Enabling Network Security and Corporate Sustainability

Smart Factory
Smart Farming
Smart Security
Smart Grid
Teleco Solution
Self-driving Car
Telehealth
Internet Security
## CONTENTS

### About this sustainability report
- 1-1 Current state of development
- 1-2 Critical technical service
- 1-3 Operating performance
- 1-4 Framework of the Corporate Sustainability Committee
- 1-5 Summary of responses to UN sustainable development performance

### Sustainable governance
- 2-1 Organizational structure
- 2-2 Corporate governance
- 2-3 Internal audit and internal control systems
- 2-4 Compliance and performance
- 2-5 Globally accepted risk management practice
- 2-6 Supplier sustainability management
- 2-7 Customer service
- 2-8 Identification of corporate sustainability development topics
  - 2-8-1 Stakeholder engagement
  - 2-8-2 Identification and response of material topics
Environmental friendliness and green products

3-1 Environment friendliness principles, policies, and commitments 65
3-2 Energy/resource management 70
3-3 AI factory 74
3-4 Waste management 78
3-5 Green product and solutions 79

Employee and social care

4-1 Human resource policy 83
4-2 Talent selection 85
4-3 Talent development 87
4-4 Performance-driven talent recruitment 92
4-5 Talent retention 93
4-6 Employees’ rights 96
4-7 Occupational safety and health 101
4-8 Emergency response measures and drill 109
4-9 Disease control 110
4-10 Social care 112
4-11 Industry-academia collaboration 116

Appendices

1 Third Party Assurance Statement 119
2 GRI Index 121
3 List of SDGs 125
4 SASB comparison chart 128
5 Independent assurance statement 130
About this sustainability report

Overview of the report

This is the 5th corporate responsibility report of Lanner Electronics. We will continue publishing CSR reports in the future as a means to disclose non-financial performance to the outside world, and show the public how we have taken actions toward achieving our corporate vision of sustainability. The previous (2020) CSR Report disclosed information from January 1 to December 31, 2020, and was published in July 2021. For the current year (2021), we have renamed the report as ESG Report for alignment with the initiatives of the “Financial Supervisory Commission Republic of China (Taiwan),” and disclosed information for the period from January 1 to December 31, 2021. This report is published once a year.

Preparation guidelines

This report has been prepared in accordance with GRI Sustainability Reporting Standards (GRI Standards): Core option, stipulated by the Global Reporting Initiative (GRI). Refer to the appendix for more details on how the GRI Index corresponds to chapters of this report.

Boundaries of disclosure

Economic data of this report was sourced from consolidated financial statements presented in the 2021 annual report. The consolidated financial statements include the Company and all entities under its control (i.e. subsidiaries). Boundaries of environmental and social disclosure are limited to Lanner Electronics Inc. For more details on affiliated enterprise, please see the 2021 annual report. There has been no material change to Lanner’s size, structure, ownership, or supply chain during the reporting period, and neither was there any restatement of information presented in previous reports.

▼ Subsidiaries included in the consolidated financial statements of Lanner Electronics - 2021

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Other operating locations

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External assurance

- For the transparency and reliability of information presented in this report, an independent third party (AFNOR Group) has been engaged to provide AA 1000 Type 1 Moderate Assurance and assurance for GRI guidelines: core option. An assurance statement has been attached as appendix of this report.

- All financial data disclosed in this report was taken from consolidated financial statements that KPMG Taiwan had prepared and audited according to Regulations Governing the Preparation of Financial Reports by Securities Issuers and the version of International Financial Reporting Standards, International Accounting Standards, and interpretations thereof approved by the Financial Supervisory Commission.

- Other international standards that Lanner has been certified for include: ISO 9001 - Quality management system, TL 9000 - Communication quality management system, ISO 14001 - Environmental management system, IECQ QC 080000 - Hazardous Substance Process Management, ISO 45001 - Occupational health and safety system, ISO 28000 - Supply chain security management, Authorized Economic Operator (AEO), and ISO 27001 - Information security management system.

Contact information

- The 17 UN Sustainable Development Goals (SDGs)
- Responsible Business Alliance (RBA) Code of Conduct
- Act of Gender Equality in Employment (Taiwan)
- People with Disabilities Rights Protection Act (Taiwan)
- Convention on the Rights of Persons with Disabilities (United Nations)
Message from the Chairman
Lanner Electronics has adopted a sustainable business philosophy since it was founded in 1986. The Company observes the 17 sustainable development goals (SDGs) introduced by the United Nations as a guideline for its corporate governance practices, and strives to create value for customers and other stakeholders by offering professional products, quality services, and creative energy, while taking actions to address environmental, social, and business issues and risks. Despite the spread of Covid-19 and ongoing political and economic conflicts around the world, Lanner Electronics still achieved solid growth in 2020 and 2021 owing to its robust business structure and sustainable global partnership built upon decades of dedication to ESG values.

**Economic**

**Leading technology  10% CAGR over 10 years**

Lanner advocates SDG 8: Decent Work and Economic Growth. We actively promote inclusive and sustainable economic growth, while assuring our employees plenty opportunities to work in a productive and dignified manner.

With respect to contributions to economic growth, the Company generated NT$7,680,510,000 in operating revenues in 2021, up 2% from previous year’s NT$7,502,682,000. Lanner Electronics is especially grateful to the employees for their contribution, which enabled the Company to achieve compound annual growth rate (CAGR) of 10% in the last 10 years, while maintaining EPS above NT$3 for 10 consecutive years, including record-high EPS in 2021. Furthermore, the Company has established itself as the leader in network security, and developed a strong image in terms of product offering and technical know-how among customers and peers.

As a response to trends such as network virtualization, software-defined network and 5G, the Company ventured into the telecommunication market offering new solutions such as AI, edge computing, MEC, 5G Cloud RAN, ORAN, vCPE, SD-WAN, and network security virtualization (SASE) service platform at a relatively early stage, which enables it to react to future changes. The Company continued to secure its leading position in network security applications, and managed to market solutions to several sizable carriers including Verizon, thereby sustaining high growth in new telecommunication applications. Lanner was also the first Taiwanese company to receive multiple recognitions for Intel Select Solution, and has established collaborative relationship with NVIDIA on AI and edge computing. In 2021, the Company obtained certification for ISO 26262 - Functional Safety, which prepares itself for entry into self-driving vehicles and broadens product applications as well as collaborative opportunities with strategic partners.

**Environmental**

**Energy efficiency upgrades and green product**

Lanner advocates SDG 13: Climate Action. We adopted emergency actions in response to climate change and its impacts, and have long-term environmentally friendly policies, 2050 zero carbon roadmap as well as stringent requirements in place to ensure compliance within Lanner and from suppliers toward our goal of combating climate change. We also adhere to SDG 12: Responsible Consumption and Production and take steps to ensure sustainable consumption and production of our products.

Furthermore, we conducted a greenhouse gas survey in 2019 and followed up with a number of improvements, including replacement of outdated chillers among other GHG reduction and environmental protection measures that were aimed to increase power efficiency. In an attempt to mitigate the impacts of climate change and help businesses adjust and adapt to the new norm, Lanner has been actively developing green products that conform with RoHS, REACH, and WEEE directives as well as the 3R principles (Reuse, Recycling, Recovery). Products featuring industrial wide temperature range standards such as R6S, LEC-6032C, and ISD-O370 have been introduced to address customers’ needs for energy efficiency, wide temperature tolerance, and portability.

Lanner also requires all raw material suppliers to sign the “Supplier Commitment to Refrain Use of Prohibited and Restricted Substances,” and has recovered signed documents from 100% of suppliers. In addition, we conduct random inspections on our raw materials using XRF by following our “Input Material Inspection Procedures.” By imposing strict requirements on itself and suppliers, Lanner hopes to rally business partners and stakeholders toward combating climate change, and in doing so create a sustainable, healthy, and environmentally friendly global partnership.
Talent development, industry-academia collaboration, and creation of a learning organization

Lanner cares for internal stakeholders (employees) as well as external stakeholders (non-profit organizations), and advocates SDG 1: No Poverty of any form anywhere in the world, SDG 4: Quality Education and inclusive/fair life-long learning opportunities for all, SDG 5: Gender Equality, and SDG 17: Partnerships For The Goals in this regard.

We have implemented a robust training system along with a management training roadmap and a wide range of skill development courses to support our talent development plans, which are devised systematically based on the Company's business strategies, the core skills required for each role, and characteristics of the talent development system. The Company uses a number of training methods including internal/external courses, online learning, and department self-learning/sharing. To further improve learning outcome, trainees are guided toward applying the knowledge they learned at work, and a post-learning assessment system has been implemented to improve employees’ competency.

Meanwhile, Lanner continues to engage National Yang Ming Chiao Tung University in an industry-academia collaboration, and shared industry experience and technical know-how with National Taiwan University Department of Electrical Engineering in 2021 on the development of high-speed signals and issues concerning wireless network security. Through industry-academia collaborations, we hope to spark new ideas with the greatest minds in ways that improve corporate competitiveness.

Governance

Emphasis on corporate governance and business integrity

Lanner respects its customers, values customers' needs, and promotes sustainable growth by supporting UN SDG 8: Promote inclusive and sustainable economic growth, employment and decent work for all; SDG 12: Ensure sustainable consumption and production patterns; and SDGs 17: Revitalize the global partnership for sustainable development.

Through compliance with laws and adherence to integrity, non-corruption, and moral values, Lanner has created a strong and sustainable value chain with suppliers and customers. To further expand scope of operations, Lanner sourced another potential partner for the vertical market in 2020, issuing NT$900 million of unsecured convertible bonds to Delta Electronics through private placement. This transaction was intended to create synergies from the strengths of the two organizations, thereby achieve higher level of production automation while exploring more diverse and more sophisticated customers and products. It enables the Company to provide customers with integrated solutions from edge to core and from cloud to devices, which will speed up the development of industrial IoT and 5G edge computing applications.

Lanner will continue expanding applications of 5G edge computing in the future, including computers for self-driving vehicles, industrial automation, and IoT for the benefit of all stakeholders, while at the same time commit to sound governance for the sustainable growth of the organization. Through sustainable practices, we hope to contribute to economic growth, social inclusion, and environmental sustainability.

Chairman Chou I Wen

周逸文
Enabling sustainability through network security
Sustainability through security

For the last 30 years, Lanner Electronics has dedicated itself to making high-speed, reliable, and secured network security platforms for world-class network security equipment suppliers. Lanner promotes sustainability by contributing its expertise in network security, and actively explores smart city solutions by incorporating high performance computing, security protection, and 5G connectivity into applications such as infrastructures, smart agriculture, intelligent transportation, renewable energy, smart grid etc.

Total security protection for critical infrastructures

Critical infrastructures such as power, manufacturing, and water treatment facilities are gradually becoming targets of cyber attack due to digital transformation in recent years. Backed by many years of network security design and production experience, Lanner has been able to develop industrial network security platforms with enhanced and specialized security features including LAN Bypass, TPM encryption IC, and BIOS security to prevent unauthorized alteration of control system through software, whether remotely or on-site. The Company also offers rugged design for applications that require special specifications, such as resistance against electromagnetic interference for substations and resistance against extreme heat/cold for industrial environments.

Supporting smart city deployment with AI ecosystem

In 2021, Lanner joined NVIDIA’s AI alliance and attained NVIDIA Certified for its products. The Company also participated in NVIDIA’s GPU Technology Conference (GTC), during which it shared real cases of how Lanner’s products are used for smart transportation (taxi fleet management) and environmental changes (forest fire alert system).

To help system developers speed up product development and shorten deployment time, Lanner has been working with domestic as well as foreign AI software developers to introduce certified, complete, and software-hardware integrated solutions such as smart imaging system for Gorilla Technology’s traffic monitoring application and public health monitoring for FogHorn. The Company also works with Israeli AI chip manufacturer Hailo to develop next-generation AI acceleration card offering low power consumption and high performance that can be used in conjunction with an AI model database to shorten AI application and development for smart city.

Improved production efficiency in the U.S. smart farming project

Lanner joined the U.S. Rural Cloud Initiative in June 2020 and participated in the “Farm of the Future” project that uses 5G edge computing technology to analyze crop yield, weather, and environmental data in real time, which helps raise production efficiency and increase profit margin by more than 10%. “Farm of the Future” project incorporates a number of solutions including private 5G/LTE network, edge storage, multi-access edge computing (MEC), image analysis, industry automation, and drones; the project won Network Transformation Awards and the 2020 Innovative Network Application Award from Layer123 SDN. This project adopts the use of Edge as a Service (EaaS) architecture, in which Lanner provides an open hardware platform that integrates with the service provider for fast deployment without farmers having to commit substantial investment into equipment.

Preparing for smart transportation with ISO 26262 certification

Intelligent transportation is an essential element for a sustainable city, and the Company has been actively developing in-car computers for smart bus, fleet management, and rail system applications in recent years, as they provide vehicles with the necessary computing, data integration, and wireless connection capacity. Furthermore, the Company managed to assemble a team of elite talents from different departments within a short period of time and attain certification for ISO 26262 - Automotive Functional Safety in light of the sustainability prospects presented by electric and self-driving vehicles. This certification provides Lanner with an entry into the factory-installed product market for self-driving vehicles, and prepares it for the development of exclusive edge computing systems in the future.
About Lanner
About Lanner

1-1 Current state of development

Global leader in networking and communication hardware

Lanner Electronics Inc. was incorporated in 1986 and has since grown into a leading brand of networking and communication hardware in the world. Headquartered in New Taipei City, the Company currently has more than 1,000 employees worldwide. Shares were listed on the Taipei Exchange on May 19, 2003 with the stock code 6245. Lanner first started with a focus on industrial computers and later expanded product line to network security. It currently has a close working relationship with the world’s major network security companies.

Lanner envisions itself as the pioneer of the new Internet age, and embraces its mission to lead the development of networking, security, communication, and Internet technologies in the world. We possess the technological capacity and competitiveness to accomplish these goals, including the ability to respond quickly and flexibly to customers’ needs with customized solutions.

The Company’s main product lines include: Network & Communication (NC), Edge AI (EAI), Industrial Cyber Security (ICS), Smart Grid (SG), Intelligent Transportation Solution (ITS), and Telecom Applications (TA).

With regards to TA, Lanner actively invests into multi-purpose 5G mobile solutions, and more than 60% of SD-WAN service providers in the world’s top-20 WAN Edge Infrastructure suppliers now choose our vCPE/uCPE, which makes us the preferred platform for software-defined wide area network (SD-WAN) service and places us ahead of competitors in the network security segment.

22% revenue contribution from TA

As 5G technology emerges on a global scale, Lanner began expanding its involvement into the telecommunication field, working with carriers and software partners on the creation of a 5G edge computing platform 5 years ago to support the telecommunication ecosystem. After 5 years of devotion, Lanner’s vCPE/uCPE have been widely adopted by major carriers as a solution for SD-WAN; as a result, the telecom segment currently accounts for approximately 22% of the Company’s total revenues. The Company expects significant growth in the demand for MEC equipment and applications, given that 5G offers a number of advantages including low latency and high bandwidth.

MEC reduces the time taken for data to be transmitted back and forth to the cloud, which reduces cost of bandwidth. This makes MEC suitable for smart city applications including high-definition video streaming, cloud computing, e-sports, game streaming, and AR/VR. Consistency of edge computing applications depends largely on the stability and performance of a hyper-converged networking and computing platform. Lanner supplies optimized hardware and participates in the development of 5G standards at an early stage, and in doing so increases the level of involvement in edge computing.

Partnering with Delta Electronics for improved competitiveness in IIoT

Driven by a focus towards edge computing technology, Lanner Electronics continues to develop networking and communication equipment that integrate multiple features including high-speed computing, cybersecurity, and AI. However, given the uncertainties of the 5G technology, Lanner is also actively expanding exposure to broader diversity of technologies, services, and strategic alliances. In November 2020, the Company issued NT$900 million of securities to Delta Electronics through private placement in an attempt to seek complement for Lanner’s technologies and products, and thereby speed up development of IIoT and 5G edge computing applications.

Delta Electronics is a leader in IoT with respect to building automation, energy management, surveillance, and smart manufacturing. By collaborating with Delta Electronics, Lanner Electronics aims to leverage Delta’s automated manufacturing resources so that it may increase production to a scale capable of satisfying the needs of large carriers, and introduce more comprehensive data and edge computing solutions to increase global market share of SD-WAN and uCPE even further.
First choice for SD-WAN service, trusted by more than 60% of prominent businesses

The 5G era requires a tight ecosystem and closer collaboration between software and hardware partners to function. This is why Lanner has invested actively into 5G edge computing, joining Intel to become a supply chain partner for the new-generation uCPE edge computing platform of Verizon, a leading carrier in the U.S. The uCPE network computing equipment supplied by Lanner Electronics delivers 2.5 times the performance of the previous generation, and this persistent drive for improvement provides a strong foundation for long-term collaboration between two parties.

Lanner Electronics was accepted by Verizon, the second largest carrier in the U.S., in 2019 as an official partner for the uCPE 2.0 project, in which it supplies the latest uCPE MEC platform. In 2020, more than 60% of SD-WAN service providers and carriers in world’s top-20 WAN Edge Infrastructure suppliers selected by Gartner adopted Lanner’s vCPE/uCPE solutions, which makes Lanner the preferred platform for enterprise SD-WAN service. Today, Lanner has deployed more than 200,000 enterprise SD-WANs in total.

Creation of the SDN/NFV/IoT ecosystem

Lanner founded a telecommunication ecosystem 5 years ago and works closely with more than 30 carriers and software partners to create a 5G edge computing platform. Technical conferences are being held regularly to share the latest proof of concept (PoC) and exchange opinions with customers. Meanwhile, Lanner Electronics also works with software partners from various fields of expertise to create software and hardware solutions for applications such as intelligent transportation solution, edge AI, industrial IoT, AI-assisted surveillance etc. that help reduce development timeline for system integrators.

Establishment of European branch

In October 2021, the Company established its European subsidiary in Hague, The Netherlands, and began development of an innovation park named Security Delta (HSD) to strengthen collaboration with European customers. This branch establishment not only enables faster delivery of quality services to local customers, but also strengthens collaborative relationship with European business partners, whose unique local insight will aid the Company in the design of network computing and telecommunication platforms that meet the needs of the European market.

Flexible SD-WAN deployment - the key to commercial operation of 5G

High-performance and low-cost IT solution

Software-defined wide-area-network (SD-WAN), as the name implies, involves applying software defined network (SDN) technology in the management of wide area network (WAN). SDN incorporates virtualization technology to simplify hub management and maintenance; from an application standpoint, it has the potential to simplify WAN control for enterprises. Using this technology, businesses are able to create high-performance WAN at low cost based on LTE/5G broadband, and increase the deployment speed of mobile IT network services for enhanced competitiveness.

Advantages of SD-WAN in the post-pandemic era

SD-WAN operates outside of hardware constraints and frees enterprises from physical deployment of equipment such as access points and routers. It gives network administrators the ability to deploy equipment, allocate resources, monitor status, confirm capacity, and perform maintenance and debugging tasks at the spoke end entirely over the cloud using a centralized interface. As a result, it simplifies access point deployment and removes restrictions on the connection between access points. One other advantage of SD-WAN is its ability to deliver the best transmission quality for user’s core application through different mechanisms. Whether the task involves application recognition (recognition of public or enterprise/private applications) or tier-based transmission (routing policy for different types of application), SD-WAN is capable of ensuring service quality for critical tasks. These advantages allow businesses to dynamically allocate network resource and bandwidth for their flexible work hour arrangements, particularly in the post-pandemic era.
Joining U.S. RCI for smart farming opportunities

In June 2020, Lanner Electronics joined the U.S. RCI (Rural Cloud Initiative) to provide whitebox solutions for 5G/LTE networking and computing for smart agriculture application. The "Farm of the Future" project that Lanner is a part of uses 5G technology to analyze crop, weather, and environmental data in real time, which helps raise production efficiency and increase profit margin by more than 10%.

Lanner’s 5G/LTE edge computing platform is an Intel-based x86 server; the platform offers multi-core computing, supports LTE/Wi-Fi MIMO and 5G connection, and has been optimized for 5G distributed network architecture, so that rural areas without public network coverage may still have access to low-latency edge computing.

"Farm of the Future" project incorporates a number of solutions including private 5G/LTE network, edge storage, multi-access edge computing (MEC), image analysis, industry automation, and drones; the project won Network Transformation Awards and the 2020 Innovative Network Application Award from Layer123 SDN. This project adopts the use of Edge as a Service (EaaS) architecture, in which Lanner provides an open hardware platform that integrates with the service provider for fast deployment without farmers having to commit substantial investment into equipment.

Aligning with international telecommunication alliances

The Company makes NT$20 million of budget each year to participate in exhibitions of various telecommunication alliances, and joins international telecommunication associations such as Telecom Infra Project, Metro Ethernet Forum, and Open Compute Project (OCP) to promote awareness of the Lanner brand in the telecommunications market. These engagements provide the Company with the opportunities to exchange knowledge with global carriers, set industry standards with software service providers, and convey product value.

Assembly of a R&D team in Hsinchu and enhancement of wireless communication capacity for the products offered

Lanner Electronics has committed itself to the development of wireless communication capacity in recent years to take advantage of the 5G’s high bandwidth and low latency. In 2020, Lanner’s RF engineering team developed a new LTE antenna design that was highly optimized for MIMO wireless data transmission. Additionally, Lanner assembled a wireless communication R&D team in Hsinchu in 2020, whose responsibilities are to develop integrated wireless communication equipment that support 5G mmWave/Sub-6 and Wi-Fi 6.
CAGR of revenues at 10% for the last 10 years

Lanner Electronics was the first of the IPC industry to adopt Intel's x86 architecture in 2000 for the design of network security computing platform, which helped secure its foothold in the supply of network security platform. Network security will remain an essential component in the next decade for virtually every new application from cloud computing to edge computing and artificial intelligence of things (AIoT) that emerge in relation to 5G service. Demand for related solutions should grow consistently in the future.

In an attempt to secure competitive advantage in the supply of network security platforms, Lanner began working with the world's top 10 telecommunication carriers in 2015 to create ecosystems for network technologies and applications such as SDNFV and SDWAN. Lanner has been recognized as one of the leading suppliers of Gartner WAN Infrastructure for four consecutive years, and currently supplies SDWAN platforms to more than 60% of participants in key markets around the world. Even when global chip shortage worsened, Lanner still managed to sustain growth of sales orders and revenues in 2021.

As the electric vehicle (EV) industry reached a new milestone in 2021, Lanner Electronics not only attained relevant certification and licensing for vehicle computers, but also invested into the research and development of next-generation self-driving vehicles. These solutions are expected to become new revenue drivers of the Company in the next five years.

In the 5G edge computing and ORAN fields, the Company has consolidated its HTCA product line and made great successes supplying 5G edge computing server equipment to major carriers in North America, and thereby securing new foundation in the world's future 5G edge computing market. Investments that the Company had made into SDWAN application for the telecommunication market over the last five years have successfully led to business partnerships with ten major carriers in the U.S., including Verizon. These partnerships are expected to generate high value-adding operating revenues in the next three years.

As 5G services become available worldwide, the concept of industrial Internet of things (IIoT) becomes popular, which increases demand for hardware platforms that offer advanced connectivity and security at the same time. For this reason, Lanner has been able to achieve favorable performance in three main vertical markets and expects to grow revenues further in 2022.

1-2 Critical technical service

Lanner’s products won favor of the jury for having exhibited innovation and excellence in several areas including R&D, design, quality, marketing, and production. The award further affirms Lanner’s accomplishment in telecommunication, network security, and intelligent transportation.

- **Technology leadership**
  
  NCA-4020 was certified for Intel Select Solution for uCPE in May 2018, which made Lanner Electronics the first industry-grade networking and communication company in Taiwan to pass the certification. Through reference design and performance validation, this solution provides carriers the foundation needed to develop uCPE products and services, and realize agile development.

- **Building next-generation 5G mobile computing platform**
  
  Lanner Electronics has committed significant resources into the research of MEC for 5G small cells in recent years. By increasing computing capacity at the network edge, the Company may help relieve network equipment of increasing stress, and allow service operators to deliver unique 5G service experience. Lanner Electronics has been cooperating with National Yang Ming Chiao Tung University (NYCU) since 2018 to co-found a 5G MEC joint laboratory that combines expertise from NYCU Department of Computer Science and Department of Mechanical Engineering on 5G studies and Lanner’s know-how on telecommunication network computing platform to explore low-latency, high bandwidth 5G edge computing applications. Lanner Electronics also began collaboration with Bell Canada to develop a telecommunication-grade MEC platform capable of high-speed computing, connection, and storage in 2018.
According to Gartner's 2020 Magic Quadrant Report on WAN Edge Infrastructure, more than 10 out of the world's 16 leading SD-WAN service providers use Lanner's uCPE networking equipment. Through coordination with leading technology partners in the vertical market, Lanner Electronics is capable of providing whitebox solutions for network virtualization (SD-WAN and NFV), and has been certified by world's top-20 telecommunication operations including Verizon. More than 200,000 enterprise SD-WAN points have been deployed to date.

Lanner joined the U.S. Rural Cloud Initiative in June 2020 and participated in the "Farm of the Future" project that uses 5G edge computing technology to analyze crop yield, weather, and environmental data in real time, which helps raise production efficiency and increase profit margin by more than 10%. "Farm of the Future" project incorporates a number of solutions including private 5G/LTE network, edge storage, multi-access edge computing (MEC), image analysis, industry automation, and drones; the project won Network Transformation Awards and the 2020 Innovative Network Application Award from Layer123 SDN. This project adopts the use of Edge as a Service (EaaS) architecture, in which Lanner provides an open hardware platform that integrates with the service provider for fast deployment without farmers having to commit substantial investment into equipment.

Lanner Electronics was named best partner among Intel Network Builders Winners’ Circle in November 2020, which recognizes Lanner’s contribution to network transformation and development of communication technologies.

During the SDN NFV World Congress held in October 2019, Lanner Electronics announced its official partnership in the uCPE 2.0 project for Verizon, a U.S. carrier, in which it supplies the latest uCPE MEC platform. Based on a network disaggregation design, the project will have multiple virtual network functions (VNF) running on Lanner’s edge computing platform, which not only reduces hardware maintenance costs but also allows flexibility and agility in service deployment.

Lanner received invitation from ITRI (Industrial Technology Research Institute) in August 2020 to participate in national 5G development. Lanner’s role was to help develop systems for network virtualization, SDWAN, and edge computing as the nation progresses into the 5G era.

Lanner will aim to supply high performance edge computing platforms for self-driving vehicles in the future. Being one of the first industrial computer suppliers to pass ISO 26262 certification, Lanner will be directing resources into creating reliable and high performance edge computing platforms for vehicles, with particular regards to minimizing latency, using AI for assisted computing, and increasing the accuracy of environmental detection and prediction algorithms of the self-driving system.
Patent investments

As a "platform supplier for vertical application," Lanner invests substantial budget into the development of innovative technologies and products each year, and has assembled R&D teams in Taipei, Hsinchu, and Beijing to house a strong team of high-tech talents from around the world and coordinate them towards developing a competitive advantage. Lanner gained a total of 14 patents worldwide in 2021.

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<tr>
<td>7</td>
<td>Invention</td>
<td>Taiwan</td>
<td>Cooling device with openings</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td>Wireless communication device</td>
</tr>
<tr>
<td>9</td>
<td>Invention</td>
<td>China</td>
<td>Anti-theft structure</td>
</tr>
<tr>
<td>10</td>
<td>Invention</td>
<td>China</td>
<td>Wireless communication device</td>
</tr>
<tr>
<td>11</td>
<td>Invention</td>
<td>USA</td>
<td>ACCOMMODATION APPARATUS HAVING ANTI-PEEPING FUNCTION</td>
</tr>
<tr>
<td>12</td>
<td>Invention</td>
<td>USA</td>
<td>HARD DRIVE ENCLOSURE</td>
</tr>
<tr>
<td>13</td>
<td>Invention</td>
<td>USA</td>
<td>SYSTEM FOR VISUALIZING POWER SIGNAL SEQUENCE</td>
</tr>
<tr>
<td>14</td>
<td>Invention</td>
<td>USA</td>
<td>COOLING FAN MODULE HAVING FUNCTIONALITY OF BLOCKING REVERSE FLOW OF HOT AIR AND A HOST ELECTRONIC SYSTEM HAVING THE SAME</td>
</tr>
</tbody>
</table>
### Award-winning products

<table>
<thead>
<tr>
<th>Award</th>
<th>Year</th>
<th>Product Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>23rd Taiwan Excellence Award</td>
<td>2020</td>
<td>- FX-7220 - cloud-based modular firewall&lt;br&gt; - FW-8877 - wireless IoT security gateway</td>
</tr>
<tr>
<td>24th Taiwan Excellence Award</td>
<td>2021</td>
<td>- NCA-1010 - wireless IoT security gateway&lt;br&gt; - UP-2010 - Poe network security platform</td>
</tr>
<tr>
<td>25th Taiwan Excellence Award</td>
<td>2022</td>
<td>- FW-8896 - high-performance modular SDN/NFV platform</td>
</tr>
<tr>
<td>26th Taiwan Excellence Award</td>
<td>2023</td>
<td>- NCA-1011 - high-performance virtual network platform&lt;br&gt; - HTCA-6200 - hybrid telecommunication platform&lt;br&gt; - RIS - shock and water-resistant fanless embedded platform for rail systems</td>
</tr>
<tr>
<td>29th Taiwan Excellence Award</td>
<td>2026</td>
<td>- NCA-1020 series - uCPE for mobile medical kit</td>
</tr>
</tbody>
</table>

To satisfy the needs for responsive, consistent, and secured remote healthcare in remote areas, Lanner has incorporated its NCA-1020 series solutions into an uCPE for mobile medical kit, which provides several advantages including low power consumption, multi-core computing, and portability.

NCA-1020 has 3 wired and LTE wireless connection modules built into an ultra-thin fanless chassis. The miniaturized structural design allows it to be placed inside a mobile medical kit, so that paramedics may connect with a physician remotely via LTE for consultation, and bring high quality video, audio, communication as well as healthcare service to people in remote locations. The NCA-1020 series was awarded The 29th Taiwan Excellence Award as a result.
Economic performance

Lanner Electronics reported net operating revenues of NT$7,680,510,000 for 2021, up 2% from the NT$7,502,682,000 reported for 2020. However, due to disposal of business investment and higher gross profit margin, net income for 2021 was reported at NT$546,391,000, down 8% from the NT$595,898,000 in 2020. Gross profit margin was calculated at 26.5%, down 2% from the 29.4% in 2020, whereas operating expense ratio was calculated at 18.4%, down 2% from the 20.6% in 2020. Overall, net income reduced by 8% compared to the previous year.

<table>
<thead>
<tr>
<th>Economic performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
</tr>
<tr>
<td>Capital</td>
</tr>
<tr>
<td>Consolidated revenues</td>
</tr>
<tr>
<td>Gross profit</td>
</tr>
<tr>
<td>Income tax</td>
</tr>
<tr>
<td>Consolidated net income</td>
</tr>
<tr>
<td>After-tax EPS</td>
</tr>
<tr>
<td>Net worth per share</td>
</tr>
<tr>
<td>Employee salary and benefits (Note 1)</td>
</tr>
<tr>
<td>Distribution of stock dividends (stock dividends/share)</td>
</tr>
<tr>
<td>Distribution of cash dividends (cash dividends/share)</td>
</tr>
</tbody>
</table>

*Note 1: Information was prepared based on International Accounting Standards 19 - Employee Benefits (IAS 19).

Product weight relative to sales

| NC – Network & Communication | 91.11% |
| Others | 8.89% |
| subtotal | 100% |

Markets served and weight

<table>
<thead>
<tr>
<th>Asia</th>
<th>America</th>
<th>Europe</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>49.30%</td>
<td>35.87%</td>
<td>13.33%</td>
<td>1.50%</td>
</tr>
</tbody>
</table>
A "Corporate Social Responsibility Committee" was assembled in 2018 with board of directors' approval to promote sustainability governance. In 2021, the Company adjusted its framework and renamed the committee as "Corporate Sustainability Committee" to support [ESG] development. The committee has established environment sustainability, governance, and employee care/social engagement task forces, whose responsibilities are to formulate corporate sustainability strategies and action plans that aim to promote economic, environmental, and social progress in a mutually beneficial manner and accomplish sustainability goals.

