arcadyan

2023 Sustainability Report

Create a Better Future Through Networking

5G

Contents

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About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

About this Report   Message from the Executives

About This Report

Arcadyan Technology Co., Ltd. hereinafter referred to as Arcadyan, issued its first Corporate Social Responsibility (CSR) report in 2018. In line with international trends and the Governance Standards 3.0, it has officially renamed this document the Sustainability Report (hereinafter referred to as "this Report"). The compilation of this Report summarizes the company's operational development, sustainable partnerships, research and development innovation, environmental protection, workplace well-being, social participation for the previous fiscal year. This Report presents the fiscal year 2023 (from January 1, 2023, to December 31, 2023), maintaining the same reporting period as the previous edition. Both Mandarin and English versions of the Report will be provided annually on the company's "Corporate Sustainability Website - Resource Center" for stakeholders to download.

◼ Reporting Scope and Boundary

In the 2023 Arcadyan Sustainability Report, there were no significant changes in organizational scale. The Report primarily discloses information related to major operational bases, namely the Taiwan Headquarter (Hsinchu), the CNC Manufacturing Center in Kunshan, China, and the AVC Manufacturing Center in Yongfu, Vietnam. Partial environmental data regarding the Taipei office, Shanghai office, and Guangzhou office are also disclosed. Arcadyan's financial reporting includes the disclosure of subsidiary entities of the consolidated entity located in the UK, Germany, South Korea, Australia, the US, Brazil, India, and Russia. Information related to strategic cooperative enterprises is temporarily not disclosed. Any information that cannot be disclosed will be specifically marked and explained in relevant sections. Undisclosed information will be considered for disclosure in future editions, taking into account the accuracy and completeness of information collection, and efforts will be made to establish information collection mechanisms for inclusion in future reporting.

◼ Publication of the Report

Current edition: Published in July 2024

Last edition: Published in July 2023

Next edition: Will publish in July 2025

◼ Reporting Principles

This Report is compiled with the Global Reporting Initiative's Sustainability Reporting Standards 2021 (the GRI Standards). It adheres to the eight reporting principles: accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability. An independent third-party assurance provider, AFNOR Asia, has verified compliance with the GRI Standards and the AA1000 Accountability Principles and confirmed compliance with the AA1000 Type 1 Moderate Assurance level. The verification statement is included in the appendices of this report for reference.

Data referenced in this report is verified by relevant authorities as follows:

- Financial Data: Certified by accounting firms
- Product Carbon Footprint Certification (ISO 14067:2018): TÜV Rheinland Taiwan
- TÜV Green Product Mark: TÜV Rheinland Taiwan
- Greenhouse Gas Emissions Certification (ISO 14064-1:2018): TÜV Rheinland Taiwan
- Circular Economy Certification (BS 8001:2017): SGS Taiwan Ltd.
- Energy Management System Certification (ISO 50001:2018): IMQ Istituto Italiano del Marchio di Qualità
- Quality Management System Certification (ISO 9001:2015/TL 9000:2016): AFNOR Asia
- Environmental Management System Certification (ISO 14001:2015): AFNOR Asia
- Product Eco-design Management System Certification (ISO 14006:2011): Quality Austria
- Occupational Health and Safety Management System Certification (ISO 45001:2018): IMQ Istituto Italiano del Marchio di Qualità
- Business Continuity Management System Certification (ISO 22301:2019): AFNOR Asia
- Information Security and Information Risk Management Certification (ISO 27001:2013/ISO 27005:2011): AFNOR Asia

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arcadyan

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

About this Report   Message from the Executives
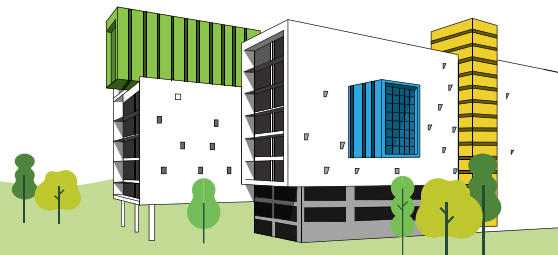
Message from the Executives

■ Global Situation and Challenges

In 2023, Arcadyan faced numerous risks and challenges due to ongoing global instabilities such as the Russia-Ukraine conflict, geopolitical turmoil in the Middle East, international tensions from U.S.-China trade sanctions, mounting pressures of climate change, and the swift advancements in AI technology. In response, Arcadyan is actively devising several contingency plans and initiatives. These involve relocating production bases and expanding production capacity at the Vietnam facility, enhancing international collaborations to fortify the supply chain, and expediting the transfer of orders to overseas manufacturing partners. These measures aim to mitigate supply chain risks, enhance customer satisfaction, and bolster supply chain competitiveness, enabling Arcadyan to flexibly meet customer demands and adapt to the impacts of various risks.

■ Low-carbon Transformation Mindset

In light of the global energy shift, the demands of international clients, and Taiwan's commitment to local net-zero emissions, Arcadyan joining the Science Based Targets initiative (SBTi) in 2022 in response to the challenges of corporate low-carbon transformation. By December 2023, Arcadyan had submitted its targets, affirming its proactive approach to decarbonization in pursuit of the ultimate goal of achieving net-zero emissions.

Chairman   [signature]   President   [signature]

Aligned with the United Nations Climate Change Conference (COP 28) signals the "beginning of the end" of the fossil fuel era and the consensus on the Global Goal on Adaptation (GGA), Arcadyan implemented ISO 14064 greenhouse gas inventories for all its facilities in 2022, expanding to include Scope 3 emissions. Inventories data are verified by third parties and disclosed transparently. Both Arcadyan's Headquarter and the Vietnam Manufacturing Center obtained ISO 50001 Energy Management System certification in 2023, effectively enhancing energy efficiency within the group, demonstrating Arcadyan's commitment to actively decarbonize.

AVC Vietnam Manufacturing Center completed rooftop photovoltaic system installation in June 2022, electricity generated accounted for approximately 11% of AVC annual electricity consumption. AVC plans to install the second phase of the plant's solar photovoltaic system in 2024. This initiative aims to increase the proportion of renewable energy usage in the manufacturing center to 20%, thereby progressively achieving the goal of low-carbon production.
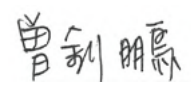
In addition to internal decarbonization measures, Arcadyan initiated the "Go Green with Arcadyan" program in 2023 to assist in supplier decarbonization. Collaborating suppliers of high-carbon-emission components like printed circuit boards (PCB), power supplies (PSU), and housings, Arcadyan improves component design, processes, and energy efficiency through Life Cycle Assessment (LCA). This effort aims to further decrease Scope 3 carbon emissions, aligning with Arcadyan's dedication to decarbonization.

About this Report Sustainability Development Management Corporate Operations Green Innovation Environmental Sustainability Social Inclusion Appendix

About this Report Message from the Executives

Contribution to Social Impact

Arcadyan places a strong emphasis on sustainable supply chains, considering sustainable development as a pivotal indicator in its procurement strategy. It encourages suppliers to advance corporate social responsibility initiatives and adhere to the Responsible Business Alliance (RBA) Code of Conduct. Since 2019, Arcadyan has actively collaborated with customers to implement Supplier Development Programs (SDP), focusing on driving suppliers to enact various measures including environmental protection, energy efficiency improvements, carbon emissions management, labor conditions enhancement, and human rights protection. By leveraging the industry value chain and social impact, Arcadyan aims to strengthen the sustainable development capabilities of its suppliers. This approach cultivates a mutually beneficial supply chain management model, enabling Arcadyan to fulfill its role as a global corporate citizen committed to social responsibility.

Executing Corporate Governance

Arcadyan adheres to relevant legal requirements by establishing a robust corporate governance framework and drafting "Corporate Governance Best Practice Principles" and "Integrity Operations Procedures and Behavioral Guidelines." Through the supervision, assessment, decision-making, and guidance of the board of directors, transparency in operations is ensured. Utilizing risk management mechanisms, potential risks affecting operations are integrated and managed to fulfill the responsibilities of corporate operators. To enhance board diversity, Arcadyan elected a female director in 2023, aiming to stimulate management innovation from diverse gender perspectives and reflect the company's culture and values. Arcadyan was recognized in the "2023 Corporate Governance Evaluation" as among the top 20% to 35% of listed companies, acknowledging its proactive disclosure of relevant performance after establishing governance systems and emphasizing implementation and practice.

Enhancing ESG Performance

Arcadyan demonstrates outstanding performance across various aspects of ESG (Environmental, Social, and Governance) in the EcoVadis Sustainability Rating, which evaluates environmental, labor and human rights, ethical business practices, and sustainable procurement. Arcadyan has been awarded the Gold Medal from EcoVadis for two consecutive years in 2022 and 2023. Furthermore, in 2023, Arcadyan was honored with the Taiwan Corporate Sustainability Award (TCSA) for being one of Top 100 Taiwanese Sustainable Corporates and received the National Sustainable Development Award from the Executive Yuan of Taiwan. Arcadyan remains committed to enhancing transparency in ESG information through concrete actions.

Sustainability Development Strategy

Arcadyan upholds a commitment to sustainable operations, embodying the principle of doing good deeds. Under the auspices of the Board of Directors, Arcadyan has established a "Sustainability Development Committee" as the internal decision-making center for sustainability development. Led by senior executives from various departments, the committee reviews the company's core operational capabilities, sets strategic policies and directions for corporate sustainability development, drives related initiatives, and integrates them into the culture of Arcadyan.

