazards, accounting for 2.74 % of all examinees.

938 employees completed the current occupational health exam at the Huangshi Plant. 15 were found with abnormalities relevant to risk factors of occupational hazards, accounting for 1.6 % of all examinees.



For the unique health exam items that were determined to be relevant to risk factors of occupational hazards, the disqualification rate did not show improvements. Most of the disqualified items had to do with metabolism disorder. It is determined to be the result of the lock-down over the past nearly one year that disfavored exercise for the employees. Besides encouraging employees to engage in simple indoor exercise, pay attention to what they eat, and arrange time for rests wherever possible, these employees will have their duties at work adjusted as well.



# Involvement, Counseling for, Communication with, and Training of Occupational Safety and Health Workers

The Company sets Safety and Health Rules at Work that suits employees' needs together with labor representatives. The rules are distributed to all employees. They already cover safety and health requirements at work and applicable rules for first aid and rescue operations in the event of emergency events. In addition, to meet the administrative needs of the Company, respective systems or temporary cooperation are revised. Besides being made known to related units to be read and signed off by the colleagues through the official letter issued, they will be announced on the bulletin board to ensure that colleagues are aware of them.

Multiple occupational disasters and accidents have occurred over the past few years in the PCB industry, which has hence attracted attention of the competent authority. Besides reinforcing related industrial audits and inspections, the competent authority has been holding multiple policy briefing sessions in areas throughout the nation. Dynamic Electronics has representatives to attend such briefing sessions and also cooperates fully in the implementation of the policy.

Employees are the most important assets of our Company. All the corporate events rely on employees to take place and complete. Dynamic Electronics is fully aware of the fact that continuous training on rosy days matter to carry out corporate events in a proper and safe manner. The training enables employees to get accustomed to safe operations, to understand hazards hidden in the workplace, and be aware of industrial safety while preventing against hazards. In addition, Dynamic Electronics holds health workshops in the plant where healthcare professionals interact with colleagues and familiarize them on how to prevent against and correct occupational illnesses and injuries once they occur and to fulfill the purpose of health promotion.

Procedure to be followed by the employees to reduce the incidence of occupational safety and health disasters.





Both plants are equipped with "safety and health meetings", which are chaired by the president and attended by labor representatives. They are responsible for advising on the safety and health policies prepared by the employer and deliberate, coordinate, and advise on safety and health-related matters. The safety and health meetings are to be held periodically. The issues to be discussed in the meetings are announced in advance. Members exchange their opinions in the meetings and make decisions. Minutes are kept of each meeting and results of the meetings will be announced and made known to everyone.

Communication on health and safety-related issues

Industrial safety-related	educational training	Safety and health meeting		
Kunshan Plant: 38 sessions/ people/5,898 person-hours Huangshi Plant: 40 sessions people/5,708 person-hours	a headcount of 2,949 /a headcount of 2,854	Kunshan Plant: 35 sessions Huangshi Plant: 2 sessions		
Safety training for newcomers			Industrial Safety Department Bulletin Board	
Kunshan Plant: 143 sessions/a headcount of 8,959 people Huangshi Plant: 136 sessions/ headcount of 2,776 people			Kunshan Plant: 9 times Huangshi Plant: 3 times	
Other industrial safety-related communications			Email	
Kunshan Plant: 12 sessions/a headcount of 3,044 people Huangshi Plant: 12 sessions/ headcount of 19,856 people			Kunshan Plant: 19 times Huangshi Plant: 0 times	
Emergency response rehearsal		Health w	orkshop	
Kunshan Plant: 22 sessions	Huangshi Plant: 14 sessions	Kunshan Plant: 2 sessions	Huangshi Plant: 0 sessions	

### **Worker Health Promotion**

In 2021, nine physicians with rotating shifts were based at the Huangshi Plant. They promoted health and helped enhance the physical and mental fitness of employees. They spent 1,248 hours on the plant compound.

Ratios of services provided by specialists at the Huangshi Plant



For the Kunshan Plant, on the other hand, the Kunshan Red Cross provided 39 employees with ambulatory care knowledge and training and certified them. 12 sessions of occupational health and safety training and education on staying vigilant about accidents were completed. Meanwhile, 12 sessions were devoted to tracking abnormalities found during occupational health exams and transfers of duties at work due to hearing impairment occurred 23 times.



Contents

### **Occupational Injury**

In 2021, experts from safety institutions, among others, provided a professional diagnosis and helped correct the safe production status at the Kunshan Plant. The Environmental Safety Department had someone to clear hidden concerns of production lines on a daily basis. The person in charge of production in the field was responsible for spontaneously inspecting safe production criteria and employees took part in identifying operational risks in the field. Together they were committed to improving compliance with safe production criteria and safety.



Trends in the occupational disaster statistical indicators of the Kunshan Plant

- Disabling Injury Severity Rate (SR) - Disabling Frequency Rate (FR) - Total injury index 🔷 Incidents resulting in death

In 2021, 10 occupational injuries occurred, involving losses of 439 days. Despite the dropping tendency in the number of such injuries (16 in 2020), most of the conditions were severe - 5 people with bone fractures, 1 with intra-cranial hemorrhage, and 1 with chemical burns. This is why the involved loss of hours was relatively significant.

Since most of the occupational injuries were caused by personal disobeying of rules in 2021, the field supervisor will communicate requirements to employees before each shift begins to enhance their safety awareness and to make sure that personal protective equipment is used. In cases of equipment abnormalities, feedback is provided in a timely manner. No private management is allowed. Field risks and identified and controlled differentially, with everyone held accountable for his/her own part. Hidden concerns are addressed and cleared for field equipment and facilities and environmental conditions with modifications taking place in a timely manner.

Spearheaded by the president, a delegation constantly performs a comprehensive inspection throughout the Huangshi Plant at least twice a year and an external safety expert is hired on a monthly basis to perform the safety check; industrial safety performance has been optimal.



Trends in the occupational disaster statistical indicators of the Huangshi Plant

6 occupational injuries occurred in 2021, with 517 days lost in total. Among them were four people being hurt because of squeezed by equipment or carts, for which 500 days were lost. There were also one person who fell and the other had his/her feet scratched, which involved 17 days lost. In light of the greater ratio of pressure injuries at the Huangshi Plant and that they were mainly caused by violations of rules, the Environmental Safety Department educates the staff through videos during the morning/evening briefing sessions on cases that have occurred so far to enhance their awareness of safety.





### Survey of occupational disasters and accidents

Statistics of occupational disasters and accidents throughout 2021 by the severity

Severity of accident	Definition	Kunshan Plant	Huangshi Plant
Disabling injuries	Death	0	0
	Injuries that make returning to work the next business day impossible	10	5
	Total number of hours lost	3,512	4,136
Mild injuries and hazards requiring medical attention	Personal injuries that need to be treated by medical care providers or professionals out of the plant compound to make it possible for the affected people to return to work and be fully functional the next business day.	0	1
Mild injuries and accidents only requiring first aid	The staff suffers mild injuries that only require simple first aid to make it possible for them to return to work.	0	0

Note: There were no industrial safety incidents suffered by non-employees working on the plant compound.

### **Industrial Safety-Related Expenses in 2021**

RMB 2.26 million was spent on industrial safety throughout 2021 for the Kunshan Plant, including 54 % on fire prevention, mainly because the workshops of the Kunshan Plant are relatively old. For the Huangshi Plant, on the other hand, the expenditure came to RMB 5.49 million and was meant mainly to make the equipment safer, which accounted for 61 %, primarily because of the emphasis for the Huangshi Plant on engineering improvements for preventive purpose.





### **Co-prosperity in Society**

#### ► Contents

### V. Societal Involvement and Social Wellness

Dynamic Electronics highly values its interaction with surrounding neighborhoods and the future developments of the community in light of its operational scale and its unique manufacturing process. The "Administration" at each production site is assigned to take charge in this regard and is responsible for local community engagement, impact evaluation, and plan development. It reflects respective issues about the community, responds positively, and addresses them proactively.

Community Communication Platform and Impact Assessment

Plant	Community	Communication Platform	Impact Assessment
	Senbao Development Zone Residents of Luzhu Community	Administration of Senbao Development Zone	Access control, parking lot planning, utilities supply, disinfection against disease-carrying vectors, communication with neighbors, engineering, among other regular affairs
	Surrounding plants	Administration of Senbao Development Zone	Establishment of communication platforms
Taoyuan Operation Center	Local competent authority	City government, district office, fire brigade	Labor-management, industrial safety, fire prevention declaration
Center	Stock market investor	Financial Supervisory Commission	Supervision over corporate finance and business operation, auditing and review and management of securities being placed and issued
	Local union and association	Taoyuan City Industrial Association, PCB Association	Evaluation of revisions made to laws and regulations, reflection of operational difficulties encountered, safety criteria for industrial facilities
Kunshan Plant	Administrative Center of the Kunshan Economic Development Zone	Development Zone meeting	Industrial safety and environmental protection- related issues
Huangshi Plant	Management Committee of the Huangshi Economic Development Zone	Respective managing units	Safety supervision, environmental protection, construction, human resources, and social security

How Issues Raised by Community Residents Were Addressed in 2020

Plant	Type of issue	Number of communication efforts	How many times was it resolved	Resources devoted	Remarks
	Power failure notification	2	2	Line Group notification	The Zone Administration, upon receipt of the message about power failure, gives notice in advance for the residents to be prepared
	Water leakage and repair	1	1	TWD 30 thousand	The repairs and improvements were afforded by the Senbao Zone
	Water built up in the parking lot	1	1	NA	Senbao periodically cleans up rainwater drainage holes
	Trimming of trees and gardens in the parking lot	2	2	NA	Senbao periodically trims the branches, flowers, and grass.
Taoyuan Operation Center	Zone disinfection against disease-carrying vectors	2	2	NA	Senbao gives notice ahead of the zone disinfection against disease-carrying vectors to keep its people away of the area being disinfected.
	Disease prevention management throughout the Zone	1	1	Infrared thermometer	Senbao takes care of preliminary disease prevention measures upon access into the Zone. Our Company donates one far infrared thermometer to help in this regard.
	Emergency response rehearsal	2	2	NA	Negotiate with Senbao on how emergency response shall be imposed. Our Company is responsible for the implementation.
	Trash reduction	1	1	Recycle bin	Help Senbao communicate waste classification and implement it throughout the Company
		2	2	NA	AWS international sustainable water management certification to promote water conservation
Kunshan Plant	Industrial safety and environmental protection- related issues	8	8	IT system, safeguard net, and signboard, etc., for the confined space devoted to wastewater	Communicate to the 8+1 requirement for confined spaces to reduce the incidence rate of accidents occurring in confined spaces; warnings about accidents that have occurred in other plants; communication of and reflection upon new safety laws and risk identification, etc.
		10	10	Replacement of kerosene boiler heads	VOC inspection and comprehensive waste gas/water random testing throughout the plant, modification of low- nitrogen boilers, regulation of greenhouse gas emissions, etc.
Huangshi Plant	Environmental Protection, Industrial Safety, and Fire Prevention-related Issues	42	42	Supervisors attend the meeting	The competent authority communicates related requirements



Dynamic Electronics' social care is driven by "responsibility" and begins with the "heart"; it covers education, charity, sports, academics, and culture, among others and follows close-to-estranged and close-to-far principles. The "Corporate Social Responsibility Office" is responsible for the planning and implementation and periodically reports to the Board of Directors. The total value of purchases placed with charity groups throughout 2021 came to TWD 898,849 and the overall expenditure totaled TWD 500,000 + RMB 33,178.