The Chairman serves as lead member of the committee and assigns task forces to execute various assignments. The committee reports corporate sustainability progress to the board of directors, and performance details have been explained in corresponding chapters of this report. For details on governance (G), please see [Chapter 2 - Sustainable governance]; for details on environmental sustainability (E), please see [Chapter 3 - Environmental friendliness and green products]; and for details on employee care/social engagement (S), please see [Chapter 4 - Employee and social care].
## Summary of responses to UN sustainable development performance

<table>
<thead>
<tr>
<th>Sustainability commitment</th>
<th>SDGs</th>
<th>Company events 2021</th>
</tr>
</thead>
</table>
| (1) Value corporate governance and business integrity, and refrain from illegal dealings | SDGs 16 Peace, justice and strong institutions | 1. Ethical behavior guidelines and protection of business secrets  
   - Lanner Ethical Behavior Guidelines Course: New recruits are required to complete a 0.5-hour classroom course upon commencing duty, whereas existing employees are required to complete refresher courses online each year. A total of 548 people had completed the course in 2021, covering 84.85% of employees.  
   - Company trade secret protection course: Employees involved in key roles are required to complete a 0.5-hour online course each year.  
  2. Integrity behavior guidelines and anti-corruption  
   - Anti-corruption commitment: New recruits are required to sign commitments to integrity behavior and anti-corruption when reporting to duty, whereas existing employees are subjected to annual training on ethical behaviors and the integrity commitment for enhanced ethical awareness.  
   - Conflict of interest self-assessment: Employees are required to report to the Company any conflict of interest involving themselves or 2nd-degree relatives or closer.  
  3. Lanner observes RBA guidelines and adheres strictly to the following recruitment principles:  
   - Reasonable wages and benefits, and ongoing improvements  
   - Enforce humane treatment and arrange reasonable workload and rest hours  
   - Respect freedom of association and rights to collective bargaining  
   - Respect religious freedom and adjust work hours for special requirements.  
   - For foreign workers, the Company enforces a “zero commission” policy and returns any agency commission they paid.  
   - Prohibit use of child labor and forced labor, and refrain from slavery and human trafficking  
  4. In 2021, the Company ranked in the 4th tier (36% - 50%) of TWSE’s 8th Corporate Governance Evaluation. |
| (2) Enhance personal data management; protect customers’ information and transaction data | SDGs 9 Industry, innovation and infrastructure | 1. Employees are required to set passwords for their user accounts using a 12-digit combination or longer of alphanumeric characters. Passwords must be changed once every three months and can not repeat any of the last three passwords. User accounts will be locked for at least 30 minutes after 3 consecutive account name or password errors.  
  2. Screen savers on all employees’ terminals have been configured to activate after 10 minutes of inactivity, and can only be disabled with password.  
  3. Access to USB drives, memory cards, and optical disc write-in has been restricted, and anti-virus software is installed on all computers to prevent intrusion, loss of important business information, and violation of customers’ privacy. Removal of restriction for work requirements is subject to the President’s approval before execution.  
  4. The cybersecurity policy is being promoted throughout the organization over the digital learning platform. |
| (3) Lanner strives to deliver mutual benefit with suppliers and customers, and create a sustainable value chain | SDGs 17 Partnerships for the goals | 1. Suppliers: Supplier audits are conducted to ensure that no conflict minerals are used, and in doing so create a green supply chain.  
  2. Customer satisfaction: Lanner averaged a score of 91.6 in 2021, representing an improvement over the 91.4 in 2020.  
  3. Performance highlights:  
   - Lanner was the first industry-grade networking and communication company in Taiwan to be certified for Intel Select Solution for uCPE.  
   - Building next-generation 5G mobile computing platform  
   - uCPE 2.0 project partnership with Verizon, the second largest carrier in North America  
   - Leading manufacturer of whitebox solutions for SD-WAN.  
   - Participated in the U.S. smart farming project  
   - A European branch has been established to design network computing and telecommunication platform to the needs of the local market  
   - Lanner was one of the first industrial computer manufacturers to pass certification for international standard: "ISO 26262 - Automotive Functional Safety" |
<table>
<thead>
<tr>
<th>Sustainability commitment</th>
<th>SDGs</th>
<th>Company events 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4) Pro-active protection of intellectual property rights</td>
<td>SDGs 9 Industry, innovation and infrastructure</td>
<td>Lanner Electronics gained 14 patents worldwide in 2021.</td>
</tr>
</tbody>
</table>
| (5) Protection of employees’ rights and gathering of employees’ opinions | SDGs 8 Decent work and economic growth | 1. Lanner hosts labor-management meetings, annual meetings, management meetings, and communication meetings to ensure the effectiveness of labor-management communications, and thereby maintain strong labor-management relations for the protection of workers’ rights and the fairness of the recruitment system.  
2. Regular labor-management meetings: held once every three months, or on an ad-hoc basis if deemed necessary. Lanner Electronics convened 4 labor-management meetings (the 4th, 7th, 8th, and 9th meetings of the 4th committee) in 2021 to promote awareness or discuss issues concerning workplace violation, facial temperature recognition, personal data security, attendance, and work hour management.  
3. Employee satisfaction surveys have been conducted on a yearly basis since 2020. |
| (6) Comply with government | SDGs 16 Peace, justice and | 1. We adopt rules of the Responsible Business Alliance (RBA) and The Company Act as our ultimate guiding principles, and have implemented internal policies including “Corporate Governance Code of Conduct,” “Business Integrity Code of Conduct,” and “Subsidiary Management Policy.”  
2. New recruits are required to sign commitments to integrity behavior and anti-corruption when reporting to duty, whereas existing employees are subjected to annual training on ethical behaviors and the integrity commitment for enhanced ethical awareness.  
3. An Occupational Safety and Health Committee has been assembled to supervise functionality of the environmental safety and health management system.  
4. Compliance policies have been implemented, and legitimacy of the Company's operations is being examined on a yearly basis. |
| (7) Providing healthy and safe work environment, and raising employees’ knowledge and skills | SDGs 3 Good health and well-being, SDGs 4 Quality, SDGs 12 Responsible consumption and production | 1. A flexible work hour policy has been implemented to provide employees with better and more flexible work condition and environment. The security access system is backed up daily and personnel access is strictly controlled to ensure security.  
2. Comprehensive employee training and development:  
   • A manager training roadmap supported by systematic training and compulsory/optional courses has been implemented, giving managers the ability to develop management skills and common language for the duties involved.  
   • In 2021, the IDL program delivered 8,910.9 hours of training to 524 people in total, averaging 17 hours per person.  
   • E-newsletters are issued over the digital learning platform on an unscheduled basis to keep employees updated and allow them to learn from current affairs.  
3. Reasonable means of promotion have been provided  
   • Regular performance evaluation: with the exception of direct labor, employees are subjected to “annual performance evaluation” once in the first half and once in the second half of each year.  
   • Promotion and training: employees who excel in performance are rewarded with additional promotion opportunities, and those who receive grade A in the latest performance evaluation are identified as key talents, from which Lanner will select the top 3% to undergo advanced training.  
4. Health checkups are arranged on a yearly basis to gain insight into employees’ health conditions and needs. A total of 678 employees had participated in the Company’s annual health checkup in 2021, which represented 95% of the employee base. A total of 13 employees had completed special health checkup, including 11 ionizing radiation operators and 3 dust operators.  
5. A specialized disease control team was formed with disease control measures devised to facilitate response to the spread of COVID-19. The Company has also been implementing disease control measures and raising employees’ awareness according to government policies during this time. No employee was tested positive for COVID-19 in 2021 under the Company's disease control measures  
6. The Company monitors work environment regularly according to Regulations on Implementation of Work Environment Monitoring, and in doing so protects workers from exposure to excess levels of hazardous substance.  
7. Fire safety training and emergency response drill are completed on a yearly basis. |
<table>
<thead>
<tr>
<th>Sustainability commitment</th>
<th>SDGs</th>
<th>Company events 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Encouragement for club activities and CSR CHARITY efforts</strong></td>
<td></td>
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<tr>
<td>SDGs 1 No poverty</td>
<td></td>
<td>1. Subsidies for club activities: Lanner promotes healthy recreational and entertainment activities as means to improve interaction and health among employees, and subsidizes &quot;fitness,&quot; &quot;charity,&quot; and &quot;education&quot; clubs above a certain participant size.</td>
</tr>
<tr>
<td>SDGs 2 Zero hunger</td>
<td></td>
<td>2. Lanner Culture and Education Foundation executes projects through four main themes, namely &quot;Education,&quot; &quot;Culture,&quot; &quot;Localization,&quot; and &quot;Decency,&quot; in collaboration with local government agencies and non-profit organizations. The foundation organized the following events in 2021, taking actions toward corporate social responsibilities.</td>
</tr>
<tr>
<td>SDGs 10 Reduced inequalities</td>
<td></td>
<td>• Charity X arts - New Year Floral Craft Course</td>
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<td></td>
<td></td>
<td>• Summer Parental Reading and COVID-19 Drawing</td>
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<td></td>
<td></td>
<td>• Elementary school basketball promotion program for priority education districts in New Taipei City</td>
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<td></td>
<td></td>
<td>• Infinite Love × Scientific Education Program</td>
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<td></td>
<td></td>
<td>• 2021 experimental newspaper reading program for New Taipei City junior high school</td>
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<td></td>
<td></td>
<td>• Promotion program for international education and UN SDGs in New Taipei City</td>
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<td>• 2021 Sailing Instructor Training Program</td>
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<td>• Walk for Cats</td>
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<td></td>
<td>• SimplyICR arts exhibition and charity sale of fruit jelly gift boxes</td>
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<td></td>
<td></td>
<td>• Support for pumpkin farmers during COVID-19</td>
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<tr>
<td><strong>Enhanced supply chain management and prohibition against hazardous substances and conflict minerals</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SDGs 10 Reduced inequalities</td>
<td></td>
<td>3. Participation in the recruitment program of New Taipei City Employment Service Office and providing job opportunities for people with disability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lanner continued cooperating with employment service stations in 2021 and released many highly sought-after positions such as: assembly/packaging technician, SMT engineer, AOI engineer etc. This collaboration not only allows the Company to source the right talents, but also brings favorable job opportunities to local residents.</td>
</tr>
<tr>
<td>SDGs 12 Responsible consumption and production</td>
<td></td>
<td>Lanner prohibits use of conflict minerals for the creation of a green supply chain.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lanner strictly demands all suppliers to refrain from purchase and use of conflict minerals, and has implemented &quot;Conflict Minerals Management Procedures&quot; in compliance with RBA requirements. All new suppliers are required to complete &quot;Supplier Declaration of Conflict Mineral Policy&quot; according to law - &quot;Restricted Substance Content Limits and Testing SOP&quot; and the Company's supplier management policy.</td>
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<td></td>
<td></td>
<td>• In 2021, Lanner adopted CMRT survey version 6.1 and investigated a total of 218 suppliers, from which it received 189 (87%) responses and 29 non-responses. Outcome of the survey was satisfactory, and the Company will continue surveying and auditing suppliers' performance as part of its corporate social responsibilities.</td>
</tr>
<tr>
<td><strong>Emphasis has been shifted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SDGs 13 Climate action</td>
<td></td>
<td>1. Promote green products and create an environmental safety and health management system in accordance with ISO14001 and ISO45001 standards.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Governance: A dedicated legal affairs department has been established to ensure that all products conform with standards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Product: Energy efficiency and environment friendliness are taken into consideration and strictly enforced during product design and manufacturing. The Company adopts environment-certified production procedures and strives to reduce use of hazardous substances.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Management: The Company has passed certification for ISO 14001 - Environmental Management System and IECQ QC080000 - Hazardous Substance Process Management, and complied with RoHS, REACH, and WEEE directives and the 3R principles.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. AI-managed factory:</td>
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<tr>
<td></td>
<td></td>
<td>The Company has already introduced equipment such as DIP, smart warehouse, X-ray component counter, automated IC writer etc., and replaced air compressor and installed smart monitoring systems in 2021 to keep track of energy usage for sustainability.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. GHG reduction performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Centralized pipe control for chillers: Efficiency of chiller pipelines is highly relevant to temperature control; through centralized pipe control and alternating activation of chillers, the Company has been able to improve air conditioning performance and energy efficiency to lessen greenhouse gas emission.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Printing management system: Lanner remains persistent in the digitalization of internal documents, forms, and processes; training is being delivered via the digital learning platform, whereas digital slides are used in meetings and seminars to minimize paper. The Company also introduced a printing management system in 2017 with optimized processes to prevent wasteful prints and to develop more comprehensive control over the use of printing equipment.</td>
</tr>
</tbody>
</table>
2 Sustainable governance
2-1 Organizational structure
## Responsibilities of Main Departments within Lanner Electronics

<table>
<thead>
<tr>
<th>Name of department</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td>The Chairman convenes board of directors meetings, oversees corporate operations, and determines key strategies, future operational emphases and goals for the Company.</td>
</tr>
<tr>
<td><strong>President's Office</strong></td>
<td>A subordinate unit under the President; responsible for the planning and execution of operational plans and projects.</td>
</tr>
</tbody>
</table>
| **CTO's Office** | 1. Evaluation and development of new technologies, new applications, new markets, and new business models.  
2. Plans industry-academia collaborations and develops the research capacity needed to adopt advanced technologies and digital transformation.  
| **Auditing Office** | 1. Inspects and evaluates the effectiveness of internal control system according to annual audit plans that are formed using a risk-based approach; assesses the operational efficiency and performance, the reliability of financial statements, and compliance with relevant regulations; ensures the effectiveness of internal control system; and assists the board of directors and the management in fulfilling their duties.  
2. Exercises supervision over the execution of internal control self-assessments among internal departments on a yearly basis, develops self-monitoring systems within the Company, and enforces internal audit and internal control self-assessments.  
3. Executes project audits in line with the Company's operating strategies and emphases; assists the board of directors and the management in attaining goals through persistent supervision and improvement. |
| **Safety and Health Office** | 1. Establishment, amendment, and execution of safety and health policies, plans, procedures, and standards  
2. Responsible for the management of the safety and health system.  
3. Establishment, planning, supervision, and promotion of safety and health issues. The department also provides guidance to others on the implementation of related policies. |
| **Business Operations Center** | 1. Responsible for customer development for KA products, Region products, and the TA field; development of relationship with global telecommunication carriers; explores global opportunities for edge computing platform in markets such as Industrial SD-WAN, Transportation, Energy Gateway, and industrial network security equipment; and ensures attainment of product sales and business targets.  
2. Develops AI-assisted edge computing solutions and collaborations with ecosystem partners.  
3. Observes growth of telecommunication carriers and applications worldwide; learns SDN/NFV and 5G trends; explores customers' needs, and devises product development strategies as well as customer complaint handling.  
4. Manages customer relationship with telecommunication carriers, strengthens collaboration with partners of the SDN/NFV research ecosystem, and grows market for whitebox SDWAN solutions.  
5. Gathers information on markets and technologies, and devises new product and market strategies.  
6. Executes ISO policies and system management. |
| **Product Center** | 1. Gathers information on customers, markets, suppliers' new applications, and new technology development and devises new development plans in line with stakeholders’ expectations.  
2. Responsible for the design of new products, new technologies, and new applications, including the design of: electronic circuitry, power, signal simulation, firmware for programmable logic device, safety certification, wireless radio, wireless broadband, and software.  
3. Responsible for product design, development, and management until the end of product life, including product development timeline, sample production and management, preparation and publication of certification-related technical data, and making timely optimizations and changes to product design based on market and product information to ensure that products are designed in conformity with stakeholders’ expectations.  
4. Executes ISO policies and system management.  
5. Responsible for the establishment, management, and maintenance of the Company’s product R&D processes and standards.  
6. Uses product management-related digital tools to record and analyze performance; creates and implements product management indicators. |
<table>
<thead>
<tr>
<th>Name of department</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| Applications Integration Center               | 1. Research, development, and integrated certification of application platforms and systems (including software, firmware, hardware, and structure).  
2. Research, development, and adoption planning of new products, new technologies, and new applications.  
3. Application and integrated development of software and firmware.  
4. Mechanical design and fabrication, and research/development of industrial computer chassis.  
5. Heat flux design and decision over the selection of parts.  
6. Executes development projects in line with design principles; performs Layout Design and makes PCB plans.  
7. Product design, early-design-stage specifications testing and confirmation. |
| Manufacturing Center                          | ◎ Procurement Division  
1. Price comparison, price negotiation, ordering, and contracting for purchases of production equipment, materials, supplies, and outsourced jobs.  
2. Procurement, inspection, and claim for purchases of raw material and supply.  
3. Determines and controls purchasing cost of raw materials/supplies; plans and executes cost reduction solutions.  
4. Sale of obsolete and slow-moving materials  
◎ Product Planning Division  
1. Coordinates production/sales planning, forecasting, and inventory transfer/allocation.  
2. Management and control of inventory sale.  
3. Management and control of import/export shipment and shipping expenses.  
4. Real-time monitoring of production schedule and inventory level; review and approval of procurement requests.  
5. Responsible for the review and approval of sales orders and shipment schedule.  
6. Warehousing of production orders.  
7. Makes arrangements such as production plan/trial production of new products/scheduling for special requirements.  
8. Arrangement, execution, and coordination of production/shipment plans such as outsourcing, warehousing, import/export etc.  
9. Planning and allocation of subcontractor resources to fulfill capacity demands.  
10. Planning and establishment of collaboration model between subcontractors and supporting departments of various plants for improved management of outsourced jobs.  
11. Management and control of import/export shipment and shipping expenses. |
| RMA&HUB Management Department                 | ◎ Manufacturing Division  
1. Oversees production quality, delivery timeline, and customer service to ensure target accomplishment.  
2. Controls and improves production cost for greater price competitiveness.  
3. Monitors production anomalies and applies the PDCA cycle for effective improvement and prevention of recurrence.  
◎ RMASHUB Management Department  
1. Develops robust maintenance service process to deliver quality and speedy service for customers, and meet the shipment timing requested by customers to help business departments acquire more sales orders.  
2. Provides customized assembly and testing service post-production for customer-specified, mass-produced products, and thereby satisfy customers’ diverse needs in small volumes.  
3. After-sale service.  
4. Enforcement and execution of quality management tasks, including security control during the product materialization process, import/export logistics and process security, management of secured supply chain partners, cargo security, and container security. |
| Financial Management Center                   | 1. Financial planning, capital management, and management of banking relations.  
2. Budget preparation, control, and analysis.  
3. Handling of director/supervisor meeting and annual general meeting affairs.  
4. Handling of share-related affairs, cash issues, and share subscription. |
### Name of department | Responsibilities
---|---
Management Center | IT:
1. Planning and implementation of rational IT process.  
2. Planning, design, maintenance, and implementation of computerized processes.  
3. Development of cybersecurity system and compilation of operating manuals and management rules.  
4. Planning and installation of IT equipment, and recommendation for equipment purchase  
5. Enforcement of information policy and management of related affairs including information system security.  
HR & Administration:
1. Recruitment, assignment, training, development, promotion, and evaluation of employees, and planning and execution of HR-related affairs.  
2. Employee relations and welfare.  
3. General affairs and sundry purchase.  
4. Asset bookkeeping and management of property insurance.  
5. Enforcement and execution of quality management issues, including property and premise security, entry control, and employee safety.
Quality | 1. Document management (acceptance, consolidation, issuance, computer login, and filing).  
2. Ongoing quality improvement, instrument calibration, and control of supplier quality.  
3. Technical support, problem identification/resolution, after-sale service, and related matters.  
4. Provides DA (defect analysis) to assist with quality improvement.  
5. Establishment, amendment, and execution of quality management certification/supply chain safety policies, plans, procedures, and standards.  
6. Establishment, planning, supervision, and enforcement of ISO quality policies and related issues. The department also provides guidance to others on the implementation of related policies.

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### 2-2 Corporate governance

In 2021, the Company ranked in the 4th tier (36% - 50%) of TWSE's 8th Corporate Governance Evaluation.

All directors have placed the Company's and shareholders' long-term interests at the top of their priority, and are able to exercise their duties in an independent and objective manner. For this reason, we continue to adopt the best corporate governance practices by having shareholders elect a board of directors and create functional committees to support the board. We adopt the highest standard of corporate governance practice to ensure functionality of the board of directors, and thereby protect shareholders' interests.

There were 7 directors in the year of the report, 2 (28.57%) of whom were independent directors, whose presence not only enhanced independence and diversity of the board, but also contributed to strategic thinking and guidance. Service of the current board of directors began June 19, 2019 and ends June 18, 2022. The board of directors convenes meetings at least once per quarter. A total of 6 board meetings were held in 2021, which averaged an attendance rate of 95%. The position of Chairman was assumed by Chou I Wen, who oversaw all corporate governance affairs and hosted board meetings.

Lanner complies with "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," which requires board of directors to be elected after taking multiple factors into consideration, including: situational awareness, management skills, analytical skills in accounting and finance, crisis management, industry knowledge, global vision, leadership, decision-making capabilities etc.
Lanner complies with "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies," which requires board of directors to be elected after taking multiple factors into consideration, including: situational awareness, management skills, analytical skills in accounting and finance, crisis management, industry knowledge, global vision, leadership, decision-making capabilities etc.

<table>
<thead>
<tr>
<th>Designation</th>
<th>Name</th>
<th>Gender</th>
<th>Age group</th>
<th>Academic and career background</th>
<th>No. of attendance</th>
<th>Attendance rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Chou I Wen</td>
<td>Female</td>
<td>61~70</td>
<td>Pacific Western University</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Director</td>
<td>Yang Chen Wei</td>
<td>Male</td>
<td>71~80</td>
<td>Air Force Institute of Technology</td>
<td>6</td>
<td>100%</td>
</tr>
<tr>
<td>Director</td>
<td>Chou Hsu Lung</td>
<td>Male</td>
<td>51~60</td>
<td>Department of Mathematics, Fu Jen Catholic University</td>
<td>5</td>
<td>83%</td>
</tr>
</tbody>
</table>
| Director     | Chen Ruei Hsu        | Male   | 61~70      | **Academic background**
  Graduate Institute of Management Science, National Chiao Tung University
  **Career experience**
  President of D-Link, Vice President of BankBoston Taiwan Branch, Assistant Vice President of Citibank Taiwan | 6                 | 100%                |
| Director     | Cheng An             | Male   | 51~60      | Santa Clara University                                                                         | 5                 | 83%                 |
| Independent  | Lu Hung Te           | Male   | 61~70      | **Academic background**
  Ph.D. in Marketing, Graduate Institute of Business Administration, National Taiwan University
  **Career experience**
  Head of RCTRIB, Chung Yuan Christian University; Chief Secretary, Office of the Secretariat, Chung Yuan Christian University; full-time lecturer, associate professor, and professor of Business Administration; Consultant for Chang’s Service, Mainland Affairs Council, Executive Yuan | 6                 | 100%                |
| Independent  | Tsai Hsing Tao       | Male   | 71~80      | **Academic background**
  Ph.D., Chinese Culture University
  **Career experience**
  Visiting Scholar of Stanford University; Professor and Dean of Student Affairs, National Taipei University of Technology | 6                 | 100%                |
| Supervisor   | Wen Feng Chiao       | Female | 61~70      | Dept. of Business Administration, Soochow University                                             | 6                 | 100%                |
| Supervisor   | Li Chung Wang        | Male   | 61~70      | Master of Electrical Engineering, National Taiwan University                                   | 3                 | 50%                 |

For sound corporate governance, information such as directors’ performance review, major board resolutions, Articles of Incorporation, conference rules, and handling of interest-conflicting motions has been published and made accessible by local and foreign investors over Market Observation Post System.

Lanner has a Remuneration Committee comprising independent directors and outside experts/scholars assembled under the board of directors. The board of directors also complied with "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies" by making arrangements to have directors undergo external training. Directors’ 2021 training, professional skills, and characters have been listed in the table below.
## Directors’ training - 2021

<table>
<thead>
<tr>
<th>Designation</th>
<th>Name</th>
<th>Training date</th>
<th>Organizer</th>
<th>Course name</th>
<th>Hours</th>
<th>Professional knowledge and character</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Industry Knowledge</td>
<td>Business administration</td>
<td>Accounting and financial analysis</td>
</tr>
<tr>
<td>Chairman</td>
<td>Chou I Wen</td>
<td>11/30</td>
<td>Securities &amp; Futures Institute</td>
<td>Cybersecurity in the Post-pandemic Era and amidst the China-USA Trade War</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12/07</td>
<td>Taiwan Corporate Governance Association</td>
<td>Operating and M&amp;A Strategies for Taiwanese Enterprises under the Prevailing Global Political and Economic Landscape</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td>Director</td>
<td>Yang Chen Wei</td>
<td>11/18</td>
<td>Securities &amp; Futures Institute</td>
<td>Case Study, Analysis, and Countermeasure for Hostile Takeover and Corporate Control Dispute</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11/26</td>
<td>Securities &amp; Futures Institute</td>
<td>Net Zero Emission 2030/2050 – Sustainability Challenges</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td>Director</td>
<td>Chou Hsu Lung</td>
<td>12/21</td>
<td>Securities &amp; Futures Institute</td>
<td>Risks and Opportunities of Climate Change and Energy Policy on Business Operations</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12/23</td>
<td>Securities &amp; Futures Institute</td>
<td>ESG Trends and the Pandemic on Corporate Tax Governance and Taxation Technologies and Solutions</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td>Designation</td>
<td>Name</td>
<td>Training date</td>
<td>Organizer</td>
<td>Course name</td>
<td>Hours</td>
<td>Professional knowledge and character</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------</td>
<td>---------------</td>
<td>-----------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Director</td>
<td>Chen Ruei Hsu</td>
<td>10/20</td>
<td>Securities &amp; Futures Institute</td>
<td>Cybersecurity in the Post-pandemic Era and amidst the China-USA Trade War</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Director</td>
<td>Cheng An</td>
<td>02/24</td>
<td>Taiwan Corporate Governance Association</td>
<td>Shattered American Dream and the Future of Taiwan-USA-China Relations</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Independent Director</td>
<td>Lu Hung Te</td>
<td>04/23</td>
<td>Taiwan Institute of Directors</td>
<td>Obligations and Responsibilities of Companies, Directors, and Supervisors under the Securities and Exchange Act</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
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<tr>
<td></td>
<td></td>
<td>10/22</td>
<td>Taiwan Institute of Directors</td>
<td>Planning the Sustainability Roadmap with Corporate Governance 3.0</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>Designation</td>
<td>Name</td>
<td>Training date</td>
<td>Organizer</td>
<td>Course name</td>
<td>Hours</td>
<td>Professional knowledge and character</td>
</tr>
<tr>
<td>-------------</td>
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<td>----------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Tsai Hsing Tao</td>
<td>09/23</td>
<td>Securities &amp; Futures Institute</td>
<td>Board of Directors’ Responsibility in Fraud Prevention</td>
<td>3</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Taiwan Corporate</td>
<td>Governance and Strategies of Corporate Sustainability Development</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ❌</td>
</tr>
<tr>
<td></td>
<td>Wen Feng Chiao</td>
<td>09/30</td>
<td>Securities &amp; Futures Institute</td>
<td>The Latest Tax Law Reform, Impacts on Corporate Operations and the Response</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ❌</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Case Study on Financial Statement Fraud</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ❌</td>
</tr>
<tr>
<td></td>
<td>Li Chung Wang</td>
<td>11/03</td>
<td>Securities &amp; Futures Institute</td>
<td>2021 Insider Trading Prevention Seminar</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ❌</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Accounting Research and Development Foundation of the R.O.C.</td>
<td>Corporate Governance Case Studies on Fights Over Business Control</td>
<td>3</td>
<td>✓ ✓ ✓ ✓ ❌</td>
</tr>
</tbody>
</table>
The Company does not have an Audit Committee, but have 2 supervisors, a Remuneration Committee, and a Supply Chain Safety Committee in place. Supervisors, directors, the chief internal auditor, and CPAs meet up at least once a year to supervise the Company’s business and financial performance, review budgets, discuss earnings distribution or loss reimbursement, investigate misconducts and negligence, and audit other major issues concerning the Company.

Lanner has assembled its Remuneration Committee in accordance with the independence and professional requirements of relevant laws. The committee regularly reviews the appropriateness of the directors’ and managers’ salary/compensation policies, systems, standards, and structures based on the prevailing competitive environment, operating policy and market rates, and reports findings to the board of directors. The Remuneration Committee comprises of 2 independent directors and 1 expert; information concerning members’ background and concurrent employment or role in the board of directors or functional committees can be found on the Market Observation Post System. The Remuneration Committee held 3 meetings in 2021 and achieved a 100% attendance rate.

Members of the 4th Remuneration Committee (term: July 18, 2019 to June 18, 2022)

<table>
<thead>
<tr>
<th>Name</th>
<th>Gender</th>
<th>Academic and career experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lu Hung Te</td>
<td>Male</td>
<td>Academic background</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ph.D. in Commerce, National Taiwan University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Career experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professor of Business Administration, Chung Yuan Christian University</td>
</tr>
<tr>
<td>Tsai Hsing Tao</td>
<td>Male</td>
<td>Academic background</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ph.D., Chinese Culture University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Visiting Scholar of Stanford University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Career experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Independent Director of Sunvic Technology Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Director/Supervisor/Consultant of TTE Engineering Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professor and Dean of Student Affairs, National Taipei University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professor and Dean of Humanities and Social Sciences, National Taipei University of Technology</td>
</tr>
<tr>
<td>Kung-Pu Wang</td>
<td>Male</td>
<td>Academic background</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bachelor of Psychology, Chung Yuan Christian University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Loyola University at Chicago</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Master of Educational Psychology, Loyola University at Chicago</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Career experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Editor at Institute of Revolutionary Practice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Part-time Lecturer at Chinese Culture University</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deputy Manager of Administration Department, Grand Pacific Petrochemical Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>General Manager of Guangzhou Panyu Zhongyi Electronics Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Member of Jiangsu Xuzhou Xuhai College Foundation Team</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Executive Vice President of Guangdong Dongguan B&amp;F Electronics Company</td>
</tr>
</tbody>
</table>
Enforcement of anti-corruption, business integrity and compliance

Lanner adopts rules of the Responsible Business Alliance (RBA) and The Company Act as our ultimate guiding principles, and has implemented internal policies including "Corporate Governance Code of Conduct," "Business Integrity Code of Conduct," "Subsidiary Management Policy," "Group Affiliate, Special Entity and Related Party Transaction Procedures," "Insider Trading Prevention Procedures," and "Supplier and Employee Integrity Behavior and Anti-corruption Guidelines" to guide its actions. New recruits are required to sign commitments to integrity behavior and anti-corruption when reporting to duty, whereas existing employees are subjected to annual training on ethical behaviors and the integrity commitment for enhanced ethical awareness. The Company also demands suppliers to duly comply with integrity and anti-corruption guidelines in all business activities. For more details on supplier management and policy, please see P.46 - Supplier Management.

Compliance performance and improvements

The Company constantly monitors changes in local and foreign policies and regulations, and identifies risks that may affect the Company’s operations or financial position. It has robust compliance procedures in place, and assigns legal affairs and relevant departments to oversee compliance and improve procedures on a regular basis. The Company complies strictly with the Fair Trade Act and was not involved in any litigation concerning anti-competition, anti-trust, or monopolistic behavior in 2021. The Company also adopts GRI Standards and discloses compliance with economic, environmental, and social laws. No monetary fine or non-monetary penalty of material nature was imposed for non-compliance with laws during the year.

- **Compliance with environmental regulations:**

  Lanner Electronics was not fined for any major violation of environmental laws in 2021; there had also been no official filing and resolution of complaints concerning environmental impacts.

- **Compliance with social and economic regulations:**

  Lanner Electronics received no complaint concerning corruption, violation customers’ privacy, or loss of customers’ data in 2021. Any occurrence of similar nature will be handled on the day it is reported, with meetings convened in the next 30 days to proceed with investigation.

- **Compliance with product marketing regulations:**

  With respect to product sales, none of Lanner’s products and services violated any health and safety regulations in 2021; in terms of marketing and labeling, there had been no violation of laws concerning product/service labeling or marketing/communication.
### Regulatory compliance training

Lanner has implemented a Regulatory Compliance Policy internally and promotes training and awareness regularly through its digital learning platform so that all employees are made aware of their obligations to comply with laws such as Personal Data Protection Act, Trade Secrets Act, Business Integrity Code of Conduct, Commercial Ethics, and Electronic Industry Code of Conduct.

#### Mandatory courses for all employees - 2021

<table>
<thead>
<tr>
<th>Course type</th>
<th>Laws and internal systems covered</th>
<th>Course information</th>
<th>Target audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lanner Ethical Behavior Guidelines</td>
<td>Business Integrity Code of Conduct</td>
<td>Time of course: September - October, 2021</td>
<td>1. Mandatory courses for new recruits 2. Employees involved in key roles and indirect workers are re-trained once a year</td>
</tr>
<tr>
<td></td>
<td>Electronic Industry Code of Conduct (EICC)</td>
<td>Course duration: 0.5 hour</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Suppliers’ and Employees’ Integrity Behavior Guidelines and Anti-corruption Standards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business secrecy</td>
<td>Personal Data Protection Act</td>
<td>Time of course: September - October, 2021</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Trade Secrets Act</td>
<td>Course duration: 0.5 hour</td>
<td></td>
</tr>
</tbody>
</table>

### Grievance and whistleblower system

- Whistleblowing hotline: +886-2-86926060 ext 2761
- Whistleblowing e-mail: HR@lannerinc.com
- Employee opinion box: Opinion boxes have also been made available at factory plant areas and dormitories; all grievance channels have been conveyed to employees during behavior training.