Arcadyan's sustainability development strategy is built upon its core values of "innovation, harmony, surpassing, and service." Through actions and performance in "corporate governance," "environmental sustainability," "employee care," "sustainable procurement," and "social inclusion," Arcadyan continually engages in constructive interactions with stakeholders from all walks of life and remains steadfast in its commitment to cultivating a sustainable future of mutual benefit.

1

Sustainability Development Management

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

1.1 Sustainability Vision

1.1.1 Vision and Policy

Sustainability Vision	Create a better future through networking.
Sustainability Development Strategies	• Deliver comprehensive customer services through continuous innovation in products and technology, and the integration of upstream and downstream supply chain resources. • Ensure human rights and labor rights by fostering positive labor-management relations, and providing a safe and friendly working environment for employees. • Integrate resources proactively and effectively while acknowledging responsibility for the impact on the economy, society, and environment. • Give back to the society through practical actions embodying "equilibrium, prosperity and inclusivity," with a focus on creating a better future.

1.1.2 Sustainability Pillars and Strategies

Arcadyan aligns its operational strategy with corporate sustainability principles, driven by values of technological innovation, human-centricity, continuous improvement, and customer focus. It has established three core sustainability pillars: Equilibrium, Prosperity, and Inclusivity (EPI), and translated these into eight actionable policies. These include initiatives such as green design, sustainable procurement, climate action, rural education, support for the disadvantaged, integrity governance, labor rights, and diversity and inclusion.

Equilibrium
• Green Design
• Sustainable Procurement
• Climate Action

Prosperity
• Rural Education
• Supporting the Vulnerable

Inclusivity
• Business Integrity
• Labor Rights
• Diversity and Inclusion

About this Report

Sustainability Development Management

Corporate Operations

Green Innovation

Environmental Sustainability

Social Inclusion

Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Strategies	Principles	Corresponding SDGs
Green Design	Based on the "product life cycle" concept, ecological design considers the environmental impacts at each stage, including raw material procurement, production manufacturing, packaging transportation, consumer use, and disposal recycling.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Sustainable Procurement	Prioritize the quality, price, delivery schedule, service, as well as environmental and social responsibility performance of our suppliers, create a sustainable and competitive supply chain.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
Climate Action	Formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, energy innovation and water conservation, and waste management, identify regulatory and physical risks and transform various risks into opportunities for green circular economy.	6 CLEAN WATER AND SANITATION; 7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Rural Education	Support quality education, assist rural schools in developing distinctive programs, expanding school resources, and broadening students' horizons.	1 NO POVERTY; 4 QUALITY EDUCATION; 17 PARTNERSHIPS FOR THE GOALS
Supporting the Vulnerable	Collaborate with charities and NPOs, donate to food banks, holiday gifts and emergency relief funds, and sponsor special talent lessons for underprivileged children.	1 NO POVERTY; 2 ZERO HUNGER; 17 PARTNERSHIPS FOR THE GOALS
Business Integrity	Maintain high ethical standards across all aspects of operations, collaborate with stakeholders to implement anti-corruption and fair competition guidelines.	8 DECENT WORK AND ECONOMIC GROWTH; 17 PARTNERSHIPS FOR THE GOALS
Labor Rights	Create a happy workplace, collaborate with the value chain to promote human rights protection and workplace health and safety.	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
Diversity and Inclusion	Implement anti-discrimination and anti-harassment policies, foster a welcoming work environment.	10 REDUCED INEQUALITIES

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix
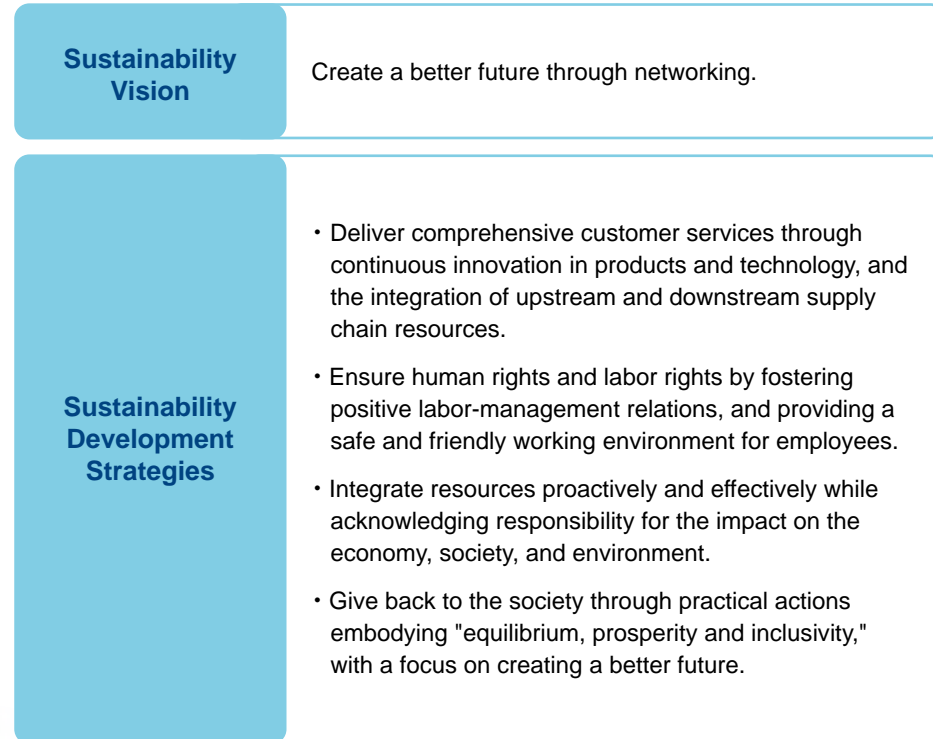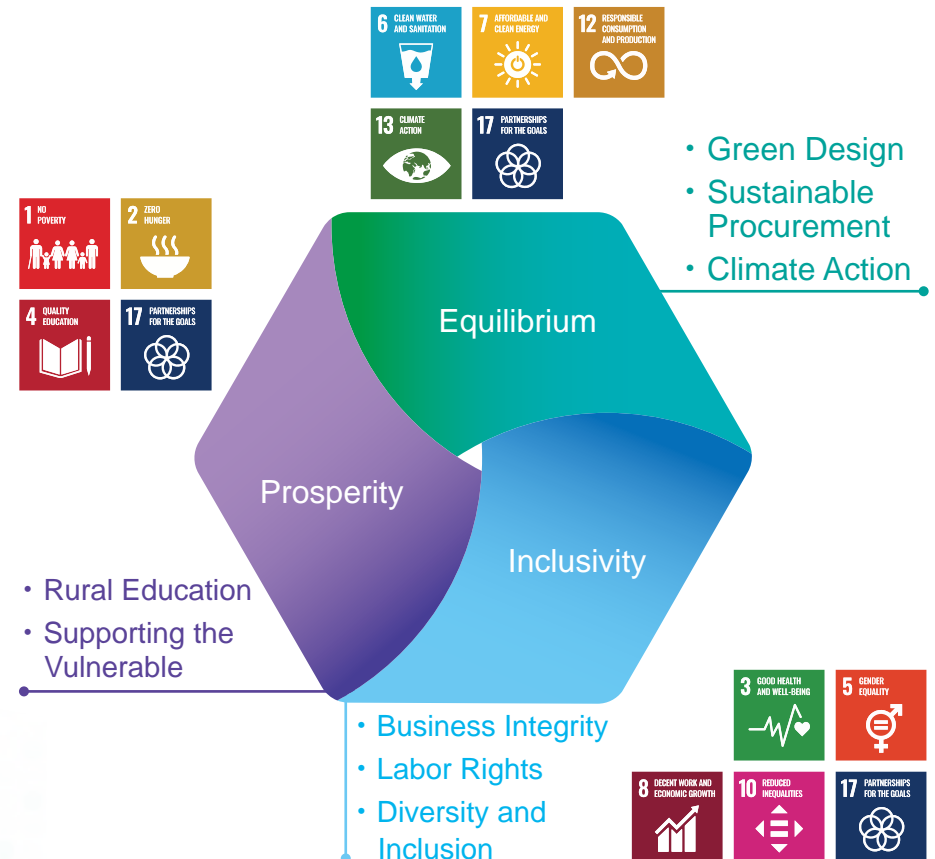
Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

1.2 Sustainability Organization

In 2016, Arcadyan established CSR Committee, which was expanded and reorganized under the Board of Directors in 2020 and renamed as "Sustainability Committee." The President serves as the chairman, with senior executives from various domains leading Sustainability Execution Team to collectively review the company's core operational capabilities and devise medium to long-term sustainability development plans. Additionally, the "Sustainability Development Office" was established to oversee sustainability initiatives, ensuring top-down implementation of corporate social responsibility.

The Sustainability Committee convenes at least once annually, with the chairman providing regular reports to the board of directors on the progress and future plans of sustainability initiatives. Agenda items include (1) identifying sustainability issues requiring attention and formulating responsive action plans, (2) setting goals and revising policies related to sustainability topics, and (3) monitoring the implementation of sustainability initiatives and evaluating their execution.