### Social Care - Taoyuan Operation Center

Serial No.	Description	Cost of purchase (TWD)	Expenditure (TWD)
TY-1	The souvenir offered in the Shareholders' Meeting was 10,00 bars of hand-made soap from the Lamb Shelter Factory and another 7,000 bars from the Workshop of the Taoyuan City Autism Association.	765,000	-
TY-2	Two types of gift boxes were selected for this year's Mid-Autumn Festival for the employees and customers; one contained the vegetables grown in the garden of the Merryhouse Foundation Shelter Factory located on a plateau in Longtan District of Taoyuan, the first of its kind that is devoted to the "cultivation and distribution of vegetables" in Taoyuan. All the vegetables are grown in person by people with physical and mental disabilities, including weeding and planting seedlings. The operating procedure follows "organic" production requirements to produce toxin-free healthy vegetables. The other contained handmade no-additive cookies from a single mother with two children.	133,849	-
TY-3	National Chengchi University Academic Research Fund	140,043	400,000
TY-4	Sponsorship for the archery team of National Hsinchu Commercial Vocational High School and students from disadvantaged families to help them learn archery.	480,000	100,000
	Total	898,849	500,000

#### Social care - Huangshi Plant

Serial No.	Description	Cost of purchase (RMB)	Expenditure (RMB)
HS-1	Take part in the "Support the Poor" cause by purchasing from poor chicken and duck farmers and adding to the meals of employees.	-	30,000
HS-2	Dragon Boat Festival campaign by donating hearty supplies to Huangshi Welfare Home to help orphans, disabled children, and elderly people.	-	3,178
	Total	0	33,178



Sponsorship was provided to the archery team of National Hsinchu Commercial Vocational High School and students from disadvantaged to help them learn archery. The team won the Silver Medal in the mixed doubles match of the 2021 National Sports Event.



The Mid-Autumn Festival gifts for employees helped support employment of disabled people by choosing products from a sheltered workplaceand handmade no-additive cookies from a single mother in Taovuan.



Students in disadvantaged families were sponsored with lunch.



The shareholders' meeting souvenir was handmade soap bars from the Lamb Shelter Factory and the Taoyuan City Autism Association.



Huangshi employees visited the Huangshi Welfare Home and warmed up the hearts of orphans, disabled children, and elderly people during the Dragon Boat Festival.



92

# Economic Performance and Corporate Governance

Economic performance

Because of the broader scope of operation, the direct economic value, employee salaries and benefits, payments made to the government, and investment in the community of Dynamic Electronics grew compared to the preceding year in 2021.

Corporate governance

The Company was among the Top 5 % in corporate governance review for five consecutive years.

Sustainable Supply Chain

The value of local procurements exceeded 97 %.



### FIVE | Economic Performance and Corporate Governance

### I. Economic Performance

### **Generation and Distribution of Economic Value**

Information about the generation and distribution of economic value, among others, reflects how an organization creates value for its stakeholders. According to GRI 201-1, the economic performance mainly focuses on the direct economic value generated and distributed from organizational operation. The fundamental elements include the following:

- 1. Generated direct economic value: income
- 2. Distributed economic value: operational cost, employee salaries and benefits, payments made to investors, payments made to the government, investment in the community.
- 3. Retained economic value: "Generated direct economic value" minus "distributed economic value".

The following is the related information of Dynamic Electronics over the past few years. All the numbers are obtained from the reports/statements signed off and certified by CPAs.

Project	Fundamental element	2017	2018	2019	2020	2021
Generated directIncome (including net sales, income from financial investments, income from the sale of assets)		11,664,209	13,072,793	13,725,589	12,629,804	15,761,486
	Operating cost	9,627,199	10,695,004	10,927,573	9,611,137	12,725,983
Distributed economic value	Employee salaries and benefits	1,958,472	2,401,593	2,345,514	2,113,086	2,361,297
	Payments made to investors	67,045	198,913	230,151	202,463	161,465
	Payments made to the government	(4,968)	16,645	66,779	23,906	40,995
	Community investment	7,367	1,524	266	147	1,292
Retained economic value		9,094	(240,885)	155,306	679,065	470,454

Unit: TWD 1,000

Note: The Huangshi Plant was not included until 2018 onwards. The Taoyuan Plant was sold and the Taoyuan Operation Center was

commissioned in 2020 and has been devoted to R&D, product technical service, and taking orders on behalf of the Group, among others.



Unit: TWD 1,000



#### **Economic Performance and Corporate Governance**

► Contents

The direct economic value, operating cost, and employee salaries and benefits generated by Dynamic Electronics in 2021 were all higher than those in 2020 mainly because of the broader scope of operation, which drove up the operating cost and personnel cost. The reduction in the payments made to investors was the result of the reduced interest rate for borrowers. The increase in the payments made to the government was the result of the increase in the income from government subsidies received by the Huangshi Plant in 2021, which drove up the paid income tax. The increase in community investment was mainly the result of the academic fund contributed to the National Chengchi University. In terms of material financial subsidies from the government, the Kunshan Plant received the subsidies for those working during the Chinese New Year holiday from the Economic Development Bureau and the dedicated transitional funds for provincial workforce in 2021 from the Technology Bureau of the Kunshan Development Zone, totaling RMB 3,616 thousand. The Huangshi Plant, on the other hand, received subsidies from the local Bureau of Human Resources and Social Security and those for constructions and investments from the Department of Political Affairs Service and Big Data Administration for the Tieshan District of the Huangshi Economic and Technological Development Zone, totaling RMB 14,352 thousand.

The three sites of Dynamic Electronics, the Taoyuan Operation Center, Kunshan Plant, and Huangshi Plant, accounted for 0 %, 61 %, and 39 %, respectively in the revenue of 2021. The value created by each of the three sites for the local economy is described below.

Project	Fundamental element	Taoyuan Operation Center	Kunshan Plant	Huangshi Plant
Direct economic value gener- ated by the Company	Income (including net sales, income from financial investments, income from the sale of assets)	0	9,622,035	6,139,452
Distributed economic value	Operating cost	34,454	7,774,776	4,916,752
	Employee salaries and benefits	57,235	1,537,710	766,352
	Payments made to investors	88	60,709	100,668
	Payments made to the government	0	65	40,930
	Community investment and social care	713	435	144
Retained economic value		(92,491)	248,340	314,605

#### Unit: TWD 1,000

For 2022, as far as operations is concerned, we have a market with robust fundamentals for electric vehicles. Under climate change and the macro-tendency of energy conservation and carbon reduction, it is expected that electric vehicles will grow quickly in the coming five years and will become the powerful mainstream contributing to the growth momentum of Dynamic Electronics. Meanwhile, with our constantly innovative production and technical capabilities, we will be able to grab favorable opportunities. Huangshi Plant 1 is a smart plant built on breakthrough and innovative ideas. Automation, information, and digitalization all contribute to enhanced quality and technology higher than the industrial level and are catching the attention of customers. Huangshi Plant 2 will feature further innovations and leaps in technology and quality for us. Construction of the Huangshi Plant 2 began in 2021 Q1. The HDI and advanced processes are built for products to be applied in electric vehicles, ADAS, servers and netcom. The Stage 1 mass production is scheduled for 2022 Q3 and the throughput will grow each month to add 10~15 % to the current throughput. Configuration will take place gradually reflective of customer demand in the future. Funding sources will be self-owned funds and loans taken out from banks.

As far as human resources are concerned, to go with the Company's new product development and plant expansion plans, proactive efforts will be devoted to the development of internal staff and recruitment of talent with professional skills so that the Company will not experience a talent gap while developing over the long term. In terms of payments made to investors, the construction of the Huangshi Plant 2 will lead to increased demand for funds. For the payments made to the government, the improved profits made by the Kunshan Plant and the Huangshi Plant will mean continued taxation. In community investment and social care, community investment and social care as well as the care for disadvantaged groups will continue.





### Contents Economic Performance and Corporate Governance

### **Taxation Governance**

We recognize enterprises that honestly pay taxes and are transparent and open to the public as it helps avoid the unnecessary social cost, while at the same time restoring the confidence that stakeholder have in public service and strengthen governmental efficacy. Therefore, according to GRI 207, the following information is provided to help with stakeholder engagement.

### **Taxation Policy**

Dynamic Electronics enforces taxation governance in compliance with the taxation regulatory requirements at each operating site and ensures that the transactions among the operating sites are conforming. The taxation policy and information of the Company are disclosed in Financial Statements and the Corporate Sustainability Report, too, for enhanced transparency of taxation information and also for a better understanding that stakeholders have of the Company's taxation governance.

Because Dynamic Electronics meets the requirements under Article 39 of the Income Tax Act, deficit deductibles for the preceding ten years are now used to offset the business income of the current year, while the other subsidiaries are applying for preferred tax subsidies as required reflective of their respective operational pattern and the local taxation requirements. Transactions among affiliates are based on normal transaction rules and the master file of reports from the previous year is declared at the end of each year and the report of the transfer of prices is prepared as required for reference.

### **Taxation Risk Management**

Dynamic Electronics mainly invests in Mainland China and follows the local taxation regulatory requirements. Since changes in taxation regulatory requirements may significantly impact the effective tax rate and operational accomplishments, taxation changes and taxation risks in the localities with investments are paid close attention to. To effectively manage the taxation risk, Dynamic Electronics performs taxation identification and review in compliance with its internal regulations so that the taxation risk may be managed and controlled.

The Finance Main Office of Dynamic Electronics is responsible for taxation governance. Important transactions and decisions go through taxation risk assessment and are planned accordingly in compliance with applicable taxation regulatory requirements. The Vice President of Finance is ultimately accountable for taxation governance. The daily operations and administration, on the other hand, are outsourced to the head of accounting at each operating site and the taxation duties are fulfilled with assistance from related taxation specialists. The authorized external professional taxation advisory institution also provides professional service to keep track of new information on taxation.

Possible taxation risks as determined by Dynamic Electronics:

Region	Type of tax	Description of risk
Taiwan Mainland China	Corporate income tax Indirect tax Others	<ul> <li>Taxation controversies caused by the uncertainty of taxation regulatory requirements:</li> <li>1. The various timing in respective countries associated with how their legislative procedure is interpreted to go with the BEPS policy enforced by the OECD, which leads to an increase in the compliance cost.</li> <li>2. Changes in tax laws or incentives, which are likely to impact the existing taxation planning of the Company.</li> <li>3. Tax cost associated with the failure to enforce taxation management policies and the impossibility to timely evaluate and accommodate changes in tax laws or the changing transaction model.</li> </ul>

### **Taxation Information**

Income Tax

Unit: TWD 1,000, %

Project		2020	2021	Average
Net profit before tax		777,883	647,136	712,510
Incomo tax	Current Income 35,881 Tax		61,287	48,584
income tax	Deferred income tax	62,937	115,395	89,166
Valid rate (%)		12.70 %	27.30 %	19.33 %
Income tax paid		23,069	22,595	22,832
Cash rate (%)		2.97 %	3.49 %	3.20 %

Note: The income of TWD 426 million from the sale of plant compound in Taoyuan in 2020 did not need to be filed for income tax.