### 2-5 Globally accepted risk management practice

According to the world’s top-10 risk ranking published by World Economic Forum (WEF) in Global Risks Report 2022, “Climate action failure” was identified as the No. 1 risk, followed by “Extreme weather” and “Biodiversity loss”; all of which are environmental risks. “Social cohesion erosion” was placed in 4th place while “Livelihood crises” was placed in 5th place, which reflects the world’s exacerbating problems concerning social inequality, climate change, and geopolitics.

In addition to climate change risks, social risks, and political risks, Lanner has also noticed the uptick of risks concerning cross-border data theft and cyber attack. Through total risk assessment, we have developed strategies for the entire organization using a risk-based approach and devised suitable security solutions. These strategies cover "Operational strategy," "Financial strategy," "Cybersecurity strategy," "Environmental strategy," and "Social responsibility strategy"; each of which will be explained in this chapter.
Operating strategies

Disaster recovery plan

Lanner adopts PDCA-based quality management approach for customers that request disaster recovery plan (DRP). The following is a brief description on the timing and tasks involved for each of the PDCA stages in 2021:

1. Identify suppliers, identify models, internal self-evaluation, signed request
2. Technology transfer SOP, test standards, traceability records
3. Business personnel executes shipment to the designated location as per customer instruction
4. Quality engineer conducts internal review of relevant logs and presents report for customer’s review

Supply chain safety

Lanner continued to be certified for ISO 28000 - Supply Chain Security Management System and AEO in 2021. To address the issue of supply chain security, the Company adopts ISO 28000 standards and uses a supply chain security management system to identify and grade risks throughout the supply chain. The PDCA principles are adopted as part of the risk assessment exercise. Through reliable and robust practices such as document control, key performance indicators, internal audit/training, and supply chain security awareness training, we are able to assure the security of our supply chain.

Actions taken by Lanner included:

1. Enhanced premise access control
2. Locks at the cargo area
3. Installation of CCTV at warehouses and production lines
4. Enforcement of visitor entry logging
5. Enhanced supply chain safety training and emergency drill
7. No employee was tested positive for COVID-19 in 2021 under the Company’s disease control measures
8. Facial temperature recognition has been added to the premise security system since Q2 2021
9. Execution of 2021 fire safety training and emergency response drill
Financial strategies

Lanner upholds stability and pragmatism as its main philosophy, and focuses entirely on core business activities. The Company did not engage in any high-risk or highly leveraged investment in the last year. All derivative transactions undertaken were currency forwards, and the main purpose of which was to hedge foreign currency debt claims against risks of exchange rate variation. In anticipation of the rapidly changing environment and impact from unforeseeable risks, Lanner has devised strategies and response measures targeting financial risks that it considers to be probable, as described below:

1. Interest rate changes

The Company adopts a conservative and stable approach towards capital planning; consolidated interest expenses amounted to NT$16,178,000 in 2021 and NT$6,991,000 in 2020, representing 0.21% and 0.09% of consolidated revenues for the respective years. Given the insignificance of interest expense, a change in interest rate should not pose any material effect on the Company.

2. Exchange rate changes

The Company’s exchange rate risk arises primarily from the conversion of cash, cash equivalents, accounts receivable, and accounts payable denominated in foreign currencies (mostly USD). Conversion of foreign currency-denominated amounts gives rise to gains/losses on exchange. The finance & accounting department constantly gathers exchange rate information and monitors trends in order to determine the best timing to convert NTD or hedge using currency forwards. The Company also requests its key suppliers to accept payment in designated currencies, and thereby reduce the size of position that is susceptible to exchange rate risks. Consolidated loss on exchange amounted to NT$14,267,000 in 2021 and NT$5,470,000 in 2020, representing 0.07% and 0.1% of consolidated revenues for the respective years. Given the insignificance of exchange difference, a change in exchange rate should not pose any material effect on the Company.

3. Inflation

The Company maintains productive relationship with suppliers and customers; it constantly monitors changes in market price and makes flexible adjustments to mitigate inflationary effects.

4. Credit risk

The Company has implemented a robust credit policy that analyzes the repayment capability and assigns credit grade for each customer. Payment terms, delivery terms, and sales limits are determined based on risk characteristics of each customer and are re-examined on a regular basis. Customers that do not meet credit standard are only allowed to transact with the Company by making full upfront payments, which minimizes credit risk. Lanner has a dedicated department in charge of tracking collection of receivables on a regular basis. An allowance account has been created to reflect estimate of actual and possible losses on accounts receivable and other receivables. These measures have been taken to minimize credit risk exposure in accounts receivable.

5. Liquidity/financial structure risk

The Company manages liquidity in a manner that ensures that the Company has adequate working capital to repay liabilities when due, under both normal and stressed scenarios, and therefore prevents occurrence of intolerable losses and risk of damage to the Company’s reputation. The Company also maintains adequate cash to cover operating expenses for 60 days. As of the end of 2021, the Company had undrawn credit lines totaling NT$1.56 billion.
Cybersecurity strategy

Lanner’s cybersecurity strategy covers 14 main issues, and is intended to protect information against improper use, leakage, unauthorized modification, and corruption, whether due to human error, natural disaster, external risk, or attack, that may pose risks or hazards to the Company. The main issues mentioned above include the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Responsibilities and coordination between cybersecurity organizations.</td>
<td>9. Security in networking, data transmission, and communication.</td>
</tr>
<tr>
<td>3. Security of human resources.</td>
<td>10. Acquisition, development, and maintenance of information system.</td>
</tr>
<tr>
<td>4. Management of information assets.</td>
<td>11. Information service outsourcing.</td>
</tr>
</tbody>
</table>

Enhanced cybersecurity protection

The Company attains certification for ISO 27001 - Information Security Management System to protect customers’ and suppliers’ information as well as any personal data held in possession. Lanner imposes strict controls over data source validation, data access, e-mail, and Internet access, and prohibits unauthorized access and installation of unauthorized software in order to prevent confidential information from being compromised. Business continuity plans (BCP) have been devised for critical sales-related management systems such as SAP, PLM, and MES to enable responses under different circumstances, and thereby prevent disruption of business operations. Existing cybersecurity protection measures:

1. Access to USB drives, memory cards, and optical disc write-in has been restricted, and anti-virus software is installed on all computers to prevent intrusion, loss of important business information, and violation of customers’ privacy.

2. Firewalls have been established to protect external network connection and critical internal systems; the types of web pages that employees may visit are also being controlled. Employees are unable to open unverified links and websites; these restrictions protect computers against virus infection and theft of data.

3. Data encryption and e-mail management have been implemented; data transmission is controlled by file size and security access to prevent negligent leakage of trade secret information and inappropriate use of data that may compromise customers’ interest.

4. An antivirus server and a system update server have been implemented; virus codes are updated regularly whereas computer systems are upgraded in a timely manner to prevent network security leak.

5. Critical systems and production/operating activities are subject to third-party cybersecurity certification and regular review.
Enforcement of cybersecurity drills and accident response measures

To ensure that the entire organization and employees are fully capable of handling business and system disruptions, Lanner not only incorporates cybersecurity policy into its digital learning system, but also promotes cybersecurity awareness through e-mails and hosts BCP and cybersecurity drills on a regular basis. Outcomes of each drill exercise are evaluated to determine the impact of each risk event, so that proper responses can be established and improved upon to enhance cybersecurity. Details of drill exercises and operational impact analysis are presented in the chart below.

Business and operational impact analysis

<table>
<thead>
<tr>
<th>Business activities</th>
<th>Evaluation tier</th>
<th>Degree of impact</th>
<th>Maximum tolerable downtime</th>
<th>Target duration to recovery</th>
<th>Target time of recovery</th>
<th>Principles for subsequent actions</th>
<th>Time of drill</th>
</tr>
</thead>
<tbody>
<tr>
<td>External network connection</td>
<td>Medium</td>
<td>Poses challenge to business/operations</td>
<td>6 hour(s)</td>
<td>4 hour(s)</td>
<td>The last profile change</td>
<td>Develop BCP and organize drills when resources are adequate</td>
<td>April 2021</td>
</tr>
<tr>
<td>Internal network connection</td>
<td>Medium</td>
<td>Poses challenge to business/operations</td>
<td>6 hour(s)</td>
<td>4 hour(s)</td>
<td>The last profile change</td>
<td>Develop BCP and organize drills when resources are adequate</td>
<td>December 2021</td>
</tr>
<tr>
<td>AD system</td>
<td>Medium</td>
<td>Poses challenge to business/operations</td>
<td>8 hour(s)</td>
<td>4 hour(s)</td>
<td>1 day(s)</td>
<td>Develop BCP and organize drills when resources are adequate</td>
<td>December 2021</td>
</tr>
<tr>
<td>PLM (application software)</td>
<td>Medium</td>
<td>Disrupts business activities</td>
<td>8 hour(s)</td>
<td>8 hour(s)</td>
<td>1 day (database) 1 week (files)</td>
<td>Develop BCP and organize drills when resources are adequate</td>
<td>May 2021</td>
</tr>
<tr>
<td>SAP (application software)</td>
<td>Medium</td>
<td>Poses challenge to business/operations</td>
<td>4 hour(s)</td>
<td>2 hour(s)</td>
<td>1 day(s)</td>
<td>Develop BCP and organize drills when resources are adequate</td>
<td>June 2021</td>
</tr>
<tr>
<td>CSP (application software)</td>
<td>Low</td>
<td>Disrupts business activities</td>
<td>8 hour(s)</td>
<td>8 hour(s)</td>
<td>1 day(s)</td>
<td>Data backup</td>
<td>NA</td>
</tr>
<tr>
<td>FMS (application software)</td>
<td>Low</td>
<td>Disrupts business activities</td>
<td>8 hour(s)</td>
<td>8 hour(s)</td>
<td>1 day(s)</td>
<td>Data backup</td>
<td>NA</td>
</tr>
<tr>
<td>MES (application software)</td>
<td>High</td>
<td>Poses challenge to business/operations</td>
<td>4 hour(s)</td>
<td>4 hour(s)</td>
<td>1 day(s)</td>
<td>Develop backups; prioritize business continuity planning and regular drills</td>
<td>June 2021</td>
</tr>
</tbody>
</table>

*Note 1: Processes rated “High” or above should be supported by backup systems to ensure availability. If establishment of backup system is not feasible, other external resources or alternative strategies must be explored for operational support.

*Note 2: Processes rated “Medium” must be covered by an information BCP; the various scenarios and procedures outlined in the BCP must be thoroughly rehearsed in a systematic manner.
Environmental strategy

The world has seen increasing severity of disasters and losses as a result of climate change in recent years. Taiwan, given its distinctive geographical characteristics and location, is especially prone to frequent earthquakes, Typhoon, and rainfall, which therefore makes climate a major risk concern and issues such as climate regulations and climate-induced disasters some of the most pressing issues. Lanner Electronics has been trying to mitigate the impacts of climate change on its operations through enforcement of internal rules and education, development of low-energy products, compliance with green regulations, and supply chain certification. Full-scale risk assessments are being conducted to help plan proper responses in the future.

The Company has adopted the framework introduced by “Task Force on Climate-related Financial Disclosures (TCFD) and developed its own suggestions for voluntary disclosure of climate-related financial information. The TCFD framework has enabled the Company to gather prospective financial information on potential impacts for decision-making, identify the risks and opportunities involved while transitioning into low-carbon economy, and evaluate climate-related risks and opportunities at greater precision.

Climate issues management framework

A “Corporate Social Responsibility Committee” was assembled in 2018 with board of directors’ approval to promote sustainability governance. In 2021, the Company adjusted its framework and renamed the committee as “Corporate Sustainability Committee” to support [ESG] development.

The Chairman serves as the lead committee member, and the committee has three major task forces established beneath to oversee “Environmental sustainability,” “Employee care/Social engagement,” and “Governance” issues. The Committee reports progress and execution of corporate sustainability plans to the board of directors.
The “Environmental sustainability” task force is responsible for the implementation of climate change solutions; its operational framework is explained below:

**Corporate Sustainability Committee**

- **Lead committee (Chairman)**
- **Executive secretary**

**Lanner Culture and Education Foundation**

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**Environment Safety and Health Management Division**

Monitoring of water resource, waste, energy, and CO2 emission; and implementation of environment safety and health management systems in accordance with international standards including ISO14001 and ISO45001

**Quality Assurance Division**

Supply chain management, certification for IECQ QC080000 - Hazardous Substance Process Management, and conformity with RoHS, REACH, and WEEE directives and the 3R principles; plans to adopt ISO14064-1 - Greenhouse Gas Inventory standards in 2022

**Manufacturing Division**

Replacement of equipment used in AI factory and adoption of high-performance computing, automation, and energy monitoring systems as ways to reduce energy consumption and improve operating efficiency. Solutions including smart warehouse, X-ray component counter, automated IC writer, and smart meter have been adopted to date

**CTO’s Office**

Evaluation and development of new technologies, new applications, new markets, and new business models for green energy products

**Product Center**

Responsible for the development of new products, new technologies, and new applications, and the development of wide temperature range products while ensuring that devices are able to operate under harsh environments

**General Affairs Department**

Improvement to chillers and air conditioning on plant premise, gradual switch to efficient LED lighting equipment, and procurement of FSC™ (Forest Stewardship Council) certified paper
Climate-related risks/opportunities and strategic/financial impacts for Lanner Electronics

WEF’s Global Risks Report has identified “Extreme weather events” as one of the top risks for 7 years in a row and the number one risk for 5 years. For this reason, Lanner has devised short-term, medium-term, and long-term strategies to address operational risks associated with extreme weather events, and followed the guidelines of Task Force on Climate-Related Financial Disclosures (TCFD) to evaluate risks and opportunities of various climate issues, as well as possible financial impacts.

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Risk type</th>
<th>Opportunities</th>
<th>Target enforcement plan</th>
<th>Financial impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short-term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To comply with domestic and foreign environmental regulations and policies</td>
<td>Transition risk - policy and regulatory risks</td>
<td>Resource utilization efficiency</td>
<td>• Create an environmental safety and health management system in accordance with ISO14001 and ISO45001 standards.</td>
<td>Increased cost of compliance</td>
</tr>
<tr>
<td></td>
<td>Greenhouse gas emission cost and disclosure</td>
<td>Energy conservation measures; increase the efficiency of resource utilization; reduce carbon emission and waste</td>
<td>• Comply with RoHS, REACH, and WEEE directives and the 3R principles</td>
<td>Increased cost of equipment renewal</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• The Company expects to adopt ISO14064-1 - Greenhouse Gas Inventory System and obtain certification in 2022</td>
<td><strong>Reduction of energy consumption expenses</strong></td>
</tr>
<tr>
<td>Satisfaction of customers’ needs for low-carbon products and services</td>
<td>Transition risk - technology risk/market risk</td>
<td>Products and services</td>
<td>• Continue adoption of Eco-friendly Design and evaluate prospects of new technologies, new applications, new markets, and new business models relating to green energy products</td>
<td>Investment of new technology capital</td>
</tr>
<tr>
<td></td>
<td>Demand for low-carbon products and services</td>
<td>Product and technology transformation</td>
<td>Provide services that better meet the market's demand</td>
<td>Rising cost of raw material/commodity</td>
</tr>
<tr>
<td>Synchronize with industry trends</td>
<td>Transition risk - reputation risk</td>
<td>Market</td>
<td>• Take initiative in disclosing carbon management information</td>
<td><strong>Generate revenues by raising collaborative intent from global partners and long-term investment intent from investors</strong></td>
</tr>
<tr>
<td></td>
<td>Align energy conservation strategy with peers</td>
<td>Shape a favorable brand impression</td>
<td>• Prepare corporate social responsibility reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supply chain carbon reduction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prevention of general natural disasters (Typhoon, flood, flood etc.)</td>
<td>Physical risk - immediate risk</td>
<td>Resilience</td>
<td>• Develop a disaster recovery plan (DRP)</td>
<td>Production impact; loss of revenue</td>
</tr>
<tr>
<td></td>
<td>Severe extreme whether events</td>
<td>Reduce risk of production halt</td>
<td>• Organize disaster prevention training and drill on a regular basis</td>
<td>Reduce probability of operational disruption and possible losses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assure employees a safe work environment</td>
<td>• Arrange shifts according to the government’s off-work/off-school day standards</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Provide employees with commuting allowance or other necessary assistance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Develop secondary sources of materials supply to reduce risk of supply disruption</td>
<td></td>
</tr>
</tbody>
</table>
### Short-term
- To comply with domestic and foreign environmental regulations and policies
- Satisfaction of customers’ needs for low-carbon products and services
- Synchronize with industry trends
- Prevention of general natural disasters (Typhoon, flood, flood etc.)

### Medium-term
- Carbon reduction products and technology transformation
- Energy storage planning and green power development
- Attain ESG certification

### Long-term
- Expected accomplishments by 2050 Achieve 100% green power usage (RE100)
- Anticipation for long-term environmental changes (Rise of average temperature/heat wave)

### Sustainable governance

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Risk type</th>
<th>Opportunities</th>
<th>Target enforcement plan</th>
<th>Financial impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Medium-term</strong></td>
<td><strong>Carbon reduction products and technology transformation</strong></td>
<td>Transition risk - technology risk/market risk Improvement or innovation of low-carbon, energy-efficient technology</td>
<td><strong>Products and services</strong> Increase revenues from energy conservation products</td>
<td><em>Increased R &amp; D expenditure</em> &lt;br&gt;<em>Satisfy customers’ needs and generate revenues</em></td>
</tr>
<tr>
<td><strong>Energy storage planning and green power development</strong></td>
<td>Transition risk - policy and regulatory risks Restrict any policy and action that may contribute to the adverse impacts of climate change</td>
<td>Source of energy Increase utilization of low-carbon renewable energy Reduce risk of production halt</td>
<td><em>The Company expects to plan and install energy storage equipment by 2024</em> &lt;br&gt;<em>The Company expects to assess green power requirement and purchase green power in 2026</em> &lt;br&gt;<em>The Company expects to achieve 30% green power usage (RE100 – 30%) by 2030</em></td>
<td><em>Increased energy cost</em> &lt;br&gt;<em>Increased product cost</em></td>
</tr>
<tr>
<td><strong>Attain ESG certification</strong></td>
<td>Transition risk - reputation risk Stakeholders’ attention to ESG management capacity</td>
<td>Market Gain customers’ and investors’ support</td>
<td><em>Progressively attain ISO and third-party certification on environment-related matters</em> &lt;br&gt;<em>Increase commitment to improving reliability, transparency, and usability of reports</em> &lt;br&gt;<em>The Company expects to adopt MSCI’s ESG rating standards in 2027</em></td>
<td><em>Increased expenses associated with certification and maintenance</em> &lt;br&gt;<em>Generate revenues by raising collaborative intent from global partners and long-term investment intent from investors</em></td>
</tr>
<tr>
<td><strong>Long-term</strong></td>
<td><strong>Expected accomplishments by 2050 Achieve 100% green power usage (RE100)</strong></td>
<td>Transition risk - policy and regulatory risks Policies that facilitate adaptation of climate change</td>
<td>Resource utilization efficiency Aim to achieve 100% use of renewable energy</td>
<td><em>Enforce internal and external energy management and data monitoring</em> &lt;br&gt;<em>Use renewable energy as a means to reduce risk of rising fossil fuel prices</em></td>
</tr>
<tr>
<td><strong>Anticipation for long-term environmental changes (Rise of average temperature/heat wave)</strong></td>
<td>Physical risk - long-term risk Increased use of air conditioning and water Production lines and products may become less suitable for harsh environments Increased chances of employees falling ill</td>
<td>Resilience Design new production procedures and develop new products Assure employees a safe work environment</td>
<td><em>Change certain commodities, products, and services in line with supply and demand</em> &lt;br&gt;<em>Provide employees with annual health checkup and share knowledge on occupational health</em></td>
<td><em>Increased time and cost of development and validation</em></td>
</tr>
</tbody>
</table>
### Actions in response to climate change

#### 1. Development of wide temperature range products

In light of the increasingly extreme temperatures under which equipment is being required to operate, Lanner has begun incorporating wide temperature range designs into our industrial products so that they can withstand even the harshest environment. The following dust-proof, water-resistant products featuring industrial wide temperature range standards (e.g. operating temp of -40°C to 75°C) have been developed to date:

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>R6S</strong></td>
<td>R6S is a fanless vehicle embedded PC that passed vibration and shock test and conforms with EN50155 standards. Powered by high-performance Intel Core i7-7600U CPU, R6S also allows I/O and internal expansion. Features such as dual video output (DVI-D / VGA), USB and DIDO sockets make R6S suitable for several applications including vehicle control and surveillance, information, entertainment, CCTV and fleet management.</td>
</tr>
<tr>
<td><strong>LEC-6032C</strong></td>
<td>LEC-6032C is a fanless industrial cybersecurity platform powered by Intel Bay Trail Atom™ E3845 CPU. The product has a LAN socket that features Gen.3 LAN bypass and is designed to operate at wide temperature range from -40°C to 70°C. It supports multiple installation options and incorporates enhanced, flexible designs making it suitable for deployment at remote, unmanned and extreme environments. The product has been designed to carry out network security measures at key infrastructures such as: oil refineries, substations, power stations, and manufacturing plants.</td>
</tr>
<tr>
<td><strong>LEC-3340</strong></td>
<td>A 3U industrial edge computing service equipment featuring a wide variety of I/Os including: 4 PCIe slots, 4 RJ-45 GbE LAN sockets, 5 USB 3.0 sockets, 2 interchangeable 2.5-inch brackets, DP / DVI display ports, and 2 isolated COM ports. The rugged design conforms with IEC-61850 and IEEE 1613 standards, and is commonly used as a rack controller in substations.</td>
</tr>
<tr>
<td><strong>ISD-O370</strong></td>
<td>ISD-O370 is a fanless networking equipment that supports both 5G and Wi-Fi 6. Featuring a wide temperature range design (-40°C to 70°C), the unit can be stored in environments up to 85°C, and has been optimized for IoT, SD-WAN, uCPE, and edge computing. It uses Intel's QuickAssist technology to increase encryption speed, and offers industry-grade LAN functions to support better quality WAN service in harsh environments.</td>
</tr>
</tbody>
</table>
2. Climate change backup plans

To address the risks associated with environmental and climate change, Lanner has established collaborative relationships and signed outsourcing contracts with key manufacturers in Taiwan to designate them as backup factories. These arrangements are assessed for climate change risk, and have response strategies devised and scenario-based drills conducted to ensure continuity in the event of a natural disaster.

3. Climate change mitigation actions

Lanner contributes to the mitigation of climate change by supervising energy and carbon reduction and enforcing the 3R principles: Reduce, Reuse, and Recycle within the organization. Outdated equipment is progressively replaced to reduce energy consumption, and a new automated monitoring system has been implemented to facilitate real-time tracking and pro-active greenhouse gas survey.

4. Food appreciation

Lanner organized a farming experience event in 2021 where 30 employees and family members signed up to experience working in the fields with bare feet in the mud. Through this event, the Company hoped to promote awareness for food appreciation and encourage making eco-farming selections as a contribution to the environment.

5. Green supply chain

Lanner monitors suppliers using four general principles: Quality, Cost, Delivery, and Service (QCDS), and has developed its own supplier management procedures in line with on local and international initiatives/regulations. We have implemented an internal materials management system to control raw materials at the source of the supply chain. In addition to enforcing the 3R principles, the Company also actively convinces supply chain partners to support the cause. Through the supplier platform, we communicate with suppliers on issues concerning RoHS(EU)2015/863, conflict minerals, WEEE requirements, and the Company’s ESG policy. We also audit suppliers’ performance while at the same time encourage and ensure that all of Lanner’s suppliers are committed to reducing/preventing potential pollution in design, production, service, and other operating activities.

The following actions have been taken for the purpose of creating a green, sustainable supply chain:

- Ongoing certification for management systems such as ISO14001 and IECQ QC 080000.
- Ongoing request for suppliers to comply with green regulations.
- Ongoing supply chain audit in response to green regulations.
Social responsibility strategies

Prohibition against conflict minerals and creation of green supply chain

Lanner strictly demands all suppliers to refrain from purchase and use of conflict minerals, and has implemented "Conflict Minerals Management Procedures" in compliance with RBA requirements. All new suppliers are required to complete "Supplier Declaration of Conflict Mineral Policy" according to law - "Restricted Substance Content Limits and Testing SOP" and the Company’s supplier management policy. Through the above, the Company ensures that all parts, components, materials and finished goods used by Lanner do conform with the standards outlined in "Conflict Minerals Policy."

The Company pays ongoing attention to issues concerning conflict minerals and conducts diligent investigations on its supply chain to ensure that metals including tin (Sn), coltan (Ta), tungsten (W), and gold (Au) are not mined from the Democratic Republic of the Congo or any mining site in nearby countries that are controlled by armed organizations, and in doing so prevent aiding the profiting of armed conflict in any way.

The Company and its supply chain partners have made the following commitments to corporate social responsibilities and human rights:

1. To fulfill social and environmental responsibilities
2. To refrain from purchasing conflict minerals that are mined from conflict regions
3. To demand suppliers’ written commitment and action in rejecting conflict minerals sourced from conflict regions
4. To ensure that such requirements are conveyed to suppliers further up in the stream

Lanner has incorporated this policy as one of the prerequisites for all products provided and designed by suppliers. Suppliers that are found to have used conflict metals will be required to disclose information of the smelter. In 2021, the Company adopted CMRT survey version 6.1 and investigated a total of 218 suppliers, from which it received 189 (87%) responses and 29 non-responses. Outcome of the survey was satisfactory, and the Company will continue surveying and auditing suppliers’ performance as part of its corporate social responsibilities.

Conflict mineral survey and report in the last three years

<table>
<thead>
<tr>
<th>Year</th>
<th>Survey version</th>
<th>No. of suppliers surveyed</th>
<th>Recovery rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>CMRT5.12</td>
<td>211</td>
<td>74%</td>
</tr>
<tr>
<td>2020</td>
<td>CMRT5.12</td>
<td>211</td>
<td>100%</td>
</tr>
<tr>
<td>2021</td>
<td>CMRT6.1</td>
<td>218</td>
<td>87%</td>
</tr>
</tbody>
</table>

- 2019: CMRT5.12, 157 supplier responses, 54 non-responses
- 2020: CMRT5.12, 211 supplier responses, 0 non-responses
- 2021: CMRT6.1, 189 supplier responses, 29 non-responses
2-6 Supplier sustainability management

Lanner upholds sustainability as its business philosophy and commits to maintaining stable and growing relationship with supply chain partners. In addition to monitoring suppliers' quality and services, issues including supply chain risk, conflict minerals, local purchase, and business continuity are also being addressed as part of our supplier sustainability management. It is our goal to work with business partners toward mitigating supply risks. With the support of a sustainable supply chain, we shall contribute to environmental protection, social security, and business integrity to better fulfill our corporate social responsibilities.

Supplier policies

We require all suppliers to sign Business Partner Safety Statement, Conflict-free Mineral Statement, Supplier and Employee Integrity Code of Conduct, Anti-corruption Guidelines, and "Supplier Commitment to Refrain Use of Prohibited and Restricted Substances," and provide supporting documents to show that all products or components supplied, including accessories, packaging materials and parts, are fully compliant with RoHS, WEEE, and the Company's "Prohibited and Restricted Substance Content and Testing Procedures." The Company may terminate supply contract with partners that fail to comply with rules, and by strictly enforcing the above, we exert influence over our suppliers to take pro-active steps toward corporate social responsibilities.

Requirements for new suppliers

In addition to imposing strict requirements on suppliers' performance and quality, all suppliers are required to sign Anti-corruption Guidelines, Commitment to Prohibition against Conflict Minerals, and Supply Chain Safety Policy before commencing business relationship in order to ensure that they are aware of our expectations with regards to social and environmental responsibilities. All new suppliers are required to sign "RoHS Self-declaration" before commencing business relationships, whereas existing suppliers are also requested to furnish the same declaration. The Company's internal auditors are being assigned to review the abovementioned documents. Assistance is offered to suppliers that do not meet the requirements. Meanwhile, we maintain regular contact with suppliers and conduct annual audits, unscheduled surveys etc. to ensure that they keep up the expected standards. Suppliers that do not meet the requirements will be instructed to make satisfactory improvements within a given time. If improvements cannot be made to satisfaction, Lanner will look for other suppliers that meet our moral and environmental protection standards.

RoHS self-declaration
Tiered supplier evaluation

We have devised a “Supplier Management Policy” to achieve effective management of suppliers. Under this policy, all suppliers are evaluated for attaining third-party certification. Third-party certification includes but is not limited to the following systems: ISO 9001 - Quality management system, IATF 16949 - Automotive Quality Management System, TL 9000 - Communication quality management system, IECQ 08000 - Hazardous Substance Process Management, ISO14001 - Environmental Management System, ISO 45001 - Occupational health and safety system, ISO 28000 - Supply chain security management, Authorized Economic Operator (AEO), and Responsible Business Alliance (RBA) Code of Conduct. Suppliers are assigned one of four grades (A/B/C/D) based on the outcome of the evaluation; suppliers that fail the evaluation are required to make improvements within a given time or banned from further dealing. Below are outcomes of supplier evaluation in the last three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Grade A : 80~100 Preferred Vendor List</th>
<th>Grade B : 70~79 Acceptable</th>
<th>Grade C : 60~69 Conditionally Acceptable</th>
<th>Grade D : below 60 Unacceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>22(56%)</td>
<td>7(18%)</td>
<td>9(23%)</td>
<td>1(3%)</td>
</tr>
<tr>
<td>2020</td>
<td>30(64%)</td>
<td>15(32%)</td>
<td>2(4%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2021</td>
<td>25(83%)</td>
<td>5(17%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
</tbody>
</table>

Supplier sustainability audit and assessment

Lanner encourages and requires all suppliers to share CSR burdens and incorporate sustainability issues as part of their management. By having suppliers contribute individually to environmental protection, we as a supply chain will be able to exert greater influence. For the sustainability of the supply chain, the Company conducts documentary or on-site audit either regularly or on an ad-hoc basis, by itself or through an independent third party, according to its supplier management system. We would provide counseling for suppliers that do not exhibit satisfactory performance and help them develop improvement measures, for which they are expected to complete within a given time. We will audit suppliers on the improvements made, and continue following up on defects that we have highlighted; those that are unable to make the required improvements will be removed from the Company’s list of approved suppliers.

The Company assesses supply chain partners on the following four main aspects:
1. QSA (Quality System Audit): Focuses on documentation of the quality system.
2. QPA (Quality Process Audit): Focuses on process documentation, material certification, equipment/procedure standardization, analysis of defects, and environment safety. Applies to PCB/ Chassis / EMS suppliers.

<table>
<thead>
<tr>
<th>Year</th>
<th>Grade</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>Moderate</td>
<td>Moderate-low</td>
<td>Improvements required</td>
</tr>
<tr>
<td>2019</td>
<td>14(67%)</td>
<td>7(33%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2020</td>
<td>13(59%)</td>
<td>9(41%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2021</td>
<td>19(68%)</td>
<td>8(29%)</td>
<td>1(4%)</td>
<td>0(0%)</td>
</tr>
</tbody>
</table>

3. CSR (Corporate Social Responsibility) audit: Lanner conducts audits based on the 5 aspects of RBA, namely Labor, Health & Safety, Environmental, Management System, and Ethics.

<table>
<thead>
<tr>
<th>Year</th>
<th>Grade</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>Moderate</td>
<td>Moderate-low</td>
<td>Improvements required</td>
</tr>
<tr>
<td>2019</td>
<td>11(69%)</td>
<td>5(31%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2020</td>
<td>19(83%)</td>
<td>4(17%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2021</td>
<td>18(69%)</td>
<td>8(31%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Grade</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>Moderate</td>
<td>Moderate-low</td>
<td>Improvements required</td>
</tr>
<tr>
<td>2019</td>
<td>10(63%)</td>
<td>6(37%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2020</td>
<td>16(73%)</td>
<td>6(27%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
<tr>
<td>2021</td>
<td>20(77%)</td>
<td>6(23%)</td>
<td>0(0%)</td>
<td>0(0%)</td>
</tr>
</tbody>
</table>
As the world’s leading brand in networking and communication hardware, Lanner not only provides customers with reliable and cost-effective high-performance computing solutions, but offers design and development service for advanced network applications and rugged computers as well. As 5G and edge computing technologies evolve, the Company has been able to market its services and solutions to customers of varying sizes and industries including networking/computer, telecommunication, transportation, power and energy, industrial automation, and intelligent systems. Meanwhile, network disaggregation and open-ended multi-core computing architecture provide our products with the expandability to be used in a broad number of applications.