Board of Directors

Remuneration Committee

Audit Committee

Sustainability Committee

President and Executive Team

Sustainability Development Office

Corporate Governance	Environmental Sustainability	Procurement Sustainable	Employee Engagement	Social Participation	Manufacturing Center (China & Vietnam)
• Business Ethics and Integrity Management • Anti-corruption and Bribery • Fair Competition • Legal Compliance • Internal Audit and Control • Intellectual Property Management • Information Security Management • Risk Management • Financial Information Disclosure	• Ecological Design • Circular Economy • Product Life Cycle Assessment • Green Products and Processes • Environmental Protection • Greenhouse Gas Management • Energy and Resource Management • Hazardous Substance Management • Waste Management	• Sustainable Procurement • Supplier Localization • Prohibition on Conflict Minerals • Supplier Risk Assessment • Supplier Sustainability Development • Supply Chain Sustainability Management	• Prohibition on Child Labor • Labor/ Occupational Health and Safety • Equal opportunities • Compensation and Benefits • Talent Development • Human Rights • Communication • Employee Satisfaction	• Corporate Citizenship • NPO Collaboration • Fundraising and Donation • Rural Education • Responsible Purchase and Charity Sale • Promotion of Culture and Arts • Community Engagement	• Compliance with local regulations • Promote sustainable policies and related measures • Energy resource management • Waste management • Environmental protection • Supplier management (due diligence, carbon reduction, energy resources and waste management)

9

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

1.3 Performance, Certification and Initiatives

Performance Highlights

EcoVadis Sustainability Ratings
- Gold Medal

2023 CDP Climate Change and Water Security Survey
- B Management Level

2023 Corporate Governance Evaluation
- 21% to 35% of all TWSE-listed Companies

Taiwan Corporate Sustainability Awards
- Top 100 Taiwanese Sustainable Corporates Award
- Sustainability Report Silver Awards

2023 National Sustainable Development Awards

2023 SEAL Awards
- Sustainable Product Award

2023 Taiwan Circular Economy Awards
- Outstanding Product Award

Occupational Accident Free Record
- Golden Award

2023 TAIPEI AMPA ESG Golden ESG Achievement Award

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

Management Systems and Certifications

Management Systems		Arcadyan Taiwan Headquarter	CNC China Manufacturing Center	AVC Vietnam Manufacturing Center
Quality	ISO 9001: 2015 Quality Management Systems	O	O	O
	TL 9000 Telecom Quality Management Systems	O	O	O
	IATF 16949: 2016 Automotive Quality Management Systems		O	
Environment	ISO 14001: 2015 Environmental Management Systems	O	O	O
	ISO 14006: 2011 Environmental Management Systems - Guidelines for Incorporating Ecodesign	O		
	ISO 14064-1: 2018 Greenhouse Gases Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals	O	O	O
	ISO 50001: 2018 Energy Management Systems	O		O
	BS 8001: 2017 Circular Economy	O		
	IECQ-QC080000: 2017 Hazardous Substance Process Management Systems		O	O
	FSC-STD-40-004 Chain of Custody Certification Standard			O
Social	ISO 22301: 2019 Business Continuity Management Systems	O	O	O
	ISO 27001: 2013 Information Security Management Systems	O	O	O
	ISO 27005: 2011 Information security, cybersecurity and privacy protection - Guidance on managing information security risks	O	O	O
	ISO 45001: 2018 Occupational Health and Safety Management Systems	O	O	O
	SA 8000: 2014 Social Accountability 8000 Standard		O	
	C-TPAT (Customs-Trade Partnership Against Terrorism)		O	O

97% of Arcadyan operational sites (including Taiwan Headquarter, China Manufacturing Center, and Vietnam Manufacturing Center) are certified in management systems based on employee numbers.

Membership Associations

- Bluetooth Special Interest Group (SIG)
- Broadband Forum
- Connectivity Standards Alliance: CSA-IOT SD Association
- Digital Content Protection Licensed Adopter
- DTLA Digital Transmission Licensed Adopter
- HDMI Licensed Adopter
- Open Connectivity Foundation (OCF)
- RDK Management Licensed Adopter
- prpl Foundation
- Wi-Fi Alliance
- Taiwan Electrical and Electronic Manufacturers' Association - 5G Industry Innovation and Development Alliance
- High-Tech Industry Compensation Management Association

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Participated Initiatives

Joint Alliance for CSR（JAC）
Participate in supplier development programs, adhering to and assisting suppliers in meeting sustainability expectations set by customers.

Responsible Business Alliance (RBA)
Implement RBA Validated Assessment Program, ensuring the development of a sustainable supply chain.

CDP
Participate in Climate Change and Water Security survey, voluntarily disclosing relevant information.

Task Force on Climate-Related Financial Disclosures (TCFD)
Voluntarily disclose climate-related risks and opportunities, along with the current management status.

Science Based Targets initiative (SBTi)
Set carbon reduction targets and achieve net-zero emissions in line with a global warming scenario of 1.5℃ .

United Nations Global Compact (UNGC)
Support and adhere to the Ten Principles of the UN Global Compact, taking responsibilities in the areas of human rights, labor, environment, and anti-corruption.

EcoVadis
Participate in the Sustainability Rating, voluntarily disclosing relevant information.

About this Report • Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

Implementation Status of the Ten Principles of the UN Global Compact:

Ten Principles of the UN Global Compact		Reporting content	Page
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights.	Arcadyan supports and respects internationally recognized human rights and issued the "Human Rights Policy Declaration" in 2021. For detailed implementation status, please refer to 5.1 Human Rights Management in this report.	105-106
	Businesses should make sure that they are not complicit in human rights abuses.	Arcadyan supports "Responsible Minerals Initiative" under RBA, and formulated "Sustainable Procurement Policy." For detailed implementation status, please refer to 2.5 Sustainable Partnership in this report.	51-53
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Arcadyan respects employees' rights to freedom of association and collective bargaining, organized regular labor-management meetings. For details, please refer to 5.1 Human Rights Management in this report.	108~109
	Businesses should uphold the elimination of all forms of forced and compulsory labor.	Arcadyan prohibits all forms of forced and compulsory labor. For details, please refer to 5.1 Human Rights Management in this report and "Human Rights Policy Declaration."	105-107
	Businesses should uphold the effective abolition of child labor.	Arcadyan strictly prohibits the use of child labor. For details, please refer to 5.1 Human Rights Management in this report and "Human Rights Policy Declaration."	105-107
	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Arcadyan prohibits all forms of discrimination. For details, please refer to 5.1 Human Rights Management in this report and "Human Rights Policy Declaration."	105-107
Environment	Businesses should support a precautionary approach to environmental challenges.	Arcadyan sets up an environmental management system, defines protection goals, promotes sustainable supply chains, manages environmental risks, and commits to achieving net-zero emissions. For details, please refer to Chapter 4 Environmental Sustainability in this report.	81-82
	Businesses should undertake initiatives to promote greater environmental responsibility.	Arcadyan adheres to ISO 14006 Guidelines for incorporating ecodesign and BS 8001 Circular Economy Standard in product design. Its manufacturing center implements ISO 50001 Energy Management System and ISO 14064 Greenhouse Gas Inventory. Additionally, Arcadyan has joined the Science Based Targets initiative (SBTi). For more details, please refer to Chapters 3 Green Innovation and 4 Environmental Sustainability of this report.	63-74 86-95
	Businesses should encourage the development and diffusion of environmentally friendly technologies	Arcadyan products adhere to green design principles, using the Product Life Cycle (PLC) as a basis to consider environmental impacts across various stages including raw material sourcing, manufacturing, packaging, transportation, consumer use, and disposal/recycling. For more details, please refer to Chapters 3 Green Innovation.	86-95
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery	Arcadyan adheres to ethical business practices, prohibiting any form of corruption, and has formulated "Business Ethics Policy." Arcadyan regularly conduct integrity due diligence investigations internally and among suppliers. For more details, please refer to 2.4 Integrity Management.	48-50

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Arcadyan Net-Zero Value Creation Blueprint

At the end of 2023, the first every-five-year "Global Stocktake" (GST) was conducted during the 28th United Nations Climate Change Conference (COP28), marking a critical point for assessing global carbon reduction progress. According to the report, to keep global warming below 1.5°C, countries must continuously reduce global greenhouse gas emissions at a rapid pace to achieve the goal of a 45% reduction in carbon emissions by 2030 compared to 2010 levels, and reach net-zero emissions by 2050. Arcadyan plans an important role in the era of rapid growth in AI and digital transformation; it also actively address climate governance issues and dedicates to contributing to human well-being. Arcadyan actively participates in various international initiatives and renewable energy projects, striving toward the net-zero goal. In 2022, Arcadyan joined Science Based Targets initiative (SBTi), pledging to adopt science-based targets for setting net-zero emission goals. Arcadyan has begun planning and creating a carbon reduction action blueprint to systematically track and manage its positive carbon assets. By purchasing renewable energy certificates annually, Arcadyan supports RE 100 and aims to achieve 100% renewable energy, and accelerate the realization of environmental sustainability.