#### Economic Performance and Corporate Governance

#### ► Contents

### Related information of taxable jurisdiction in 2021

Taxable area	Income tax paid	Current Income Tax	Number of employees	Intangible assets
Taiwan (TWD 1,000)	274	25,008	41	1,220
Mainland China (RMB 1,000)	5,134	8,347	4,828	1,353,583

### II. Development of New Markets



### Management approach

Policy and o	Policy and commitment Responsible unit Resources devoted		Action plan	Complaint-filing mechanism		
Continue to evaluate the risks and opportunities brought about by the external environment for the Company, keep track of goals, and invest in resources to create opportunities for the long-term growth of the Company.		Sales Research and development	A task for the techn custo of R& dema	k force is formed e target market, iology, product, and mer to take charge D and fulfilling ind.	<ol> <li>Collect related market, technology, product, and customer information.</li> <li>Discuss with the customer related design and solutions.</li> </ol>	Departmental head Head of main office President Chairman (Hotline, mailbox)
Goal	2025 Goa (Medium-ter	l 202 m) (Long-t	7 erm)	2021	Accomplishment in 2021	2022
Technology Technology (Incutatin term) (Long Produce ultra- thin boards high-sp and introduce signal-r moderately product consumable materials		Produce high-spee signal-rel products	ed ated	Produce thick boards, thick copper boards, and introduce high-frequency and high-speed materials	<ol> <li>Growth of 200 % for thick board Customer A</li> <li>Official mass production of high-speed materials for Customer B</li> </ol>	Produce thin boards, thick boards, thick copper boards, and introduce high-frequency and high-speed materials

"Developing new marks" gives the momentum for growth of an enterprise and is something that many stakeholders care about. Our action plans in 2021 are as follows:





### **Contents Economic Performance and Corporate Governance**

### III. Corporate Governance



### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Consolidate corporate governance, enhance corporate sustainable development, create a normalized ESG ecology, follow international regulations, and strengthen nternational competitive advantages on the capital market.	Chairman's Office	<ol> <li>Work with an external ESG integrated advisory service provider</li> <li>Attend forums on corporate governance organized by the government and private institutions</li> <li>Set up a corporate governance officer</li> </ol>	<ol> <li>Evaluate the performance of the Board of Directors and its members each year; such evaluation is to be conducted at least once every three years by an external organization. The results are released on the Company's website and in the Annual Report.</li> <li>Release the Sustainability Report.</li> <li>Periodically update information on the Company's website.</li> <li>All directors and the corporate governance officer complete continuing education each year.</li> </ol>	Chairman Independent director (Hotline, mailbox)

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Corporate governance review rankings	Top 5 % among public companies	Top 5 % among public companies	Top 5 % among public companies	Top 5 % among public companies	Top 5 % among public companies
Board of Directors attendance rate	100 %	100 %	100 %	98 %	100 %
Audit Committee attendance rate	100 %	100 %	100 %	98 %	100 %
Compensation and Remuneration Committee attendance rate	100 %	100 %	100 %	96 %	100 %

Dynamic Electronics is devoted to creating an effective corporate governance framework to help reinforce the function of the Board of Directors, facilitate optimal communications and interactions with stakeholders, improve information transparency, build a sound ESG system, follow international regulations, and boost sustainable operations. We have the "Corporate Governance Best Practice Principles" in place to govern the disclosure on the Company's website and the Market Observation Post System.



For the scope of responsibility of each of the corporate governance unit, please refer to the Dynamic Electronics Annual Report.



#### Economic Performance and Corporate Governance

### **Overview of the Protection of Shareholder Equity and Fair Treatment Status**

Contents

Shareholders' meeting is the highest decision-making unit at Dynamic Electronics. To protect the rights of each shareholder and make sure that shareholders are treated fairly, Dynamic Electronics started electronic voting and decision-making based on votes for each case being deliberated in 2016 and the results showing approval, objection, and abstention of each proposal are documented in the meeting minutes and disclosed on the Market Observation Post System and the Company's website. The ways in which decisions are enforced are also clarified in the Annual Report. The candidate nomination system is adopted comprehensively for the election of board directors at Dynamic Electronics. The Registrar of Taishin International Bank is authorized by Dynamic Electronics to take care of its Shareholders' Meetings and shareholder affairs. With balanced and steady dividend policies in mind, Dynamic Electronics adequately distributes stock dividends or cash dividends, in particular, is limited at 10 % of all dividends for the said year. The ratio of dividends to disposable earnings is between 0 and 75 %. TWD 0.7 was distributed per share in 2021. It is internally prohibited by Dynamic Electronics for insiders such as board directors or employees to make profits with information unavailable on the market.

### **Diversified Composition of Board of Directors**

Dynamic Electronics held a comprehensive renewal election in 2021 for its Board of Directors. Eight of the directors have abundant business administration and academic experience, including four independent directors. One of the four independent directors is a woman. Dynamic Electronics hopes to have a more specialized, independent, and diversified Board of Director in order for the latter to lead the Group towards sustainable corporate developments.

Title	Name	Current position	Gender	Also an employee	Age (year- old)	Tenure of independent director (year)	Operation and management	Leadership and decision- making	Finance, accounting, and law	Strategic risk planning	Analysis of industrial trends	Technological developments in the industry
Director	Ming-Hung Huang	Chairman and CEO of Dynamic Electronics	Male	v	41-50		v	v			V	v
Director	Representative of HK Treasure Investment Ni Rong	Presidents at the plant of Dynamic Electronics	Male	v	61-70		v	v		v		
Director	Representative of Qianhong Investment Zong-Long Tsai	Presidents at the plant of Dynamic Electronics	Male	v	41-50		٧	v				v
Director	Representative of Mingji Investment Yuan-Jun Sun	Manager of Finance, Jain Shin Electronic Co., Ltd.	Male		41-50		v		v		v	
Independent director	Yi-Chia Chiu	Vice Dean of Business School, National Chengchi University	Male		41-50	3-6			V	v		v
Independent director	Chang-Chou Lin	Technical Vice President, Chu Chien Technology Limited	Male		41-50	6-9		v		v		v
Independent director	Hui-Ju Chien	Attorney, LST&C Legal	Female		31-40	0-3			v	v		
Independent director	Wen-Xin Weng	Independent director, Dynamic Electronics	Male		41-50	0-3	٧		v		V	

Diversification of Board of Directors membership in 2021



Contents Economic Performance and Corporate Governance

# Important Decisions Made by Board of Directors in 2021 and Related Actions Taken to Supervise Performance in Sustainability

The Board of Directors of Dynamic Electronics meets at least once a quarter and met 14 times in total throughout 2021, with director attendance of up to 98 %, to review corporate operational performance and discuss important strategic topics, including economic, environmental, and social impacts, risks, and opportunities, etc. Related actions taken by the Board of Directors in 2021 to supervise performance in sustainability included: revision of the "Corporate Governance Best Practice Principles", approval of the Best Practice Principles performance review outcome, approval of the updated Group leader succession plan, approval of the Independence Evaluation of CPAs, approval of the implementation status of corporate social responsibilities, approval of the evaluation of risks brought about by climate change, and release of the ESG Sustainability Report, etc.

### 2021 Board of Directors Performance Review Outcome

Dynamic Electronics evaluated the performance of its Board of Directors in 2021 for the period of January 1, 2021 through December 31, 2021 and the evaluation covered the Board of Directors, each of its members, and functional committees. The evaluation was done through an internal self-review of the Board of Directors and its members. Evaluation items included (1) Board of Directors Performance Evaluation, (2) Individual Board Member Performance Evaluation, and (3) Functional Committee Performance Evaluation.

The evaluation outcome is: Outstanding in every domain. Primary suggestions and corrective actions of the Board of Directors and functional committees are as follows:

- (1) Discuss with individual board members what they specialize in and the possible contributions from them and make the best of them as needed for the Company.
- (2) Have the management report to the Board of Directors at least on a quarterly basis related information of the upstream, downstream, and the industry the Company is in and their changes.
- (3) Provide the operational performance report to each of the board members at least once a month.
- (4) Periodically provide related industrial information.
- (5) Have the management to report to the Board of Directors information concerning the industry and discuss it.
- (6) Schedule the Nomination Committee meeting for the second half of 2022 to discuss the continuing education plan for board members and the succession plan for board members and senior managers.

### Linkage between Salaries of Board Members and Performance in Sustainability

As far as the linkage between board member performance evaluation and compensation and remuneration is concerned, the remuneration for board members and the salaries of senior supervisors (CEO, President, Vice President) at Dynamic Electronics are determined according to the compensation and remuneration policy, system, criteria, and structure advised by the Compensation and Remuneration Committee and relate to the fulfillment of annual and long-term performance goals (economical, environmental, and sociological). Remuneration for board members of the Company is based on the requirements in 26 of the Articles of Incorporation. If the Company makes profits for the year, the Board of Directors can decide to allocate board member remuneration no higher than 3% of the profits. As for how the remuneration is defined, the Company's "Director and Manager Compensation and Remuneration Policy" is followed. Besides the overall operational performance of the Company and the operational risk and developmental trends for the industry in the future, personal performance fulfillment and contribution to the Company's performance are referred to as well so that reasonable rewards are given. Related performance evaluation and the adequacy of compensation and remuneration system is adequately reflected upon according to the actual operational condition and applicable laws and regulations at any time to strike a balance between sustainable corporate operation and risk control.

### **Audit Committee**

The Audit Committee of Dynamic Electronics aims to help the Board of Directors fulfill its obligation to supervise over the quality and integrity of applicable accounting, audit, and financial reporting procedures and financial control. Its members are exclusively independent directors. The Committee met 10 times in 2021, with member attendance of 98 %. In addition, Dynamic Electronics' Audit Office performs internal audits on a monthly basis and delivers the results to each of the Audit Committee member to be reviewed. The Internal Audit Officer also attends each Audit Committee meeting to present on the status of audits performed and to communicate face to face with the independent directors. In case of any material violation or concern over material damages borne by the Company, the internal audit staff will report it to the independent directors right away. Dynamic Electronics' CPAs give presentations on their findings after having reviewed or approved the financial statements and other matters to be communicated as required by applicable laws and regulations in the Audit Committee meetings. In cases of material unique situations of corporate finance and business operation, the CPAs will also report them to the Audit Committee in real time.



#### Economic Performance and Corporate Governance

Contents

### **Compensation and Remuneration Committee**

The Compensation and Remuneration Committee of Dynamic Electronics aims to help the Board of Directors enforce and evaluate overall compensation, remuneration, and welfare policies, define and periodically reflect upon the annual and long-term performance goals and compensation and remuneration policies, systems, criteria, and structures for the board members and managers of the Company, and periodically evaluate the performance goals fulfilled by board members and managers and their salaries and rewards. The Compensation and Remuneration Committee consists of the four independent directors and met 6 times in total throughout 2021, with member attendance of 96 %, to revise the "Compensation and Remuneration Committee Organic Rules" and define the "Director and Manager Compensation and Remuneration Policy" and "Employee Remuneration Regulations".

### **Nomination Committee**

The Nomination Committee of Dynamic Electronics aims to define the criteria and standards required for the composition of the Board of Directors and senior managers to be followed while board members and senior managers are being sought, reviewed, and nominated, when the organizational structure of the Board of Directors and that of each of its committees is being built and developed, when the succession plan for board members and senior managers is reflected upon periodically, and when the Company's Corporate Governance Best Practice Principles are being defined. The Nomination Committee consists of the four independent directors and met twice in 2021, with member attendance of 88%.

### **Corporate Social Responsibility Committee**

The Corporate Social Responsibility Committee of Dynamic Electronics is chaired by the Chairman and stipulates directives and strategies regarding corporate social responsibilities. The highest-ranking supervisor at each department is a member of the Committee that plans and addresses the five major topics relevant to corporate social responsibility - economy, environment, society, supply chain management, integrity, and compliance reflective of each department's function, as is shown in the organizational chart below. Once they are approved by the chair of the Committee through the CSR Office, key performance indicators are set together with each department to help accomplish each of the goals. Reflections take place each month. The Committee reports to the Board of Directors at least once a year and is subject to the supervision of the Board of Directors. Two presentations were given, in August and in December of 2021 and the topics covered included: interaction and management of stakeholders, summary of highlights of the Chinese and English versions of the ESG Sustainability Report, environmental sustainability, employee care, and social care, etc.