Customized and specialized service

We have Hub (Order fulfillment)/RMA (Repair Service) facilities deployed locally and overseas to serve customers around the world. The Company continues to cooperate with carriers, software partners, and reputable universities in the development of customized solutions.
Customer count in the last three years

<table>
<thead>
<tr>
<th>Year</th>
<th>Asia</th>
<th>America</th>
<th>Europe</th>
<th>Others</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>113</td>
<td>13</td>
<td>68</td>
<td>13</td>
<td>207</td>
</tr>
<tr>
<td>2020</td>
<td>102</td>
<td>11</td>
<td>64</td>
<td>13</td>
<td>190</td>
</tr>
<tr>
<td>2021</td>
<td>110</td>
<td>15</td>
<td>57</td>
<td>15</td>
<td>197</td>
</tr>
</tbody>
</table>

Scope of global service

Fulfillment of hub orders

Order fulfillment process:
- Quality inspection for inputs
- Warehouse management process
- Procurement process
- Integrated testing
- Quality inspection for outputs
- Shipping and delivery

Global hub service: Through transport

Shipment to customer after brand packaging
Protection of customers’ data security

In addition to attaining certification for ISO 27001 - Information Security Management System, the Company also adopts rigorous controls over the authentication and access of information, and thereby prevents customers’ data from leakage, overwriting, and virus infection. The following cybersecurity protection measures have been taken for critical management systems such as SAP, PLM, and MES:

1. Access to systems that hold custody of customers’ data, such as: SAP/PLM/MES, is controlled with user accounts, and login access can be obtained only by going through proper approval process.
2. All systems mentioned above are subjected to regular data backup and off-site support to ensure the integrity of customers’ data.
3. Any exchange of digital data with customer, whether through file transfer protocol (FTP) or through API, has to be encrypted. SFTP is used instead of FTP with SSH authentication; all API services require certification from both parties, and restrictions are imposed on visitor’s IP.
4. All internal USB devices used by RMA unit are controlled and inspected daily by employees. USB devices are wiped and scanned for virus at the end of day to ensure security of customers’ data.

Responsible and efficient after-sale service

Lanner values customers’ needs, and uses three online methods (Chat, Contact-us, and Technical-support) to communicate with customers. Depending on the method of communication and type of query, responses are given by the Technical Support Department and sales representatives within 3 working days. Lanner also has standard repair and return procedures and time limits implemented for products that are returned for repair.

Average statistics:

- **01~20 pieces**: Returns of 01-20 pieces were repaired and delivered back to customers within an average of 20 working days.
- **21~50 pieces**: Returns of 21-50 pieces were repaired and delivered back to customers within an average of 30 working days.
- **50 pieces and above**: Returns of 51 pieces and above were repaired and delivered back to customers within an average of 40 working days.
- **Products not manufactured by Lanner**: Products not manufactured by Lanner were forwarded to the original manufacturer for repair and delivered back to customers 3 working days in addition to original manufacturer’s turnaround time.

After-sale service locations of Lanner’s authorized partners:

- **Ningbo International Service Center**
- **National Service Center**
- **Netherlands Regional Service**

After-sale service from Lanner’s partners:

- Bangladesh
- Dubai
- Egypt
- Hong Kong
- Indonesia
- Iraq
- Israel
- Malaysia
- The Philippines
- Russia
- Saudi Arabia
- Singapore
- Turkey
- Vietnam
- Argentina
- Brazil
- Mexico
- Peru
- USA
- UK
- Poland
- Germany
- Russia
- Mainland China
- India
- Spain
- Thailand
- Korea
- Japan
- Australia
- Taiwan
Customer care and mutual benefit

In addition to an online consultation platform, the Company also convenes regular meetings (weekly, monthly, and QBR) with customers to gather the voice of customer (VOC). The Company conducts annual customer satisfaction surveys to reflect issues that are of concern to industry participants and customers. Survey results are announced within 2 months, discussed to formulate improvement plans, and followed up to raise customer satisfaction.

In 2021, the Company issued satisfaction questionnaires to a total of 30 major customers chosen from the top-50 customers shortlisted by the finance and accounting department. From the 16 (53%) questionnaires recovered, the Company achieved a total score of 91.6, which was higher than the 91.4 average score concluded in 2020.

Outcome of customer satisfaction questionnaire in the last 3 years

<table>
<thead>
<tr>
<th>Survey category</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price Competitiveness</td>
<td>77.5</td>
<td>82.1</td>
<td>82.5</td>
</tr>
<tr>
<td>Sales Service Quality</td>
<td>90</td>
<td>96.9</td>
<td>95.6</td>
</tr>
<tr>
<td>Schedule Control &amp; On time Delivery</td>
<td>85.6</td>
<td>88.9</td>
<td>86.9</td>
</tr>
<tr>
<td>Electronic Engineering Design</td>
<td>85.6</td>
<td>91.6</td>
<td>91.4</td>
</tr>
<tr>
<td>Mechanical Engineering Design</td>
<td>88.8</td>
<td>93.4</td>
<td>92.9</td>
</tr>
<tr>
<td>BIOS Performance</td>
<td>88.1</td>
<td>91.6</td>
<td>91.4</td>
</tr>
<tr>
<td>Product Reliability</td>
<td>85.6</td>
<td>91.3</td>
<td>94.7</td>
</tr>
<tr>
<td>Product Quality</td>
<td>87.5</td>
<td>91</td>
<td>94.7</td>
</tr>
<tr>
<td>Technical Support</td>
<td>88.1</td>
<td>93.8</td>
<td>92.9</td>
</tr>
<tr>
<td>Supply Chain Security</td>
<td>86.3</td>
<td>90.4</td>
<td>90.6</td>
</tr>
<tr>
<td>Product Repair Services</td>
<td>86.2</td>
<td>90</td>
<td>90.7</td>
</tr>
<tr>
<td>Product Green Report</td>
<td>87.5</td>
<td>NA</td>
<td>94.6</td>
</tr>
<tr>
<td>Marketing Collateral</td>
<td>87.9</td>
<td>93.7</td>
<td>90.6</td>
</tr>
<tr>
<td>Overall Value of Products</td>
<td>86.3</td>
<td>93.1</td>
<td>92.7</td>
</tr>
<tr>
<td>Total-Average</td>
<td>86.5</td>
<td>91.4</td>
<td>91.6</td>
</tr>
</tbody>
</table>
2-8 Identification of corporate sustainability development topics

Through communication with stakeholders, the Company identifies material issues that are relevant to sustainability and performs materiality analysis and confirmation among other procedures. Sustainability management strategies and goals are adjusted as needed to facilitate refinement of various policies, and thereby create corporate values that can be shared with the public, the environment, and stakeholders.

Stakeholder engagement

Identification of stakeholders

We adopted the 2015 Stakeholder Engagement Standard (AA1000 SES 2015) established by non-profit organization - AccountAbility and applied the five principles (dependency, responsibility, tension, influence, and diverse perspective) to rate all stakeholders we have identified. Members of the Corporate Social Responsibility Committee then engaged in a series of internal meetings to determine the 6 stakeholders that were of utmost priority to the Company, including: (1) employees, (2) investors, (3) government institutions, (4) customers, (5) suppliers, and (6) communities/non-profit organizations.

Stakeholder engagement

Lanner engages each of the 6 main categories of stakeholders using different approaches, including unilateral, bilateral, one-to-many, and many-to-one. We adopt Business Reporting on the SDGs jointly established by GRI and The UN Global Compact as one of our management approaches.

Management approach for stakeholders’ concerned issues

Response procedures for stakeholders’ concerned issues

- Issues that are of concern to stakeholders are discussed in regular department meetings.
- All department heads report regularly to the senior management on stakeholders’ concerned issues and future plans.
- The CSR Committee analyzes how each issue may pose risks and opportunities to the Company’s operations.
- The CSR Committee reports to the senior management on material issues for the year, and proposes response solutions for the Company.
- A third-party certifier is engaged to check the authenticity of contents published in the sustainability report.
- Sustainability report and news release are used as means to respond to stakeholders’ concerned issues.
### Stakeholders’ concerned issues and communication

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Concerned issues</th>
<th>Communication channels</th>
<th>Frequency of communication</th>
<th>Relevant records</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>Talent development</td>
<td>Labor-management meetings</td>
<td>Once a quarter</td>
<td>Labor-management meeting minutes</td>
</tr>
<tr>
<td></td>
<td>Employment</td>
<td>Employee mailbox</td>
<td>Unscheduled</td>
<td>The issues discussed are tracked for subsequent development</td>
</tr>
<tr>
<td></td>
<td>Occupational safety and health</td>
<td>Labor-management meeting, Occupational Safety and Health Committee meeting</td>
<td>Once a quarter</td>
<td>Meeting minutes</td>
</tr>
<tr>
<td></td>
<td>Talent sourcing and retention</td>
<td>Employee performance evaluation</td>
<td>Twice a year</td>
<td>Employee performance evaluation worksheet</td>
</tr>
<tr>
<td></td>
<td>Welfare system</td>
<td>Welfare committee meetings</td>
<td>Once a quarter</td>
<td>Welfare committee meeting minutes</td>
</tr>
<tr>
<td></td>
<td>Innovative R&amp;D</td>
<td>Internal and external website</td>
<td>Unscheduled</td>
<td>The issues discussed are tracked for subsequent development</td>
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<tr>
<td></td>
<td>Code of Conduct</td>
<td>Employee satisfaction survey</td>
<td>Once a year</td>
<td>Online survey</td>
</tr>
<tr>
<td>Investors</td>
<td>Corporate governance</td>
<td>Annual general meetings</td>
<td>Once a year</td>
<td>Shareholder meeting report, meeting manual, meeting minutes</td>
</tr>
<tr>
<td></td>
<td>Operational prospect</td>
<td>Company website</td>
<td>Unscheduled</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Economic performance</td>
<td>Financial report</td>
<td>Once a quarter</td>
<td>Announcement of monthly revenues and news release on MOPS and company website</td>
</tr>
<tr>
<td></td>
<td>Long-term strategy</td>
<td>Monthly revenue announcements</td>
<td>Once a month</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>CSR Report</td>
<td>Once a year</td>
<td></td>
</tr>
<tr>
<td>Government agencies</td>
<td>Regulatory compliance</td>
<td>Exchange of correspondence</td>
<td>Unscheduled</td>
<td>Correspondence</td>
</tr>
<tr>
<td></td>
<td>Corporate governance</td>
<td>Market Observation Post System, company website</td>
<td>Unscheduled</td>
<td>-</td>
</tr>
<tr>
<td>Customers</td>
<td>Product quality</td>
<td>RBA audit</td>
<td>Unscheduled</td>
<td>Customers’ audit records</td>
</tr>
<tr>
<td></td>
<td>Non-discrimination</td>
<td>Quarterly business meetings</td>
<td>Once a quarter</td>
<td>International standards/initiatives (RBA), meeting minutes</td>
</tr>
<tr>
<td></td>
<td>Environmental protection</td>
<td>Customers’ environmental protection requirements</td>
<td>Once a year</td>
<td>Customers’ specifications</td>
</tr>
<tr>
<td></td>
<td>Innovative product</td>
<td>Customer satisfaction survey</td>
<td>Once a year</td>
<td>Customers’ response records</td>
</tr>
<tr>
<td></td>
<td>Customer relation</td>
<td>Compliance survey</td>
<td>Unscheduled</td>
<td>Customer survey sheet</td>
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<tr>
<td></td>
<td>Cybersecurity</td>
<td>ISO27001 annual audit</td>
<td>Once a year</td>
<td>External audit reports</td>
</tr>
<tr>
<td></td>
<td>Customer service</td>
<td>Customers’ supplier conferences</td>
<td>Once a year</td>
<td>Meeting minutes</td>
</tr>
<tr>
<td></td>
<td>Corporate image</td>
<td>Company website</td>
<td>Unscheduled</td>
<td>Website information</td>
</tr>
</tbody>
</table>
Sustainable governance

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Concerned issues</th>
<th>Communication channels</th>
<th>Frequency of communication</th>
<th>Relevant records</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>Sustainable supply chain</td>
<td>Documentary review</td>
<td>Upon addition of new supplier</td>
<td>Supplier contract</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Conflict minerals</td>
<td>Documentary review</td>
<td>Once a year</td>
<td>CMRT survey records</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Business integrity</td>
<td>Supplier integrity behaviors policy</td>
<td>Unscheduled</td>
<td>Agreements</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Non-discrimination</td>
<td>Supplier training</td>
<td>Unscheduled</td>
<td>RBA Code of Conduct, training record</td>
</tr>
<tr>
<td>Community/ non-profit organizations</td>
<td>Community engagement</td>
<td>Charity events through foundation</td>
<td>Unscheduled</td>
<td>Event plans, photos</td>
</tr>
<tr>
<td>Community/ non-profit organizations</td>
<td>Environmental protection</td>
<td>CSR Report</td>
<td>Once a year</td>
<td>Report content</td>
</tr>
<tr>
<td>Community/ non-profit organizations</td>
<td>Climate change</td>
<td>Compliance/ISO standards</td>
<td>Unscheduled</td>
<td>Certificates and reports</td>
</tr>
</tbody>
</table>

**Identification and response of material topics**

Lanner gathers a wide range of sustainability indicators to serve as measurement for best CSR practices. We have also determined our material topics by adopting a 4-step process: Identification, Prioritization, Validation, and Review.

**Step 1: Identification**

The Corporate Sustainability Committee holds a series of internal meetings and compiles a list of relevant topics based on GRI Standards, SDGs, TCFD principles, TWSE’s Corporate Governance Evaluation criteria, WEF Global Risks Report 2021, and local and foreign ESG award criteria, CSR assessment standards, and sustainability indicators that deserve to be addressed in the sustainability report.

**Step 2: Prioritization**

In this stage, we adopted the 4 principles of GRI Standards to rank relevant topics by their significance.

1. Stakeholder Inclusiveness: The reporting organization shall identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

2. Sustainability Context: The report should disclose the organization’s improvements and mitigation measures taken to address local or global economic, environmental and social trends over the long term.

3. Materiality: The report shall cover topics that reflect the reporting organization’s significant economic, environmental, and social impacts, or substantively influence the assessments and decisions of stakeholders.

4. Completeness: Material topics should be disclosed with defined scope, boundary, and timing; information should be presented in an appropriate manner.

**Step 3: Validation**

We performed internal validation to improve the quality of information disclosed, and in doing so deliver the six requirements of GRI Standards on Accuracy, Balance, Clarity, Comparability, Reliability, and Timeliness.

**Step 4: Review**

Once the sustainability report has been published, the Company will continue gathering stakeholders’ feedback, so as to prepare for the next reporting cycle.
The pandemic between 2020 and 2021 has stimulated digital transformation in the business world and society at such a fast rate that cybersecurity risks have begun to surface. In light of this development, Lanner has identified “Cybersecurity” as a material topic since 2020 and began addressing issues that are relevant to the stability and risks of operations, such as: economic performance, indirect economic impacts, training and education, effluents and waste, anti-corruption, employment, labor-management relations etc. have been consolidated to maintain focus on certain issues. Through a series of selection and focus, we have identified material topics and boundaries for 2021.

Material topics matrix of Lanner Electronics - 2021

Material topics and aspect boundaries

<table>
<thead>
<tr>
<th>Rank</th>
<th>Material topic</th>
<th>Importance to corporate operations</th>
<th>Stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Innovative product</td>
<td>(1) Through research and development of innovative products, employees not only are able to improve professional skills, accumulate project experience, and develop internal as well as external communication/coordination of the project team, but also minimize the time and risks associated with future R&amp;D projects. (2) 5G brings potentials such as cloud computing and virtualization that allow carriers to forgo a close-ended system and instead adopt a hyper-converged dynamic programmable system can be adopted as part of the network infrastructure. This presents Lanner with the opportunity to market solutions directly to carriers under its own brand, which reduces operating cost for carriers while raising awareness and profitability of brand Lanner. (3) Through proprietary development of whitebox solutions for 5G networking, Lanner hopes to contribute to the growth of 5G industry in Taiwan and support downstream applications and services such as video streaming, unmanned vehicles, VR/IR, Industrial Internet of Things etc. (4) Making entry into the 5G market and increasing market share help maintain competitiveness and the technological capacity needed to sustain operations.</td>
<td></td>
</tr>
<tr>
<td>Rank</td>
<td>Material topic</td>
<td>Importance to corporate operations</td>
<td>Stakeholders</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>2</td>
<td>Cybersecurity</td>
<td>Lanner is fully aware of the cybersecurity risks associated with the industry and has devised defensive plans to protect information against improper use, leakage, unauthorized modification, corruption, external influence, and attack, whether due to human error or natural disaster, and therefore ensure business continuity. By controlling the use of USB devices and promoting cybersecurity awareness, the Company takes the initiative to reduce risk of disaster and strengthen customers' trust.</td>
<td>Employees: ●●●●, Investors: ●●●, Customers: ●, Suppliers: ●, Community: ●●●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>3</td>
<td>Corporate governance</td>
<td>Lanner enforces sound corporate governance for the long-term value and best interest of the organization as well as shareholders. Motivated by goals toward environmental protection, social care, human culture, and economic performance, the Company strives to protect the interests of all stakeholders and makes ongoing improvements to business performance.</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>4</td>
<td>Talent development, sourcing, and retention</td>
<td>&quot;A progressive learning environment is key to business success.&quot; Lanner offers a broad diversity of training courses from orientation, general knowledge, specialized skills, managerial skills, self-inspiration to online learning to ensure that every employee has the means to fulfill their desired career path. The Company also encourages employees to compete internationally and expand their visions through practice.</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>5</td>
<td>Occupational safety and health</td>
<td>&quot;Employees are the most important advantage to the Company.&quot; In order to realize its corporate visions and targets, Lanner is wholly committed to building a strong corporate culture of safety and enforcing occupational safety and health management as means to promote employees' physical and mental health in all aspects.</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>6</td>
<td>Compliance</td>
<td>Compliance is a prerequisite for sustainable growth, one that Lanner upholds by adhering strictly to proper commercial practices and ethics, anti-corruption rules, and social/environmental regulations. In doing so, the Company hopes to develop good corporate culture and create an environment that enables businesses to thrive.</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>7</td>
<td>Climate change</td>
<td>Climate change-related risks and opportunities now pose a major concern for the sustainable growth of all businesses. Through careful assessment, management, and mitigation of risks, Lanner plans to adapt to climate changes by increasing the efficiency at which energy is used.</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>8</td>
<td>Non-discrimination</td>
<td>Lanner envisions a harmonic, efficient, and friendly environment, and is dedicated to developing an employment system that addresses employees’ interests, human rights, and best work practices. The Company also cares for employees’ physical and mental health, and eliminates all forms of discrimination in the workplace.</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
<tr>
<td>9</td>
<td>Social engagement</td>
<td>Sustainability lies at the heart of Lanner’s business philosophy. Inspired by the idea of giving back to the society, Lanner has devoted significant efforts into charity service for the local community, and by participating in and caring for social affairs, we hope to grow alongside our neighbors and contribute to the sustainability of the environment, the society, and the economy</td>
<td>Employees: ●, Investors: ●, Customers: ●, Suppliers: ●, Community: ●, Non-profit organizations: ● ● ●</td>
</tr>
</tbody>
</table>
## Management approach and assessment of material topics

<table>
<thead>
<tr>
<th>Rank</th>
<th>Material topic</th>
<th>Management approach and policies</th>
<th>Evaluation and performance of management approach</th>
<th>Goal</th>
<th>Corresponding GRI standard</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Innovative product</td>
<td>(1) Ultra-low latency 5G and MEC platform development project</td>
<td>(1) Through development of MEC platforms and by working with telecom carriers to create a versatile yet price-competitive 5G network system, the Company aims to disrupt the oligopolistic competition currently dominated by large, international brands, while at the same time reduce the high cost of deployment. (2) A hyper-converged dynamic programmable system not only provides advanced networking functions to customers and operators, but also connects to multiple data points for total system management. (3) Being one of the first industrial computer suppliers to pass ISO 26262 certification, Lanner will be directing resources into creating reliable and high-performance edge computing platforms for vehicles, with particular regards to minimizing latency, using AI for assisted computing, and increasing the accuracy of environmental detection and prediction algorithms of the self-driving system. (4) Networking/communication product - NCA-1020 series won the 29th (2021) Taiwan Excellence Award. The small size design of NCA-1020 allows it to be carried inside a mobile medical kit, and by utilizing LTE connection, it brings high-quality remote healthcare service to remote locations. (5) Lanner Electronics has R&amp;D teams stationed in Taipei, Hsinchu, and Beijing; the Company commits enormous amount of budget into product R&amp;D each year, and gained 14 patents in 2021 alone.</td>
<td>Enhanced R&amp;D capacity, innovative patent research</td>
<td>Self-defined topic</td>
<td>P 16 Critical technical service</td>
</tr>
<tr>
<td>2</td>
<td>Cybersecurity</td>
<td>(1) Employee user account and password rules</td>
<td>(1) Employees are required to set passwords for their user accounts using a 12-digit combination or longer of alphanumeric characters. Passwords must be changed once every three months and cannot repeat any of the last three passwords. User accounts will be locked for at least 30 minutes after 3 consecutive account name or password errors. (2) Screen savers on all employees’ terminals have been configured to activate after 10 minutes of inactivity, and can only be disabled with password. (3) Access to USB drives, memory cards, and optical disc write-in has been restricted, and anti-virus software is installed on all computers to prevent intrusion, loss of important business information, and violation of customers’ privacy. Removal of restriction for work requirements is subject to the President’s approval before execution. (4) The cybersecurity policy is being promoted throughout the organization over the digital learning platform.</td>
<td>These measures are intended to protect information again improper use, leakage, and unauthorized modification, whether due to human error, natural disaster, external risk etc., that may pose</td>
<td>GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data</td>
<td>P 39 Cybersecurity strategy</td>
</tr>
<tr>
<td>Rank</td>
<td>Material topic</td>
<td>Management approach and policies</td>
<td>Evaluation and performance of management approach</td>
<td>Goal</td>
<td>Corresponding GRI standard</td>
<td>Page</td>
</tr>
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<td>------</td>
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<td>-----------------------------------------------</td>
<td>------</td>
<td>---------------------------</td>
<td>------</td>
</tr>
</tbody>
</table>
| 3    | Corporate governance | (1) Protect shareholders’ rights and interests  
(2) Strengthen the functionality and authority of board of directors  
(3) Enhance the role of supervisors  
(4) Maintain open communication channel and respect the rights and interests of stakeholders.  
(5) Enhance information transparency to ensure that material information can be disclosed in a timely and adequate manner. | (1) The Company convenes shareholder meetings once a year. The 2021 shareholder meeting was held on July 26 in Xizhi District, New Taipei City; this meeting allowed exercise of voting rights using electronic method.  
(2) The board consisted of 7 directors including 2 independent directors in 2021, one of whom was female. Board members were elected after taking multiple factors into consideration, including: decision-making capability, management skills, analytical skills in accounting and finance, crisis management, and industry knowledge.  
(3) The Company has complied with "Securities and Exchange Act" and created two supervisor positions, whose responsibilities are to audit business performance, financial position, execution of duties by employees, and investigation of illegal and negligent conducts.  
(4) The Company engages each category of stakeholders with a different approach. After gathering information on stakeholders’ concerned issues, a sustainability report is published to disclose the organization's policies, management approaches, and performance in economic, environmental, and social aspects.  
(5) The Company supports independence of the Remuneration Committee, makes transparent disclosures of director/supervisor compensation, and enforces board performance evaluation and board compensation reviews.  
(6) The Company ranked in the 4th tier (36% - 50%) of TWSE’s 8th (2021) Corporate Governance Evaluation | Steps are being taken to ensure effective functioning of the board and protection of all stakeholders’ interests. | Self-defined topic | P 26 Corporate governance |
| 4    | Talent development, sourcing, and retention | (1) Enhance communication with employees through the use of employee satisfaction survey  
(2) Improve managers’ management skills through the “manager training roadmap”  
(3) Build a learning organization and increase training hours for indirect labor (IDL).  
(4) In addition to classroom courses, the Company also promotes e-learning as a way to learn without the constraint of time and location.  
(5) Courses of alternative focus are being introduced to help employees achieve work-life balance and skill diversification.  
(6) The Company offers competitive and market-leading compensations and benefits | (1) Lanner conducts annual employee satisfaction surveys as a means to “communicate with employees,” “gather opinions and feedbacks,” and “improve management approach,” which complements the Company’s PDCA cycle. Opinions gathered from the survey will provide references for future directions and improvements.  
(2) A manager training roadmap supported by systematic training and compulsory/optional courses has been implemented, giving managers the ability to develop management skills and common language for the duties involved.  
(3) In 2021, the IDL program delivered 8,910 hours of training to 524 people in total, averaging 17.01 hours per person.  
(4) E-newsletters are issued over the digital learning platform on an unscheduled basis to keep employees updated and allow them to learn from current affairs. A total of 8 e-newsletters were issued in 2021.  
(5) The Company organizes a variety of charity/art/human culture courses on an unscheduled basis, such as: New Year Floral Craft Course, pineapple cake-making, Summer Parental Reading etc. These diverse activities were intended to improve employees’ lifestyle, taste, and happiness, and received approximately 250 enrollments in total in 2021.  
(6) The Company adjusts employees’ salaries in April each year after taking into consideration various factors including operating performance, change in minimum wage, consumer price index, the market salary level, and employees’ past performance. | A complete assessment, training, welfare, and compensation system has been implemented for effective talent retention | GRI 404-1 Average hours of training per year employee  
GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | P 76 Human resource policy |
<table>
<thead>
<tr>
<th>Rank</th>
<th>Material topic</th>
<th>Management approach and policies</th>
<th>Evaluation and performance of management approach</th>
<th>Goal</th>
<th>Corresponding GRI standard</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Occupational safety and health</td>
<td>(1) Enforcement of tier-based health management (2) Reducing workers' operating hazards and risks (3) Promotion of healthy workplace (4) Enforcement of occupational safety and health training</td>
<td>(1) Monitor and assess workers' work environment as well as risk exposure, and improve hazard controls to provide workers with a more comfortable and healthy work environment. (2) All new organic solvents introduced to production must be analyzed, evaluated, and discussed for potential risks during storage, use, and disposal. Adequate control measures and protections should then be implemented to minimize risk of accident, and reduce or prevent adverse impact on employees' health. (3) The Company advocates proper prevention of communicable disease, tracks vaccination progress, and monitors and cares for workers' health on a regular basis. Regular and special health checkups are being arranged in accordance with the Occupational Safety and Health Act.</td>
<td>The Company enforces occupational safety training, accident management, health checkup, and medical service to create a work environment of low injury rate and low absenteeism</td>
<td>GRI 403-8 Workers covered by an occupational health and safety management system</td>
<td>P 93 Occupational safety and health</td>
</tr>
<tr>
<td>6</td>
<td>Compliance</td>
<td>(1) Adhere to corporate governance principles (2) Conform with RBA guidelines (3) Zero violation (4) Regularly identify applicable laws</td>
<td>(1) Shareholders elect a board of directors, and functional committees are assembled under the board to support directors' duty. (2) New recruits are required to sign commitments to integrity behavior and anti-corruption when reporting to duty, and must be re-trained on a yearly basis to enhance ethical awareness. (3) Lanner was not fined for any violation of economic, environmental, or social regulation in 2021, and neither was it involved in any legal suit concerning anti-competitive, anti-trust, or monopolistic behavior. (4) The Company evaluates compliance with Occupational Safety and Health Act, Fire Services Act, Ionizing Radiation Protection Act, applicable environmental protection laws, and customers' requirements, and in doing so ensures compliance of its operations.</td>
<td>Monitor and ensure compliance with the latest regulations in a timely manner</td>
<td>GRI 307-1 Non-compliance with environmental laws and regulations GRI 419-1 Non-compliance with laws and regulations in the social and economic area</td>
<td>P 34 Compliance and performance</td>
</tr>
<tr>
<td>7</td>
<td>Climate change</td>
<td>(1) Development of innovative wide temperature range products (2) Development of climate change backup plans (3) Execution of climate change mitigation actions</td>
<td>(1) Products featuring industrial wide temperature range standards such as R6S, LEC-6032C, and ISD-O370 have been developed in response to extreme climate. (2) Lanner has established collaborative relationships and signed outsourcing contracts with key manufacturers in Taiwan to designate them as backup factories. In the event of a disaster, their production capacity will help Lanner sustain operations. (3) Lanner contributes to the mitigation of climate change by supervising energy and carbon reduction within the organization, and surveying greenhouse gas on a voluntary basis.</td>
<td>Develop energy-efficient products, enforce green laws, and implement third-party certification for supply chain</td>
<td>GRI 305-5 Reduction of GHG emissions</td>
<td>P 41 Environmental policy</td>
</tr>
<tr>
<td>Rank</td>
<td>Material topic</td>
<td>Management approach and policies</td>
<td>Evaluation and performance of management approach</td>
<td>Goal</td>
<td>Corresponding GRI standard</td>
<td>Page</td>
</tr>
<tr>
<td>------</td>
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<td>---------------------------------</td>
<td>-----------------------------------------------</td>
<td>------</td>
<td>---------------------------</td>
<td>------</td>
</tr>
<tr>
<td>8</td>
<td>Non-discrimination</td>
<td>(1) Ensure that all worker-related policies and management practices conform with human rights and principles of justice. &lt;br&gt;(2) Lanner strives to maintain a gender-equal workplace and enforce gender-equal treatments.</td>
<td>(1) There was no incident of child labor, slavery, labor trafficking, or forced labor in 2021. Corresponding amendments have been made to the employee handbook, and more emphasis is being placed on foreign workers` wellbeing by respecting religious activities, returning agency commissions, enhancing communication, and providing compliant dormitories. &lt;br&gt;(2) Lanner strives to provide equal pay and equal opportunities for employees engaged in the same line of work. Lanner caters to the human rights and equal employment opportunities of female workers, and has implemented a &quot;Feminine Health Protection Program&quot; in accordance with Article 31 of &quot;Occupational Safety and Health Act.&quot;</td>
<td>Enforce workers' rights in accordance with RBA's worker standards &lt;br&gt;Create a gender-equal and friendly workplace</td>
<td>GRI 405-1 Diversity of governance bodies and employees &lt;br&gt;GRI 405-2 Ratio of basic salary and remuneration of women to men &lt;br&gt;GRI 406-1 Incidents of discrimination and corrective actions taken</td>
<td>P 88 Employees' rights</td>
</tr>
<tr>
<td>9</td>
<td>Social engagement</td>
<td>(1) Values of UN SDGs are being enforced within the organization &lt;br&gt;(2) Values of UN SDGs are being conveyed outside the organization and into the campus, thereby bringing sustainability values into living activities and studies &lt;br&gt;(3) Lanner Culture and Education Foundation has been established to execute sustainability issues in social and environmental aspects.</td>
<td>(1) The Company publishes sustainability report on a yearly basis, regularly discloses non-financial performance to the public, and takes actions toward achieving its corporate vision and sustainability. &lt;br&gt;(2) Lanner participated in the &quot;Promotion Program for International Education and UN SDGs in New Taipei City,&quot; during which it invited certified instructors to teach students on SDGs using board game - &quot;My Formosa&quot; as the teaching material. &lt;br&gt;(3) Lanner Culture and Education Foundation executes projects through four main themes, namely &quot;Education,&quot; &quot;Culture,&quot; &quot;Localization,&quot; and &quot;Decency,&quot; in collaboration with local government agencies and non-profit organizations.</td>
<td>The foundation also enforces corporate social responsibilities on multiple aspects including: care for the underprivileged, arts and human culture education, sustainable environment, and talent training.</td>
<td>GRI 413: Local Communities</td>
<td>P102 Social care</td>
</tr>
</tbody>
</table>
Environmental friendliness and green products

- 2022: Eco-friendly Design
- 2023: ISO50001 Energy Management
- 2024: Energy Storage
- 2025: Green Power Kick-off
- 2026: ESG Rating
- 2027: ISO14067 Carbon Footprint
- 2028: RE100 – 30%
- 2029: RE100
- 2030: Net Zero
- 2031: GHG / ISO14064-1
- 2032: ISO50001 Energy Management
- 2033: Eco-friendly Design
- 2034: Net Zero
- 2035: GHG / ISO14064-1

Net Zero
Motivated by the idea of protecting the environment and giving back to society, Lanner actively promotes green products and has created an environmental safety and health management system in accordance with ISO14001 and ISO45001 standards. From product, raw materials, production, prohibition of hazardous substances to waste management, the Company complies strictly with relevant rules and requirements and lives up to its commitment as a green enterprise.

1 \ Governance: Lanner has a specialized legal affairs department that is responsible for consolidating laws, rules, and requirements on producers' liabilities from various countries in the EU, and ensuring that products do conform with RoHS directives and standards of relevant countries before they are sold.

2 \ Product: Energy efficiency and environment friendliness are taken into consideration and strictly enforced during product design and manufacturing. The Company adopts environment-certified production procedures and strives to reduce use of hazardous substances, while making sure that all products and production procedures do conform with relevant standards and laws.