» **Business Ambition for 1.5°C SBTi Commitment**

2024

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Net-Zero Commitment

2040

Long Term Commitmen

Scope 1+2: 90% reduction in emissions

Path to Net-Zero

2022

Base Year

2030

Near Term Commitmen

- Scope1+2 : 50% reduction in emissions
- Scope3 : 66.47% reduction in emission intensity per unit gross profit (30% absolute reduction)

2050

Net-Zero Commitmen

Scope 3 : 98.19% reduction in emission intensity per unit gross profit (90% absolute reduction)

» **Net-Zero Task Force**

Board of Directors

Sustainability Committee

Environmental Sustainability Team

- Climate Change Opportunities and Risk Identification
- Corporate Carbon Inventory
- Corporate Carbon Asset Management
- Environmental Management (Energy, Water Resources, Waste)

Sustainable Product Design Team

- Low-Carbon Product Design and Development
- Product Life Cycle Assessment
- Development of Environmentally Friendly Materials

Net-Zero Task Force is Arcadyan's action team for SBTi commitment, focusing on managing the entire value chain and carbon assets. The task force conducts quarterly reviews and assessments of carbon reduction progress, adjusting and revising carbon reduction plans dynamically based on market and technological developments. It ensures Arcadyan maintains optimal practices in carbon reduction efforts and corporate value, meeting customer expectations and achieving the overall organizational and product level decarbonization goals.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

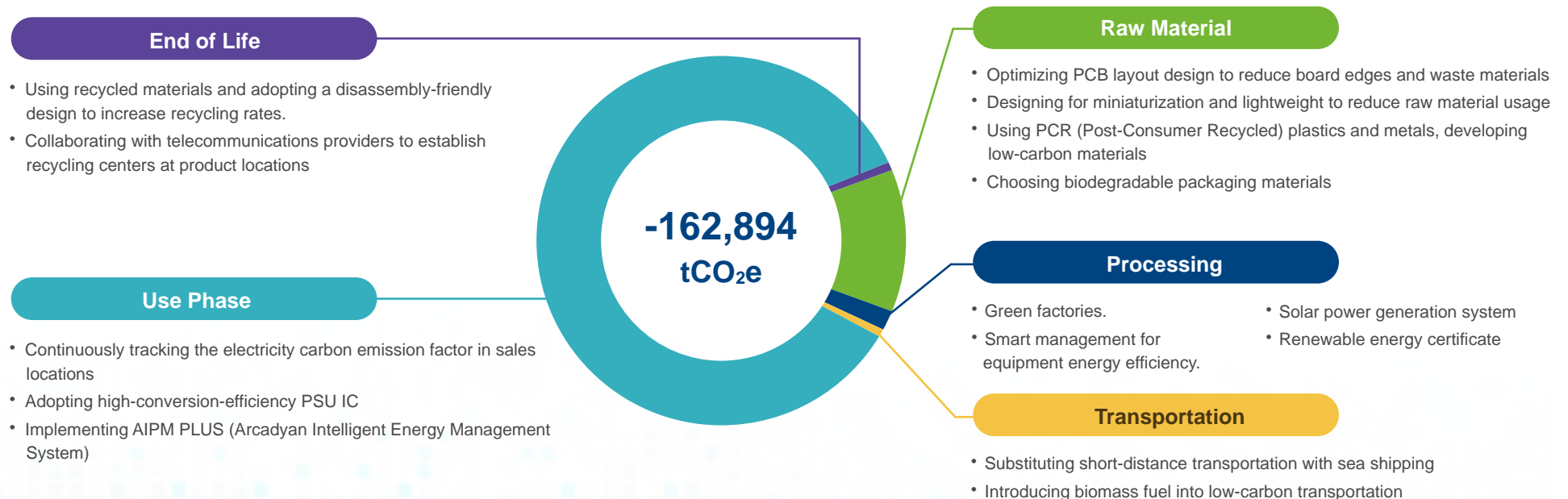## » SBTi Net-Zero Action Blueprint and Progress Tracking

Compared with the 2022 base year, the carbon reduction rate in scope 1+2+3 in 2023 will reach 4.25%, and the total carbon reduction will reach 147,869.8 tCO2e. Overall, Scope 1, 2 and 3 have all achieved SBTi's goals and progress of 6.25% annual carbon reduction for Scope 1 and 2 and 3.75% annual carbon reduction for Scope 3. In 2024, Arcadyan will continue to expand the solar power generation equipment in the Vietnam manufacturing center and purchase renewable energy to reduce carbon emissions; on the supply side and sales side, Arcadyan will also achieve carbon reduction goals through measures such as optimizing PCB board layout, evaluating the transformation of business models, and providing product usage behavior and performance recommendations.

Short Term

Scope 1
- Reduce business trips by using video conferencing
- Regular inspections to prevent refrigerant leaks

Scope 2
- Install solar panels and purchase renewable energy
- Implement smart energy monitoring systems
- Install variable frequency drives to improve equipment efficiency

Scope 3
- Introduce circular economy design solutions
- Optimize PCB board layout
- Use post-consumer recycled plastic and metal materials
- Design environmentally friendly packaging materials

Mid Term

Scope 1
- Convert fuel vehicles to electric vehicles.
- Purchase high-quality international carbon credits.

Scope 2
- Establish green factories.
- Implement smart management for equipment energy efficiency.
- Sign long-term power purchase agreements (PPA) for renewable energy.

Scope 3
- Optimize product power management. Implement the AIPM smart power management system.
- Recycle sold products and reintegrate them into production.

Long Term

Scope 3
- Implement the AIPM PLUS smart power management system.
- Introduce biofuel transportation routes.
- Purchase high-quality international carbon credits.

(tCO$_2$e)

Legend:
- Scope 1+2 Emission
- Scope 3 Emission
- Expected Emission
- Path to Net-Zero

2022 | 2030 | 2040 | 2050

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Progress Tracking for Arcadyan Scope 1+2 Emissions

Scope	2023 Decarbonization Contribution (tCO$_2$e)	SBTi Requirement (tCO$_2$e)	Achieving Rate (%)	Decarbonization Strategies	
1+2	6,296.32	1,958	100%	Scope 1	• Replace gasoline company cars with electric vehicles • Encourage virtual meetings to reduce commute
				Scope 2	• Energy-saving lightings • Variable frequency air compressor • Variable frequency air conditioning • Real-time energy monitoring systems • Self-built solar power generation systems • Renewable energy certificates

Arcadyan Product Value Chain Decarbonization Strategies

End of Life
- Using recycled materials and adopting a disassembly-friendly design to increase recycling rates.
- Collaborating with telecommunications providers to establish recycling centers at product locations

Use Phase
- Continuously tracking the electricity carbon emission factor in sales locations
- Adopting high-conversion-efficiency PSU IC
- Implementing AIPM PLUS (Arcadyan Intelligent Energy Management System)

-162,894 tCO$_2$e

Raw Material
- Optimizing PCB layout design to reduce board edges and waste materials
- Designing for miniaturization and lightweight to reduce raw material usage
- Using PCR (Post-Consumer Recycled) plastics and metals, developing low-carbon materials
- Choosing biodegradable packaging materials

Processing
- Green factories.
- Smart management for equipment energy efficiency.
- Solar power generation system
- Renewable energy certificate

Transportation
- Substituting short-distance transportation with sea shipping
- Introducing biomass fuel into low-carbon transportation

Note: Arcadyan's product value chain covers Scope 1, 2 and 3

16

About this Report   **Sustainability Development Management**   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

1.4 Stakeholders and Materiality

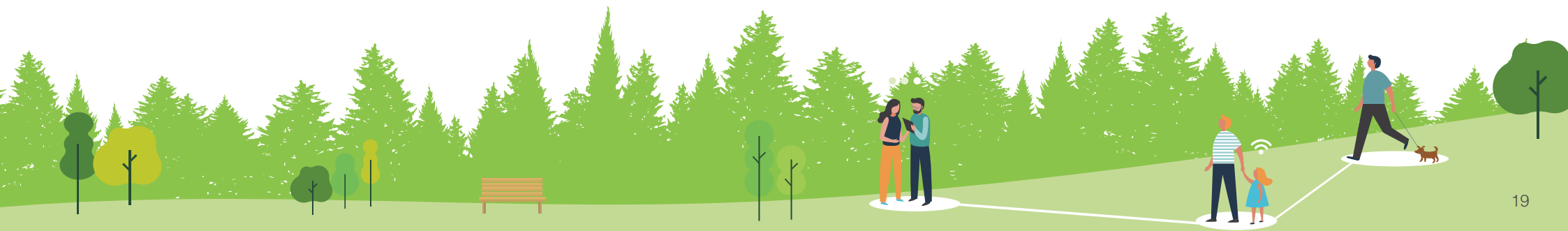### 1.4.1 Identification of Stakeholders

In compliance with the Global Reporting Initiative (GRI) Standards and the AA1000 Stakeholder Engagement Standards, Arcadyan has established a process for identifying key topics in corporate sustainability to serve as the basis for the sustainability report. The Sustainability Execution Team references relevant information from industry peers and internal discussions to list relevant stakeholders. The Core Team then identifies stakeholders based on the importance of each type to Arcadyan, following the five principles of the AA1000 SES Stakeholder Engagement Standards: Dependency, Responsibility, Influence, Diverse Perspectives, and Tension. This process has identified the following eight major categories of stakeholders: Shareholders, Customers, Employees, Suppliers, Government Agencies, Non-Profit Organizations, Local Communities, and Business-Related Institutions. The methods and results of communication with stakeholders in 2023 are as follows:

Stakeholder Communication and Response

Categories		Communication Object	Meaning to Arcadyan	Communication Methods	Frequency	2023 Communication Outcomes
Shareholders	2023 Key Issues of Concern: • Operational Performance • Business Continuity • Technology and R&D • Information Security	Investors, Shareholders, Banks	The participation and support of investors, shareholders, and banks are crucial to Arcadyan's development. Arcadyan aims for steady growth as an operational goal and achieves a virtuous cycle through effective capital utilization.	Annual General Meeting	Annually	Hold an Annual General Meeting
				Investor Conferences	Annually	Hold 3 institutional investors' conferences
				Investor Hotline and Email	Irregular	• Participated in 77 meetings, engaging in face-to-face/phone communication with 158 domestic and foreign investors • Published 31 significant announcements as required by law • Provided real-time responses to investor inquiries
				Investor meetings	Irregular	
Customer	2023 Key Issues of Concern: • Business Continuity • Customer Service Management • Technology and R&D • nformation Security • Product Security	Domestic Customers, Foreign Customers	"Customer satisfaction" is Arcadyan's core value. Arcadyan understands customer needs and maintains close communication to create value for customers, assisting them in achieving their goals and fostering mutual growth.	Regular project meetings	Monthly / Quarterly	• Held QBR (Quarterly Business Review) meetings for 10 customers, approximately 140 meetings to discuss and follow up on matters • Conducted visits or weekly phone meetings for key customers to discuss and improve the most immediate quality issues • Customer Satisfaction Survey: Average score of 86.4 over the past three years
				Email discussions	Irregular	
				Business visits	As needed / Irregular	
				Customer audits	As needed / Irregular	

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

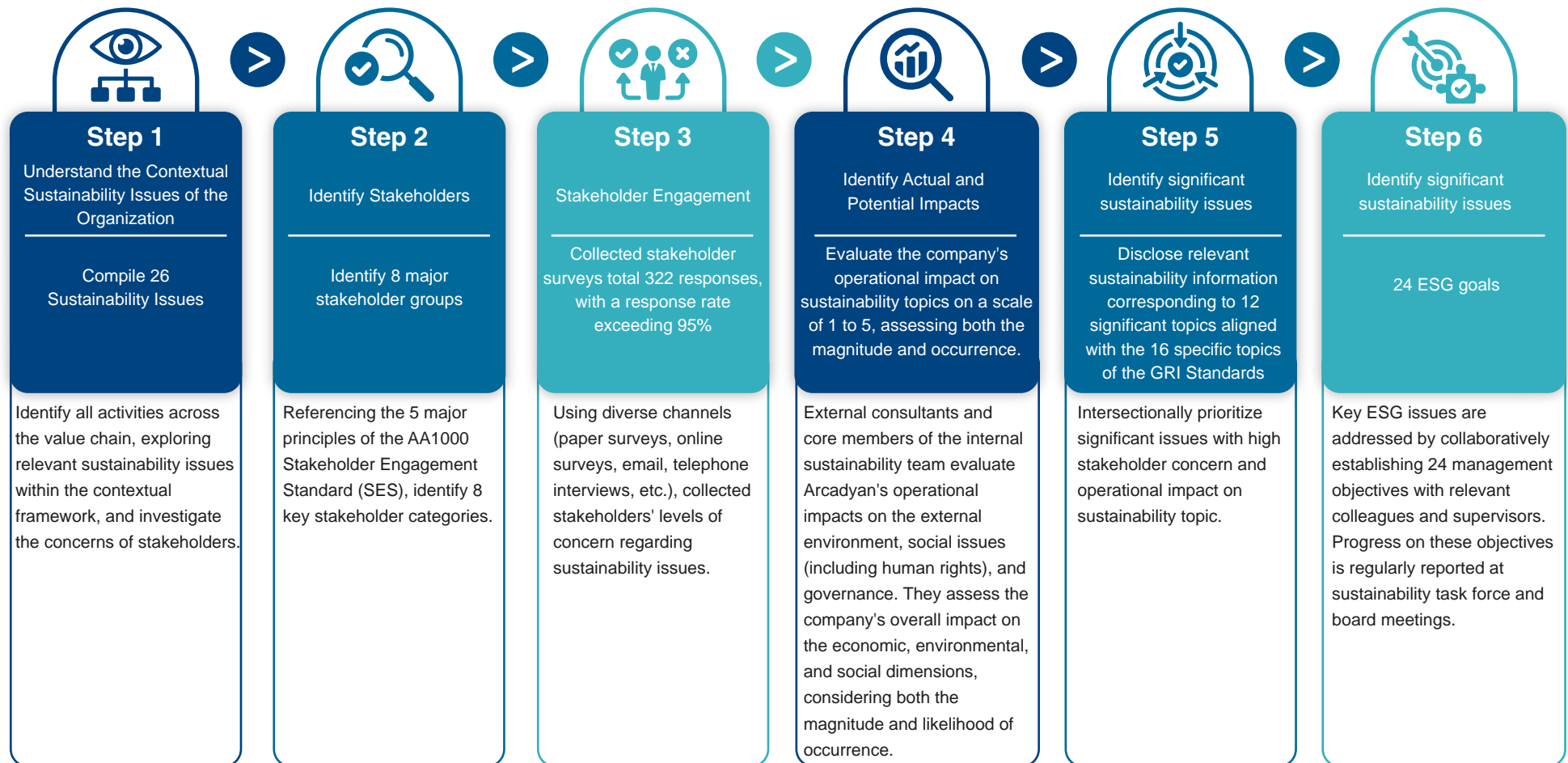|	Categories	Communication Object	Meaning to Arcadyan	Communication Methods	Frequency	2023 Communication Outcomes
Employees	**2023 Key Issues of Concern:** • Operational Performance • Labor/Management Relations • Prevention and Management of Infectious Diseases • Human Rights Equality • Regulatory Compliance	Domestic Employees, Foreign Employees, Interns	Employees are Arcadyan's greatest assets. Upholding the philosophy of valuing employee welfare and care, Arcadyan actively solicits employee suggestions through diverse and open communication channels to achieve optimal operational performance.	Labor-Management Meetings, Employee Forums	Quarterly	• Hold 1 employee forum • Hold 6 labor-management meetings
				Welfare Committee Meeting	Quarterly	Conducted a total of 4 welfare committee meetings, resolving 13 proposals
				Performance Review Meeting	Semi-annual / Irregular	Conducted 2 annual performance reviews
				Education and Training Courses	Based on headcount / Irregular	• Conducted a total of 42 employee education and training courses • Held 12 health promotion seminars (Hsinchu headquarters)
				Internal Bulletin Board System	Irregular	Published 30 employee lifestyle and health promotion announcements.
				Internal suggestion box, complaint reporting hotline	Irregular	Employee suggestion box and complaint submissions: 0 items
Suppliers	**2023 Key Issues of Concern:** • Business Continuity • Supply Chain Management • Operational Performance • Fair Competition • Prevention and Management of Infectious Diseases	Suppliers, Contractors, Outsourced Vendors	Suppliers are essential partners in Arcadyan's sustainable supply chain. Through interaction and collaboration with suppliers, Arcadyan implement sustainable procurement policies to respond market changes and demands, thereby enhancing the overall competitiveness of it's supply chain.	Supplier Green Component Management Platform	Updated as needed	• Approximately 300 suppliers used the Green Component Management Platform, with a total of 2,317 new and updated documents and reports. • Conducted quality system audits for 49 new suppliers. • Held Sustainable Development Project Meetings with 2 suppliers, totaling 20 meetings. • Completed CSR audits for 18 suppliers.
				Sustainable Development Project Meetings	Monthly	
				Email Correspondence	Irregular	
				On-site or Documentation review	Annually	
				Supplier Evaluation	Quarterly / Annually	
Government Agencies	**2023 Key Issues of Concern:** • Business Continuity • Technology and R&D • Labor/Management Relations	Police Station, City Government, Fire Department, Environmental, Protection Agency, Labor Bureau	Arcadyan adheres to local government regulations at each operational site, maintains good communication channels with government agencies, and cooperates in compliance with laws and policies, fulfilling corporate responsibilities.	Official documents Regulatory briefing sessions Workshops Initiative visits	Irregular	• 10th Corporate Governance Evaluation: Listed Group Ranking 21-35% • Completed the Financial Supervisory Commission's "Sustainable Development Path for Listed Companies," including Arcadyan's greenhouse gas inventory and verification at key operational sites.