Organizational Chart of Corporate Social Responsibility Committee





#### Economic Performance and Corporate Governance

#### Contents

**IV.** Compliance



Material

topic

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Compliance with international regulations and local government's regulatory requirements	Legal Affairs Office Management Department (hazardous waste and general waste) Environmental Safety Department (wastewater/waste gas) Human Resources Department (labor) Financial Department (accounting and taxation) Quality Assurance Department (hazardous substances in products) Research and Development Department (patented technologies and intellectual properties)	<ol> <li>Responsible units collect laws and regulations within their scope of responsibility and adequately conduct educational training to accommodate the needs of the operating unit.</li> <li>External advisory institutions are authorized to provide professional service.</li> </ol>	<ol> <li>Educational training for business operation enforcers.</li> <li>Spontaneous audits at respective units over compliance with regulatory requirements.</li> </ol>	Chairman Independent director (Hotline, mailbox)

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Major fines as a result of violations	0	0	0	0	0

Dynamic Electronics promises compliance with international standards and the regulatory requirements of governments at the operational site and no violation of requirements is allowed. The responsible unit is the Legal Affairs Office and the authority to file complaints is the Chairman and independent directors. Complaints can be filed through the hotline or the mailbox.

Dynamic Electronics has a compliance procedure featuring three lines of protection that covers different regulatory fields, including corporate governance, insider trading, security laws and regulations, subsidiary supervision, documentation management and storage, environmental laws and regulations, occupational safety, labor laws and regulations, hazardous substances in products, patented technologies, intellectual properties, protection of confidential data, protection of personal data, export control, etc. Each responsible unit periodically and systematically identifies, adds, revises, communicates, and enforces regulatory requirements to ensure that they are completely followed.

The first line of protection is "Spontaneous Inspection". Someone is assigned at the responsible department to identify, add, revise, communicate and enforce regulatory requirements. The person in charge attends external courses and educational training each year, continues to strengthen their awareness of compliance, and keeps track of developments in their specialized fields as well as apply them to the tasks they perform on a daily basis. The second line of protection is "Compliance". The Legal Affairs Office is responsible for keeping track of the actual operations.

The third line of protection is "Internal Audit". Independent supervision is imposed and the Audit Committee and Board of Directors are reported to. For the international control system, the Company adopts the "Regulations Governing Establishment of Internal Control Systems by Public Companies" while evaluating the design and effective implementation of the internal control system hopefully to reasonably ensure fulfillment of internal control goals.

The three lines of protection are separately functional to ensure enforcement of the compliance system. Under this rigid procedure and precise implementation, the Group in 2021 was not subject to any major fine (worth more than TWD 1 million) imposed for the violation of applicable laws and regulations in the supply and use of products and services, environmental or other issues or sanctions due to other liabilities.





### Contents Economic Performance and Corporate Governance

	First line of protection - Spontaneous inspection							
Regulatory requirements	Corporate governance	Insider trading	Security laws and regulations	Subsidiary supervision	Documentation	Product and technology patents		
Plant	Taoyuan Operation Center	Taoyuan Operation Center	Taoyuan Operation Center	Taoyuan Operation Center	Taoyuan Operation Center Kunshan Plant Huangshi Plant	Taoyuan Operation Center Kunshan Plant Huangshi Plant		
Responsible unit	Chairman's Office	Chairman's Office	Chairman's Office Finance Main Office	Finance Main Office	Quality Assurance Office Documentation Section	Quality Assurance Office R&D Department		
Governing Guidelines	"Corporate Governance 3.0 - Sustainable Development Blueprint" (2021-2023)	Operating Procedure for "Preventing Against Insider Trading", Article 157-1 of the Securities and Exchange Act	Securities and Exchange Act, Regulations Governing the Preparation of Financial Reports by Securities Issuers, CPA's Audit Report	Subsidiaries are supervised and managed under the "Regulations Governing Establishment of Internal Control Systems by Public Companies"	ISO 9001, IATF16949, QC080000, ISO 14001, and ISO 45001 management systems and customer requirements	Applicable domestic/ international regulatory guidelines for hazardous substances in products and technical patents		
Renewal frequency	Yearly	Anytime	Quarterly	Monthly	Yearly	Semi-annually		
Communication frequency	Yearly	Yearly	Anytime	Anytime	Yearly	Semi-annually		
Highlights of 2021	Revision of the "Corporate Governance Best Practice Principles".	Insider trading educational training for insiders, quasi-insiders, and relevant staff of the Company.	The stock exchange will review the financial reports prepared by public companies over a period of five years. Material information shall be released once financial reports have been submitted to the Board of Directors or a decision is made by the Board of Directors.	"The Regulations Governing the Acquisition and Disposal of Assets" of the subsidiary, Dynamic Electronics (Kunshan) Co., Ltd., were revised.	The operational management and maintenance of respective international management systems and documentation met customer requirements and the knowledge management system of Dynamic Electronics was promoted and protected.	Products continue to meet international regulatory requirements for the management of hazardous substances.		
	Second line of protection - Compliance (Legal Affairs Office)							
Highlights of 2021	Highlights of       1. Periodically inspect applicable operational laws and regulations to keep track of the revision trends and the latest regulatory requirements.         2021       2. Inspect the alignment between actual implementations and regulatory requirements in prioritized fields (environmental protection, labor, risk review, and equipment purcha)							
					Third line of p	rotection - Internal audit		
Highlights of 2021	Highlights of The Audit Office includes "items to be followed under regulatory requirements" as part of the items to be audited each year according to 2021 the "Regulations Governing Establishment of Internal Control Systems by Public Companies"							



Economic Performance and Corporate Governance

### Contents

Environment	al protection and occupa	ational safety	L	abor laws and regulation	Intellectual property and confidential data protection	Export control	
Taoyuan Operation Center	Kunshan Plant	Huangshi Plant	Taoyuan Operation Center	Kunshan Plant	Huangshi Plant	Taoyuan Operation Center Kunshan Plant Huangshi Plant	Kunshan Plant Huangshi Plant
Envi	ronmental Safety Depart	ment	Human Resources Department			Information Technology Department	Customs Affairs Section
Applicable environme fire prevention-related for T	pplicable environmental protection, occupational health and safety, re prevention-related laws, regulations, and guidelines, FSC SDGs for TWSE/TPEx-listed companies		Applicable labor regulatory requirements and security regulatory requirements		ISO 27001 Information Security Management System	Customs Law, Commodity Inspection Law, Foreign Trade Law	
Monthly	Quarterly	Quarterly	Monthly	Mor	thly	Yearly	Anytime
Monthly	Quarterly	Quarterly	Monthly	Quar	terly	Yearly	Anytime
Pandemic prevention and control, fire prevention safety management, labor health protection rules, greenhouse gas inventory check and management.	Pollutant emission criteria, prevention and control of soil pollution, use and storage management of hazardous chemicals, circular economy, update and management of greenhouse gas emission and sources of emission, emission of volatile organic matters.	Conforming emission and management of environmental pollutants; safe storage and use of hazardous chemicals; safety protection and electrical safety of equipment, contractor construction safety, pandemic prevention and control, acceptance of the EHS compliance procedure in the construction of Plant 2, promotion of green, energy conservation, and environmental protection tasks.	The base salary was raised to TWD 25,200 on January 1, 2021.	For the payments to be made for social security to the collecting authority before the downsizing at the end of July 2021, (pension, disability, occupational injury), the base salary subject to the payment was adjusted from RMB 3,368 to RMB 3,800, effective July 1.	The social security base in (month), 2021, remained at RMB 3,150 for the lower limit. Businesses must have this payment base approved by submitting the combined annual salary of each employee to the Social Security Bureau for review.	Periodic automatic website and system weakness scans. Contracts are signed with external information security companies periodically to ensure that service provided through software installed in the terminal system, including those for the IT and OT equipment are kept up to date and all the loopholes are patched. Introduce multi- engine antivirus and purchase additional anti-virus walls. Periodically conduct information security trainings to effectively safeguard information security event response rehearsals.	Attend trade compliance knowledge trainings held by the Customs Authority for improved compliance and risk awareness and to strengthen control over trade compliance so that compliance so that compliance risks present in import/ export business can be identified and corrections can be done in a timely manner to help prevent against accumulation of risks.

# 2021 S ESG Report

V.

### Contents Economic Performance and Corporate Governance



### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action pl	lan	Compla	aint-filing mechanism
Form a corporate culture of teamwork and ethical management and strictly combats corruption, bribery, and theft.	Legal Affairs 1 Office 2	<ol> <li>Educational training on moral laws and regulations</li> <li>Reiterate the reporting channel</li> </ol>	<ol> <li>Announce the e integral Code o</li> <li>Encourage the of unethical act against integrity</li> <li>The "Legal Affa is established t responsible uni promotion of et corporate mana and to report to of Directors per</li> </ol>	ethical and f Conduct. reporting s that are y. irs Office" o be the t for the hical agement t the Board riodically.	Inda (H	Chairman ependent director lottine, mailbox)
Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishm 2021	ient in	2022
The number of incidente						

The number of incidents against ethics and integrity and impacted value	0	0	0	0	0
Ratio of educational training on moral laws and regulations Rate	100%	100%	100%	100%	100%

To enable normalized ethical corporate management throughout the organization and to define an optimal business model, Dynamic Electronics has the "Ethical Corporate Management Best Practice Principles" in place. The Board of Directors and the management are committed to proactive fulfillment of the ethical corporate management policy. In addition, Dynamic Electronics set up the "Legal Affairs Office" to be the responsible unit for the promotion of ethical corporate management under the Board of Directors to take charge of defining and supervising ethical corporate management policies and safeguard solutions and periodically report to the Board of Directors.

The substantial actions taken by Dynamic Electronics to enforce its ethics and integrity policies are as follows:

- Set up the "Ethical Code of Conduct for Directors, Supervisors, and Managers" and the "Ethical Code of Conduct for Employees" to help with thorough disclosures of the Ethical Code of Conduct for directors, managers, and employees; they are to be followed by everyone.
- 2. Sign quality contracts, procurement pledges, the Integrity Commitment, and the Pledge to Not Use Hazardous Substances with dealers, suppliers, customers, and their business partners so that they know and accept the corporate culture of Dynamic Electronics to form a positive force and a collaborative model of joint fulfillment of ethical and integral corporate management and periodically remind of collaborative suppliers each year through the "Integrity Informative Letter".
- 3. Set up the "CEO Mailbox" (ceo@dynamicpcb.com) to facilitate complaints filed by or reports submitted by employees, business partners, or third parties about any corruption, bribery, acceptance of bribery, and unethical act; it is the direct way to have their voices heard by the highest-ranking official of the Company. This in-box can only be accessed and addressed, responded to, or delegated by the CEO to achieve absolute confidentiality and to effectively stop unethical acts. The CEO mailbox is made known to all newcomers during orientation and specific terms and conditions are defined in all external contracts of Dynamic Electronics as well as released on the Company's website. No complaints about violations of ethics or integrity were received through the CEO Mailbox in 2021.
- 4. Set up the internal "That's Not Right Mailbox" so that employees can report on illegitimate systems or unprofessional acts. The hope is to better enforce regulations governing corporate ethics through supervision from employees. No complaints about wrong phenomena were received at the Taoyuan Operation Center; 5 were received at the Kunshan Plant, including 2 on personal rights, 1 on administration, and 2 on wrong phenomena and all of them had been addressed to encourage reinforced communication with employees, with related parties at fault being warned or punished; and 9 were received at the Huangshi Plant, including 1 on personal rights, 5 on administration, and 3 on wrong phenomena and all the related processes were improved, with proper dispositions imposed.
- 5. Set up the "Hotline" for collaborative cross-strait partners as one of the multiple convenient electronic ways to make their complaints heard. There were not reports received through the "Hotline" in 2021.
- 6. The "Ethical Corporate Management Best Practice Principles" were revised and updated at the end of February 2021 and the "Integrity and Anti-Corruption Safeguard Plan" was analyzed and prepared in April to strengthen governance and internal control, to minimize corporate risk, to ensure fulfillment of corporate management goals and persistent and steady health developments, and to protect the legitimate rights of shareholders.
- 7. The Legal Affairs Office periodically reviews the implementation of integrity and ethics regulations.