3 \ Management: The Company has passed certification for ISO 14001 - Environmental Management System and IECQ QC080000 - Hazardous Substance Process Management, and complied with RoHS, REACH, and WEEE directives and the 3R principles.

Environmental friendliness and green products

Raw material control practices that conform with RoHS and REACH

RoHS:

RoHS is a set of mandatory standards imposed by the EU that took effect on July 1, 2006. On June 4, 2015, the EU announced Directive (EU) 2015/863 that included an amendment to Annex II - Restriction of Hazardous Substances of RoHS Directive 2011/65/EU. The standard is mainly to regulate the quality of materials and technology in electronic and electrical products for better protection of health and the environment. The purpose of the standard is to eliminate the presence of lead (Pb), mercury (Hg), cadmium (Cd), hexavalent chromium (Cr6+), polybrominated biphenyls (PBBs), polybrominated diphenyl ethers (PBDEs), and 4 phthalates (DEHP, BBP, DBP, DIBP) for a total of 10 toxic/hazardous substances.

This raw material retake system requires support from suppliers, which is why we have implemented "Supplier Commitment to Refrain Use of Prohibited and Restricted Substances" in 2017 that requires suppliers to disclose 2 major details: (1) "Material weight," and (2) Exact figures to the third decimal place, e.g.: 0.001g. The Company requires all raw material suppliers to sign "Supplier Commitment to Refrain Use of Prohibited and Restricted Substances," and has recovered signed documents from 100% of suppliers.

List of substances restricted under EU RoHS Directive and amendments

<table>
<thead>
<tr>
<th>Restricted substances</th>
<th>Limit</th>
<th>Directive requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead (Pb)</td>
<td>0.1% (1000 ppm)</td>
<td>2011/65/EU</td>
</tr>
<tr>
<td>Cadmium (Cd)</td>
<td>0.01% (100 ppm)</td>
<td></td>
</tr>
<tr>
<td>Mercury (Hg)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
<tr>
<td>Hexavalent Chromium (Cr6+)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
<tr>
<td>Polybrominated biphenyls (PBBs)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
<tr>
<td>Polybrominated diphenyl ethers (PBDEs)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
<tr>
<td>Bis (2-ethylhexyl) phthalate (DEHP)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
<tr>
<td>Butyl benzyl phthalate (BBP)</td>
<td>0.1% (1000 ppm)</td>
<td>(EU) 2015/863</td>
</tr>
<tr>
<td>Dibutyl phthalate (DBP)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
<tr>
<td>Diisobutyl phthalate (DIBP)</td>
<td>0.1% (1000 ppm)</td>
<td></td>
</tr>
</tbody>
</table>
REACH Substances of Concern in Products (SCIP):

The European Union published Directive (EU) 2018/851 and updated Directive 2008/98/EC on May 30, 2018. The updated Directive 2008/98/EC mentions that "Member State shall promote the reduction of the content of hazardous substances in materials and products, without prejudice to harmonised legal requirements concerning those materials and products laid down at Union level, and ensure that any supplier of an article provides the information pursuant to Article 33(1) of REACH to the European Chemicals Agency (ECHA) from 5 January 2021." For this reason, sellers are required to upload relevant information onto ECHA's SCIP database of any article sold on the EU market that contains more than 0.1% w/w concentration of substance of very high concern (SVHC) starting from January 5, 2021.

The Company has complied with regulatory requirements by requesting suppliers to investigate articles for SVHC content exceeding 0.1% w/w concentration and providing relevant details to customers.

In addition, we conduct random inspections on our raw materials using XRF by following our "Input Material Inspection Procedures." Below is a description of the test categories and test standards involved:

<table>
<thead>
<tr>
<th>Restriction Substance (Full name)</th>
<th>Restriction Substance</th>
<th>Content (wt% or ppm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead and lead compounds</td>
<td>Pb</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Cadmium and cadmium compounds</td>
<td>Cd</td>
<td>&lt; 100 PPM</td>
</tr>
<tr>
<td>Mercury and mercury compound</td>
<td>Hg</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Hexavalent chromium</td>
<td>Cr 6+</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Polybrominated biphenyls</td>
<td>PBB</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Polybrominated diphenyl ethers</td>
<td>PBDE</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Diisobutyl phthalate</td>
<td>DIBP</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Bis(2-ethylhexyl) phthalate</td>
<td>DEHP</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Dibutyl phthalate</td>
<td>DBP</td>
<td>&lt; 1000 PPM</td>
</tr>
<tr>
<td>Butyl benzyl phthalate</td>
<td>BBP</td>
<td>&lt; 1000 PPM</td>
</tr>
</tbody>
</table>
We also have “Production Testing Procedures” in place to control the presence of hazardous substances in our production process. IECQ QC080000 is implemented throughout all factories, and managers are adequately trained to monitor and control all production procedures that contain possible contaminants such as Pb, Sn, and halogen.

A printed circuit board assembly (PCBA) line typically involves mounting electronic components onto PCB using solder paste, a process known as Surface Mount Technology (SMT). To ensure “lead-free process,” the Company invested in the purchase of Lead Free certified reflow oven.

The solder paste used for surface mount technology (SMT) also conforms with RoHS requirements.

Lanner Electronics observes requirements of the EU and prohibits the use of chemicals that contain hazardous substance - n-hexane. In addition to conducting thorough checks on the presence of such substance, the Company has also replaced cleaning agent C-300 with TD-15 that does not contain n-hexane, and in doing so assures the quality of production procedures as well as the safety of factory plant personnel.
Compliance with WEEE

The European Union first announced the WEEE (Waste Electrical and Electronic Equipment) Directive out of concern that electronic and electrical equipment are the fastest growing source of waste in the EU, and that they contaminate the soil and groundwater with hazardous substances, posing threats to consumers’ health. The purpose of WEEE is to reduce the volume of e-waste, promote sustainable production and consumption, improve environmental protection performance of electronic/electrical equipment throughout the entire life cycle, and encourage reuse, recycling and recovery of electronic and electrical equipment. To promote WEEE awareness, we will be introducing a special column titled "E-waste Treatment" that brings the public’s attention to the pressing issue of e-waste recycling.

WEEE demands manufacturers/suppliers of the 6 main categories of electrical and electronic products circulating in the EU to assume responsibility for the recycling and reuse of E-waste through a preventive approach, and thereby maintain, protect and improve the current environment as well as human health. WEEE also promotes reasonable and cautious use of natural resources. WEEE mainly regulates manufacturers and recyclers, and holds Lanner responsible for proper treatment of electrical and electronic products, as well as ensuring that used products are recycled at the percentage specified by WEEE. Through reuse and recycling, WEEE aims to minimize the volume of waste produced.

Adherence to the 3R principles

As an electronics manufacturer, Lanner actively explores ways to reduce use of raw materials and resources. In conformity with WEEE and industry trends, we introduced a raw material inventory retake system in 2017 that enables us to classify raw materials instantaneously into (1) Reuse, (2) Recycling, and (3) Recovery categories.

▼ WEEE 2012/19/EU-Definitions

<table>
<thead>
<tr>
<th>Reuse</th>
<th>Recycling</th>
<th>Recovery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operation by which WEEE or components thereof are used for the same purpose for which they were conceived, including the continued use of the equipment or components thereof which are returned to collection points, distributors, recyclers, or manufacturers.</strong></td>
<td>Reprocessing in a production process of the waste materials for the original purpose or for other purposes.</td>
<td>Any of the applicable operations provided for in Annex IIB to Directive 75/442/EEC</td>
</tr>
<tr>
<td>Power Supply</td>
<td>Packing</td>
<td>PCB</td>
</tr>
<tr>
<td>HDD</td>
<td>SHEET METAL/ METAL</td>
<td>Resistor</td>
</tr>
<tr>
<td>DRAM MODULE</td>
<td>Plastic</td>
<td>Transistor</td>
</tr>
<tr>
<td>Adapter</td>
<td>Rubber</td>
<td>Capacitor</td>
</tr>
<tr>
<td>Fan</td>
<td>Manual</td>
<td></td>
</tr>
<tr>
<td>Assembly CPU</td>
<td>Heat SINK</td>
<td></td>
</tr>
<tr>
<td>Cable</td>
<td>BIOS Sticker</td>
<td></td>
</tr>
<tr>
<td>Ethernet Card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flash Card</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3-2 Energy/resource management

Energy consumption is a main cause of climate change, because the combustion of non-renewable fuel creates greenhouse gas (GHG) among other environmental impacts. Making efficient use of energy is key to mitigating climate changes, and is a goal we strive to achieve by continually improving our production procedures. Furthermore, we monitor water usage on a yearly basis by gathering data on water consumption. Water consumption in 2020 was higher due to the pandemic. The Company used 13,918 cubic meters of water in 2021, which averaged 19.07 cubic meters per person.

Energy consumption and CO2 emissions statistics in the past three years

<table>
<thead>
<tr>
<th>Year</th>
<th>Plant</th>
<th>Total power consumption Jan-Dec (Unit: kWh)</th>
<th>Joule (Unit: million)</th>
<th>CO (Unit: tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Zhongxing Plant</td>
<td>1,224,842</td>
<td>4,409,431</td>
<td>652.84</td>
</tr>
<tr>
<td></td>
<td>Datong Building B</td>
<td>3,184,131</td>
<td>11,462,872</td>
<td>1,697.14</td>
</tr>
<tr>
<td></td>
<td>Datong Building C</td>
<td>665,026</td>
<td>2,394,094</td>
<td>354.46</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5,073,999</td>
<td>18,266,397</td>
<td>2,704.44</td>
</tr>
<tr>
<td>2020</td>
<td>中興廠</td>
<td>1,212,406</td>
<td>4,364,662</td>
<td>617.12</td>
</tr>
<tr>
<td></td>
<td>Datong Building B</td>
<td>3,435,556</td>
<td>12,368,002</td>
<td>1,748.69</td>
</tr>
<tr>
<td></td>
<td>Datong Building C</td>
<td>670,422</td>
<td>2,413,520</td>
<td>341.24</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5,318,384</td>
<td>19,146,184</td>
<td>2,707.05</td>
</tr>
<tr>
<td>2021</td>
<td>Zhongxing Plant</td>
<td>1,211,936</td>
<td>4,362,970</td>
<td>608.39</td>
</tr>
<tr>
<td></td>
<td>Datong Building B</td>
<td>3,364,416</td>
<td>12,111,898</td>
<td>1,688.94</td>
</tr>
<tr>
<td></td>
<td>Datong Building C</td>
<td>726,770</td>
<td>2,616,372</td>
<td>364.84</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>5,303,122</td>
<td>19,091,239</td>
<td>2,662.17</td>
</tr>
</tbody>
</table>

*Note:
1. 1 KwH = 1 kilowatt x 3600 seconds = 3,600,000 joules
2. 1 kWh = 0.509 kg of CO2 (based on the 2019 emission coefficient of electricity published by Bureau of Energy, Ministry of Economic Affairs)
Water usage per person per plant site (unit: cubic meters)

<table>
<thead>
<tr>
<th>Year</th>
<th>Water usage by plant site</th>
<th>Total water</th>
<th>Total employee</th>
<th>Average water</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Zhongxing Plant</td>
<td>Datong Building B</td>
<td>Datong Building C</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3,285</td>
<td>7,030.4</td>
<td>2,581</td>
<td>12,896.4</td>
</tr>
<tr>
<td>2020</td>
<td>3,232</td>
<td>6,632.7</td>
<td>3,708.3</td>
<td>13,573.0</td>
</tr>
<tr>
<td>2021</td>
<td>3,924</td>
<td>6,597.4</td>
<td>3,397.4</td>
<td>13,918.8</td>
</tr>
</tbody>
</table>

*Note: Total water used per plant site = Total cubic meters used by plant building x (number of units occupied by the Company / total units of plant building)*

Greenhouse gas survey and reduction performance

As part of the Company’s commitment to environmental protection, we have set goals to reduce overall GHG emission progressively over the long term, specifically: to reduce GHG emission intensity (total GHG emission / revenues) annually by 3%.

Outcomes of greenhouse gas self-surveys in the last three years are presented below; all of which had met performance targets.

<table>
<thead>
<tr>
<th>Year</th>
<th>Greenhouse gas emission survey (Unit: kg/per NT$1,000 of revenue)</th>
<th>Carbon reduction percentage compared to the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.49</td>
<td>5.8%</td>
</tr>
<tr>
<td>2020</td>
<td>0.47</td>
<td>4.1%</td>
</tr>
<tr>
<td>2021</td>
<td>0.44</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

Energy intensity in the last 3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Energy intensity (Unit: kWh/per NT$1,000 of revenue)</th>
<th>Energy intensity reduction percentage compared to the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1.01</td>
<td>-7%</td>
</tr>
<tr>
<td>2020</td>
<td>0.92</td>
<td>9%</td>
</tr>
<tr>
<td>2021</td>
<td>0.88</td>
<td>4%</td>
</tr>
</tbody>
</table>
Greenhouse gas reduction and environmental protection measures

Lanner has established an environmental management system in accordance with ISO14001 standards to monitor waste and abnormalities in raw materials, production procedures, products, activities, facilities, services, and waste treatment. This system has proven effective in managing negative environmental impact, minimizing potential hazards to employees, equipment, and property, and improving overall environment, safety and health.

The Company is dedicated to environmental protection and has long been implementing a greenhouse gas reduction program. In addition to the redesign of air conditioning equipment and establishment of environmental, safety, and health standards mentioned above, the Company also replaced lighting equipment with LED alternatives in 2019, takes detailed count and renews IT servers on a yearly basis, and implements a variety of measures such as lights out during lunch break, thermostat setting etc. to bring energy and carbon reduction actions into employees’ daily activities.

In 2021, Lanner Culture and Education Foundation organized the Walk for Cats event, which combined lottery with charity as ways of encouraging employees to walk instead of taking elevators and public transport. Through this event, the Company hopes to inspire everyone toward contributing to climate change. Details of this campaign have been explained in P101.

▼ Energy saving performance of LED Lighting replacement in 2019

<table>
<thead>
<tr>
<th>Location of replacement</th>
<th>Form</th>
<th>Count</th>
<th>Before improvement (Unit: ampere)</th>
<th>Before improvement (Unit: ampere)</th>
<th>Potential Watt savings W/month (22 days*10H)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C7 Office</td>
<td>T5 Light steel frame</td>
<td>219</td>
<td>0.13</td>
<td>0.09</td>
<td>423,984</td>
</tr>
<tr>
<td>C6 Office</td>
<td>T5 Light steel frame</td>
<td>50</td>
<td>0.13</td>
<td>0.09</td>
<td>96,800</td>
</tr>
<tr>
<td>C5 Office</td>
<td>T5 Light steel frame</td>
<td>280</td>
<td>0.13</td>
<td>0.09</td>
<td>542,080</td>
</tr>
<tr>
<td>C5 DQE laboratory</td>
<td>Work lighting</td>
<td>26</td>
<td>0.23</td>
<td>0.19</td>
<td>50,336</td>
</tr>
<tr>
<td>B8 QA Office</td>
<td>T5 Light steel frame</td>
<td>85</td>
<td>0.13</td>
<td>0.09</td>
<td>164,560</td>
</tr>
<tr>
<td>Total number replaced</td>
<td></td>
<td>660</td>
<td>Total energy savings</td>
<td></td>
<td>1,277,760</td>
</tr>
</tbody>
</table>

▼ IT server replacements and renewals in the last 3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number replaced (Unit: systems)</th>
<th>Number renewed (Unit: systems)</th>
<th>Key points of renewal assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Replaced 14 systems</td>
<td>Renewed 5 systems</td>
<td>• The Company took count of MES &amp; PLM equipment that have been used for more than 8 years, and took actions to reduce risk of malfunction and maintenance cost.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Old servers had energy saving design only in the heat sink, whereas new servers have energy saving design in all aspects of the server.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Virtual machines are being used to replace outdated systems.</td>
</tr>
<tr>
<td>2020</td>
<td>Replaced 5 systems</td>
<td>Renewed 4 systems</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>Replaced 3 systems</td>
<td>Renewed 6 systems</td>
<td></td>
</tr>
</tbody>
</table>
Carbon reduction of chillers

Considering that efficiency of chiller pipelines is highly relevant to temperature control, Lanner has progressively implemented centralized pipe control and alternating activation of chiller since 2018 as ways to improve air conditioning performance and energy efficiency. These solutions were implemented on 7F and 5F in Building C and 9F in Building B in the last year, and on 4F in Building B in January 2021. Startup rate of the chiller internal pump and compressor was reduced by 50% after improvement; as tested, the chiller compressor requires 17A of startup current, including 3A for the pump, and actual startup rate was measured at 44%. Through alternating activation of chillers, the Company is able to ensure the stability of air conditioning performance without being susceptible to the malfunction of any single unit, and extend equipment life at the same time. Current energy-saving benefits are explained below:

- 9F on Block B may save energy by $2,720,952 \text{ W/month} = 2,721 \text{ kWh} = 1,384 \text{ kg CO2}$
- 5F on Block C may save energy by $1,790,712 \text{ W/month} = 1,790 \text{ kWh} = 911 \text{ kg CO2}$
- 4F on Block B may save energy by $1,593,446 \text{ W/month} = 1,593 \text{ kWh} = 811 \text{ kg CO2}$

*Note: 1 kWh of power is equivalent to 0.509 kg CO2*

Paper resource management

Lanner remains persistent in digitalizing internal documents, forms, and processes as a means to reduce paper waste. Training is being delivered via the digital learning platform, whereas digital slides are used in meetings and seminars to minimize paper. Double-sided printing is encouraged for information that contains neither personal data nor business secret. Office copying machines are maintained regularly by professional service providers. The Company also introduced a printing management system in 2017 with optimized processes to prevent wasteful prints and to help employees exercise more control over the use of printing equipment for improved work efficiency.

The Company supports the initiatives of the Forest Stewardship Council (FSC), and has been purchasing FSC™-certified paper since March 2020 to ensure that paper is not sourced in any way that exploits forest resources, the ecosystem, or the community. FSC is a responsible way to manage and protect the world’s forest resources, and a positive step towards mitigating the impacts of climate change. By the end of 2021, the Company had purchased 2,562 packs of FSC-certified paper in total.

Lanner saw a significant reduction in the number of prints following the introduction of print management system; energy saving effects are explained below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total prints</th>
<th>Paper savings (compared to the previous year)</th>
<th>Percentage of saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>695,965</td>
<td>24,437</td>
<td>3%</td>
</tr>
<tr>
<td>2020</td>
<td>694,236</td>
<td>1,729</td>
<td>0.25%</td>
</tr>
<tr>
<td>2021</td>
<td>586,817</td>
<td>107,419</td>
<td>15.47%</td>
</tr>
</tbody>
</table>
Lanner Electronics values the environmental friendliness of its manufacturing process, and controls every production stage using standards that are above requirement. By making ongoing improvements to overall quality, environmental impact, and management practices, we hope to provide the safest products and services at a reasonable price.

In order to achieve the long-term goal of “100% green power usage by 2050,” Lanner’s factories have devised short-term, yearly strategic targets between 2021 and 2023, and committed substantial efforts into improving production processes while at the same time adopt efficient computing, automation, and energy monitoring solutions to reduce energy wastage and improve operating efficiency.

Energy conservation campaigns were introduced into plant premise in 2021 to reduce energy consumption and care for the Earth’s environment.

Introduction of automated IC writer

The high level of automation improves write-in quality and prevents human interference and reworks. Writing time per IC was reduced from 12 seconds to 2.32 seconds, saving 10,480 hours of writing time and 10.48KW of power per year.

Write-in process

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Material collection</th>
<th>Manual placement</th>
<th>Staff selects programming file</th>
<th>Start programming</th>
<th>Paper records</th>
<th>Complete write-in Return to materials manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating time (SEC/piece)</td>
<td>0.3</td>
<td>5</td>
<td>0.06</td>
<td>1</td>
<td>0.3</td>
<td>6</td>
</tr>
</tbody>
</table>

Approximately 12 seconds in total
Introduction of smart materials rack

The equipment automatically picks out materials and calculates slow-moving inventory based on software-configured materials disbursement and storage rules. Automation not only increases efficiency, but also reduces labor cost, impairment of slow-moving materials, and overall cost of supplies.

Benefits of automated write-in

<table>
<thead>
<tr>
<th>Programming method</th>
<th>Manual programming</th>
<th>Automatic programming</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Per PCS</td>
<td>12</td>
<td>2.3</td>
</tr>
<tr>
<td>Total time (seconds)</td>
<td>6,000</td>
<td>1,160</td>
</tr>
<tr>
<td>Total time (minutes)</td>
<td>100</td>
<td>19.3</td>
</tr>
<tr>
<td>Result</td>
<td>Saves 80.7 minutes, increases efficiency by 5.2 times</td>
<td></td>
</tr>
</tbody>
</table>

- The computer can be configured to automatically pick out materials on a “first-in-first-out” basis.
- Automatically calculates slow-moving inventory based on software-configured materials disbursement/storage rules, which reduces impairment of slow-moving inventory.
- Improves workers' efficiency when storing, classifying, and preparing materials, and saves labor costs.

Effective control of materials disbursement and storage helps minimize impairment of slow-moving inventory and purchases.
Introducing smart meters

Smart meters were introduced in November 2021 to enable real-time monitoring of energy usage in production equipment. These smart meters monitor voltage, current, and carbon emission, and are a significant improvement over the conventional energy management system that does not analyze energy usage at the equipment level and cannot identify energy wastage caused by system anomalies. By providing data on energy usage, the smart meters help reduce energy wastage for energy-saving benefits.

- Real-time power consumption monitoring of each device

March 10, 2022  Floor B9  Floor B9  Current

- SMT line A (sub-meter 1 total/average)
- SMT line D (sub-meter 1 total/average)
- No. 1 air compressor (sub-meter 1 total/average)
- Line C reflow oven (sub-meter 1 total/average)
- Line A reflow oven (sub-meter 1 total/average)
- Line D reflow oven (sub-meter 1 total/average)
- No. 2 air compressor (sub-meter 1 total/average)
- SMT line C (sub-meter 1 total/average)
- DIP line B soldering furnace (sub-meter 1 total/average)
- DIP line A soldering furnace (sub-meter 1 total/average)
- Nitrogen air compressor (sub-meter 1 total/average)

- Monitoring and recording of daily carbon emission data

Real-time power consumption monitoring of each device.

March 10, 2022  Floor B9  Floor B9  Current

- SMT line A (sub-meter 1 total/average)
- SMT line D (sub-meter 1 total/average)
- No. 1 air compressor (sub-meter 1 total/average)
- Line C reflow oven (sub-meter 1 total/average)
- Line A reflow oven (sub-meter 1 total/average)
- Line D reflow oven (sub-meter 1 total/average)
- No. 2 air compressor (sub-meter 1 total/average)
- SMT line C (sub-meter 1 total/average)
- DIP line B soldering furnace (sub-meter 1 total/average)
- DIP line A soldering furnace (sub-meter 1 total/average)
- Nitrogen air compressor (sub-meter 1 total/average)
Replacement of air compressor

Energy intensive equipment will be gradually replaced to improve energy wastage. Replacement of 2 air compressors was planned in 2021 Q2 and completed in 2021 Q3, which effectively improved factory energy consumption. Since implementation in 2021 Q3, the Company had reduced energy consumption by 56,880 kWh as of 2021 Q4 year-on-year.

**Benefits of air compressor replacement**

<table>
<thead>
<tr>
<th>Location</th>
<th>Data range</th>
<th>2020 (Energy consumption before replacement)</th>
<th>2021 (Energy consumption after replacement)</th>
<th>Difference</th>
<th>Percentage of energy saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>B9</td>
<td>Q3 (Jul-Sep)</td>
<td>474,120</td>
<td>445,560</td>
<td>-28,560</td>
<td>6.02%</td>
</tr>
<tr>
<td></td>
<td>Q4 (Oct-Dec)</td>
<td>424,920</td>
<td>396,600</td>
<td>-28,320</td>
<td>6.66%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>899,040</td>
<td>842,160</td>
<td>-56,880</td>
<td>6.33%</td>
</tr>
</tbody>
</table>

Introduction of solder recycling machine

Introduction of “solder recycling machine” was planned in 2021 Q4 and is expected to be completed in 2022 Q3. Reusing solder waste helps reduce cost of supplies and lessen the pollution impact that recycling may have on the environment. Furthermore, physical recycling of solder does not affect the material’s quality, and is a contribution that the Company has made in accordance with ISO14001 (Environmental Management System).

**Solder recycling machine**

**Recycling and reuse of solder waste**

Solder waste

Solder bar after restoration
3-4 Waste treatment

In addition to reducing waste and pollution from production procedures, general industrial waste from living activities and non-contaminating consumables is reused where possible before handing over to certified treatment service providers. Non-reusable and hazardous waste is collected by professional service providers in a proper manner to prevent harm to employees or the environment. The Company reported general industrial waste of 51.76 tons and hazardous industrial waste of 4.4 tons in 2021, and no severe leakage or violation of environmental protection laws had occurred in the period reported.

▼ Lanner’s waste management practices

<table>
<thead>
<tr>
<th>Waste attribute</th>
<th>Waste category</th>
<th>Description</th>
<th>Treatment method</th>
<th>End-of-life treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>General waste</td>
<td>Aluminum cans</td>
<td>PET bottle, styrofoam, aluminum can etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Reuse, recycling</td>
</tr>
<tr>
<td></td>
<td>Paper</td>
<td>Newspaper, magazine, photocopying paper, printing paper, carton box, paper box etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Reuse, recycling</td>
</tr>
<tr>
<td></td>
<td>General glass</td>
<td>Beverage bottle etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Reuse, recycling</td>
</tr>
<tr>
<td></td>
<td>General plastics</td>
<td>Beverage bottle, waste container etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Reuse, recycling</td>
</tr>
<tr>
<td></td>
<td>Other recyclable resources</td>
<td>Battery, light tube, toner etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Solidified landfill</td>
</tr>
<tr>
<td></td>
<td>Kitchen waste recycling</td>
<td>Compost, animal feed etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Reuse, recycling</td>
</tr>
<tr>
<td></td>
<td>Waste from living activities</td>
<td>Office waste from living activities etc.</td>
<td>Administration committee’s partnered supplier, and certified treatment service provider</td>
<td>Reuse, recycling</td>
</tr>
<tr>
<td></td>
<td>General industrial waste</td>
<td>General paper, plastics, Styrofoam, PE foam</td>
<td>Certified treatment service providers</td>
<td>Reuse, recycling, incineration, solidified landfill</td>
</tr>
<tr>
<td>Hazardous industrial waste</td>
<td>Hazardous industrial waste</td>
<td>Waste PCB of accessory components, scrap materials, defective goods</td>
<td>Certified treatment service providers</td>
<td>Reuse, recycling, incineration, solidified landfill</td>
</tr>
</tbody>
</table>

*Note: End-of-life treatment includes reuse, recycling, compost, renewal, incineration (combustion), deep-well injection, landfill, and on-site storage

▼ Volume of hazardous industrial waste in the last 3 years (Unit: tons)

<table>
<thead>
<tr>
<th>Waste ID</th>
<th>Name</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-0221</td>
<td>Waste and dust of PCBs with metal content</td>
<td>6.21</td>
<td>4.3</td>
<td>4.4</td>
</tr>
<tr>
<td>E-0222</td>
<td>Waste PCB of accessory components</td>
<td>0.2</td>
<td>0.05</td>
<td>0</td>
</tr>
</tbody>
</table>

Total: 6.5, 4.35, 4.4
Energy-efficient and high expandability edge computing platform

In light of how 5G technology has made low-latency, high-capacity, and distributed multi-access edge computing (MEC) the trend of the future, Lanner and National Yang Ming Chiao Tung University have cooperated on the development of MEC architecture and next-generation fanless cooling system that can be used for a variety of applications from small cell, core network, telecommunication, energy to self-driving vehicles. The purpose of this collaboration is to explore ways to increase the flexibility and expandability of 5G network, which helps reduce establishment and maintenance cost of infrastructures. Considering that a large number of small cells will be deployed in harsh environments, a new fin has been designed to increase cooling efficiency and air flow for high-end processors.

In December 2021, Lanner exhibited and announced its next-generation Edge AI Platform for Accelerating OPEN RAN during NVIDIA GTC 2021. This new generation of telecommunication-grade edge computing platform (HTCA-E400) demonstrates how Fronthaul Gateway and CSR can be integrated into one machine. In March 2022, the two institutions completed proof of concept (PoC) for stage 1 development of their scalable MEC platform. The platform supports GPU acceleration computing with the goal of reducing operators' CapEX & OpEX costs.

Programmable MEC Solution

This platform makes use of Lanner’s HTCA-6600 edge computing server, which supports up to 12 Intel Xeon scalable processors, Barefoot’s Tofino programmable P4 Switch module, NoviFlow’s SDN platform (Orchestration), and Fortinet’s VNF. It offers advantages including programmable MEC, optimized information flow, and low-latency calculation of network capacity and resources. The product was shipped to large telecommunication equipment distributors and operators in North America in the third quarter of 2020, and is being used to handle distributed edge computing in conjunction with 5G technology. Compared to the conventional setup, this platform saves 89% in cost, occupies 75% less space, and saves 67% of energy. For uses of MEC in small server rooms and fanless environments, the Company has designed a high-efficiency cooling chassis that helps reduce greenhouse gas emission and energy consumption at the client end.
Remote monitoring of wastewater treatment

Wastewater treatment is a sophisticated process, one that requires robust and comprehensive channels and systems to monitor. Even a small malfunction such as a pipe leak would compromise the process and affect downstream customers and the surrounding environment. To address this issue, Lanner offers a remote monitoring solution that combines LEC-3034 processor with LTE connectivity. Having a small size, low power consumption, and being capable of operating within a wide temperature range (−40°C to 70°C), the solution helps manage wastewater treatment and handle the complicated water allocation process. Data on water temperature, pressure, flow, and PH is first collected using sensors and remote I/O, and then streamed to IIOT for edge computing. This allows real-time data to be collected from many points in a highly distributed water pipeline system, transmitted to a centralized SCADA system, and forwarded to the remote monitoring system. Customers can then monitor pipeline status in real time at their end and ensure that wastewater treatment functions properly while reducing the time spent on inspection, repairing leakage/corrosion, or clearing blockage.

Protecting renewable energy sources with infrastructure firewalls

In recent years, it is increasingly popular to see industry participants adopt IIoT technology as a way to optimize business operations, and power plants (including oil, natural gas, hydro, and wind power) are among them. To protect renewable energy plants against network threats and malicious attacks and to ensure that the network monitoring system operates non-stop to prevent accidental closure of factory as well as the adverse impacts it has on the environment and residents, two of France’s largest hydro electricity plants have teamed up with Lanner for the development of hardware-based monitoring and control systems. The NCA-4210, powered by Intel’s 6th/7th generation Core-i7 / i5 / i3 CPU and DDR4, operates as a DPI firewall between the control center and power plants for its low power consumption, high processing capacity, and expandability, and provides robust support to the operation of energy facilities.

In addition to DPI firewalls used in power plants, the Company also works with other globally reputable cybersecurity companies to introduce a complete set of protections from Enterprise Zone to Industrial Zone.
Farm of the Future project

Lanner joined the U.S. Rural Cloud Initiative in June 2020 and participated in the “Farm of the Future” project that incorporates a number of solutions including 5G, edge computing, image analysis, automation, and drones. This project adopts the use of Lanner’s multi-core computing hardware platform and is integrated with the service provider to perform real-time analysis of crop, weather, and environmental data. This project enables real-time monitoring and problem identification in rural areas that have no public network coverage without having to commit substantial investment into equipment, and has the potential to increase farming efficiency and profits by 10% or more.

The project won Network Transformation Awards and the 2020 Innovative Network Application Award from Layer123 SDN. In phase 1, the project was implemented on greenhouse farming to provide environmental data such as temperature and humidity, and to allow remote control of fans, heaters etc. as well as real-time monitoring and alerts. In phase 2, the project will be implemented at 2,300 farms across the United States; an automated platform will be adopted to monitor and control crop growth for improvements in terms of yield, cost, and resource consumption.

Support for emergency aid and remote healthcare

Lanner’s networking/communication product -NCA-1020 series won the 29th (2021) Taiwan Excellence Award. The product is a low power consumption, multi-core, and portable uCPE platform that can be carried in a mobile medical kit; it offers 3 wired connections as well as LTE connectivity in a fanless, ultra-thin chassis. The small structural design allows it to be placed inside a mobile medical kit, so that paramedics may connect and have the high-speed, stable, and secured connection needed to consult physicians remotely through high-quality video on rescue missions, and increase the chances of success.
Employee and social care

Lanner has created a safe, respected, ethical, equal, and diverse work environment where employees may grow and maximize their creative passion. We also invest substantially into talent training, compensation, welfare, health benefits, and occupational safety and health as a way to attract industry’s best talents. These initiatives have made Lanner one of the most preferred employers for job seekers and enabled the Company to stay competitive in global R&D.
Lanner’s human resources policy is tied closely to its corporate visions and strategies; it emphasizes corporate culture and value, and has profound influences on the organization’s culture and management approaches. The HR policy is supported with talent "selection, recruitment, education, and retention" measures to ensure the growth of talent base and the organization, and to inspire employees’ passion. As the Company expands globally, the HR policy provides guidance on the level of individual performance and competitiveness that employees are expected to achieve in order to support Lanner’s growth prospects and needs.