About this Report · Sustainability Development Management · Corporate Operations · Green Innovation · Environmental Sustainability · Social Inclusion · Appendix

Sustainability Vision · Sustainability Organization · Performance, Certification and Initiatives · Stakeholders and Materiality

	Categories	Communication Object	Meaning to Arcadyan	Communication Methods	Frequency	2023 Communication Outcomes
Non-Profit Organizations	2023 Key Issues of Concern: • Prevention and Management of Infectious Diseases • Local Community and Charity Involvement • Labor/Management Relations • Employee Diversity and Inclusion	Social Welfare Organizations Foundations	Arcadyan cares for vulnerable groups and rural schools, collaborating with major social welfare organizations and foundations to promote social welfare activities, thereby fulfilling corporate social responsibilities.	Email Events or Meetings	Irregular	• Donation amount reached NT$5.62 million • Employee donation participants: 1,039 people • Beneficiaries during the year: 4,248 people
Communities	2023 Key Issues of Concern: • Regulatory Compliance • Human Rights Equality • Labor/Management Relations • Social Engagement	Community Residents	Arcadyan periodically communicates with local community units and residents to minimize the impact of its operational activities on the local community.	Meeting with community residents and village chiefs	Irregular	• No complaints received from on-site / surrounding residents • Organized two rounds of community tour events "Cultural Tour of General Village in Autumn"
Business-related Organizations	2023 Key Issues of Concern: • Resource and Energy Management • Green Products • Supply Chain Management • Climate Change and Carbon Management	Industry Alliances Trade Associations Third-Party Verification Organizations	Arcadyan engages with industry alliances and various certification bodies to exchange information on the latest trends and developments, leveraging its influence within the industry to promote industrial development.	Online meeting	Irregular	• Conducted approximately 30 industry exchange meetings • Participated in 5 trade association events
				Annual audit and verification	Annually	
				Online newsletter	Irregular	

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

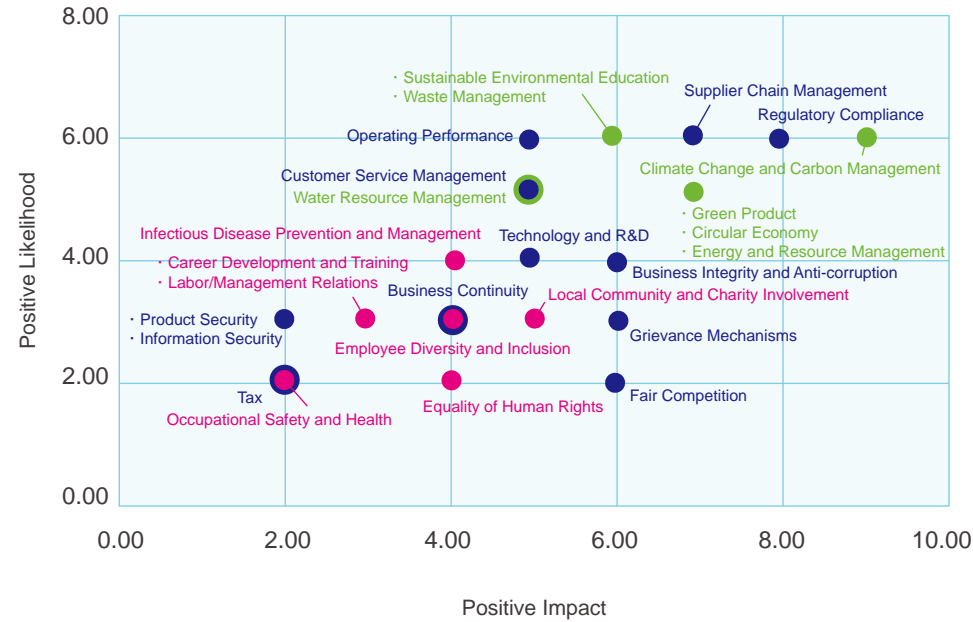## 1.4.2 Identification of Material Sustainability Topics

Arcadyan engages various stakeholders to gather feedback and understand their concerns. By following the GRI 3 and double materiality analysis methods, we identify material topics and review the impacts of our operations on Environmental, Social, and Governance (ESG) aspects annually. This process serves as a crucial basis for Arcadyan's sustainable development, helping to set short-, medium-, and long-term sustainability goals. These goals are tracked and reviewed in quarterly sustainability task force meetings and reported annually to the Board of Directors.

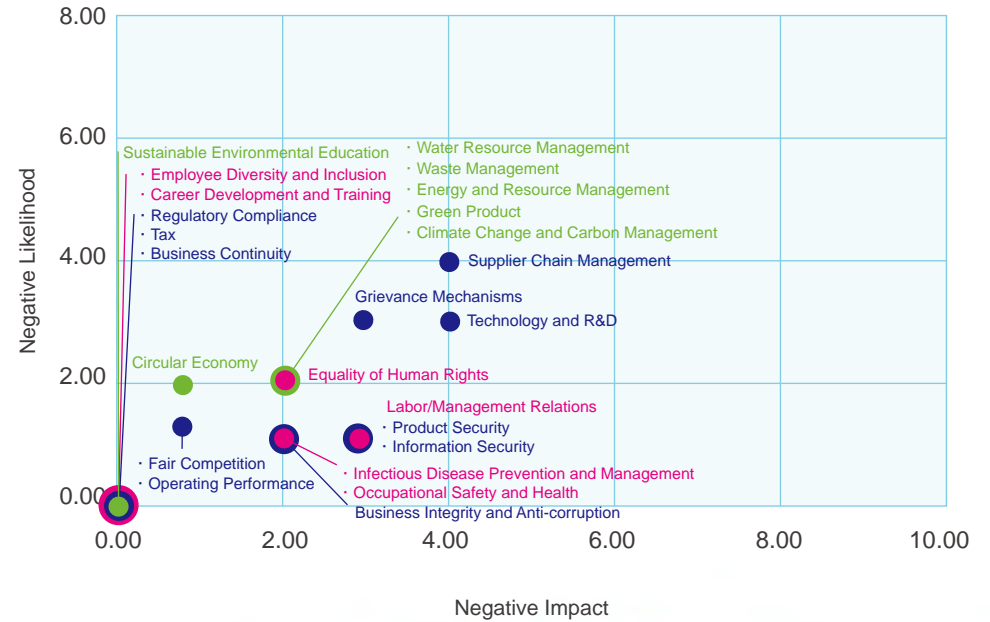### Identification Process of Material Topics

Step 1
Understand the Contextual Sustainability Issues of the Organization

Compile 26 Sustainability Issues

Identify all activities across the value chain, exploring relevant sustainability issues within the contextual framework, and investigate the concerns of stakeholders.

Step 2
Identify Stakeholders

Identify 8 major stakeholder groups

Referencing the 5 major principles of the AA1000 Stakeholder Engagement Standard (SES), identify 8 key stakeholder categories.

Step 3
Stakeholder Engagement

Collected stakeholder surveys total 322 responses, with a response rate exceeding 95%

Using diverse channels (paper surveys, online surveys, email, telephone interviews, etc.), collected stakeholders' levels of concern regarding sustainability issues.

Step 4
Identify Actual and Potential Impacts

Evaluate the company's operational impact on sustainability topics on a scale of 1 to 5, assessing both the magnitude and occurrence.

External consultants and core members of the internal sustainability team evaluate Arcadyan's operational impacts on the external environment, social issues (including human rights), and governance. They assess the company's overall impact on the economic, environmental, and social dimensions, considering both the magnitude and likelihood of occurrence.

Step 5
Identify significant sustainability issues

Disclose relevant sustainability information corresponding to 12 significant topics aligned with the 16 specific topics of the GRI Standards

Intersectionally prioritize significant issues with high stakeholder concern and operational impact on sustainability topic.

Step 6
Identify significant sustainability issues

24 ESG goals

Key ESG issues are addressed by collaboratively establishing 24 management objectives with relevant colleagues and supervisors. Progress on these objectives is regularly reported at sustainability task force and board meetings.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Impact Assessment Matrix Diagram

Positive Impact Matrix

Positive Likelihood

- Sustainable Environmental Education
- Waste Management
Supplier Chain Management
Regulatory Compliance
Operating Performance
Customer Service Management
Water Resource Management
Climate Change and Carbon Management
Infectious Disease Prevention and Management
- Career Development and Training
- Labor/Management Relations
Technology and R&D
- Green Product
- Circular Economy
- Energy and Resource Management
Business Integrity and Anti-corruption
- Product Security
- Information Security
Business Continuity
Local Community and Charity Involvement
Grievance Mechanisms
Employee Diversity and Inclusion
Tax
Occupational Safety and Health
Equality of Human Rights
Fair Competition

Positive Impact

Negative Impact Matrix

Negative Likelihood

Sustainable Environmental Education
- Employee Diversity and Inclusion
- Career Development and Training
Regulatory Compliance
- Tax
- Business Continuity
- Water Resource Management
- Waste Management
- Energy and Resource Management
- Green Product
- Climate Change and Carbon Management
Supplier Chain Management
Grievance Mechanisms
Technology and R&D
Circular Economy
Equality of Human Rights
Labor/Management Relations
- Product Security
- Information Security
- Fair Competition
- Operating Performance
- Infectious Disease Prevention and Management
- Occupational Safety and Health
Business Integrity and Anti-corruption

Negative Impact

● Economic ● Environmental ● Social

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

Arcadyan collects information through various communication channels and annually gathers stakeholder concerns via surveys on 26 topics aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Standards, considering global sustainability trends, Sustainability Accounting Standards Board (SASB) guidelines, and issues of concern to stakeholders such as environmental and social aspects.

In 2023, Arcadyan identified material topics using the GRI Universal Standards 2021 edition, employing a Double Materiality matrix analysis where the "Impact" determines the significance of each topic. Stakeholder concern levels, assessed via surveys, represent the impact on Arcadyan (X-axis). External consultants and core members of Arcadyan's sustainability development team evaluated Arcadyan's impacts on economic, environmental, and social aspects (including human rights) across 26 major topics. This assessment focused on determining the positive and negative effects and their probabilities, specifically regarding Arcadyan's impact on ESG issues (Y-axis).