### Economic Performance and Corporate Governance

### ► Contents

### **Anti-corruption**

To go with the anti-corruption policy, Dynamic Electronics sets up a relatively strict supervisory mechanism on the one hand for departments and business activities that are at higher risk of non-integrity and promulgates the "Operating Procedure to Reward Whistleblowers" on the other hand. The substantial whistleblowing channel, reward system, the specific handling person, the processing procedure, and related confidentiality mechanisms are provided as follows:

- 1. Whistleblowing channel
  - (1) Chairman's Mailbox (ceo@dynamicpcb.com)
- (2) Write to the That's Not Right Mailbox or mail to any other higher-ranking supervisor's inbox
- 2. Reward system

Criterion	Value	Maximum	Time of release
Reported using one's real name, with evidence provided	50 % of the total losses recovered or reduced	TWD 10 million	
Reported without giving a real name and no evidence provided	25 % of the total losses recovered or reduced	TWD 5 million	After the case is closed and the value is finalized
With particularly significant contributions	Upon approval from the Chairman, the above ratios may be disregarded as justified by the case.	None	

- 3. Exclusive person in charge: Once a report is confirmed by the Chairman, it is handed to the Legal Affairs Office and registered to begin investigation.
- 4. Handling procedure:



- 5. Handling deadline: two weeks for an ordinary case and four weeks for a complicated case. Whether a case is complicated or not is to be determined by the Chairman at the time of registry.
- 6. Related confidentiality mechanism: The case and the whistleblower are kept in strict confidentiality while it is being processed.

No corruptions were reported in 2021.

### Anti-competitive practice

For the anti-competitive practice, Dynamic Electronics has complete professionals and teams to perform ex-ante reviews and evaluate legal risks and help prevent against lawsuits. Since it was established, Dynamic Electronics has never been involved in anti-competitive practice, anti-trust, or monopoly lawsuits.

### **Human rights**

Dynamic Electronics strictly follows domestic and international labor and human rights regulations by adopting the "Responsible Business Alliance (RBA) Code" of Conduct, treating all employees fairly, providing equal job opportunities, no discrimination, no child labor, and prohibiting forced and mandatory labor. When employees' legal rights are infringed upon or employees are treated improperly, which cannot be reasonably resolved, there is the "That's Not Right Mailbox" for them to file complaints. The Company will keep the status and data of the whistleblower confidential. Important customers of Dynamic Electronics also often audit the plants by themselves or through authorized international verifying institutions on human rights and all the plants passed the audits. Dynamic Electronics strictly reviews all investment agreements and contracts, too, particularly their terms and conditions on human rights. No complaints about human rights were filed in 2021.

### **Educational training**

- 1. Internal educational training on ethical corporate management throughout 2021 by the headcount and person-hour
  - Taoyuan Operation Center: 2 people and 1 person-hour
  - Kunshan Plant: 8,450 people and 4,225 person-hours
  - Huangshi Plant: 647 people and 323.5 hours
- 2. Signing of Declaration of Ethical Corporate Management in 2021: including all directors and senior managers, 14 people in total; the ratio was 100 %.


VI.

### Contents Economic Performance and Corporate Governance



#### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan		Complaint-filing mechanism	
Continue to evaluate changes inside and outside the organization and possible influences and impacts on the organization in the future to accordingly find opportunities and prepare countermeasures and take action in advance in the pursuit of corporate sustainability management.	Risk Management Committee	Manpower devoted to the collection and evaluation of data	On a quarterly basis, those in charge of strategy, operation, finance, and hazards introduce possibly encountered risks and their countermeasures and actions and present them to the Board of Directors.		President Chairman Independent director (Hotline, mailbox)	
Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplish 202	nments in 21	2022
Evaluate possible risks, countermeasures, and action plans on a quarterly basis	Quarterly reflection and evaluation	Quarterly reflection and evaluation	Quarterly reflection and evaluation	Quarterly i and e	eflection valuation	Quarterly reflection and evaluation

Through the Risk Management Committee in 2021, those responsible for strategy, operation, finance, hazard, and climate change continue to evaluate the impacts that the external economic, environmental, and sociological changes have on the organization to accordingly identify opportunities and prepare countermeasures and action plans. After each report was compiled, it was submitted to the chairperson for approval and supervision and then to the Audit Committee for review and feedback before it was presented to the Board of Directors. The organizational chart and operational status of the Risk Management Committee are shown in the figure below.

Organizational chart of Risk Management Committee



Operational status of Risk Management Committee





Risk topics of 2021

Contents

	Internal and		Impacts on th	ne Company	Pick		Management	Responsible	Validity
	and demand from stakeholders	Stakeholders	Impact	Opportunity	class	Countermeasure	system-related process	department	rating
1	S (Strategy): Expansion of the Huangshi Plant (Plant 2) - Fund planning	Shareholders Customer Supply chain Employees	Greater investment position and longer years to return     Higher liability ratio to make financing uneasy     Low net cash flows over the most recent year	<ul> <li>Compound annual growth rate up to 45 % for electric vehicles between 2020 and 2025; the market demand is powerful and it remains as the trend in the future.</li> <li>5G-inspired demand for communication PCBs, most of which are 8-16 layer boards and super boards of 18 layers and more; the compound annual growth rates for 2019 to 2024 are estimated to reach 6.5 % and 8.8 %, respectively.</li> </ul>	Unacceptable risk	<ol> <li>Set up HDI and advanced processes for Huangshi Plant 2 (P2), with products to be applied to electric vehicles, ADAS, servers, and netcoms.</li> <li>Improve process capabilities and reduce the scrap rate through automation and intelligence for enhanced efficiency and cost control.</li> <li>Plan funds raising to improve the working capital.</li> <li>Control budget</li> <li>Digest HUB inventory to bring in cash from business activities.</li> </ol>	Operational design Financial administration Customer- related Production- related	Research and development Finance Sales Manufacturing	Ongoing
2	S (Strategy): Expansion of the Huangshi Plant (Plant 2) -Energy procurement/energy rating	Government Shareholders Customer	<ul> <li>Enterprises with annual energy consumption consisting of 50,000 tonnes or more of standard coal will be considered as highly energy-consuming enterprises and will be prioritized for control purpose.</li> <li>With governments enforcing the dual-control policy applying either the total volume or intensity of energy used in the future, those remaining non- conforming might be subject to restricted production or discontinued production.</li> <li>Without an energy rating, supply of energy will be a concern.</li> </ul>	<ul> <li>Governments have preferred supportive policies on the use of energy for green plants.</li> <li>The overall volume of energy used at the Huangshi Plant is within the value approved by the China National Development and Reform Commission; the energy intensity is outstanding.</li> </ul>	Unacceptable risk	<ol> <li>Choose Class 1 energy consumption equipment and build a smart energy consumption management system to optimize energy use intensity and reduce the total volume of energy used.</li> <li>Collect and keep track of information about the control imposed by governments over energy and promote the use of green energy.</li> <li>Plan solar power generation areas.</li> <li>Proactively search for resources and purchase of green electricity.</li> </ol>	Energy planning	Environmental safety Equipment Public facility	Ongoing
3	S (Strategy): Change in market demand - New innovative industrial technologies	Customer Supply chain Employees Shareholders Government	<ul> <li>Governments are introducing various green transitional measures and policies, such as the banned sale of fuel tanks and replacement of fossil fuels with green energy for power generation.</li> <li>Customers have increasing environmental protection requirements for the supply chain (such as carbon reduction).</li> <li>Replacing with green energy, materials, monitoring, and reinforcing control over pollution during the manufacturing process equipment is costly and it will take capital expenditure.</li> </ul>	<ul> <li>Governments are introducing various green transitional measures and policies, which will drive demand for green energy-related products.</li> <li>Low-energy-consumption materials, process development and investment in advanced processes will meet the demand for products in the future.</li> <li>The promotion of green production (energy-saving and carbon reduction) and the use of raw materials and regular materials meeting environmental protection requirements will enhance competitive advantages and shape the positive corporate image.</li> </ul>	Intermediate risk	<ol> <li>Explore with suppliers the introduction of new designs/new technologies/ new materials and development of materials and equipment that meet environmental protection requirements of energy conservation and carbon reduction.</li> <li>Set up recycling for reuse systems (such as water and scraps)</li> <li>Build the environmental footprint management system for products and include the cost of footprint as part of the process cost to keep it under reasonable control.</li> <li>Set the water-saving and energy- saving goals for newly installed process equipment.</li> <li>Enhance high-precision process capabilities and include them as part of the precision process project.</li> </ol>	Operational design Supply chain management Environmental protection management Energy management Production- related	Research and development Procurement Quality assurance Public facility Environmental safety Manufacturing	Ongoing
4	H (Hazard): Regional conflicts - Russia-Ukraine War	Customer Supply chain Shareholders	Disrupted land transportation or extended transport time     Fluctuating prices of related metals, such as copper, gold, aluminum, nickel, and palladium.     As the war drags on, persistent hikes in oil prices, inflation, and global economic recession are likely.	<ul> <li>It is possible that production purchase orders may be transferred from Europe to Asia.</li> </ul>	Intermediate risk	<ol> <li>Accommodate the production of customers at other production sites.</li> <li>Change railway transport to sea freight to avoid disruption of land transportation.</li> <li>Have additional copper foils in stock to cope with the price hike and shortage risk.</li> <li>Simulate the countermeasures in the event of a reduction in demand by 15%, 25%, and 35%.</li> </ol>	Customer- related Supply chain- related Production management	Sales Customs affairs Procurement Logistics control Manufacturing	To be determined
5	H (Hazard): Epidemiology - Risk of the Covid-19 virus mutation and spread	Customer Supply chain Employees Community Government	<ul> <li>If cases of the pandemic appear in the locality of the plant, it is possible that a lock-down may take place for control purposes and it will impact the normal operations in the plant.</li> <li>If an employee is confirmed with an infection, the whole plant is at risk of having to suspend operations.</li> </ul>	Enhance corporate operational resilience     Build the optimal pandemic control system and practice to reduce infections among employees to a minimum.	Unacceptable risk	<ol> <li>Focus on the developments of Covid-19 and reinforce communication with the local government anti- pandemic authority to obtain the latest information on the prevention against the pandemic.</li> <li>Have anti-pandemic supplies in stock and take countermeasures against the pandemic; be ready for a lock-down production model of the plant.</li> <li>Ban access to the plant compound by anyone from areas currently affected by the pandemic or from high-risk areas (corresponding isolation upon accession and presentation of a PCR test report showing eligibility are required)</li> <li>Nucleic acid testing for everyone.</li> <li>Impose strict Covid-19 control measures throughout the plant.</li> </ol>	Occupational safety Human resources Supply chain management Customer- related Production- related	Environmental safety Human resources Procurement Customs affairs Sales Manufacturing	Ongoing