Employee composition

Lanner’s Taipei headquarters had more than 700 employees at the end of December 2021; distribution of employees’ duty, age, and gender is explained in the charts below. The Company observes gender equality principles and maintains gender distribution at 1 (male): 0.8 (female).

*Note: The total number of employees decreased in the last year due to automation and digital transformation initiatives undertaken by various departments. However, the Company still managed to report a growth in revenues.*
### Employee structure - 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>Group</th>
<th>Male</th>
<th>Female</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Head count</td>
<td>Percentage</td>
<td>Head count</td>
</tr>
<tr>
<td>Work location</td>
<td>Taiwan</td>
<td>402</td>
<td>100%</td>
<td>328</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-20</td>
<td></td>
<td>1</td>
<td>0.2%</td>
<td>1</td>
</tr>
<tr>
<td>21-30</td>
<td></td>
<td>69</td>
<td>17.2%</td>
<td>46</td>
</tr>
<tr>
<td>31-40</td>
<td></td>
<td>122</td>
<td>30.3%</td>
<td>114</td>
</tr>
<tr>
<td>41-50</td>
<td></td>
<td>167</td>
<td>41.5%</td>
<td>113</td>
</tr>
<tr>
<td>51-60</td>
<td></td>
<td>38</td>
<td>9.5%</td>
<td>52</td>
</tr>
<tr>
<td>60 and above</td>
<td></td>
<td>5</td>
<td>1.2%</td>
<td>2</td>
</tr>
<tr>
<td>Academic background</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctoral Degree</td>
<td></td>
<td>1</td>
<td>0.2%</td>
<td>0</td>
</tr>
<tr>
<td>Master’s Degree</td>
<td></td>
<td>67</td>
<td>16.7%</td>
<td>36</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td></td>
<td>193</td>
<td>48.0%</td>
<td>121</td>
</tr>
<tr>
<td>College</td>
<td></td>
<td>77</td>
<td>19.2%</td>
<td>62</td>
</tr>
<tr>
<td>Senior high school</td>
<td></td>
<td>64</td>
<td>15.9%</td>
<td>109</td>
</tr>
<tr>
<td>Employment type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time</td>
<td></td>
<td>402</td>
<td>100.0%</td>
<td>327</td>
</tr>
<tr>
<td>Contract staff</td>
<td></td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>Temporary workers</td>
<td></td>
<td>0</td>
<td>0.0%</td>
<td>1</td>
</tr>
</tbody>
</table>

### Employee distribution by role and gender in the last 3 years

<table>
<thead>
<tr>
<th>Category</th>
<th>Group</th>
<th>Male</th>
<th>Female</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Head count</td>
<td>Percentage</td>
<td>Head count</td>
</tr>
<tr>
<td>2019</td>
<td>Marketing personnel</td>
<td>40</td>
<td>9.2%</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>R&amp;D head count</td>
<td>162</td>
<td>37.2%</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Managerial personnel</td>
<td>32</td>
<td>7.4%</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Manufacturing personnel</td>
<td>201</td>
<td>46.2%</td>
<td>212</td>
</tr>
<tr>
<td>2020</td>
<td>Marketing personnel</td>
<td>31</td>
<td>7.3%</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>R&amp;D head count</td>
<td>168</td>
<td>39.4%</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Managerial personnel</td>
<td>33</td>
<td>7.7%</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Manufacturing personnel</td>
<td>194</td>
<td>45.6%</td>
<td>200</td>
</tr>
<tr>
<td>2021</td>
<td>Marketing personnel</td>
<td>10</td>
<td>2.49%</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>R&amp;D head count</td>
<td>169</td>
<td>42.04%</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Managerial personnel</td>
<td>51</td>
<td>12.69%</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>Manufacturing personnel</td>
<td>172</td>
<td>42.79%</td>
<td>199</td>
</tr>
</tbody>
</table>
Percentage of new recruits and attrition

Whenever an employee requests for resignation, both the head of unit and HR Department would discuss with the employee to learn the reasons behind the resignation. These resignation discussions are taken into consideration for future improvements with respect to department practice and HR policy. The following is a breakdown of new recruits and resignations in 2021, distinguished by gender and age group.

Total number and percentage of new and departed employees by age group and gender - 2021

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th></th>
<th>Female</th>
<th></th>
<th>Subtotal</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percentage</td>
<td>Count</td>
<td>Percentage</td>
<td>Count</td>
<td>Percentage</td>
</tr>
<tr>
<td>New employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 and below</td>
<td>21</td>
<td>31%</td>
<td>23</td>
<td>29%</td>
<td>44</td>
<td>30%</td>
</tr>
<tr>
<td>31-40</td>
<td>24</td>
<td>36%</td>
<td>25</td>
<td>32%</td>
<td>49</td>
<td>34%</td>
</tr>
<tr>
<td>41-50</td>
<td>22</td>
<td>33%</td>
<td>29</td>
<td>37%</td>
<td>51</td>
<td>35%</td>
</tr>
<tr>
<td>51 and above</td>
<td>0</td>
<td>0%</td>
<td>1</td>
<td>1%</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>67</td>
<td>100%</td>
<td>78</td>
<td>100%</td>
<td>145</td>
<td>100%</td>
</tr>
<tr>
<td>Departed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 and below</td>
<td>19</td>
<td>21%</td>
<td>14</td>
<td>22%</td>
<td>33</td>
<td>21%</td>
</tr>
<tr>
<td>31-40</td>
<td>33</td>
<td>36%</td>
<td>25</td>
<td>39%</td>
<td>58</td>
<td>37%</td>
</tr>
<tr>
<td>41-50</td>
<td>37</td>
<td>40%</td>
<td>22</td>
<td>34%</td>
<td>59</td>
<td>38%</td>
</tr>
<tr>
<td>51 and above</td>
<td>3</td>
<td>3%</td>
<td>3</td>
<td>5%</td>
<td>6</td>
<td>4%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>92</td>
<td>100%</td>
<td>64</td>
<td>100%</td>
<td>156</td>
<td>100%</td>
</tr>
</tbody>
</table>

4-2 Talent selection

Diverse recruitment channels and creation of job opportunities

In addition to recruiting talents through online platforms such as 104, LinkedIn, and CakeResume, Lanner Electronics has also been working with tertiary institutions in a number of industry-academia collaborations since 2018 to offer practical teaching resources and train technical talents at campus. In 2021, Lanner participated in campus fairs for the first time, during which it shared the industry’s prospects and opened students’ minds to broader employment opportunities through physical interaction.

In an attempt to create employment opportunities for local residents, the Company also participated in joint recruitment events organized by local government agencies in New Taipei City, Xizhi District, and Keelung City. These events provided alternative opportunities for Lanner to recruit talents up close.
“Honesty, passion, responsiveness, and sharing” are four of Lanner's core values, and in order to help recruitment officers determine whether job seekers are a good fit for the Company's culture and role, we have incorporated "Work Skill Behavioral Interview" into our talent selection. We do not presume people with certain skills and knowledge to be the best candidates; instead, we look for talents that "possess the right skills for the given role." Through the use of standardized scorecards and structured interviews, we establish the suitability and potentials of every candidate, and provide the basis for interview scores while removing significant amount of subjectivity from the process.

### Skill assessment

<table>
<thead>
<tr>
<th>Skill category</th>
<th>Name of skill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core skills</td>
<td>All employees</td>
</tr>
<tr>
<td></td>
<td>Teamwork, quality awareness, adaptability, communication &amp; coordination</td>
</tr>
<tr>
<td>Managerial skills</td>
<td>Senior managers</td>
</tr>
<tr>
<td></td>
<td>Strategic thinking, creativity management, vision &amp; leadership, commercial awareness</td>
</tr>
<tr>
<td></td>
<td>Mid-level managers</td>
</tr>
<tr>
<td></td>
<td>Management performance, guidance for others, planning &amp; organization, cost management</td>
</tr>
<tr>
<td></td>
<td>Entry-level managers</td>
</tr>
<tr>
<td></td>
<td>Problem-solving, management performance, work guidance, team-building</td>
</tr>
</tbody>
</table>
Targeting specialized skills, general knowledge, and increased training enrollment

Lanner organizes a broad variety of HR events to train and grow talents. The Company also has a robust training system comprising internal and external courses, online courses, and self-learning courses to support its efforts. Annual training plans are developed using a top-down approach starting from the Company’s visions. In addition to strategy-level and specialized skills, the Company also commits extensive efforts into developing management skills and knowledge for all levels of management. Departments may raise requests to have specialized training included into the Company’s HR program, once the necessity and strategic relevance have been established and confirmed to align with the Company’s goals. A management training roadmap and a key talents development program were introduced in 2020 and sustained in 2021 to complement the existing training framework.

Management training roadmap and key talent development plan

Lanner’s talent development framework

Lanner adopts the "Kirkpatrick Model" to evaluate training outcome, including the use of Level 1 satisfaction survey (Reaction), Level 2 post-course exam (Learning), and Level 3 post-course report (Behavior). Furthermore, trainees are guided toward applying the knowledge they learn at work, which maximizes the training effect and improves employees’ competency.
Diversified training channels and outcomes

Lanner spares no resources in talent development. In addition to providing training systems such as orientation, general knowledge, specialized skills, managerial skills, self-inspiration, and online learning, the Company also divides career paths into "specialist/technical," "administration," "staff," and "management" to guide employees through career development as well as the general knowledge and specialist courses that they should take in order to reach their goals.

- **Orientation**

The Company complies with the "Occupational Safety and Health Act" and organizes 3 hours of "safety and health training" for every new recruit, which is followed by an introductory course that introduces them to the Company’s culture, work rules and system operations, thereby helping new recruits familiarize with the work environment. The orientation ends with a 0.5-hour course on "Lanner Ethical Behavior Guidelines" that conveys the Company’s anti-corruption policy and workplace ethics, which serve as guiding principles to employees’ daily work activities. 84.85% of new employees had completed the “Lanner Ethical Behavior Guidelines Course” in 2021. Depending on the job role involved, employees are required to complete specialist courses online over the digital learning platform within 90 days of commencing duty to quickly familiarize with work duties and culture. In 2021, the Company implemented a “New Recruit Counseling and Performance Evaluation Policy” to help new recruits adapt to the work process, and developed a department-based counseling system where department heads and counselors are assigned to evaluate the learning progress of new recruits.

- **Mandatory courses for all employees - 2021**

<table>
<thead>
<tr>
<th>Course type</th>
<th>Target audience</th>
<th>Course information</th>
<th>Execution progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lanner Ethical Behavior Guidelines</td>
<td>New and existing employees</td>
<td>Time of course: September - October, 2021</td>
<td>Course participants: 548</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Course duration: 0.5 hour</td>
<td>All employees to be re-trained once a year</td>
</tr>
<tr>
<td>Occupational safety and health education</td>
<td>New and existing employees</td>
<td>Training hours for new recruits: 3 hours</td>
<td>New employees: To be completed at the time on board</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Training hours for existing employees: 1 hour</td>
<td>Existing employees: Re-training to be completed once a year</td>
</tr>
<tr>
<td>Promotion of business secrecy awareness</td>
<td>All employees</td>
<td>Time of course: September - October, 2021</td>
<td>Training for all employees who came onboard before December 31, 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Course duration: 0.5 hour</td>
<td></td>
</tr>
<tr>
<td>Specialist courses</td>
<td>Existing employees</td>
<td>10 categories classified by job roles</td>
<td>Employees are required to complete courses within 90 days after commencing duty, and undergo probation review by the line manager</td>
</tr>
</tbody>
</table>

- **General knowledge training**

The Company organizes general knowledge workshops and corporate culture courses on an unscheduled basis to enhance employees’ understanding and appreciation toward Lanner’s corporate values. Traffic safety programs, health seminars, and health promotion activities are organized as needed to help employees develop the proper safety/health awareness, lifestyle habits, and achieve work-life balance.

- **Specialized training**

The Company offers specialized training courses depending on the roles and duties of each individual, and assigns them to special projects from time to time in order to help them develop skills needed to succeed in their duties, while expanding their exposure to greater challenges. The Company also distributes internal e-newsletters on open courses organized by various departments and self-learning resources that are readily available. Employees may participate in department courses voluntarily to share knowledge on various fields of expertise, and help others understand the nature of works performed at each department, which in turn promotes internal communication and cooperation. By offering self-learning resources, the Company encourages employees to learn on their own and develop diverse skills gradually over the course of their careers.
Training execution - 2021

1. Organized by department: Knowledge-sharing courses at department level; representing 30% of total man-hours.
2. Organized by Company: General knowledge and management courses; representing 62% of total man-hours.
3. External training: Employees are encouraged to learn voluntarily; representing 8% of total man-hours.

<table>
<thead>
<tr>
<th>Course category</th>
<th>Organized by department</th>
<th>Organized by Company</th>
<th>External training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total enrollments</td>
<td>Total man-hours</td>
<td>Enrollments</td>
</tr>
<tr>
<td>Management</td>
<td>119</td>
<td>106</td>
<td>-</td>
</tr>
<tr>
<td>General knowledge</td>
<td>630</td>
<td>1,003</td>
<td>128</td>
</tr>
<tr>
<td>Regulation</td>
<td>828</td>
<td>446</td>
<td>64</td>
</tr>
<tr>
<td>Professional</td>
<td>-</td>
<td>-</td>
<td>1,501</td>
</tr>
<tr>
<td>Quality assurance/</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>manufacturing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product/marketing</td>
<td>-</td>
<td>-</td>
<td>309</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>282</td>
<td>591</td>
<td>253</td>
</tr>
<tr>
<td>Total</td>
<td>1,859</td>
<td>2,145</td>
<td>2,255</td>
</tr>
</tbody>
</table>

Management training

The Company has implemented a training system for new managers to help them understand their roles and duties. A management training roadmap covering managers of all levels has been created. The roadmap helps newly promoted managers familiarize with the organization within a shorter time, and is supported with courses aimed at improving managers’ communication, leadership, goal-setting, and performance skills. Training roadmaps developed in previous years were continued in 2021 and the appropriateness of course contents is examined on a yearly basis. Through systematic training and a combination of compulsory and optional courses, we provide managers the means to develop management skills according to their roles and establish a common management language.

Key talents

Aside from managerial roles, we also value growth of employees in general, and try to nurture potential talents for critical roles from an organizational management perspective. A series of training courses on: project management, briefing skills, negotiation skills etc. has been introduced to support the critical talent training program, and by keeping track of enrollment and results on a yearly basis, the Company aims to build an adequate reserve of key talents that are critical to its growth.

Digital learning platform

The Company’s “digital learning platform” not only offers a broad variety of online courses to choose from, but also incorporates useful features such as course enrollment, calendar reminder, online course inquiry, online classroom (reading / exam / questionnaire / report / learning history), personal learning history, department teaching materials etc. New employees may upload assessment results at the end of their probation period to keep managers informed of their learning progress; the system can even be configured to manage occupational safety certification, and automatically remind employees whose certifications are due for renewal to undergo back-training before expiry.
Benefits of the "digital learning platform":

<table>
<thead>
<tr>
<th>Year</th>
<th>Total views</th>
<th>Total hours read</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2,491</td>
<td>1,243 hour(s)</td>
</tr>
<tr>
<td>2020</td>
<td>5,095</td>
<td>1,333 hour(s)</td>
</tr>
<tr>
<td>2021</td>
<td>3,075</td>
<td>1,807 hour(s)</td>
</tr>
</tbody>
</table>

Screen shot of the "digital learning platform"

Promoting self-learning through e-newsletter

Service of the digital learning platform was first expanded to cover the North American subsidiary in 2019, giving overseas employees unrestricted access to the same course materials. In an attempt to encourage employees’ interest in learning and provide them with additional learning resources, the digital learning platform has been issuing e-newsletters from time to time since the second half of 2019 to cover the latest course information, self-learning resources, and external learning platforms (MOOCs, Coursera etc.). The digital learning platform also provides updates on current affairs, shares industry information and how it relates to the Company’s core values, and hosts festive events and quizzes with prizes to keep employees engaged in the exchange of knowledge.

E-newsletters containing learning materials are distributed through the digital learning platform to employees’ internal mail accounts

Self-inspiration

Aside from internal training courses, employees also have access to diverse learning channels including on-job training, work counselling, job rotation, experience sharing, online learning, and external training. Employees who wish to participate in external courses for the development of personal skills and capacity that internal training does not provide will have expenses fully subsidized. To maximize the outcome of external training, all externally trained employees are required to submit reports or share thoughts internally with colleagues.

Average training hours per indirect employee in the last 3 years (Unit: hours)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of indirect employees (A)</th>
<th>Total training hours (B)</th>
<th>Average training hours (B/A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>514</td>
<td>2,802</td>
<td>5.5</td>
</tr>
<tr>
<td>2020</td>
<td>516</td>
<td>7,076.8</td>
<td>14.6</td>
</tr>
<tr>
<td>2021</td>
<td>524</td>
<td>8,910.9</td>
<td>17</td>
</tr>
</tbody>
</table>

Average training hours of indirect employees increased 20% in 2021 compared to 2020

Average training hours

- 2019: 5.5
- 2020: 14.6
- 2021: 17
Alternative courses aimed at promoting diversified learning among employees

Aside from management and specialized courses, the Company also invites outside lecturers through Lanner Culture and Education Foundation to organize courses of charitable nature such as arts and human culture on an unscheduled basis. A vast diversity of activities are organized to bring quality and joy into employees’ lifestyles, and some activities even promote parental engagement within the family. From individuals to households, we seek to expand the diversity of learning experiences here at Lanner.

- **Charity X arts - New Year Floral Craft Course**

In 2021, Lanner organized a New Year Floral Craft Course and invited a professional instructor to teach employees the art of flower arrangement. The event not only provided an opportunity for family engagement, the crafts made could also be brought home and used as New Year display. A total of 30 employees had participated in the event, and all NT$9,000 of enrollment fee were donated to “Old Five Old Foundation - Xizhi Center” to purchase New Year meal for the elderly. It was an event that served both learning and charity purposes.

- **2021 Summer Parental Reading and COVID-19 Drawing**

Due to the spread of COVID-19, the Company not only conveyed the importance of minimizing outdoor activities and supported the government’s disease control measures throughout 2021, but also arranged two parental arts and culture activities that employees may participate at home. A Summer Parental Reading event organized in collaboration with Mandarin Daily News, in which a wide selection of children's books and periodicals were chosen to promote parental reading activities at home. For the COVID-19 Drawing event, the Company shared tutorial videos of two professional arts instructors and distributed materials that employees can use to make their unique creations.

- **Sports courses**

Aside from stationary courses, the Company also encourages employees to take part in sports clubs and courses given the increasing popularity of chronic illness and cancer caused by high blood sugar, hypertension, uncontrolled lipids, obesity, and poor physique. Employees may recruit members for their clubs, find tutors, and claim subsidy for their activities. The Company has common training spaces, air conditioning, and sound equipment that can be used for various courses such as yoga, aerobics, resistance training etc. Weekly exercise and fitness courses are organized to help employees maintain health and physique.
4-4 Performance-driven talent recruitment

Open and transparent performance evaluation

We conduct regular performance evaluations and exercise goal management to accomplish and enforce our strategic goals. Through an open and transparent performance evaluation system, we evaluate how far employees have accomplished their targets and how well they perform at work.

Performance evaluation procedures

With the exception of direct labor, employees are subjected to “annual performance evaluation” once in the first half and once in the second half of each year, during which employees are required to compare performance to the targets they set at the beginning of the year, and submit a self-assessment of their quarterly target attainment for the period of assessment with supporting proof for approval by the line manager. Line managers may engage subordinates in performance discussion based on the information presented, and give feedback on work performance and behaviors before submitting results of preliminary evaluation for review by the next level of management. Line managers will notify subordinates of their performance evaluation outcome as it becomes available, and will engage them in various discussions about performance outcome and individual development, while at the same time encourage them to learn in ways that are relevant given their work targets and current state of development. Handlers are assigned to keep track of performance discussions, and thereby ensure effective communication between line managers and their subordinates.

Percentage of employees receiving regular performance and career development reviews - Headquarter 2021

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Male</th>
<th>Female</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A1) Total employee count at the end of reporting period (December 31, 2021)</td>
<td>402</td>
<td>328</td>
<td>730</td>
</tr>
<tr>
<td>(B1) Number of employees subjected to regular performance evaluation and career review</td>
<td>397</td>
<td>327</td>
<td>724</td>
</tr>
<tr>
<td>Percentage of (B1/A1)</td>
<td>98.7%</td>
<td>99.6%</td>
<td>99.1%</td>
</tr>
</tbody>
</table>

*Note: B1 does not include part-time and temporary employees.

Talent development and performance counseling

The Company advocates a performance-driven culture, and ranks employees’ annual performance results by center/division. Employees who excel in performance are rewarded with additional promotion opportunities, and those who receive grade A in the latest performance evaluation are identified as key talents, from which Lanner will select the top 3% to undergo advanced training. Employees who lag behind in performance are required to engage their line managers in “performance counseling” for future improvement.

Performance outcome affects promotion opportunities and salary adjustment, which the Company will allocate based on growth prospects and operational requirements. For top-performing employees that are irreplaceable in nature, Lanner offers “key personnel compensations” to assist them in further career development and thereby ensure adequacy of human capital reserves.
Percentage of managerial and non-managerial employees promoted, by gender - 2021

<table>
<thead>
<tr>
<th>Promotion category</th>
<th>Male</th>
<th>Percentage</th>
<th>Female</th>
<th>Percentage</th>
<th>Subtotal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percentage</td>
<td>Count</td>
<td>Percentage</td>
<td>Count</td>
</tr>
<tr>
<td>Managerial role</td>
<td>14</td>
<td>63%</td>
<td>8</td>
<td>37%</td>
<td>22</td>
</tr>
<tr>
<td>Non-managerial role</td>
<td>30</td>
<td>65%</td>
<td>16</td>
<td>35%</td>
<td>46</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>44</td>
<td>64%</td>
<td>24</td>
<td>36%</td>
<td>68</td>
</tr>
</tbody>
</table>

4-5 Talent retention

Competitive and market-leading compensations

Besides selecting, evaluating, and training the right talents, another important issue is to retain talents within the organization. In this respect, the Company not only upholds values that employees can identify themselves with, but also offers a variety of performance-based compensations and incentives, including competitive monthly salaries and market-leading variable bonus, that employees find worthy of committing 30 years of their lives to.

Above-peer incentives, compensations, and benefits

Lanner recognizes the importance of competitive and fair compensation in talent retention. The Company not only offers salaries and benefits at levels above its peers, but also introduces year-end bonuses, profit sharing, production challenge reward, R&D bonus, and sales bonus to serve as performance incentives. We value work-life balance and enforce rules to ensure that work hours do not exceed 60 hours a week, and that employees are given 1 off day for every 6 work days.

The Company adjusts employees’ salaries in April each year after taking into consideration various factors including operating performance, change of minimum wage, consumer price index, the market salary level, and employees’ past performance.

Change of mean salary and median salary in the last 3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Mean annual salary</th>
<th>Median annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Adjustment</td>
</tr>
<tr>
<td>2019</td>
<td>813,910</td>
<td>-4.26%</td>
</tr>
<tr>
<td>2020</td>
<td>828,336</td>
<td>1.77%</td>
</tr>
<tr>
<td>2021</td>
<td>879,622</td>
<td>6.19%</td>
</tr>
</tbody>
</table>

*Note: Salary level was lower in 2019 compared to 2018 due to higher number of new recruits hired for the production line
Diverse welfare systems

In an attempt to create a joyful and harmonious workplace, the Company has assembled an “Employee Welfare Committee” (EWC) comprising representatives from various departments in accordance with “Organization Regulations on Employee Welfare Committee” stipulated by the Ministry of Labor. The EWC convenes meetings on a quarterly basis, and its responsibilities are to budget and arrange employee benefits, including festive vouchers, gift boxes, and birthday vouchers. The Company has also implemented a travel subsidy policy that encourages employees to engage friends and family members in recreational activities outdoors outside of work, and thereby achieve balance between career, family, and health. Claim rate for employee travel subsidy was reported at 83% in 2021, whereas 100% of Duanwu and Mid-autumn gift boxes were distributed during the year.

Compensation and benefit system of Lanner Electronics

| **Attendance:** | Employees are entitled to 2 off days a week and work hours that conform to the Labor Standards Act. |
| **Promotion:** | Annual promotion opportunities are offered top-performing employees on a yearly basis. |
| **Salary:** | Lanner offers salaries above peer level and adjusts them on a yearly basis depending on the Company’s overall operations and employees’ individual performance. |
| **Overtime:** | Overtime hours are compliant with the Labor Standards Act. |
| **Bonus:** | Lanner offers incentive bonuses such as year-end bonus, profit sharing, production bonus, R&D bonus, and sales bonus. |
| **Insurance:** | Lanner subscribes to Labor Insurance, National Health Insurance and travel insurance coverage, and makes pension contributions equal to 6% of employees’ salary. |
| **Training:** | Lanner offers comprehensive on-job training programs (common knowledge course, professional course, management course etc.) and has a digital learning platform in place. |
| **Health:** | The Company organizes annual health checkups and has professional nurses stationed on-site to help maintain employees’ physical and mental health. |
| **Welfare:** | Lanner offers vouchers and cash for occasions such as Labor Day, Duanwu Festival, Mid-autumn Festival, Chinese New Year, birthday, wedding, funeral and celebrations. |
| **Activities:** | The Company organizes year-end banquet, lottery, and travel subsidies. |
| **Gatherings:** | Department meal gatherings are organized on a quarterly basis. |
| **Clubs:** | Employees are encouraged and subsidized to form clubs and engage in club activities as a way to achieve work-life balance. |
| **Communication:** | Lanner has suggestions system, management mailbox and hotline in place, and hosts regular labor-management meetings and EWC meetings to facilitate communication. |
| **Accommodation:** | Lanner provides dormitory facilities that are safe and compliant with laws, and subsidizes employees for dormitory expense. |
Annual employee opinion survey

Lanner Electronics organizes annual employee surveys to learn employees’ thoughts about the Company, the managers, and the systems so that adjustments can be made to the governance policy to create a satisfactory workplace, improve employees’ satisfaction, and strengthen employees’ identification with the Company’s values. Overall satisfaction is rated on a 5-point scale; employees’ satisfaction averaged 3.5 in 2020 and rose to 3.6 in 2021. Outcomes of the survey are taken into consideration by responsible units with optimizations made and improvement progress updated to employees.

Time of survey: March 12-19, 2021
Respondent count: questionnaires were issued to all 734 employees in Taiwan, of which 612 (83.38%) had responded.
Responses:

<table>
<thead>
<tr>
<th>Employee category</th>
<th>Direct employees</th>
<th>Indirect employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total head count</td>
<td>218</td>
<td>516</td>
</tr>
<tr>
<td>No. of responses</td>
<td>206</td>
<td>406</td>
</tr>
<tr>
<td>Response rate</td>
<td>94.50%</td>
<td>78.68%</td>
</tr>
</tbody>
</table>
Enforcement of worker rights and gender equality

Lanner follows RBA’s guidelines and ensures that all worker-related policies and management practices conform with human rights and principles of justice. The following recruitment principles are strictly enforced throughout the Company.

1. Offer reasonable compensations and benefits, and make ongoing improvements.
2. Enforce humane treatment and arrange reasonable workload and rest hours for employees.
3. Respect employees’ freedom of association and collective bargaining rights. There was no potential violation of freedom of association or collective bargaining right in any operating site in 2021.
4. Respect employees’ religious freedom and adjust work hours for special requirements.
5. For foreign workers, the Company enforces a “zero commission” policy and returns any agency commission they paid, which conforms with RBA’s philosophy.
6. Prohibit use of child labor and forced labor, and refrain from slavery and labor trafficking. There was no incident of child labor or forced labor at any operating site in 2021.

Protection of basic rights

Lanner has established its employee retirement policy in accordance with the “Labor Standards Act” and “Labor Pension Act,” and makes pension contributions for each employee as specified by laws. For employees who joined on and before June 30, 2005, the Company makes monthly contributions equal to 2% of gross salary to pension fund, which is placed under the supervision of a “Pension Fund Supervisory Committee” that comprises representatives from both workers and the management.

Lanner adopted the new Labor Pension Act after it came into effect on July 1, 2005, and under the new Act, the Company contributes an amount no less than 6% of monthly salary for new employees who came onboard after the implementation date and for employees of the old system who opted to carry forward their seniority over to the new system. Contributions to the new pension system are deposited into employees’ individual pension accounts and will be available to employees upon retirement.

Lanner fully complies with Article 16 of “Labor Standards Act,” which requires the Company to serve minimum notice before terminating employment contract and to avoid or mitigate negative impacts where possible.

Protection of rights and benefits for migrant workers

Worker rights is a global issue, one that Lanner addresses by tending to the interests of migrant workers and by coordinating with customers for the adoption of practices that conform with international human rights, and thereby fulfill corporate social responsibilities. Lanner hires migrant workers by “professional skill”; it currently has more than 90 migrant workers on payroll. We pay great attention to maintaining the fairness of our employee welfare system, and all migrant workers are entitled to the same benefits as local workers. For benefit details, please see P86 - Diverse welfare systems. The Company also provides clean dormitories and organizes sterilization and fire safety drill on a regular basis. Information on nearby religious gatherings is posted in dormitories out of respect for religious freedom of migrant workers.

- Dormitories are sanitized and inspected regularly to ensure safety of the living environment.
- The Company and all plant sites organize monthly meetings to communicate with foreign workers and provide them with a responsive communication channel.
- The dormitory bulletin is constantly updated with the latest information, and an employee opinion box has been set up to serve as a grievance channel.
Attention to accommodation safety for foreign workers

Lanner Electronics strives to improve the living standard and workplace health and safety of all foreign workers. In addition to re-installing circuit breakers at dormitories and posting safety notices, the Company also reminded employees in meetings throughout the year that any relocation of electrical appliances or equipment would be subject to safety assessment by the human resource agency and Safety and Health Office. Furthermore, to assure foreign employees of every nationality, all production line warning messages have been revised and presented in Chinese, English, and Vietnamese for a more thorough understanding.

Enforcement of zero-commission policy for foreign workers

Lanner makes ongoing improvements to employment terms, worker safety, environmental protection, commercial ethics, and the robustness and effectiveness of its management systems for the benefit of foreign workers. The Company follows RBA principles and supports a zero-fee policy for foreign workers. Expenses such as passport renewal and health checkups that foreign workers incur on their entry and stay in Taiwan are entirely covered by the Company.

▼ Full payment of foreign worker fees in the last 3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service charges</td>
<td>756,144</td>
<td>1,837,422</td>
<td>1,822,442</td>
</tr>
<tr>
<td>Health checkup fee at arrival</td>
<td>40,000</td>
<td>19,200</td>
<td>0</td>
</tr>
<tr>
<td>Regular health checkup fee</td>
<td>92,800</td>
<td>176,000</td>
<td>161,600</td>
</tr>
<tr>
<td>Residential permit extension fee</td>
<td>101,000</td>
<td>107,000</td>
<td>94,000</td>
</tr>
<tr>
<td>Passport renewal fee</td>
<td>14,000</td>
<td>10,000</td>
<td>43,800</td>
</tr>
<tr>
<td>Air fare upon resignation</td>
<td>0</td>
<td>12,740</td>
<td>58,620</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,003,944</td>
<td>2,162,362</td>
<td>2,180,462</td>
</tr>
</tbody>
</table>

*Note: No foreign worker was hired in 2021 due to COVID-19, hence no "Health checkup fee at arrival" had incurred.

Equal workplace and pay

The Company adheres to "Act of Gender Equality in Employment" and takes strong initiative in the creation of gender-equal workplace. Aside from enforcing gender equality, we also provide equal pay and equal incentives for employees engaged in the same line of work, while at the same time discouraging differential treatments whether in terms of on race, ethnicity, social status, lineage, religion, disability, gender, sexual orientation, family responsibilities, marital status, political association, or age.
Maternity health protection program

Lanner caters to the human rights and equal employment opportunities of female workers, and has implemented a “Feminine Health Protection Program” in accordance with Article 31 of “Occupational Safety and Health Act” that imposes mandatory hazard assessment/control and other relevant measures for female workers who are pregnant, have given birth for less than one year, or are involved in tier 1 or tier 2 risky work activities. Additionally, the Company makes work hour/shift adjustments, workplace improvements, and provides safe nursery spaces to ensure the physical and mental health of female workers throughout pregnancy, childbirth, and breastfeeding. Employees of the Company having completed 6 months of service are entitled to apply for unpaid parental leave until their children reach the age of 3, but subject to a maximum of 2 years. Employees who support two or more children are entitled to no more than two years of unpaid parental leave in total, before the youngest of whom reaches the age of 3. Employees may continue to participate in existing social insurance scheme during unpaid parental leave.