Create an XY matrix chart with X and Y axes and apply the quadrant principle to select the top 12 significant issues based on impact. These issues are categorized as follows. Economic Aspect: Economic Performance, Integrity Management and Anti-corruption, Regulatory Compliance, Technology and R&D, Customer Service Management, Business Continuity, Supply Chain Management. Environmental Aspect: Green Product, Circular Economy, Energy and Resource Management, Climate Change and Carbon Management. Social Aspect: Equality of Human Rights. These material topics unchanged from the previous year. For these selected major sustainability issues, collaborate with responsible departments and supervisors to establish short-, medium-, and long-term management objectives. Progress on these objectives should be regularly reported at sustainability task force and board meetings. Non-major topics, although of lower priority, should also be addressed in the report, detailing relevant policies, measures, and outcomes.

» Stakeholder Questionnaire Collection

In 2023, Arcadyan set up an online questionnaire collection channel on the "Sustainability Development-Stakeholder Engagement" official website. As of the end of 2023, a total of 60 valid questionnaires have been collected; other paper questionnaires, telephone interviews, or e-mail and other channels Of the questionnaires filled out by stakeholders, 262 valid questionnaires were returned, a total of 322 copies, and the return rate of questionnaires was higher than 95%.

Matrix of Material Topics

Impact on economic, environmental, and social aspects (Y)

Impact on Arcadyan (X)

- Climate Change and Carbon Management
- Green Product
- Energy and Resource Management
- Supplier Chain Management
- Circular Economy
- Waste Management
- Customer Service Management
- Water Resource Management
- Sustainable Environmental Education
- Technology and R&D
- Operating Performance
- Local Community and Charity Involvement
- Regulatory Compliance
- Grievance Mechanisms
- Business Integrity and Anti-corruption
- Employee Diversity and Inclusion
- Labor/Management Relations
- Business Continuity
- Career Development and Training
- Equality of Human Rights
- Fair Competition
- Occupational Safety and Health
- Product Security
- Information Security
- Infectious Disease Prevention and Management
- Tax

● Economic   ● Environmental   ● Social

arcadyan

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

1.4.3 Material Topics Impacts and Management Strategies.

Aspect	Economic Aspect	Economic Aspect
	Operating Performance	Integrity Management and Anti-corruption
Significance Statement	Operation-related performance is the main concern of all stakeholders. Arcadyan disclosed the operation performance and market competitiveness information in 2023 to practice the sustainable operation of the enterprise.	Both Arcadyan and stakeholders attach great importance to the integrity of corporate governance and international/national laws to control anti-corruption, fair competition, anti-trust or monopoly practices
Corresponding GRI Standards	GRI 201: Economic performance	GRI 205: Anti-corruption GRI 206: Anti-competition
Impact Effect	The operational activities of Arcadyan Group primarily involve the research, development, and manufacturing of network communication products. These activities have a minimal potential negative impact on the environment and related stakeholders. Regular and ad hoc reviews are conducted to monitor the implementation of significant topics of concern to stakeholders. Arcadyan actively engages in environmental protection and continuously evaluates the feasibility of improvements and enhancements to mitigate potential impacts from its operations.	Arcadyan regularly organizes training courses related to honesty, morality and anti-corruption, and publishes business ethics policies to practice honest management with high standards of self-requirements and protect the rights and interests of stakeholders. Arcadyan also requires supply chain partners to sign a letter of commitment to follow integrity management to establish a good business integrity relationship.
Policy or Commitment	Provide customers with a full range of services by continuously innovating products and technologies, and integrating upstream and downstream supply chain resources.	Arcadyan complies with laws and regulations, and formulates relevant documents such as "Arcadyan Business Ethics Policy", "Code of Integrity Management", "Integrity Management Operation Procedures and Behavior Guidelines", and strictly prohibits bribery, corruption, fraud, money laundering, collusion, etc. In addition to cooperating with suppliers to abide by the RBA Responsible Business Alliance code of conduct, it also cooperates with customers' corporate social responsibility-related requirements, accepts irregular written or on-site audits, and promises to abide by the ethical standards.
Action Taken	Continue to expand the existing telecommunications market share, actively develop telecommunications customers in markets; provide customers with fast customized product services, and design and develop competitive products to effectively assist customers in market segmentation. Focus on the development of new markets and new customers, and continue to optimize the overall product portfolio and profitability.	Through internal risk assessment, Arcadyan identifies the high-risk processes of integrity management, including Procurement, Sales and Finance departments that have direct contact or have substantial influence with customers, suppliers and financial institutions. Besides require its supervisors and colleagues to accept the internal "Integrity Commitment Self-Assessment Survey" on a regular basis, promising not to provide or accept bribes, and any other forms of improper benefits, it is also required to prohibit any form of rebates from third-party partners , money, items, or other benefits of value or that could influence an objective decision.
Management System	Hold board and shareholder meetings every year to report on relevant business performance	Formulate the Code of Integrity Management, and "Integrity Management Operation Procedures and Behavior Guidelines", and incorporate the issue of integrity management into the internal audit plan.
Metrics and Targets	Short Term (2023~2025) 1. Sustained profit (operating income, after-tax profit) Stable dividend distribution policy (dividend distribution accounts for >50% of EPS) 2. Continue to invest in R&D expenses to create company value (R&D expenses account for > 5% of revenue) 3. Actively participate in legal person briefing sessions, convey and assist stakeholders to understand 4. Arcadyan's operating conditions (participate in legal person briefing sessions > 10 times a year) Long Term (2026~2030) 1. Ensure Arcadyan's long-term operating advantages 2. Emphasis on the rights and interests of stakeholders	Short Term (2023~2025) 1. Major violations of integrity: 0 case 2. Corruption cases: 0 case 3. Continue to implement education, training and publicity (completion rate of education and training for all employees > 95%) Long Term (2026~2030) (same as short term goal)
Assessment Method	1. Hold quarterly review meetings to report on the status of plans implementation and goals achievement. 2. Hold annual board and shareholder meetings to report on related operating performance.	1. Hold review meetings quarterly to report on the status of plans implementation and goals achievement 2. Execute audits in the annual internal audit process 3. Through Arcadyan Sustainable Development 3. Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement

arcadyan

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

Aspect	Economic Aspect	Economic Aspect
	Regulatory Compliance	Technology and R&D
Significance Statement	1. Arcadyan's product design and component selection comply with international environmental regulations and directives. 2. Arcadyan adheres to various international human rights conventions, preventing any acts of infringement or violation of human rights.	Excellent R&D capability is the key factor for Arcadyan to maintain its competitive advantage. Arcadyan publicly discloses competitive niches and long-term and short-term business development plans to respond to market demand.
Corresponding GRI Standards	GRI 2-27: Regulatory Compliance	（Self-defined major topic）
Impact Effect	Arcadyan ensures that Arcadyan's operations comply with external laws and regulations and Arcadyan's internal procedures and policies, reducing Arcadyan's 's operating risks and responsibilities, so as to maintain market competitiveness and protect the Arcadyan's reputation. Establish a legal compliance system to reduce the probability and impact of violating laws and regulations, and fulfill the responsibility of a good corporate manager	With the diversification of network services and the continuous increase in global consumers' demand for bandwidth, coupled with the fact that China Netcom equipment manufacturers are actively entering the market at low prices, it is expected that the challenges of competing with them will become more severe in the future..
Policy or Commitment	The operation of sustainable enterprises attaches great importance to commitment. Arcadyan promises to abide by all applicable laws and regulations on the basis of existing core capabilities and competitive advantages to ensure the compliance of corporate operations. Actively participate in social and environmental-related improvement actions, and fulfill corporate social responsibilities.	Excellent R&D capability is the key factor for Arcadyan to maintain its competitive advantage. In order to strengthen the technical capabilities of Arcadyan's R&D team, the funds invested in R&D manpower have increased by nearly 40% in the past two years to help speed up development timeliness, improve R&D quality, and make Arcadyan towards a more diversified product development.
Action Taken	Arcadyan follows the local regulations and international standards of each operating sites to formulate relevant norms. Relevant departments also regularly carry out identification and review of regulations, pay attention to the orders of competent authorities and updates of domestic and foreign regulations, so as to timely revise the rules and regulations related to environmental protection, labor rights, occupational safety and health, anti-bribery/corruption, anti-harassment/discrimination, fair competition, information security, intellectual property, etc.	Arcadyan draws up short-term and long-term business development plans, continuously improves technical capabilities, improves cost competitiveness, enhances the advantages of Time to Market, maintains long-term cooperative relationships with upstream suppliers, and develops high-quality, competitive products to reduce costs. Actively develop and maintain a partnership of mutual trust and mutual benefit with telecommunications customers to increase market share.
Management System	The procedural documents of all ISO management systems specify the regulatory identification process.	Arcadyan strictly verifies the quality and function of the products, and the products must undergo strict engineering and design verification tests before mass production. Arcadyan headquarters and each manufacturing centers carry out internal and external audits of TL 9000 telecommunications quality management system and ISO 9001 quality management system every year, and have obtained third-party certification.
Metrics and Targets	Short Term (2023~2025) Violations of environmental and social laws and regulation: 0 case Long Term (2026~2030) (same as short term goal)	Short Term (2023~2025) Technology integration and product customization, maintain product technology and function leadership, and increase market share Long Term (2026~2030) (same as short term goal)
Assessment Method	1. Hold quarterly review meetings to confirm the current status of plan implementation and report on goal achievement. 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement "	1. Regularly hold business management meetings to confirm the status of plans implementation and goals achievement. 2. Annually conduct internal and external audits of the TL 9000 Telecommunications Quality Management System and ISO 9001 Quality Management System.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