	Internal and external situations	Obstachalders	Impacts on th	he Company		0	Management	Responsible	Validity
	and demand from stakeholders	Stakenolders	Impact	Opportunity	class	Countermeasure	process	department	rating
6	H (Hazard): Related regulatory changes - Stricter environmental protection-related laws and regulations	Government Shareholders Customer Supply chain Community	<ul> <li>Governments will be stricter on the concentration of air pollutants discharged.</li> <li>If emissions are out-of- bound, impounding, fines, or restricted production, or modification may be imposed by the environmental protection authority and it will impact environmental protection credit rating.</li> </ul>	<ul> <li>Dynamic Electronics has not been on the list of reduced production as a result of severe pollution over the past few years and has been well- reputed in this regard; the operational developments are positive.</li> </ul>	Intermediate risk	<ol> <li>Obtain environmental regulatory information released by government departments in real time to perform a forecast and adjust the control over waste gas emissions.</li> <li>Normalize management measures and have someone assigned to manage the adequacy of the waste gas system.</li> <li>Adopt advanced pollution control technologies to improve the output of pollution (such as the high-efficiency burner heads directly adopted for Huangshi Plant 2).</li> <li>For old equipment, evaluate the feasibility of replacing boiler burner heads, adding new boiler waste gas treatment facilities, and RTO combustion equipment to reduce the concentration of waste gas discharged.</li> <li>Reinforce leak monitoring on the plant compound.</li> </ol>	Environmental protection management	Public facility Environmental safety	Ongoing
7	H (Hazard): TCFD climate change - Material supply	Customer Supply chain Employees Shareholders	Extreme weather events can lead to logistic disruption or unsteady supply to impact production in the plant.     Increased purchase cost     Extended duration and increased cost of transport.	<ul> <li>Integrate choices of materials to maximize options and seek greater initiatives in supply and cost.</li> <li>Diversify sources of materials to minimize the risk of shortage of materials.</li> </ul>	Unacceptable risk	<ol> <li>Explore new suppliers, new materials, and increase sources of supply to guarantee smooth supply.</li> <li>Increase the safety inventory of regular materials.</li> <li>Sort out material supply and cost tendency information and share it with customers to help jointly come up with countermeasures.</li> </ol>	Operational design Supply chain management Production- related Customer- related	Research and development Quality assurance Procurement Logistics control Sales	Ongoing
8	H (Hazard): TCFD climate change - Disasters caused by extreme weather events	Employees Shareholders	<ul> <li>Increased ex-ante prevention and ex-post rescue costs.</li> <li>Downtime and discontinued production lead to lost revenue and profits.</li> <li>Damaged equipment and facilities lead to rising service cost.</li> </ul>	<ul> <li>Proper disaster prevention measures help bring down impacts of disasters and make the Company more competitive.</li> </ul>	Intermediate risk	<ol> <li>Create a mechanism to allocate production flexibility.</li> <li>Have materials ready as soon as a risk occurs according to the weather forecast.</li> <li>Prepare the Company for risks in advance by elevating the foundation of the new plant compound during the early planning stage and planning expensive equipment for higher floors and smooth rainwater drainage systems, among others.</li> <li>Properly monitor the water and electricity consumption of equipment and machinery.</li> <li>Have a safety inventory of common raw materials and requiar materials.</li> </ol>	Supply chain management Public facility management Energy management	Logistics control Procurement Public facility Environmental safety	Ongoing
9	H (Hazard): TCFD climate change - Greenhouse gas emissions cap control and carbon credit, energy trade- related	Government Customer Supply chain Employees Shareholders	<ul> <li>When the total volume of carbon emitted exceeds limits, discontinued production or reduced production is likely under the "Carbon Emission Credit Trade Regulations".</li> <li>To offset the excessive carbon emissions as a result of expanded production, it is required to purchase carbon credits on the market, which will drive up cost expenditure.</li> <li>Governments require that renewable energy be prioritized and promote spontaneous adoption of renewable energy, which is likely to bring about additional cost for enterprises.</li> </ul>	<ul> <li>With the emission goal fulfilled, it helps to gain recognition among customers and secure orders.</li> <li>With expedited clean production and transition to low-carbon production, the redundant carbon credit can be sold to make profits, or retained to support operational developments.</li> </ul>	Intermediate risk	<ol> <li>Continue to consolidate environmental protection and energy conservation management systems.</li> <li>Restrict total emissions from operational activities in the plant and prepare plans to improve equipment with maximum emissions and involving high energy consumption to bring down process electricity consumption.</li> <li>Pay close attention to governmental policies and continue to follow trends in the legislation concerning renewable energy.</li> <li>Evaluate the cost-effectiveness of renewable energy.</li> </ol>	Energy management	Public facility Environmental safety	Ongoing
10	H (Hazard): TCFD climate change - Energy supply	Customer Supply chain Employees Shareholders Government	<ul> <li>Power rationing is adopted in some provincial cities due to insufficient power and energy supply and it gives rises to issues such as discontinued production or load-down.</li> <li>The unstable energy supply leads to delayed deliveries and drives up the cost of overtime to stay on schedule.</li> </ul>	<ul> <li>Enhanced electricity use efficiency throughout the Company will not only bring down the production cost but also maintain operations under limited power supply to win trust from customers.</li> <li>The use of renewable energy helps not only avoid the risk of power rationing but also enhance the sustainable image of the Company.</li> </ul>	Intermediate risk	<ol> <li>Continue to promote ISO 50001 energy systems to reinforce energy management.</li> <li>Plan long-term green electricity procurement.</li> <li>Adjust the production schedule for unnecessary bottleneck processes.</li> </ol>	Energy management	Public facility Environmental safety	Ongoing



## VII. Continuous Operational Management



#### Contents

### Management approach

Policy and commitment	Responsible unit	Resources devoted	Action plan	Complaint-filing mechanism
Faced with a harsh and changing environment, Dynamic Electronics has its business continuity plan in place so that the Company can act quickly during sudden events to keep operations going without any disruption; it helps ensure business continuity.	Chairman's Office Risk Management Committee	Have someone assigned to collect international political and economic situations and pay attention to the physical risk and transition risk triggered by climate change to alert the Company at any time and to track countermeasures.	<ol> <li>Define the BCP</li> <li>Report material events, if any, to the Board of Directors</li> </ol>	President Chairman Independent director (Hotline, mailbox)

Goal	2025 Goal (Medium-term)	2027 (Long-term)	2021	Accomplishment in 2021	2022
Renewal of BCP	Reflected upon	Reflected upon	Reflected upon	Reflected upon	Reflected upon
	and updated on a	and updated on a	and updated on a	and updated on a	and updated on a
	quarterly basis	quarterly basis	quarterly basis	quarterly basis	quarterly basis

Dynamic Electronics continued to reflect upon its BCP in 2021. The Chairman's Office is responsible for the strategic planning of BCP while people responsible for the BCP at respective departments take responsibility of preparing their departmental BCP on the basis of corporate and departmental strategies.

### **BCP Framework**

The BCP Framework of Dynamic Electronics is as follows:





### Management of Accidents Impacting Normal Operations

How accidents impacting the normal operations of Dynamic Electronics are managed is shown below and is reflected upon and updated on a quarterly basis.

Department	Operational function	Management of accident	Target time to recovery	Importance (1~5)
Human resources	Production line (Staff shortage)	<ol> <li>Short-term: Flexibly allocate and arrange staff among production lines to avoid impacts on deliveries.</li> <li>Medium-term: Continue to reinforce employee relations by retaining them, bringing down the severance rate, and adjusting opportunities for promotions and upgrades while at the same time continuing to broaden the recruitment channels, including internal referrals, internal hiring, network-based, on-campus recruitment, and agencies, externally to steadily secure the required manpower and fulfill operational goals.</li> <li>Long-term: Improve the overall quality of staff and realize a high level of equipment automation and information automation.</li> </ol>	24 hours	3
Engineering	Production line (production equipment failure)	<ol> <li>Engineering staff has an understanding and makes judgment before turning off power to the failed machine and putting on the "Under Repair" sign.</li> <li>If it is impossible for the engineering staff to troubleshoot independently, the Engineering Unit is to contact the external service provider for the repair.</li> <li>Once the machine is repaired and it is confirmed by the process supervisor, it is noted "Repair Completed" on the "Repair and Care Record Sheet".</li> <li>If it cannot be successfully repaired, as required by the customer, notify or obtain permissions from the customer and the Production Control staff begins to allocate the production to other plant compound and borrow production equipment from long-term collaborative processing partners.</li> <li>Sign the Care and Maintenance Contract with the original manufacturer.</li> </ol>	4 hours	3
Engineering	Water, gas, and electricity supply (water cut-off, power outage, etc.)	<ol> <li>Maintain generator adequacy to keep important equipment operative during emergency power outages.</li> <li>Build additional water reservoirs to support water supply in the event of water shortage over the short term.</li> <li>Have Production Control to adjust the production plan.</li> <li>Manufacturing Department keeps track of in-process products and label the production batches to facilitate quality tracking.</li> </ol>	4 hours	4
Procurement	Supply of raw materials and regular materials (sudden incidents encountered by suppliers)	<ol> <li>Verify the stocks available on the plant compound and at the suppliers' end.</li> <li>Explore new suppliers, new regular materials and increase sources of supply to avoid the risk associated with supply from a single contractor and to guarantee smooth supply and allow room for price negotiations and service.</li> <li>Increase the safety inventory of common raw materials and regular materials, enhance their utilization rate, and lower the scrap rate.</li> <li>The president at the plant is to convene a response group that meets to discuss countermeasures.</li> <li>Respective departmental heads follow guidance from the response group reflective of the type of incident that has occurred.</li> </ol>	24 hours	4
Environmental safety	Environmental safety issue (Sudden environmental pollution)	<ol> <li>Maintain and periodically rehearse the emergency response plan for proper supplies and manpower reserves in the event of an emergency.</li> <li>Set up the emergency collection pond that is to be commissioned in the event of an environmental pollution incident to ensure absence of impacts on the external environment and normal throughput on the plant compound.</li> </ol>	4 hours	5
Environmental safety	Environmental safety issue (Sudden fire and safety accident, etc.)	<ol> <li>Set up the corresponding emergency response plan and rehearse periodically to keep respective participants aware of their responsibilities.</li> <li>Ensure normal and effective operations of the fire prevention and detection system.</li> <li>Have important products and plant facilities covered by related insurance.</li> </ol>	4 hours	5
Information	Information security issue (Equipment hit by virus or hacked)	<ol> <li>Keep the anti-virus software effectively functional in equipment and desktop computers throughout the plant.</li> <li>Define the SOP for receiving machines and repairs. Virus scanning needs to take place before any external USB or NB is connected to the equipment network to ensure that it is free of safety concern and then maintenance can begin.</li> <li>Notify IT as soon as abnormalities are spotted in the field and follow the information security emergency proposal.</li> </ol>	24 hours	4
Information Legal affairs	Information security issue (Disclosure of classified information)	<ol> <li>Have corresponding management regulations in place for channels likely to be subject to disclosure of the Company's classified data (such as emails, notebook computers, mobile phones).</li> <li>As soon as information disclosure is noted, the owner of the data shall evaluate the significance of the information disclosure and notify Legal Affairs if necessary as required by law.</li> </ol>	24 hours	4
Management	Public disaster (Food poisoning)	<ol> <li>Strictly impose food sampling on a daily basis as part of cafeteria management.</li> <li>Sign an outpatient care agreement with a nearby hospital that can be devoted to the rescue operation as soon as an incident occurs.</li> </ol>	24 hours	4
Environmental safety	Breakout of a pandemic (SARS, Covid-19)	<ol> <li>Stop business travels of everyone in the Company to the pandemic-hit area.</li> <li>Impose precautionary (wearing a mask and frequent hand wash), isolation, and reporting measures as required by governmental laws and regulations for plants and customer service centers in pandemic-hit areas.</li> <li>Activate the work-from-home plan if necessary.</li> <li>Implement reasonable manpower configuration reflective of the status of the pandemic.</li> </ol>	24 hours	5
Production and Distribution	Impossible complete production in one plant	<ol> <li>The Production and Distribution Department coordinates and plans support of production and deliveries from other plants.</li> <li>There are currently two plants, in Kunshan Jiangsu and Huangshi Hubei; they share the same ERP system and hence their production lines can support each other.</li> <li>Certify outsourced processing plants to provide support in the event of emergency.</li> </ol>	24 hours	4