Statistics on unpaid parental leave

<table>
<thead>
<tr>
<th>Item</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a). No. of employees qualified for unpaid parental leave in the current year</td>
<td>44</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>(b). No. of employees applied for unpaid parental leave in the current year</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(c). No. of employees expected to be reinstated from unpaid parental leave in the current year</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(d). No. of employees reinstated from unpaid parental leave in the current year</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(e). No. of employees reinstated from unpaid parental leave in the previous year</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>(f). No. of employees reinstated from unpaid parental leave in the previous year and have worked continuously for one year</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unpaid parental leave application rate b/a</th>
<th>0</th>
<th>18.2%</th>
<th>18.2%</th>
<th>100%</th>
<th>100%</th>
<th>100%</th>
<th>100%</th>
<th>100%</th>
<th>100%</th>
</tr>
</thead>
</table>
| *Note: “No. of employees qualified for unpaid parental leave” was estimated based on the number of employees having applied for maternity leave or paternity leave in the last 3 years*
Effective communication channels

Lanner hosts labor-management meetings, annual meetings, management meetings, and communication meetings to ensure the effectiveness of labor-management communications, and thereby maintain strong labor-management relations for the protection of workers’ rights and the fairness of the recruitment system.

Labor-management meetings

The purposes of the labor-management meeting are to strengthen employ relations, promote collaboration, and bridge negotiation between workers and the management, and in doing so prevent worker issues. Labor-management meetings are held at least once every three months, or on an ad-hoc basis if deemed necessary. The labor and the management each appoints 6 representatives to the labor-management meeting. The number of worker representatives is determined based on the size of employees in each center/organization, division, or department, and the representatives themselves are elected by employees. The management’s representatives are undertaken by people who are familiar with business and worker affairs.

All labor-management meetings require attendance from at least half of employer and worker representatives, and resolutions are made through negotiation and consensus. Where consensus could not be achieved, a resolution can be made only with the support of at least three-quarters of attending representatives. Representatives are expected to carry out labor-management meetings in the utmost good faith, and to work with each other for the enhancement of employment relations and protection of workers’ interests during labor-management meetings. Lanner Electronics convened 4 labor-management meetings (the 4th, 7th, 8th, and 9th meetings of the 4th committee) in 2021 to promote awareness or discuss issues concerning workplace violation, facial temperature recognition, personal data security, attendance, and work hour management.

Summary of minutes for the 4th labor-management meeting in 2021

<table>
<thead>
<tr>
<th>Meeting session</th>
<th>Time of meeting</th>
<th>No. of participants</th>
<th>Meeting summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>6th meeting of the 4th panel</td>
<td>March 16, 2021</td>
<td>Management representatives: 4 Worker representatives: 6 Other attendees: 3</td>
<td>Reported issues: 1. Awareness on &quot;illegal workplace violation&quot;: a legal interpretation of illegal workplace violation, and explanation on grievance channels and resolution procedures. 2. Employees are encouraged to complete the &quot;employee satisfaction survey&quot; within the given time limit. 3. Awareness on the introduction of &quot;facial temperature recognition&quot; to the clock-in system for temperature-taking when clocking in/out of work, and explanation to inquiry functions. Discussions: none</td>
</tr>
<tr>
<td>7th meeting of the 4th panel</td>
<td>June 22, 2021</td>
<td>Management representatives: 4 Worker representatives: 6 Other attendees: 2</td>
<td>Reported issues: 1. Awareness on &quot;Attendance and Leave Policy&quot; and related forms (1) Explanation on flexible work hours/overtime request/leave request (2) Explanation to amendment of attendance rules (time limit for leave request) (3) Limit on the number of missed clock-in (4) Change of attendance report system (BPM → SPM) Discussions: none</td>
</tr>
<tr>
<td>8th meeting of the 4th panel</td>
<td>September 14, 2021</td>
<td>Management representatives: 4 Worker representatives: 6 Other attendees: 3</td>
<td>Reported issues: 1. Awareness on &quot;Personal Data Security Organization and Security Control Procedures&quot;: when sending personal data in digital form, the files must be encrypted and sent separately. (e.g.: proof of leave) Discussions: none</td>
</tr>
<tr>
<td>Meeting session</td>
<td>Time of meeting</td>
<td>No. of participants</td>
<td>Meeting summary</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------</td>
<td>---------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>9th meeting of the 4th panel</td>
<td>December 14, 2021</td>
<td>Management representatives: 4 Worker representatives: 6 Other attendees: 3</td>
<td>Reported issues: 1. 2022 work schedule: number of work days in 2022, shift adjustments, and operating models. 2. Awareness on one-year deferral or encashment of annual leave: starting from December 2021, the HR Division will inquire each employee, depending on their time onboard, for their intention to defer leave of absence. Discussions: 1. Adjustment to &quot;work hours&quot; and &quot;allowances&quot; for night shift: (1) Adjustment to &quot;work hours&quot;: overtime hours were reduced so that night shift workers may have at least 30 minutes of break time for every 4 hours of continuous work, and thereby comply with policies while addressing issues associated with excessive work hours. Work hours were also adjusted so that overtime begins after work, considering that it is an extension of normal work session. (2) Adjustment to &quot;allowances&quot;: night shift allowances have been changed from &quot;daily&quot; fixed amount to &quot;monthly&quot; fix amount, and are included into the calculation of overtime pay and leave deduction. These adjustments increase the overtime pay but also raises leave deduction. The adjustment will increase labor/health premiums, labor insurance payout, and pension fund contributions. *Passed without objection from all attending committee members.</td>
</tr>
</tbody>
</table>

### 2021

#### Product strategies meeting

The Company encourages all internal departments to participate in product development, and convenes annual product strategy meetings in which department/division heads are invited to report on yearly performance and prospects. The 2021 product strategy meeting was held on December 29; the meeting lasted a total of 8 hours and had 38 participants (26 participated physically and 12 participated online). For this year, focus of the meeting were to analyze and discuss product strategies and market positioning, which in turn provided the Company with a clearer vision of becoming an industry leader. Lanner also took these meetings as an opportunity to adjust market/product strategies, analyze revenues, and make future plans. Satisfaction and opinion surveys are conducted after the meeting to serve as reference for future improvements.
Annual meetings

The Company hosts annual gatherings once a year to examine and review performance of the previous year, facilitate internal communication, and develop consensus towards common goals. New targets and operating strategies are also established during this time. Aside from managers of department head grade and above, project managers, sales personnel, and research and development engineers are also invited to annual meetings. The meeting provides key personnel with insight to the Company’s full year performance in a manner that facilitates growth.

The 2022 annual meeting was held for two days from January 11 to January 12, 2022; each department was instructed to present a report of the previous year’s performance and next year’s prospects, whereas evaluation worksheets were distributed during the meeting for participants to raise suggestions on the reported contents. The two-day meeting lasted a total of 12 hours and had 126 participants (87 participated physically and 39 participated online).

4-7 Occupational safety and health

Occupational safety and health management policy

Lanner follows its "Environmental, Health and Safety Policy" (EHS) and passes certification for "ISO 45001 - Occupational health and safety system. It has a dedicated team responsible for the establishment of robust policies, procedures, and management standards, implementation of environmental safety and health improvements, enforcement of occupational safety training, management of accident risks, and arrangement of health checkups and medical services, which in turn assures occupational safety and creates a work environment of low injury and absenteeism rate.

Occupational Safety and Health Committee

The Company has established a "Safety and Health Office" and assembled an "Occupational Safety and Health Committee" in accordance with the Occupational Safety and Health Act. The committee has 17 members in total, 11 (two-thirds) of whom are worker representatives. Their presence in the committee is to assist in the supervision and recommendation of occupational health and safety-related issues.

Minutes and summary of the 4 Occupational Safety and Health Committee meetings held in 2021

<table>
<thead>
<tr>
<th>Meeting session</th>
<th>Time of meeting</th>
<th>No. of participants</th>
<th>Meeting summary</th>
</tr>
</thead>
</table>
| 1st             | March 26, 2021  | Management representatives: 1  
Manager representatives: 1  
Safety and health personnel: 4  
Worker representatives: 11 | 1. The Company shall conduct risk assessments and adopt proper precautions before introducing new machinery, equipment, materials, or chemical substances or amending production procedures.  
2. The Greenhouse Gas Reduction and Management Act regulates 7 types of greenhouse gas. Proposal to prepare data on chemical substances and begin survey of greenhouse gas and emission data.  
3. B9 steel plate cleaner should have SDS installed.  
4. Fire safety drills should be properly executed to minimize loss from hazard. |
Promotion of occupational safety-related training

Safety and health training for new recruits

New recruits are required to complete "Safety and Health Training for New Recruits" within 3 months after commencing duty. The training covers topics such as: an introduction to Occupational Safety and Health Act, proper procedures for handling traffic accidents, COVID-19 control measures, power safety, and use of fire safety equipment. All trainees are required to undergo exam, and are considered to have passed the training with a score of 80 and above.

Assignment and regular back-training of occupational safety specialists

To ensure the effectiveness of the environmental safety and health management system, the Company has assigned specialists that meet regulatory requirements and arranged training and back-training to maintain the validity of professional certifications. Furthermore, the Company strictly prohibits employees from operating machinery before completion of training.
## Training arrangements for occupational safety and health specialists in the last 3 years

<table>
<thead>
<tr>
<th>Operation category</th>
<th>Requirements</th>
<th>Back-training rules</th>
<th>No. of people assigned</th>
<th>Number of people back-trained in the last 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class - A occupational safety and health manager</td>
<td>Completed 42 hours of occupational safety specialist course</td>
<td>6 hours every 2 years</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Safety and health personnel</td>
<td>Occupational safety and health officer</td>
<td>At least 12 hours every 2 years</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Occupational health management specialist</td>
<td>At least 12 hours every 2 years</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Ionizing radiation operations</td>
<td>Operators are required to complete 18 hours of training in advance</td>
<td>At least 3 hours a year</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Organic solvent operations</td>
<td>Head of operation is required to complete 18 hours of organic solvent-related courses</td>
<td>At least 6 hours every 3 years</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Fire safety manager</td>
<td>To complete 18 hours of fire safety specialist course</td>
<td>6 hours every 3 years</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Worker health service nurse</td>
<td>To complete 52 hours of specialist training Nursing personnel</td>
<td>At least 12 hours every 3 years</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>First-aid personnel</td>
<td>First-aid personnel</td>
<td>At least 3 hours every 3 years</td>
<td>15</td>
<td>7</td>
</tr>
</tbody>
</table>

### Other occupational safety-related courses

Aside from the two types of courses mentioned above, the Company would also organize other occupational safety-related courses from time to time at the departments’ request, such as: safety and health committee training, chemical leakage training, traffic safety awareness courses etc.

#### Occupational safety and health awareness courses in 2021

<table>
<thead>
<tr>
<th>Course theme</th>
<th>執行日期</th>
<th>Course hours</th>
<th>No. of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and health committee training</td>
<td>March 25, 2021</td>
<td>3 hour(s)</td>
<td>17</td>
</tr>
<tr>
<td>Chemical leakage training</td>
<td>October 29, 2021</td>
<td>3 hour(s)</td>
<td>30</td>
</tr>
<tr>
<td>Traffic training</td>
<td>October 29, 2021</td>
<td>15 minutes</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>November 19, 2021</td>
<td>15 minutes</td>
<td>24</td>
</tr>
<tr>
<td>ISO 14001 &amp; 45001 seminar</td>
<td>December 03, 2021</td>
<td>1 hour(s)</td>
<td>15</td>
</tr>
</tbody>
</table>
Promotion of healthy workplace

Ordinary workers and workers of high-risk operations are subjected to regular health checkup

Lanner places great emphasis on the health and safety of high-risk employees; the Company conducts environmental monitoring, inspection, and assessment to assure safety of the workplace, and provides protective gear such as earplugs (muff), masks, goggles, anti-corrosion gloves etc. depending on the works involved in order to prevent occupational injury and accident. Furthermore, the Company complies with “Special Hazard Operations” section of “Regulations Governing Worker Health Protection” and requires all new employees involved in high-risk operations such as ionizing radiation and dust to undergo special physique checkups before commencing work, whereas existing employees are required to undergo annual special health checkups. Employees that have been subjected to level 2 health management are given medical consultation from physicians stationed on-site. A total of 13 employees had completed special health checkups in 2021, including 11 ionizing radiation operators and 2 dust operators, and no abnormal finding was discovered.  

Execution of general and special hazard health checkups - 2021

<table>
<thead>
<tr>
<th>Solution name</th>
<th>Goal/target</th>
<th>Assessments</th>
<th>Current progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee health management planning and implementation</td>
<td>(1) Gather and monitor employee health data; achieve a checkup rate of 90% and above</td>
<td>Annual health checkup for ordinary workers</td>
<td>638 / 85.2%</td>
</tr>
<tr>
<td></td>
<td>(2) 50% recovery of ergonomic hazard questionnaire</td>
<td>Ergonomic hazard questionnaire</td>
<td>638 / 85.2%</td>
</tr>
<tr>
<td></td>
<td>(3) Consultation by stationed physician once a month</td>
<td>Year-to-date accumulation</td>
<td>94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No subject of level 2 risk or above was identified</td>
<td>No subject of level 2 risk or above was identified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health assurance and reduction of ionizing radiation hazard for high-risk employees</td>
<td>(1) Arrange special health checkups once a year to cover 100% of workers involved in special operations</td>
<td>Special operations checkup</td>
<td>69 / no abnormality</td>
</tr>
<tr>
<td></td>
<td>(2) Perform radiation reporting and monitoring 12 times a year and achieve 100% recovery rate of radiation dosimeter</td>
<td>Radiation dosimeter report</td>
<td>Normal</td>
</tr>
</tbody>
</table>

*Note: The Company no longer uses "n-hexane" after 2020, therefore the number of employees undergoing special checkups has reduced substantially.
Health consultation by on-site physician

Lanner values employees’ health, and grades employees by health condition according to the standards outlined in the law. For employees that have health conditions rated grade 2 and above, the Company would arrange to have an occupational health physician provide 3 hours of medical consultation and counseling service on-site on a monthly basis.

A total of 105 employees undertook the counseling service in 2021 for various issues such as: abnormal health checkup assessment, maternal protection, over-stress hazard, ergonomic hazard, abnormal health checkup assessment for new recruits, physical and mental violation, traffic accident follow-up, and health in special operations.

Occupational health consultation at Lanner Electronics in the last 3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter</th>
<th>Persons selected (including active enrollments)</th>
<th>Maximum number of participants</th>
<th>Actual number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Q1</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>52</td>
<td>37</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>98</td>
<td>83</td>
<td>81</td>
</tr>
<tr>
<td>2020</td>
<td>Q1</td>
<td>40</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>37</td>
<td>31</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>50</td>
<td>42</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>41</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>168</td>
<td>137</td>
<td>127</td>
</tr>
<tr>
<td>2021</td>
<td>Q1</td>
<td>33</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Q2</td>
<td>12</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Q3</td>
<td>57</td>
<td>45</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Q4</td>
<td>33</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>135</td>
<td>113</td>
<td>105</td>
</tr>
</tbody>
</table>

In March, September, and December 2021 when COVID-19 cases were at a low point, the Company organized 3 health promotion campaigns on the topics of: "Prevention against Cardiovascular Disease," "Kidney and Gut Health," "Healthy Weight Loss through Chinese Medicine," which the employees had participated actively. As a support to the Ministry of Labor’s efforts at preventing physical and mental violation and promoting communication skills in the workplace, the Company invited a professional psychiatrist to host a course on Leadership through Communication - Workplace Violence, Violation, and Communication Skills, and instructed the head of Production Department to participate in the event. Feedback from employees have been favorable.
Management and prevention of occupational injury and illness

The Company adopts corrections and improvements based on work injuries reported for the current year, and in doing so minimizes losses from occupational hazards and prevents similar occurrences in the future. No case of occupational illness or occupational hazard-induced death was reported in 2021. The Company provides employees with medical care immediately at the time of the accident, and interviews relevant personnel to devise correction measures. Meetings and training courses are organized to raise employees’ awareness and to fulfill the Company’s occupational safety commitments.

Solution name | Goal/target | Current progress
---|---|---
**Safety awareness enhancement and occupational hazard reduction** | Enhancement of traffic safety awareness and training | A total of 10 traffic accidents and 173 lost days were reported in 2021. Promotional and training programs are organized on a regular basis to raise employees' traffic safety awareness.

Occupational safety and health online training | Promotes occupational safety and health awareness among all employees | Additional safety and health training courses will be introduced onto the existing digital learning platform.

Health management for all employees
1. Special health checkup once a year; 80% test rate was achieved
2. Recovery and analysis of ergonomic and over-stress questionnaires
3. ISO documents will be amended in accordance with laws | The Company complies with laws by arranging regular health checkups and special health checkups for employees, and keeping track of employees’ health conditions to prevent exposure to hazards and improve the work environment.

Enhanced protection for organic operations | Additional of personal protection gear | Appropriate protection gears are handed out on-site to minimize risks for organic solvent operators.
### Work injury statistics in the last 3 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Item</th>
<th>Category</th>
<th>Male</th>
<th>Female</th>
<th>Item</th>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Work injury</td>
<td>1</td>
<td>1</td>
<td>No. of disabling injuries</td>
<td>Excluding commuting to and from work</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commuting to and from work</td>
<td>3</td>
<td>9</td>
<td>Including commuting to and from work</td>
<td>9.12</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total days lost due to disabling injuries</td>
<td>Work injury</td>
<td>1</td>
<td>1</td>
<td>Total days lost due to disabling injuries</td>
<td>Excluding commuting to and from work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Work injury</td>
<td>62.5</td>
<td>106</td>
<td>Including commuting to and from work</td>
<td>111</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>No. of disabling injuries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commuting to and from work</td>
<td>4</td>
<td>2</td>
<td>Including commuting to and from work</td>
<td>4.03</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total days lost due to disabling injuries</td>
<td>Work injury</td>
<td>0</td>
<td>0</td>
<td>Total days lost due to disabling injuries</td>
<td>Excluding commuting to and from work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commuting to and from work</td>
<td>22</td>
<td>10</td>
<td>Including commuting to and from work</td>
<td>21.48</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>No. of disabling injuries</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Work injury</td>
<td>0</td>
<td>0</td>
<td>Excluding commuting to and from work</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commuting to and from work</td>
<td>4</td>
<td>4</td>
<td>Including commuting to and from work</td>
<td>6.76</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total days lost due to disabling injuries</td>
<td>Work injury</td>
<td>0</td>
<td>0</td>
<td>Total days lost due to disabling injuries</td>
<td>Excluding commuting to and from work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commuting to and from work</td>
<td>84</td>
<td>89</td>
<td>Including commuting to and from work</td>
<td>117</td>
<td></td>
</tr>
</tbody>
</table>

*Note:*
1. Disabling injury frequency rate (FR) = (number of disabling injuries \( \times 10\) to the power of 6) \( \div \) total work hours elapsed
2. Disabling injury severity rate (SR) = (total work days lost \( \times 10\) to the power of 6) \( \div \) total work hours elapsed

### Total tobacco ban in plant facilities

We are committed to providing employees with a healthy and clean work environment, and therefore impose a total ban on tobacco and lighter everywhere within factory plant premise. Suppliers, visitors, logistics personnel, and contractors are all prohibited from smoking on factory plant premise.

### Monitoring of the work environment

Lanner identifies and keeps track of changes in Occupational Safety and Health Act, Fire Services Act, Ionizing Radiation Protection Act, applicable environmental protection laws, and customers’ requirements on a quarterly basis, and in doing so ensures compliance with legal requirements. Through data gathering, identification, record creation, maintenance, update, and auditing, the Company is able to keep track of compliance with occupational safety and health issues, environmental laws, Fire Services Act, Ionizing Radiation Protection Act, other relevant regulations, and requirements of customers. Outcomes of such audits are taken into consideration when evaluating and planning for future risks and opportunities. Lanner evaluated a total of 86 regulations in 2021 and found 4 having been amended; 3 of which became applicable to the Company and the other 1 was not applicable.
Lanner evaluated 86 regulations in 2021 (Unit: cases)

<table>
<thead>
<tr>
<th>Type of regulation</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety and health regulations</td>
<td>34</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Environmental regulations</td>
<td>27</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Fire safety regulations</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Ionizing radiation laws</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>List of regulations and other requirements</td>
<td>12</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>85</td>
<td>86</td>
</tr>
</tbody>
</table>

Operating environment monitoring

In an attempt to provide employees with a healthy and safe workplace, Lanner not only performs regular monitoring of its work environment according to "Regulations on Implementation of Work Environment Monitoring," but also conducts thorough planning, sampling, testing, and analysis of the work environment. Through these actions, Lanner ensures that workers are exposed to tolerable levels of hazard, and protects them from hazardous substances in the workplace.

Locations of environmental monitoring at Lanner Electronics in the last 3 years

<table>
<thead>
<tr>
<th>Monitored measurements</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>N-hexane (Note 1)</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Acetone</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Methanol</td>
<td>7</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Methylcyclohexane</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Alcohol</td>
<td>11</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Isopropyl alcohol</td>
<td>11</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2-Butoxyethanol</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Total dust volume</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Respirable dust</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Noise</td>
<td>8</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Wet-bulb globe temperature</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>CO2 (Note 2)</td>
<td>166</td>
<td>135</td>
<td>41</td>
</tr>
<tr>
<td>Luminance (Note 2)</td>
<td>766</td>
<td>135</td>
<td>75</td>
</tr>
<tr>
<td>Total</td>
<td>385</td>
<td>316</td>
<td>162</td>
</tr>
</tbody>
</table>

*Note 1: This chemical was no longer used after 2020.

*Note 2: After discussing with technicians in 2021, the Company considered it less meaningful to monitor CO2 and luminance, and therefore reduced the number of measuring locations subject to compliance with laws.
Lanner has a dedicated Safety and Health Office in place to raise employees’ disaster response and reduce the impact of potential accidents. The office organizes fire safety drill and emergency response training at least once every six months, during which employees are taught knowledge on fire extinguishing, accident reporting, evacuation, and disaster prevention. Through regular training on chemical leakage, employees are taught to exercise caution in every detail, and to react to accidents in an orderly manner. At Lanner, we place safety in the first priority and strive to avoid hazards where possible.

### Disaster prevention courses and drills in 2021

<table>
<thead>
<tr>
<th>Course theme</th>
<th>Execution date</th>
<th>課程時數</th>
<th>參與人數</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire safety training</td>
<td>April 15, 2021</td>
<td>1 hour(s)</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>April 16, 2021</td>
<td>1 hour(s)</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>April 22, 2021</td>
<td>1 hour(s)</td>
<td>20</td>
</tr>
<tr>
<td>Training on use of fire extinguisher</td>
<td>October 15, 2021</td>
<td>1.5 hour(s)</td>
<td>33</td>
</tr>
<tr>
<td>Fire safety drill by Lanhai Building (Hsinchu Office)</td>
<td>December 01, 2021</td>
<td>1.5 hour(s)</td>
<td>9</td>
</tr>
<tr>
<td>Fire safety drill by Far Eastern Technology Building</td>
<td>November 29, 2021</td>
<td>3 hour(s)</td>
<td>3</td>
</tr>
</tbody>
</table>

### Training on use of fire extinguisher

First-aid kits have been deployed and are examined regularly to ensure functionality.

### Allocation of first-aid personnel and supplies

The Company has assigned 15 first-aid officers based on the size of its workplace, personnel distribution, hazard exposure and worker size. All first-aid officers are re-trained once every 3 years, and adequate first-aid supplies and equipment are kept on site. The Company also checks the adequacy and cleanliness of its medical supply on a monthly basis. Contaminated and expired supplies are replaced and replenished regularly.

### Emergency evacuation drill

First-aid kits have been deployed and are examined regularly to ensure functionality.
The spread of COVID-19 in 2020 has had a worldwide impact on economic and social activities. When the disease first spread in January 2020, Lanner responded immediately and mobilized employees to form specialized disease control teams and devise control measures to prevent the disease from spreading. The Company has also been implementing disease controls and raising employees’ awareness according to government policies during this time. Furthermore, regular disease control meetings are being held to keep track of the execution of various control measures as well as their effectiveness.

The global threat of COVID-19 persisted in 2021 and the risk of infection increased with new variants. Lanner Electronics has responded to the threat with a mindset to "out-last" the virus, and remained vigilant in terms of disease control actions and management practices despite the low number of cases reported in Taiwan. A facial recognition system with automatic temperature measurement has been implemented, and any person that shows abnormal temperatures will be reported to the disease control team immediately. Meanwhile, the IT system is being upgraded to provide us with the capabilities needed to cope with the disease and reduce risks of infection.

Assembly of dedicated disease control task force

1. A disease control team was assembled in January 2020 with defined chain of command, functional teams, team members, and responsibilities
2. A LINE group was created to facilitate real-time update, response, and adjustment of disease control measures for possible weaknesses.
3. Disease control team meetings are held regularly in accordance with changes in government policies to discuss response plans and implement response measures.

Structure and responsibilities of Lanner Electronics’ disease control team

**Coordination and command**

Benjamin

1. Determines emergency response action targets and decisions
2. Command and management of the overall emergency response organization

**General Affairs Department**

Joey

1. Assists in coordination and command
2. Oversees responses
3. Oversees environment cleanliness

**Environmental safety**

Candy

1. Supervision and assistance with regional disease control efforts and equipment maintenance; enforcement and improvement of measurements taken
2. Enforces daily temperature taking.

Hannah

1. Gathering and update of disease information
2. Production of health education materials
3. Purchase and inventory
4. Tracking and handling of high-risk issues

Establishment of disease control policies

1. The team implements levels of disease control and devises responses and precautions according to the government’s guidelines, and coordinates responses between departments.
2. Monitors the development of the disease and prepares ahead of time to prevent spread.
Disease control management and monitoring

1. Daily temperature measurement - the system reports temperature measurement results and abnormal cases (37.5 degrees and above) at 10am and 2pm each day.
2. The team supports the government's disease survey efforts by reporting employees' travel history and following up on those with abnormal temperatures.
3. Inter-region access control - employees have had their movements restricted to designated areas, and contact of employees from different areas is prohibited to minimize chances of infection.
4. Promotes awareness on disease control, sanitization, segregated dining, safe distance in meetings, and wearing of mask.
5. Management of disease control supply and maintenance of safety inventory.
6. The IT Department conducts stress tests and makes system upgrades to make sure that the system is able to support working from home.
7. Enhanced management practices have been introduced on foreign workers' dormitory; workers of one plant site are confined to one dormitory and may not visit dormitories of other plant sites. Actions have been taken to keep track of foreign workers' travel history, and disease control information and awareness are being promoted in monthly meetings.
8. Logging of outside visitors.
9. A facial recognition system has been introduced, whereas controls such as attendance management and temperature measurement are being taken to minimize contact and reduce spread of disease.

Execution of disease control measures

1. Promotion and enforcement of the government's disease control measures. Government reminders on disease control measures and long holiday infection hot spots are relayed in a timely manner.
2. Employees who have contracted the disease will have travel history thoroughly surveyed. Employees whose trail overlap with infected cases are required to work from home.
3. Meetings are convened via teleconferencing or phone where possible; the size of physical meetings is limited to 30.
4. Inspections and audits are being conducted; any defect or improvement identified is reported in disease control meetings.
5. Workplace is sanitized regularly; 75% alcohol and alcohol-based sanitizer are distributed to employees.
6. The Company ensures adequate inventory of masks and assists employees in acquiring masks at reasonable prices.
7. Deployment and renewal of disease control equipment: plant premises and restrooms are equipped with auto-sanitization equipment, and employees have their temperatures taken when clocking in.
8. Plant employees take turns dining; dining spaces are segregated with partitions to maintain social distance.
9. The factory nurse issues two e-newsletters per month on health-related topics such as healthy lifestyle, introduction to disease, health promotion, health issues, and disease control to improve employees’ health knowledge.
10. Lanner Electronics worked with Xizhi Health Department to organize a “Subsidized Vaccination” event, and invited employees who were pregnant, above a certain age, or diagnosed with chronic illness to have their subsidized influenza vaccination at plant premise.
For more than 30 years since its inception, Lanner has grown consistently in revenues, profitability and asset size, and remains committed to giving back to society through community and charity service. The Company founded Lanner Culture and Education Foundation, a non-profit organization, in July 2017 and later obtained incorporation approval from New Taipei City Education Department. The foundation promotes "Education," "Culture," "Localization," and "Act of Decency" in all of its programs, and enforces corporate social responsibilities on multiple aspects including: care for the underprivileged, arts and human culture education, sustainable environment, and talent training.

Lanner Culture and Education Foundation not only tends to the needs of charity organizations, but is also persistent towards social and environmental aspects of sustainability issues. Events such as aesthetics seminars and art exhibitions are held from time to time to raise employees’ interest and knowledge on human culture, arts, and aesthetics. Meanwhile, employees are encouraged to adopt environmentally friendly practices in all aspects of life, and contribute towards creating a healthy and sustainable home for themselves and future generations.

Lanner Culture and Education Foundation has targeted students of elementary schools located in the priority districts of New Taipei City as the primary subjects for its local charity efforts. Through collaboration with private charity organizations, the foundation supports basketball promotion program as a means to help students develop proper exercise habits as well as balanced qualities from "morality, intelligence, physique, teamwork to aesthetics."

The Foundation has been supporting Mustang Junior Basketball Association and sponsoring "New Taipei City Elementary School Basketball Promotion Program for Priority Education Districts" in the organization of basketball summer camp, after-school basketball training, and basketball tournament since 2017. Between January and end of December 2021, the foundation organized 50 weeks of after-school basketball training for 4 hours a week that benefited 12 elementary schools in New Taipei City. Meanwhile, the "5th Lanner MJBA Basketball Tournament" attracted the participation of approximately one thousand grade 3 to grade 5 students from more than 20 elementary schools. Through games and exchange of skills, the children learned to overcome tension and build teamwork in the face of competition, while the practice routines helped them develop good exercise habits that would lead to stronger physique and more matured mental qualities.
This project targeted grade 4 to grade 6 students in the "Basketball Club" of Wang Xi Elementary School, New Taipei City, and a total of 36 students participated. By integrating smart communication, networking technologies, and drones, the Foundation designed an easy-to-adopt tuition model and engaged "STEM" to teach in classroom.

By helping children develop curiosity, independent thinking, and hands-on experience, the program hopes to inspire children's interest in science and gain problem-solving and logical thinking capacities. An exhibition was held at the end of the program to give students the opportunity to demonstrate their progress.

Given how rapidly the world is changing, Taiwan has to adopt a more open mindset about education and incorporate more diversity of teaching materials in order to help children develop the versatility they need to adapt to the changing times. In addition to improving children's learning skills, Lanner also cares for the learning divide of underprivileged children in remote locations, and promotes newspaper reading in line with the education system in the form of an "experiment program." The program is intended not only to improve students' reading and writing skills, but also help them develop awareness to current affairs, care for the society, and other qualities of a good citizen, which in turn supports the emphasis of the 12-year compulsory education system in nurturing "thinking, living, and creative individuals."

This experimental newspaper reading program was carried out in collaboration with Mandarin Daily News for 9 classes from 4 junior high schools located in New Taipei City. By having students read newspapers in groups of 2, the program helps students develop data sorting and rational thinking capabilities, as well as care for the society and the ability to think independently. A total of 218 people had benefited from this program.

Lanner engaged Hao Shi Social Enterprise to carry out "Promotion Program for International Education and UN SDGs in New Taipei City," during which certified instructors were invited to teach students on SDGs and ways to resolve the society's problems in everyday life, using board game - "My Formosa" as the teaching material. This event started in 2020 and ended in 2021; approximately 400 teachers and students from 20 junior and senior high schools participated.
Taiwan is an island surrounded by ocean, and it makes sense for us to know our ocean in order to make better use of it. Through sailing courses, Lanner hopes to promote "affinity, care, and knowledge" of the ocean, which in turn develop respect for life and the natural environment.

This program was executed in collaboration with National Taitung University, for which the organizers designated Taitung Sailing School to design course structure, provide technical guidance, deliver local training, and execute courses. The program has set its short-term goal to promote safety education in sailing, and long-term goal to train competitive talents to compete in international events. Since 2020, the program has trained 12 students of National Taitung University to become instructors, who are entrusted with the mission to pass on knowledge and train winners of the future.