#### ▶ Contents

### VIII. Sustainable Supply Chain

### Supply Chain Structure



# Sustainable Operation Goals

Dynamic Electronics is pleased to work together with suppliers on a sustainable supply chain and continue to promote local procurement and supplier assistance projects to enhance the overall levels economically, environmentally, and sociologically and eventually fulfill sustainable management goals:



substances

Preventing and rectifying

vironmental pollution

Occiety Human rights, labor dignity Occupational health and safety Occupational Code of Ethics Commitment to "conflict-free" minerals

### **Local Procurement Strategy**

Through localized collaboration and to create a win-win situation, Dynamic Electronics is working together to bring down cost, shorten lead times, reduce supply chain risks, and improve competitive advantages. Local procurement, moreover, is also an important indicator of corporate social responsibilities and a sustainable development goal set by the United Nations in terms of supporting local economic developments, creating jobs, paying taxes, and attracting more funds. In 2021, both the number of local suppliers and the overall number of suppliers of the Kunshan Plant dropped slightly. Nevertheless, local suppliers accounted for a majority (97.38 %) and the value of local procurements accounted for 97.6 %. See the figure below.



In 2021, both the number of local suppliers and the overall number of suppliers of the Huangshi Plant climbed. Nevertheless, local suppliers accounted for a majority (94.61 %) and the value of local procurements accounted for 99.02 %. See the figure below.



Trends in the ratio of local procurements of the Huangshi Plant

### **Supplier Scoring and Counseling**

Ratings and Management

Dynamic Electronics rates monthly performances of suppliers. The evaluation covers quality, unit prices, lead times, excess shipping cost, and service, among others. For each rating, the handling approach is given below:





Contents

# Supply Chain Evaluation

While selecting suppliers or signing a contract with a supplier, Dynamic Electronics evaluates how corporate social responsibilities are fulfilled in three domains, namely, economy, environment, and society. Current control bottom line is that no significant actual or potential negative impacts are allowed; otherwise, the supplier must promise that corrections will be made by the given deadline. Dynamic Electronics will continue tracking up to completion of the said corrections. If the supplier cannot cooperate, no collaboration will take place. Meanwhile, primary suppliers of raw materials and regular materials are asked to promise and undertake that they will:

- 1. Abide by Dynamic Electronics' integrity and conflict mineral policies.
- 2. Follow the requirements set forth in the RBA Code of Conduct for the electronics industry.
- 3. Be certified for their ISO 9001 Quality Management System.
- 4. Honor the spirit of ISO 14001 Environmental Management System and ISO 45001 Occupational Safety and Health Management System by setting up and maintaining operative related systems.
- 5. Meet the requirements of international laws and regulations on absence of hazardous substances, such as RoHS, REACH, and Dynamic Electronics Green Product Guidelines.
- 6. Define their Corporate Social Responsibility Policy, Integrity Policy, and Energy, Environment, Safety, and Health Policy and enforce corresponding management systems.

Dynamic Electronics promotes "green procurement". Collaborative suppliers are asked to submit a test report from an impartial third party and the Material Safety Data Sheet (SDS) and sign the "Pledge to Not Use Hazardous Substances" during the evaluation performed by the R&D Department of raw materials and regular materials to guarantee that no internationally-banned substances that are hazardous to the environment were used while their products were being designed and manufactured and that they strictly follow applicable laws, regulations, and domestic/international directives/regulatory requirements (such as RoHS and REACH) on environmental protection and absence of hazardous substances. For collaborative suppliers that are unable to provide the said third-party test report or do not sign the "Pledge to Not Use Hazardous Substances", on the other hand, the procurement practice is adjusted and qualifying alternative suppliers will be sought.

All of Dynamic Electronics' collaborative suppliers have signed the "Procurement Pledge" and the "Integrity Pledge" and agreed to abide by the RBA Code of Conduct and other applicable laws and regulations on labor rights to ensure conformities in terms of no child labor, reasonable working hours, freedom of employment, no discrimination and coercion, a healthy and safe workplace, a smooth communication mechanism, labor dignity, environmental protection, and professional ethics and that they will abide by the Code of Conduct and say no to bribery, corruption, or blackmailing. Upon receipt of a report, complaint, or perception of suspicious violations, the Legal Affairs Office will begin the investigation right away. When validated or supported by substantial facts, the guidelines in the "Integrity Pledge" shall apply. Under severe circumstances, a supplier may be removed from the roster of qualified suppliers and the partnership will be discontinued permanently. The Company has the CEO Mailbox (ceo@dynamicpcb.com) in place for employees, suppliers, partners, and customers to report on, make complaints about, or reflect abnormal phenomena.

### "Conflict Minerals" Policy and Commitment

Dynamic Electronics set its "Conflict Minerals" policy and commitment in 2013. Not only that there are proper policies, guidelines, and due diligence procedures in place to ensure that no metals used in the manufacturing process or contained in products include "conflict minerals" from Democratic Republic of the Congo or any of its surrounding countries and regions under the control of armed forces, business partners are also asked to follow this policy and enforce it by not using or providing metals from illegitimate sources to go with the international trend and meet customer requirements. Dynamic Electronics periodically updates its conflict mineral report template to be reviewed by its customers. The "Conflict Minerals" policy of Dynamic Electronics is available on the official website of the Company for public review https://www.dynamicpcb.com/. Among the metals such as tandalum (Ta), tin (Sn), gold (Au), tungsten (W), and cobalt (Co), tin, bold, and cobalt are used in both the Kunshan and Huangshi Plants. There are 2 suppliers of tin, 1 supplier of gold, and 1 supplier of cobalt. All of these 4 suppliers have signed the "Commitment Not to Use Conflict Minerals" and have disclosed sources of these metals (refineries) to ensure that they are not from conflict mineral regions.





### I. Independent Assurance Opinion Statement

bsi.



# INDEPENDENT ASSURANCE OPINION STATEMENT

### Dynamic 2021 ESG Report

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

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

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

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

#### Scope

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

1. The assurance scope is consistent with the description of Dynamic 2021 ESG Report.

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

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

#### **Opinion Statement**

We conclude that the Dynamic 2021 ESG Report provides a fair view of the Dynamic sustainability programmes and performances during 2021. The ESG Report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the Dynamic and the sample taken. We believe that the performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability performance information disclosed in the report demonstrate Dynamic's efforts recognized by its stakeholders.

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

#### Methodology

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

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



#### Conclusions

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

#### Inclusivity

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

#### Materiality

Dynamic has established relative procedure in organization level, as the issues which were identified by all departments have been prioritized according to the extent of impact and applicable criterion for sustainable development of organization. Therefore, material issues were completely analyzed and the relative information of sustainable development was disclosed to enable its stakeholders to make informed judgments about the organization's management and performance. In our professional opinion the report covers the Dynamic's material issues.

#### Responsiveness

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

#### Impact

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

#### **GRI ESG Reporting Standards (GRI Standards)**

Dynamic provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the Dynamic's sustainability topics.

#### Assurance level

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

#### Responsibility

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

#### Competency and Independence

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

For and on behalf of BSI:

Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-2021145 2022-09-20

...making excellence a habit."

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

BSI Taiwan is a subsidiary of British Standards Institution



# II. Index of Contents of Global Reporting Initiative (GRI) Guidelines - Core

► Contents

### **General Disclosures**

GRI guidelines	Disclosure item		Corresponding section	Page No.	Remarks		
GRI 101: Foun	GRI 101: Foundation 2016						
		General Disclosures					
	102-1	Name of the Organization	ONE. Introduction/ I. About This Report	4			
	102-2	Activities, Brands, Products, and Services	ONE. Introduction/ IV. Company Overview	4-13	No products and services are banned on specific markets.		
	102-3	Location of Headquarters	ONE. Introduction/ IV. Company Overview	8			
	102-4	Operating Location	ONE. Introduction/ IV. Company Overview	10-11			
	102-5	Ownership and Legal Form	ONE. Introduction/ IV. Company Overview	8			
	102-6	Markets with Service	ONE. Introduction/ IV. Company Overview	10-11			
	102-7	Organizational Scale	ONE. Introduction/ IV. Company Overview	8			
	102-8	Information about Employees and Other Workers	FOUR. Co-prosperity in Society/ II. Manpower Structure and Development	73			
	102-9	Supply chain	FIVE. Economic Performance and Corporate Governance/ VIII. Sustainable Supply Chain	113-115			
	102-10	Major Changes to Organization and Its Supply Chain	-		No major changes during the reporting period.		
	102-11	Precautionary Principles or Directives	FIVE. Economic Performance and Corporate Governance/ VI. Risk Management	108-110			
	102-12	External Initiatives	-		No involvement in external initiatives.		
GRI 102:	102-13	Union and Association Membership	ONE. Introduction/ IV. Company Overview	8			
General Disclosures 2016	102-14	Decision-maker's Declaration	ONE. Introduction/ II. Message from Chairman of ESG Sustainability Committee	5			
	102-15	Key Impacts, Risks, and Opportunities	FIVE. Economic Performance and Corporate Governance/ VI. Risk Management	108			
	102-16	Values, Principles, Standards, and Code of Conduct	FIVE. Economic Performance and Corporate Governance/ V. Ethics and Integrity	106-107			
	102-17	Ethics-related Suggestions and Mechanism for Matters of Interest	FIVE. Economic Performance and Corporate Governance/ V. Ethics and Integrity	106			
	102-18	Governance Structure	FIVE. Economic Performance and Corporate Governance/ III. Corporate Governance	98-101			
	102-40	Stakeholder Group	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	20-23			
	102-41	Group Treaty	FOUR. Co-prosperity in Society/ III. Talent Attraction and Retention	77			
	102-42	Identification and Selection of Stakeholders	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	20			
	102-43	Directives for Communicating with Stakeholders	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	21-22			
	102-44	Introduced Key Topics and Matters of Interest	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24			
	102-45	Entities Included in Consolidated Financial Statement	ONE. Introduction/ I. About This Report	4			
	102-46	Define Contents of the Report and Boundaries of Topics	ONE. Introduction/ I. About This Report	4			

GRI guidelines	Disclosure item		Corresponding section	Page No.	Remarks
GRI 101: Foun	dation 2016				
		Genera	al Disclosures		
	102-47	List of Material Topics	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24	
	102-48	Editing of Information	-		No information was edited.
	102-49	Changed Coverage	ONE. Introduction/ I. About This Report	4	
	102-50	Covered Period	ONE. Introduction/ I. About This Report	4	
GRI 102:	102-51	Date of Previous Report	ONE. Introduction/ I. About This Report	4	
General Disclosures 2016	102-52	Reporting Cycle	ONE. Introduction/ I. About This Report	4	
	102-53	Contacts for Answering Questions about the Report	ONE. Introduction/ I. About This Report	4	
	102-54	Declaration on Compliance with GRI Guidelines	ONE. Introduction/ I. About This Report	4	
102	102-55	GRI Index	SIX: Appendix/ II. Index of Contents of Global Reporting Initiative (GRI) Guidelines - Core	119-120	
	102-56	External Assurance/Validation	SIX: Appendix/ I. Independent Assurance Opinion Statement	117-118	