In October 2021, Lanner Culture and Education Foundation, Catpool, and Taipei Inn Group jointly organized a health promotion event where participants were encouraged to walk for 6,000 steps a day and keep track of their activities using Walkii APP for 21 days. Participants who meet their daily targets for a total of 7 days may help raise 1kg of feed for stray animals and receive one box of 10 eggs each. Those who complete their daily targets for 21 days may even enter into a lucky draw. The event not only served charitable purpose, but also encouraged employees to walk instead of riding public transport, thereby contributing to health and environmental sustainability at the same time. A total of 138 employees had participated in the event, and 75 of whom managed to meet their daily step targets for all 21 days. 1,224kg of feed in total was donated to Taiwan Mix Care For Stray Animals Association over the course of this event.

During Chinese New Year, the Company invited calligraphy masters to produce unique, customized couplets at the office building as part of the Chinese tradition, while giving employees the opportunity to make charity contributions by purchasing couplets. The event raised NT$13,750 of charity proceeds in total, and all of which were donated to "Xizhi District Lone Elders Association" for purchasing supplies and festive meals, so that local elders may, too, be cared for during festive times.
Pineapple Cake Making

This was a Chinese New Year Event jointly organized between Lanner Culture and Education Foundation, Lanner Electronics’ Employee Welfare Committee, Lilian’s House, and “Old Five Old Foundation - Xizhi Center.” The event invited 30 employees to a pineapple cake-making course, during which the participants not only indulged themselves in the joy of bakery, but also made pineapple cake gift boxes for elders in Xizhi District.

SimplyICR arts exhibition and charity sale of fruit jelly gift boxes

Lanner Culture and Education Foundation pays constant attention to the underprivileged; it sources the majority of its funding through donations, and as if fundraising was not hard enough, the COVID-19 pandemic has made it even more difficult to raise donations. To overcome this challenge, the Foundation sent an internal broadcast about the availability of charity gift boxes that employees may purchase as an alternative to commercial gifts. All NT$30,000 raised from the sale were donated to “SimplyICR” in Changhua County. The event also invited children with disability to showcase their creations at the Company’s art corridor, thereby giving children a stage to perform and employees a space to appreciate art.

Support for pumpkin farmers during COVID-19

Aside from charity organizations, we also care for the livelihood of local residents. In 2021, farmers of Taiwan’s Shimen Township were so heavily impacted by the pandemic that no distributor was available to purchase the harvested pumpkins this year, and they were at the brink of seeing their hard work go to waste. Given that most employees of the Company use computers for their work and pumpkins are rich in vitamin A, the Company has considered pumpkin an excellent food for heavy users of electronic devices and those with poor vision at night. For this reason, Lanner mobilized employees to purchase pumpkins that were not sold through distribution channels, and gave all NT$20,000 of sales proceeds back to local farmers.
Lanner Electronics has been dedicated to the development of SD-WAN and 5G edge computing applications since it created a Telecommunications Application Department 5 years ago. In 2018, the Company worked with National Chiao Tung University (NCTU) to co-found "Lanner-NCTU Joint Research Laboratory," and through collaboration with NCTU, the laboratory worked on several projects including "Preliminary Planning for 5G Base Station MEC Infrastructure," and has been able to demonstrate proof of concept in multiple exhibitions.

These successes have enabled Lanner to become a uCPE 2.0 network equipment supplier for Verizon in 2019, and the Company will continue engaging NYCU in industry-academia collaboration to adopt international telecommunication standards as well as the latest 5G specifications, thereby strengthen Lanner’s technological advantage and R&D capacity in edge computing.

Furthermore, Lanner Electronics founded an online virtualization/remote integration testing laboratory in 2020 that will enable all partners of the software ecosystem to take advantage of whitebox solutions in the telecommunications industry. The Company will continue planning future products closely in line with its core technology, and capitalize on the wave of digital transformation induced by 5G technology, by building a strong technological foundation that will ensure sustainable growth for the next decade.

To further optimize use of edge computing resources and accommodate the increasingly distributed and harsh environment, Lanner Electronics worked with National Yang Ming Chiao Tung University and jointly published two major studies on "high availability uCPE integrated Wi-Fi Mesh platform" and "high performance server cooling technology" in 2021.

Professor Ying-Dar Lin and Associate Professor Chi-Yu Li of the College of Computer Science have published a MEC study titled "uCPE over MEC with Wi-Fi Mesh Controller, NVR, and POS." The outcome of the study will be used to support PoC for uCPE 3.0 tenders of North American carrier Verizon and Eco System Partner such as ADVA in 2021, and will contribute to the R&D and design efforts of the Company’s newly founded Wireless Broadband R&D Division, provide solutions for Wi-Fi Mesh Open Source Controller, and provide alternative options for the development of Wi-Fi Access Point software.

Professor Chi-Chuan Wang of the Department of Mechanical Engineering has worked with the Company’s Structural Department and Heat Flux Department in the study of "430W active cooling solution." Based on the success of the 250W cooling solution developed in the first year, the collaborators introduced additional theories, metamaterial studies, and heat pipe designs that should deliver sufficient cooling for high performance CPUs and 100G/200G/400G Ethernet switch ICs in the future, and thereby allowing the introduction of commercially viable cooling solutions.
Collaboration with National Taiwan University on wireless network security

As a professional manufacturer of networking and computing platforms, Lanner draws successful experience from its collaboration with NYCU and plans to engage National Taiwan University (NTU) on an industry-academia collaboration project entitled "High-speed Signal Transmission and Wireless Network Security" in 2021. Lanner will be sharing industry experience and exchanging technical know-how with NTU Department of Electrical Engineering, sourcing assistance from academic talents to complement Lanner’s software and hardware advantages while expanding the possibilities of existing technologies, and therefore create a strong foundation for IoT applications.

Lanner cooperated with Professor Ruey-Beei Wu of the Department of Electrical Engineering on the study of "Signal Integrity Analysis for SerDes Module," in which a series of simulation, analysis, measurement, and test was performed to ensure that Lanner Electronics is capable of using appropriate materials for corresponding signals and products, and minimize issues caused by PCB and the amount of debugging in the R&D of 5G products. By combining professional knowledge from upstream suppliers with Lanner’s product requirements, the Company hopes to develop PCBs that offer value to the market and register patents to secure the outcome of its research efforts. Meanwhile, more rigorous improvements will be made to the selection of PCB material, the quality of PCB design, layer count etc. to ensure that product is suitable for high-speed computing.

Lanner cooperated with Professor Hung-Yun Hsieh of the Department of Electrical Engineering on the study of "Wireless Network Security," considering how security in data transmission has gained attention as wireless networking technology matures. This industry-academia collaboration project was intended to first explore the potential of existing methods and draw findings from new academic studies in order to design better wireless intrusion prevention system (WIPS) solutions and realize them in our products.

Furthermore, under the invitation of Professor Ruey-Beei Wu, Senior Vice President Hsiang-Chun Tseng and Senior Manager Kuan-Chun Su visited NTU in December 2021 to host two seminars for postgraduate students of the Graduate Institute of Communication Engineering and Department of Electrical Engineering. Topics of the two seminars were: "5G Commercialization - SDWAN/uCPE and MEC" and "5G Commercialization - MEC and Edge AI"; they shared how Lanner Electronics has applied theories into practice and created a new business model that enabled the organization to secure a foothold in the global market. This industry-academia collaboration project involved more than just technology transfer and product R&D, but also included sharing of practical knowledge back into campus, making it a reciprocal relationship.

▼ Event posters and seminar photos
Appendix
Lanner has obtained independent third-party assurance and passed certification for ISO 9001, ISO 27001, ISO 14001, ISO 45001, TL9000, ISO 28000, IECQ QC080000, and AEO (Authorized Economic Operator) by the customs of the Republic of China. Together, they represent the Company's compliance with international standards in regards to quality, environment, occupational safety, supply chain safety, and cybersecurity, as well as its commitment to adopting international management standards at the highest level of stringency.

Timeline of assurances obtained by Lanner

ISO 9001 - Quality management system

TL 9000 - Communication quality management system

ISO 14001 - Environmental Management

QC 080000 HSPM - Hazardous Substance Process Management System
ISO 45001 - Occupational Health and Safety Management System

ISO 28000 - Supply Chain Security Management System Certification

ISO 27001 - Information Security Management System Certification

AEO Supply Chain Safety Management System Certification

This is to certify that the Management System of:
Lanner Electronics Inc.
7F, No. 173, Section 2, Datong Rd., Xizhi District, New Taipei City 22184, Taiwan

has been approved by LRQA as the Management System

to the following standards:
ISO 28000:2007

Approval number(s): ISO 28000 – 0065702

This certificate is valid only in association with the certificate schedule bearing the same number on which the locations applicable to this approval are listed.

The scope of this approval is applicable to:
Design, Development, Manufacturing and After Sales Service of Industrial PC, Network Communication and Telecommunication Products.
<table>
<thead>
<tr>
<th>Sub-category No</th>
<th>Sub-category Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>102-1</td>
<td>Name of the organization</td>
<td>P 13 Global leader in networking and communication hardware</td>
</tr>
<tr>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>P 13 Global leader in networking and communication hardware</td>
</tr>
<tr>
<td>102-3</td>
<td>Location of headquarters</td>
<td>P 4 About the sustainability report</td>
</tr>
<tr>
<td>102-4</td>
<td>Location of operations</td>
<td>P 4 About the sustainability report</td>
</tr>
<tr>
<td>102-5</td>
<td>Ownership and legal form</td>
<td>P 13 Global leader in networking and communication hardware</td>
</tr>
<tr>
<td>102-6</td>
<td>Markets served</td>
<td>P 16 CAGR of revenues at 10% for the last 10 years</td>
</tr>
<tr>
<td>102-7</td>
<td>Scale of the organization</td>
<td>P 13 Global leader in networking and communication hardware P 16 CAGR of revenues at 10% for the last 10 years</td>
</tr>
<tr>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>P 83 Human resource policy</td>
</tr>
<tr>
<td>102-9</td>
<td>Supply chain</td>
<td>P 48 Supplier sustainability management</td>
</tr>
<tr>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
<td>P 4 About the sustainability report</td>
</tr>
<tr>
<td>102-11</td>
<td>Precautionary principle or approach</td>
<td>P 36 Globally accepted risk management practice</td>
</tr>
<tr>
<td>102-12</td>
<td>External initiatives</td>
<td>P 4 About the sustainability report</td>
</tr>
<tr>
<td>102-13</td>
<td>Membership of associations</td>
<td>*No membership in any association</td>
</tr>
<tr>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>P 7 Message from the Chairman</td>
</tr>
<tr>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
<td>P 35 Compliance and performance</td>
</tr>
<tr>
<td>102-18</td>
<td>Governance structure</td>
<td>P 26 Organizational structure</td>
</tr>
<tr>
<td>102-27</td>
<td>Collective knowledge of highest governance body</td>
<td>P 29 Corporate governance</td>
</tr>
<tr>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td>P 55 Stakeholder engagement</td>
</tr>
<tr>
<td>102-41</td>
<td>Collective bargaining agreements</td>
<td>P 96 Employees’ rights</td>
</tr>
<tr>
<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td>P 55 Stakeholder engagement</td>
</tr>
<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>P 55 Stakeholder engagement</td>
</tr>
<tr>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>P 55 Stakeholder engagement</td>
</tr>
<tr>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>P 4 About the sustainability report</td>
</tr>
<tr>
<td>102-46</td>
<td>Defining report content and topic Boundaries</td>
<td>P 4 About the sustainability report</td>
</tr>
<tr>
<td>Sub-category No</td>
<td>Sub-category Title</td>
<td>Page</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------</td>
<td>------</td>
</tr>
<tr>
<td><strong>GRI 102 : 2016 General Disclosures</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102-47</td>
<td>List of material topics</td>
<td>P 54 Identification and response of material topics</td>
</tr>
<tr>
<td>102-48</td>
<td>Restatements of information</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-49</td>
<td>Changes in reporting</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-50</td>
<td>Reporting period</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-51</td>
<td>Date of most recent report</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-52</td>
<td>Reporting cycle</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td>P 3 About the sustainability report</td>
</tr>
<tr>
<td>102-55</td>
<td>GRI content index</td>
<td>P 112 GRI Index</td>
</tr>
<tr>
<td>102-56</td>
<td>External Assurance</td>
<td>P 3 About the sustainability report</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub-category No</th>
<th>Sub-category Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GRI 103 : 2016 Management Approach</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>103-1</td>
<td>Explanation of the material topic and its Boundary</td>
<td>P 57 Identification and response of material topics</td>
</tr>
<tr>
<td>103-2</td>
<td>The management approach and its components</td>
<td>P 57 Identification and response of material topics</td>
</tr>
<tr>
<td>103-3</td>
<td>Evaluation of the management approach</td>
<td>P 57 Identification and response of material topics</td>
</tr>
<tr>
<td><strong>GRI 201 : 2016 Economic Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>201-1</td>
<td>Direct economic value generated and distributed</td>
<td>P 16 CAGR of revenues at 10% for the last 10 years</td>
</tr>
<tr>
<td>201-3</td>
<td>Defined benefit plan obligations and other retirement plans</td>
<td>P 94 Diverse welfare systems</td>
</tr>
<tr>
<td><strong>GRI 202 : 2016 Market Presence</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>202-1</td>
<td>Ratios of standard entry level wage by gender compared to local minimum wage</td>
<td>P 57 Identification and response of material topics P 93 Talent retention</td>
</tr>
<tr>
<td><strong>GRI 203 : 2016 Indirect Economic Impacts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>★ 203-1</td>
<td>Infrastructure investments and services supported</td>
<td>P 112 Social care</td>
</tr>
<tr>
<td><strong>GRI 205 : 2016 Anti-corruption</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>205-2</td>
<td>Communication and training about anti-corruption policies and procedures</td>
<td>P 35 Compliance and performance</td>
</tr>
<tr>
<td>205-3</td>
<td>Confirmed incidents of corruption and actions taken</td>
<td>P 35 Compliance and performance</td>
</tr>
<tr>
<td>Sub-category No</td>
<td>Sub-category Title</td>
<td>Page</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------------</td>
<td>------</td>
</tr>
<tr>
<td>302-1</td>
<td>Energy consumption within the organization</td>
<td>P 70 Energy/resource management</td>
</tr>
<tr>
<td>302-3</td>
<td>Energy intensity</td>
<td>P 70 Energy/resource management</td>
</tr>
<tr>
<td>305-2</td>
<td>Energy indirect (Scope 2) GHG emissions</td>
<td>P 70 Energy/resource management</td>
</tr>
<tr>
<td>305-4</td>
<td>GHG emissions intensity</td>
<td>P 70 Energy/resource management</td>
</tr>
<tr>
<td>★ 305-5</td>
<td>Reduction of GHG emissions</td>
<td>P 70 Energy/resource management</td>
</tr>
<tr>
<td>306-1</td>
<td>Waste generated and significant waste-related impacts</td>
<td>P 78 Waste treatment</td>
</tr>
<tr>
<td>306-2</td>
<td>Management of significant waste-related impacts</td>
<td>P 78 Waste treatment</td>
</tr>
<tr>
<td>306-3</td>
<td>Waste generated</td>
<td>P 78 Waste treatment</td>
</tr>
<tr>
<td>★ 307-1</td>
<td>Non-compliance with environmental laws and regulations</td>
<td>P 35 Compliance and performance</td>
</tr>
<tr>
<td>308-1</td>
<td>New suppliers that were screened using environmental criteria</td>
<td>P 48 Supplier sustainability management</td>
</tr>
<tr>
<td>401-1</td>
<td>New employee hires and employee turnover</td>
<td>P 85 Talent selection</td>
</tr>
<tr>
<td>★ 401-2</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>P 93 Talent selection</td>
</tr>
<tr>
<td>402-1</td>
<td>Minimum notice periods regarding operational changes</td>
<td>P 96 Protection of basic rights</td>
</tr>
<tr>
<td>403-1</td>
<td>Occupational health and safety management system</td>
<td>P 101 Occupational safety and health</td>
</tr>
<tr>
<td>403-3</td>
<td>Occupational health services</td>
<td>P 101 Occupational safety and health</td>
</tr>
<tr>
<td>403-4</td>
<td>Worker participation, consultation, and communication on occupational health and safety</td>
<td>P 101 Occupational safety and health</td>
</tr>
<tr>
<td>403-5</td>
<td>Worker training on occupational health and safety</td>
<td>P 101 Occupational safety and health</td>
</tr>
<tr>
<td>403-6</td>
<td>Promotion of worker health</td>
<td>P 104 Promotion of healthy workplace</td>
</tr>
<tr>
<td>403-7</td>
<td>Prevention and mitigation of occupational health and safety impacts directly linked by business relationships</td>
<td>P 110 Disease control</td>
</tr>
<tr>
<td>★ 403-8</td>
<td>Workers covered by an occupational health and safety management system</td>
<td>P 101 Occupational safety and health</td>
</tr>
<tr>
<td>403-9</td>
<td>Work-related injuries</td>
<td>P 101 Occupational safety and health</td>
</tr>
<tr>
<td>Sub-category No</td>
<td>Sub-category Title</td>
<td>Page</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------------------------------------------------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td><strong>GRI 404 : 2016 Training and Education</strong></td>
<td></td>
</tr>
<tr>
<td>★ 404-1</td>
<td>Average hours of training per year per employee</td>
<td>P 87 Talent development</td>
</tr>
<tr>
<td>404-2</td>
<td>Percentage of employees receiving regular performance and career development reviews</td>
<td>P 92 Performance-driven talent recruitment</td>
</tr>
<tr>
<td></td>
<td><strong>GRI 405 : 2016 Diversity and Equal Opportunity</strong></td>
<td></td>
</tr>
<tr>
<td>405-1</td>
<td>Diversity of governance bodies and employees</td>
<td>P 29 Corporate governance</td>
</tr>
<tr>
<td>405-2</td>
<td>Female-to-male ratio of basic salary plus remuneration</td>
<td>P 57 Identification and response of material topics</td>
</tr>
<tr>
<td></td>
<td><strong>GRI 406 : 2016 Non-discrimination</strong></td>
<td></td>
</tr>
<tr>
<td>★ 406-1</td>
<td>Incidents of discrimination and corrective actions taken</td>
<td>P 35 Compliance and performance</td>
</tr>
<tr>
<td></td>
<td><strong>GRI 407 : 2016 Non-discrimination</strong></td>
<td></td>
</tr>
<tr>
<td>407-1</td>
<td>Operations or suppliers susceptible to risks concerning freedom of association and collective bargaining</td>
<td>P 96 Enforcement of worker rights and gender equality</td>
</tr>
<tr>
<td></td>
<td><strong>GRI 408 : 2016 Chile Labor</strong></td>
<td></td>
</tr>
</tbody>
</table>
| 408-1          | Operations and suppliers at significant risk for incidents of child labor          | P 96 Enforcement of worker rights and gender equality  
|                | **GRI 409 : 2016 Forced or Compulsory Labor**                                     |                                                |
| 409-1          | Operations and suppliers at significant risk for incidents of forced or compulsory labor | P 96 Enforcement of worker rights and gender equality  
|                | **GRI 414 : 2016 Supplier Social Assessment**                                     |                                                |
| 414-1          | Selection of new suppliers using social principles                                | P 48 Supplier sustainability management        |
|                | **GRI 416 : 2016 Customer Health and Safety**                                     |                                                |
| 416-2          | Incidents of non-compliance concerning the health and safety impacts of products and services | P 35 Compliance and performance                |
|                | **GRI 417 : 2016 Marketing and Labeling**                                         |                                                |
| 417-2          | Incidents of non-compliance concerning product and service information and labeling | P 35 Compliance and performance                |
| 417-3          | Incidents of non-compliance concerning marketing communications                  | P 35 Compliance and performance                |
|                | **GRI 418 : 2016 Customer Privacy**                                               |                                                |
| ★ 418-1        | Substantiated complaints concerning breaches of customer privacy and losses of customer data | P 35 Compliance and performance                |
|                | **GRI 419 : 2016 Socioeconomic Compliance**                                       |                                                |
| ★ 419-1        | Non-compliance with laws and regulations in the social and economic area           | P 35 Compliance and performance                |

*Note:
1. Core option: GRI 102-1–GRI 102-14  
GRI 102-16  
GRI 102-18  
GRI 102-40–GRI 102-56 
2. The symbol ★ denotes material topic
<table>
<thead>
<tr>
<th>SDGs 1</th>
<th>No poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Blind massage specialists are invited to provide service at the Company in support of equal employment opportunities for the underprivileged</td>
<td></td>
</tr>
<tr>
<td>2. Lanner Culture and Education Foundation organizes charity sales and donates to local underprivileged organizations</td>
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<tr>
<td>3. Lanner Culture and Education Foundation donates money, invoice, used clothes/footwear etc. to the underprivileged</td>
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<tr>
<td>4. Lanner Culture and Education Foundation organizes various activities aimed at the underprivileged, such as: CNY visit, delivery of CNY meals to lone elders etc.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SDGs 2</th>
<th>Zero hunger</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lanner organizes farming experience events to promote awareness for food appreciation and encourage eco-farming selections as a contribution to the environment.</td>
<td></td>
</tr>
<tr>
<td>2. Lanner participates in the Acre of Land Program by purchasing agricultural products and that have been farmed using natural, organic, and non-toxic methods</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SDGs 3</th>
<th>Good health and well-being</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Company organizes annual employee health checkups, arranges medical consultation by on-site physician, and hosts health seminars and safety promotion events from time to time</td>
<td></td>
</tr>
<tr>
<td>2. Employees are encouraged and subsidized to form clubs and engage in club activities as a way to achieve work-life balance</td>
<td></td>
</tr>
<tr>
<td>3. A disease control team has been assembled whereas disease control measures and awareness campaigns are being implemented in response to the COVID-19 pandemic</td>
<td></td>
</tr>
<tr>
<td>4. Health promotion activities such as weight loss challenge, fitness course, basketball tournament, hiking etc. are being organized</td>
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</tr>
<tr>
<td>5. An employee assistance program has been introduced to address employees’ needs and provide care</td>
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</tr>
<tr>
<td>6. Persons with vision disability are invited to provide massage service in company lounge at regular times, thereby helping employees relieve stress from work</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SDGs 4</th>
<th>Quality education</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lanner issues regular e-learning newsletters to share with employees on the latest courses and self-learning resources</td>
<td></td>
</tr>
<tr>
<td>2. Lanner supports talent development at campus and works with National Taiwan University and National Yang Ming Chiao Tung University in various industry-academia collaboration projects</td>
<td></td>
</tr>
<tr>
<td>3. Lanner offers a wide range of systematic training courses such as orientation, general knowledge, specialized skills, managerial skills etc. Through a collaboration with “Mustang Junior Basketball Association,” the Company promotes basketball education for elementary schools located in New Taipei City</td>
<td></td>
</tr>
<tr>
<td>4. Through a collaboration with “Mandarin Daily News,” the Company executes an experimental newspaper reading program for 9 classes from 4 junior high schools located in New Taipei City, thereby helping students develop data sorting and rational thinking capabilities</td>
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</tr>
<tr>
<td>5. Lanner sponsors Hao Shi Social Enterprise’s efforts to educate students on SDGs, for which it received a certificate of appreciation from New Taipei City Education Department</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SDGs 5</th>
<th>Gender equality</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Lanner strives to provide equal pay and equal opportunities for employees engaged in the same line of work; in comparison, basic salary between female and male employees is 1:1</td>
<td></td>
</tr>
<tr>
<td>2. A “Maternity Health Protection Program” has been implemented, whereas nursery facility and birth incentives have also been provided</td>
<td></td>
</tr>
<tr>
<td>3. The Company prohibits harassment in the workplace, and provides ways to raise complaints and report misconducts</td>
<td></td>
</tr>
<tr>
<td>SDGs</td>
<td>Lanner’s practices</td>
</tr>
<tr>
<td>------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| SDGs 6 Clean water and sanitation | 1. Drinking fountains are cleaned and have water quality tested according to SOP on a regular basis  
2. Each department is required to clean up their work environment before end of Friday  
3. Office is waxed regularly, and toilets are cleaned and sanitized on a daily basis |
| SDGs 7 Affordable and clean energy | 1. Lanner implements AI factory so that products can be made in more energy-efficient ways  
2. The Company enforces energy-saving measures such as: use of energy-efficient chillers and backups in B4, turning off lights during lunch break, and unplugging computers after work  
3. Replacement and use of LED-based energy-efficient lighting equipment |
| SDGs 8 Decent work and economic growth | 1. Create a safe, equal, diverse, and competitive work environment  
2. Offer market-leading variable salary  
3. Offer referral bonus and organize recruitment events to source top talents  
4. Offer opportunities for re-employment  
5. Hire persons with disability and support employment of the underprivileged |
| SDGs 9 Industry, innovation and infrastructure | 1. Lanner engages NTU and NYCU in an industry-academia collaboration to adopt international telecommunication standards and the latest 5G specifications  
2. Lanner hosts product strategy meetings and innovation competitions, and support all creative ideas; the Company gained 14 patents worldwide in 2021  
3. Additional expenses are being committed into the research of 5G, Wi-Fi 6, POE etc.; furthermore, the Company managed to attain certification for ISO 26262 - Automotive Functional Safety in 2022, which provides Lanner with an entry into the factory-installed product market for self-driving vehicles, and prepares it for the development of exclusive edge computing systems in the future  
4. Introduce Industry 4.0 and plan for AI factory  
5. Enforce enhanced personal data management; protect customers’ information and transaction data |
| SDGs 10 Reduced inequalities | 1. Lanner participates in the recruitment program of New Taipei City Employment Service Office and provides job opportunities for people with disability  
2. Lanner protects foreign workers’ interests in accordance with RBA guidelines, and ensures that all foreign workers are entitled to the same benefits as local workers  
3. Lanner respects foreign workers’ religious activities, enhances communication with them, and provides grievance channels as well as decent dormitories  
4. Lanner enforces a zero commission policy for foreign workers; expenses such as passport renewal and health checkup that foreign workers incur on their entry into Taiwan are entirely covered by the Company |
| SDGs 11 Sustainable cities and communities | 1. Training is executed regularly to strengthen the Company’s defense against disasters, and minimize direct economic losses  
2. Donations are made to help cities and remote locations recover from disaster |
<table>
<thead>
<tr>
<th>SDGs</th>
<th>Lanner’s practices</th>
</tr>
</thead>
</table>
| SDGs 12 Responsible consumption and production | 1. Lanner creates a green supply chain and requires all suppliers to sign RoHS Self-declaration  
2. Lanner promotes green products while ensuring that all products comply with RoHS, REACH, and WEEE directives and the 3R principles  
3. Lanner enforces waste reduction and clean production on an ongoing basis  
4. Waste is recycled and reused as the first priority; suppliers’ packaging materials are also recycled/reused  |
| SDGs 13 Climate action                    | 1. A factory energy monitoring system has been implemented to lessen environmental impact, provide early alert, keep track of energy usage, and improve energy efficiency  
2. The green factory initiative is being enforced as a way to increase energy/resource efficiency for the Company and its customers, which in turn mitigates climate change  
3. GHG reduction plan is being enforced on a long-term basis, and employees are encouraged to adopt energy/carbon reduction actions as part of daily life  |
| SDGs 14 Life below water                  | 1. Lanner monitors water usage on a yearly basis using the water consumption data gathered, and takes steps to prevent excess energy usage                                                                                                                                                                                                                     |
| SDGs 15 Life on land                      | 1. Lanner supports sustainable forest management by using FSC (Forest Stewardship Council) certified paper for photocopying  
2. Lanner reduces use of paper and adopts digitization for certain production-related data  
3. Employees are encouraged to participate in mountain cleanup, and seminars on the preservation of land environment are held  |
| SDGs 16 Peace, justice and strong institutions | 1. New recruits are required to sign commitments to integrity behavior and anti-corruption  
2. Existing employees are subjected to annual training on ethical behaviors and the integrity commitment  
3. Suppliers are instructed and reminded to sign, commit to, and comply with integrity and anti-corruption rules  
4. A grievance and whistleblower system has been implemented  
5. All forms of discrimination are eliminated in accordance with RBA  |
| SDGs 17 Partnerships for the goals        | 1. The Company enforces supplier sustainability management and exercises supervision over issues such as supply chain risk, conflict minerals, local procurement, and business continuity  
2. Lanner joined the U.S. RCI (Rural Cloud Initiative) to provide whitebox solutions for 5G/LTE networking and computing for smart agriculture application  
3. Lanner complies with RBA requirements, and has implemented "Conflict Minerals Management Procedures" that require suppliers to refrain from purchase and use of conflict minerals  
4. A European branch has been established in The Netherlands to provide faster and better quality services to local customers, and to facilitate design of network computing and telecommunication platform to the needs of the local market  |
**SASB comparison chart**

**Sustainability accounting indicators for “Electronic Manufacturing Services & Original Design Manufacturing”**

<table>
<thead>
<tr>
<th>Sub-category No.</th>
<th>Indicator description and response</th>
<th>Chapter</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC-ES-140a.1</td>
<td>Indicator description: Total water withdrawn, total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress. The Company is situated at Xizhi District, New Taipei City. Domestic water consumption makes up the majority of water usage, and the Company sources water primarily from fresh water supply and produces wastewater only from general activities, therefore its operations have no material impact on the natural environment. Lanner used 13,918 cubic meters of water in 2021, which averaged 19.07 cubic meters per person.</td>
<td>Energy/resource management</td>
<td>P.70</td>
</tr>
<tr>
<td>TC-ES-150a.1</td>
<td>Indicator description: Amount of hazardous waste from manufacturing, percentage recycled Lanner generated 4.4 tonnes of waste in 2021 mostly in the form of &quot;E-2221 Scrapped metal containing PCBs and their scrapped powder,&quot; and all of which was handed over to legitimate treatment service providers for recycling, reuse, incineration, or solidified landfill.</td>
<td>Waste management</td>
<td>P.78</td>
</tr>
<tr>
<td>TC-ES-310a.1</td>
<td>Indicator description: Number of work stoppages and total days idle No explanation was available as the Company did not encounter any work stoppage or strike in 2021.</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>TC-ES-320a.1</td>
<td>Indicator description: Total recordable incident rate (TRIR) and near miss frequency rate (NMFR) No case of occupational illness or occupational hazard-induced death was reported in 2021.</td>
<td>Occupational safety and health</td>
<td>P.101</td>
</tr>
<tr>
<td>TC-ES-320a.2</td>
<td>Indicator description: Percentage of entity’s facilities and high-risk facilities audited in the RBA Validated Audit Process (VAP) or equivalent; non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent and associated corrective action rate for priority non-conformances and other nonconformances The 2021 second-party audit on two of Lanner Electronics’ production sites found no high-risk facility or priority non-conformance, and concluded that all improvement procedures have been completed. Lanner conducted RBA on-site audit on 26 suppliers in 2021 and found no high-risk facility or priority non-conformance, while other defects have been improved upon.</td>
<td>Supply chain management</td>
<td>P.48</td>
</tr>
<tr>
<td>Sub-category No.</td>
<td>Indicator description and response</td>
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</tr>
<tr>
<td>TC-ES-320a.2</td>
<td>Description</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-a: 100%</td>
<td>1-a: Percentage of facilities audited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-b: N/A</td>
<td>1-b: Percentage of high-risk facilities audited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-a: 15%</td>
<td>2-a: Percentage of Tier 1 supplier facilities audited</td>
<td>Supply chain sustainability management</td>
<td>P.48</td>
</tr>
<tr>
<td>2-b: N/A - No high-risk facilities</td>
<td>2-b: Percentage of Tier 1 high-risk supplier facilities audited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| TC-ES-320a.3    | Description | | |
| i-1-a: 0%       | i-1-a: Percentage of priority non-conformances improved upon by Lanner | | |
| i-1-b: 15%      | i-1-b: Percentage of other non-conformances in Lanner | | |
| i-2-a: N/A - no priority non-conformance | i-2-a: Percentage of priority non-conformances improved upon by Lanner | | |
| i-2-b: 100%     | i-2-b: Percentage of other non-conformances improved upon by Lanner | | |
| ii-1-a: 0%      | ii-1-a: Percentage of Tier 1 priority non-conformances improved upon by Lanner | | |
| ii-1-b: 8%      | ii-1-b: Percentage of Tier 1 other non-conformances improved upon | | |
| ii-2-a: N/A - no priority non-conformance | ii-2-a: Percentage of Tier 1 priority non-conformances improved upon | | |
| ii-2-b: 100%    | ii-2-b: Percentage of Tier 1 other non-conformances improved upon | | |

| TC-ES-410a.1    | Indicator description: Weight of end-of-life products and e-waste recovered, percentage recycled | Waste treatment | P.78 |
| The Company reported general industrial waste of 51.76 tons and hazardous industrial waste of 4.4 tons in 2021, and no severe leakage or violation of environmental protection laws had occurred in the period reported. | | |

| TC-ES-440a.1    | Indicator description: Description of the management of risks associated with the use of critical materials | Supply chain sustainability management | P.48 |
| The Company has implemented its own Supplier Management Policy. Suppliers are assigned one of four grades (A/B/C/D) based on the outcome of supplier evaluation; | | |
Independent Third Party Assurance Statement