2021 S ESG Report

Contents Appendix



### **Disclosure on 11 Material Topics**

GRI guidelines	RI guidelines Disclosure item Corresponding section Page No. Remarks								
Material topic									
		1. Corpora	ate governance						
GRI 103:	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25					
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FIVE. Economic Performance and Corporate Governance/ III. Corporate Governance	98					
No Applicable GRI Material Topics			FIVE. Economic Performance and Corporate Governance/ III. Corporate Governance	98-101					
		2. Business Cor	ntinuity Management						
GRI 103:	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25					
Management Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FIVE. Economic Performance and Corporate Governance/ VII. Continuous Operational Management	111					
No Applicable GRI Material Topics			FIVE. Economic Performance and Corporate Governance/ VII. Continuous Operational Management	111-112					
		3. Co	ompliance						
GRI 103:	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25					
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FIVE. Economic Performance and Corporate Governance/ IV. Compliance	103					
(GRI307) Environmental Compliance (GRI419) Socioeconomic Compliance	307-1 419-1	Violation of Environmental Protection Laws Violation of Social and Economic Laws And Requirements	FIVE. Economic Performance and Corporate Governance/ IV. Compliance	103-105					
	1	4. Proc	luct Quality						
GRI 103:	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25					
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FOUR. Co-prosperity in Society/ I. Product Quality and Customer Service	66					
GRI 418: Customer Privacy 2016			FOUR. Co-prosperity in Society/ I. Product Quality and Customer Service	66-72					
		5. R&D a	nd Innovation						
GRI 103:	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25					
Management Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	TWO. Sustainable Performance/ V. R&D and Innovation	26					
No Applicable GRI Material Topics			TWO. Sustainable Performance/ V. R&D and Innovation	26-28					
		6. Risk	Management						
GRI 103: Management	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25					
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FIVE. Economic Performance and Corporate Governance/ VI. Risk Management	108					
No Applicable GRI Material topic			FIVE. Economic Performance and Corporate Governance/ VI. Risk Management	108-110					
		7. Ethics	and Integrity	7. Ethics and Integrity					

2021	
ESG	Report
► Contents	Appendix

GRI guidelines		Disclosure item	Corresponding section	Page No.	Remarks		
Material topic	Material topic						
GRI 103:	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25			
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FIVE. Economic Performance and Corporate Governance/ V. Ethics and Integrity	106			
No Applicable GRI Material topic			FIVE. Economic Performance and Corporate Governance/ V. Ethics and Integrity	106-107			
		8. Talent Attrac	ction and Retention	-			
GRI 103: Management	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25			
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FOUR. Co-prosperity in Society/ III. Talent Attraction and Retention	75			
GRI 401: Employer-employee relations GRI 402: Labor-Management Relations GRI 404: Training and Education	401-1 401-2 401-3 402-1 404-1	Newcomers and Severed Employees Benefits Available for Full-time Employees Child Care Leave Shortest Notice about Operational Changes Average Number of Training Hours Completed by Each Employee A Year	FOUR. Co-prosperity in Society/ III. Talent Attraction and Retention	75-82			
9. Development of New Markets							
GRI 103: Management	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25			
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	FIVE. Economic Performance and Corporate Governance/ II. Development of New Markets	97			
No Applicable GRI Material Topics			FIVE. Economic Performance and Corporate Governance/ II. Development of New Markets	97			
		10. Waste	Management				
GRI 103: Management	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25			
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	THREE. Environmental Performance/ VII. Waste Management	56			
GRI 306: Waste management	306-2 306-3 306-4	Waste by Category and Disposal Method - Serious Leaks Waste Transport	THREE. Environmental Performance/ VII. Waste Management	57-59			
		11. Energy ar	d Climate Change				
GRI 103: Management	103-1	Clarifications on Material Topics and Their Boundaries	TWO. Sustainable Performance/ IV. Stakeholder Interaction and Management	24-25			
Approach 2016	103-2 103-3	Management Approach and Its Elements Evaluation of Management Approach	THREE. Environmental Performance/ II. Energy and Climate Change	30			
GRI 302: Energy GRI 303: Water and Effluents	302-1 302-3 302-4 303-5	Energy Consumption Within Organization Energy Intensity Reduced Energy Consumption Reduced Energy Demand of Products and Services	THREE. Environmental Performance/ II. Energy and Climate Change	30-45			



#### **Reference Table of Sustainability Accounting Standards Board (SASB)** Ш. Indicators

Dynamic Electronics selected applicable indicators from the 11 sectors and 77 industries in the SASB Materiality Map found on the website of the SASB: Sector: Technology & Communications Industry: Hardware

Торіс	Indicator Code Indicat	or Nature	Abstract and Description
Topic       Image: Comparison of the second se	Indicator Code       Indicator         TC-HW- 230a.1       Description of data safety risi identified and in products	or Nature Now ks are resolved Discussion and Analysis	<ul> <li>Abstract and Description</li> <li>The data safety risk identification procedure at Dynamic Electronics is as follows:</li> <li>Periodic vulnerability scanning: Whether known safety vulnerabilities exist in the target being scanned or not is evaluated with a highly efficient vulnerability scanning tool.</li> <li>Firewall: Prevents malignant attacks and viruses from spreading to the Intranet and prevents against access by unauthorized users.</li> <li>Anti-virus wall: Prevents viruses, spyware, spam, phishing, and bot worms from entering the enterprise.</li> <li>Anti-virus software - ESET NOD32: Sequentially monitors and identifies malware, scans, clears, and automatically updates viral data.</li> <li>Network monitoring system - Whats Up: Monitors the server, exchanger, and other equipment, as part of the network status.</li> <li>Mail filtering system -SPAM: Analyzes external correspondence and intercepts mails containing threats.</li> <li>Strict safeguard against out-coming equipment - UPAS: Control and block strange equipment against series connection with corporate settings.</li> <li>Document encryption - IP Guard: Important documents are encrypted and may only be edited and browsed under specific settings.</li> <li>Internet behavior management - Sangfor Technologies Inc.: webpage filtration, behavioral control, flow management, prevention against Intranet disclosure, prevention against legal risk, Internet visit records, Internet safety, etc.</li> <li>The data safety risk solution adopted by Dynamic Electronics is as follows:</li> <li>Periodic vulnerability scanning: For the vulnerability scan report, the viral code for intercepted records.</li> <li>Network monitoring system - Whats Up: Repairs the network based on the abnormality report or resets the equipment suspected to have been invaded by viruses.</li> <li>Mail filtering system -SPAM: Updates the definition library, improves the filtration strategy, reinforces blockage of sources of mails carrying threats, such as viruses and advertisements.</li></ul>

123



Торіс	Indicator Code	Indicator	Nature	Abstract and Description				
Employee Diversity and Inclusiveness	TC-HW- 330a.1	Ratio of the management and all the other employees in gender and ethnicity/race-based populations	Quantification	1. Distribution of the management and all the other employees by gender (%)				
				Type of employee	Male	Female		
				Supervisors	49%	51%		
				Technicians	54%	46%		
				All others staff	49%	51%		
				Total	49%	51%		
				<ul> <li>* Supervisors include senior and fundamental ones.</li> <li>* Technicians are information technology and engineering-related technicians.</li> <li>* All the others are employees other than supervisors and technicians.</li> <li>1. Percentage of American employees by ethnicity/race</li> </ul>				
				employees (2 in total)	Asians	Caucasians		
				Supervisors	50%	50%		
				* The two work	for Dynamic Elec	tronics (Seychelle	es)	
Product Life Cycle	TC-HW- 410a.1	Percentage of IEC 62474 declarable substances in product revenue	Quantification	The raw materials and regular materials currently used at Dynamic Electronics do not include IEC 62474 declarable substances and hence this indicator does not apply.				
	TC-HW- 410a.2	Percentage of qualified products meeting EPEAT registration requirements or their equivalents in the revenue	Quantification	Dynamic Electronics is not a manufacturer of end products and hence this indicator does not apply.				
	TC-HW- 410a.3	Percentage of qualified products in the revenue	Quantification	Dynamic Electronics is not a manufacturer of end products and hence this indicator does not apply.				
	TC-HW- 410a.4	Weight and percentage of recycled scraps and electronic waste	Quantification	Dynamic Electronics is not a manufacturer of end products and customers recycle scraps on their own; therefore, no related statistical information is available.				
Supply Chain Management	TC-HW- 430a.1	Percentage of (1) physical plants and (2) primary suppliers audited according to the "RBA Validated Assessment Program (VAP)" or its equivalent after they were categorized to (a) all plants and (b) high-risk plants	Quantification	Dynamic Electronics currently requires that all its collaborative suppliers sign the "Procurement Pledge" and the "Integrity Pledge" and agree to abide by the RBA Code of Conduct and other applicable laws and regulations on labor rights. We do not audit suppliers to check whether they have approved the "RBA Validated Assessment Program (VAP) or its equivalent or not.				
	TC-HW- 430a.2	Ratio of corrections of unqualified (1) Validated Assessment Programs (VAPs) and (2) (a) prioritized disqualifications and (b) other disqualifications of primary suppliers	Quantification	Same as above, Dynamic Electronics does not perform an inventory check or tally the qualifications rate of suppliers' RBA VAPs.				



Торіс	Indicator Code	Indicator	Nature	Abstract and Description				
Purchase of raw materials and regular materials	TC-HW- 440a.1	Description of risk management over the use of key materials	Discussion and Analysis	<ol> <li>Dynamic Electronics set its "Conflict Minerals" policy and commitment in 2013. It has proper policies, guidelines, and due diligence procedures in place to ensure that no metals used in the manufacturing process or contained in products include "conflict minerals" from the Democratic Republic of the Congo or any of its surrounding countries and regions under the control of armed forces and requires that its business partners follow this policy and enforce it by not using or providing metals from illegitimate sources to go with the international trend and meet customer requirements.</li> <li>The conflict minerals report template is periodically updated to be reviewed by its customers. The "Conflict Minerals" policy of Dynamic Electronics is available on the official website (https:// www.dynamicpcb.com/) of the Company for public review.</li> <li>Among the metals such as tantalum (Ta), tin (Sn), gold (Au), tungsten (W), and cobalt, tin, bold, and cobalt are used in both the Kunshan and Huangshi Plants. There are 2 suppliers of tin, 1 supplier of gold, and 1 supplier of cobalt. All four suppliers have signed the "Commitment Not to Use Conflict Minerals" and have disclosed their sources of these metals (refineries) to ensure that they are not from conflict mineral regions.</li> </ol>				
Industrial activities	TC- HW-000.A	Production volume in each category	Quantification	The volume of PCBs produced is 38,462,000 square feet.				
	TC- HW-001.B	Plant area	Quantification	Dynamic Electronics has two production sites in Huangshi, Hubei and Kunshan, Jiangsu. The land area and floor area are shown in the table below:				
					Huangshi Plant	Kunshan Plant		
				Land area (square meters)	400,000	109,000		
				Floor area (square meters)	120,000	142,000	]	
	TC- HW-000.C	Ratio of production with self-owned equipment	Quantification	The self-production rate of all PCBs is consistently 100 %.				

SASB Materiality Map: https://materiality.sasb.org/ Official website of the SASB; visit https://www.sasb.org