Aspect	Economic Aspect		Economic Aspect
	Customer Service Management		Business Continuity
Significance Statement	Customer satisfaction is the focus of Arcadyan's sustainable operation, meeting customer needs and making continuous progress, creating a sustainable cooperation model.		In recent years, due to the change in the global situation and the impact of the epidemic, Arcadyan has faced various impacts, and proposed various continuous management policies and response methods
Corresponding GRI Standards	GRI 201: Economic performance	GRI 416: Customer Health and Safety	（Self-defined major themes）
Impact Effect	"Customer satisfaction" is the core value of Arcadyan. Arcadyan takes R&D, innovation and continuous improvement as its mission. Through continuous learning in the process of communicating with customers, quick and immediate response, full participation and positive attitude to grow together with customers and become customers key partners.		Arcadyan faces various and changeable internal and external risks, such as changes in local laws and regulations, business competition, and natural disasters in each operating site. Based on the assessed and screened operation risks, measures are taken to reduce, avoid, transfer, and accept them to prevent losses. In response to changes in the internal and external environment, Arcadyan continuously monitors, detects and warns of risks to minimize the impact of operational shocks.
Policy or Commitment	Arcadyan's sustainable development policy provides customers with a full range of services through continuous innovation of products and technologies, and integration of upstream and downstream supply chain resources.		Arcadyan's Business Continuity Management Policy: 1. Effectively manage any unforeseen events that could potentially disrupt company operations. 2. customers within agreed-upon time targets in the event of operational disruption. 3. Minimize potential impacts of any operational disruptions on Arcadyan and its reputation.
Action Taken	In addition to communicating with customers via email or phone, Arcadyan conducts annual customer satisfaction surveys, serving as a crucial basis for continuous improvement. Through the quality management system, Arcadyan develops improvement plans, sets performance indicators for relevant departments, and continuously tracks customer satisfaction, striving to provide excellent product quality.		Arcadyan has set up the "Operation Management Committee", with the general manager as the chairman of the continuous operation. Regular meetings are held every year to identify risks that may affect the operation from various aspects of the environment, economy and society through systematic analysis, and take prevention, response, management, and business continuity plans to reduce or eliminate possible losses including life, environment, property, and reputation.
Management System	Arcadyan is committed to establishing, maintaining and strengthening long-term good relations of win-win and mutual benefit with every important key operation partner, and establishing a good communication mechanism and mutual trust foundation, and then building a strong supply and sales chain.		Arcadyan headquarters in Taiwan and manufacturing centers in Vietnam and China have obtained ISO 22301 Business Continuity Management System since 2012, and have formulated analysis and risk assessment processes. Evaluate the frequency and possibility of risk occurrence based on key activities every year, and set up recovery priorities, accident management plans, business continuity and other related plans to effectively manage any emergencies that may cause disruption of Arcadyan's operations.
Metrics and Targets	Short Term (2023~2025) Customer satisfaction score over 85% Long Term (2026~2030) (same as short term goal)		Short Term (2023~2025) Conduct business impact analysis and risk assessment every year, and formulate improvement plans for major risk projects Long Term (2026~2030) (same as short term goal)
Assessment Method	Arcadyan distributes annual customer satisfaction survey questionnaires to gather feedback on aspects such as technical capabilities, on-time delivery, responsiveness, and product quality. The results are tracked and reviewed at the annual management review meetings to monitor implementation progress and goal achievement.		1. Hold review meetings quarterly to report on the status of plans implementation and goals achievement 2. Conduct internal and external audits of ISO 22301 Business Continuity Management System of the Taiwan headquarters and overseas manufacturing centers every year

arcadyan

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Aspect	Economic Aspect	Environmental Aspect
	Supply Chain Management	Green Products
Significance Statement	The focus of Arcadyan's supply chain development is to continuously strengthen the cooperation of key supply chains and increase the proportion of local procurement	Based on the principles of resource reuse, waste reduction, and waste reduction, Arcadyan produces environmentally friendly products by using recycled materials, improving product performance, and extending product life cycles.
Corresponding GRI Standards	GRI 204: Procurement Practices GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	GRI 301: Materials
Impact Effect	1. In response to customer environmental requirements and international environmental regulations, Arcadyan has implemented QC 080000 Hazardous Substance Management process and actively develop halogen-free products and regularly submit REACH Substances of Very High Concern (SVHC) related information. 2. In response to the requirements of international human rights laws and regulations, manage the sources of non-conflict mineral parts and conduct investigations on suppliers.	The green label is recognized in the European and American markets, and its standards verify the verifiability and accuracy of the factors considered in the product life cycle. Through the certification of the Green Product Mark, it provides consumers with clear guidelines for environmentally friendly products and also reduces the impact on the environment.
Policy or Commitment	Arcadyan formulated the "Sustainable Procurement Policy", requiring suppliers to sign the "Supplier Corporate Social Responsibility Commitment Letter", regulating suppliers to comply with local laws and international norms related to the environment and society, and demonstrating Arcadyan's determination to improve the sustainable supply chain.	All employees of Arcadyan participate in green design, consider the impact of raw materials, transportation, and product use on the environment during the product life cycle, continue to promote and implement ecological product design, and use innovative technology to mitigate the environmental impact of climate change, and improve product safety.
Action Taken	Suppliers are important partners in Arcadyan's sustainable supply chain. Through irregular supplier conferences, commendations for excellent suppliers, training and publicity courses, signing of CSR commitment letters and evaluation questionnaires, Arcadyan strengthen the management and interaction of suppliers, and implement the sustainable purchasing policies to enhance the competitiveness of the overall supply chain.	The green design thinking of Arcadyan products is based on the consideration of "product life cycle", which evaluates the impact on the environment in various life cycle stages such as raw material procurement, manufacturing, packaging and transportation, consumer use to disposal and recycling. Arcadyan strengthens the green concept of product design with the core directions of "material selection with low toxicity", "power saving and low energy consumption", "easy to disassemble and easy to recycle and renew", "extend product life", and in line with international trends and the needs of stakeholders, to carried out environmentally friendly design to achieve the best ecological benefits.
Management System	Arcadyan revised "Supplier Sustainability Investigation Criteria" in 2023, conduct supplier risk assessment and audit every year, guide suppliers to meet the requirements of the green supply chain, and reduce supply chain risks.	Since 2015, Arcadyan has implemented product life cycle data collection in accordance with ISO 14067 carbon footprint standard and ISO 14006 product ecological design system. The evaluation content includes: scope definition, life cycle inventory analysis, life cycle impact assessment and life cycle interpretation. And from 2018, Arcadyan introduced ISO 14006 product ecological design specification into the product design, and obtain TUV green label and carbon footprint certification.
Metrics and Targets	**Short Term (2023~2025)** 1. Arcadyan Supplier CSR commitment signing rate: 100% 2. The signing rate of supplier integrity survey form is 100% 3. Local procurement rate at Vietnam manufacturing center reaches 15% **Long Term (2026~2030)** 1. Prioritize purchasing from local suppliers at operational sites to strengthen supply chain resilience. 2. Achieve a 20% local procurement rate at the Vietnam manufacturing center.	**Short Term (2023~2025)** 1. 100% achievement rate of product with green product certification 2. The number of halogen-free parts reaches 50% 3. 100% compliance with product hazardous substance control and customer specifications **Long Term (2026~2030)** 1. The number of halogen-free parts reaches 70% 2. 100% compliance with product hazardous substance control and customer specifications
Assessment Method	1. Hold quarterly review meetings to confirm the current status of plan implementation and report on targets achievement. 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement.	1. Hold review meetings quarterly to report on the status of plans implementation and targets achievement 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement

arcadyan

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Sustainability Vision   Sustainability Organization   Performance, Certification and Initiatives   Stakeholders and Materiality

Aspect	Environmental Aspect	Environmental Aspect
	Circular Economy	Energy and Resource Management
Significance Statement	Based on the principles of resource reuse, waste reduction, and waste reduction, Arcadyan designs and produces environmentally friendly products by using recycled materials, improving product performance, and extending product life cycles.	In response to the development trend of climate change, hundreds of countries or alliances around the world have declared their commitment to net zero emissions, and their carbon reduction goals have gradually extended from environmental protection to industrial and energy transformation. All factories of Arcadyan Group have obtained the third-party verification of greenhouse gas inventory since 2021, and plan to introduce ISO 50001 Energy Management System to strive to reduce the carbon emissions of the organization and products.
Corresponding GRI Standards	GRI 301: Materials	GRI 302: Energy
Impact Effect	In recent years, climate change and extreme weather have occurred frequently. Consumers are aware of the importance of environmental protection, promoting low-carbon and green economy consumption patterns, replacing the concept of end-of-life cycle through recycling and reuse, reduce environmental impact, and take into account economic growth and low-carbon emission operation development.	Issues related to climate change have brought business impacts and transformation opportunities. In order to respond to the business development opportunities driven by the global temperature rise target of 1.5° C and net-zero transformation as soon as possible, Arcadyan reduces the consumption of energy resources to improve energy efficiency, so that various software and hardware facilities can achieve the application of maximizing the efficiency of energy resource utilization.
Policy or Commitment	In the process of developing operational performance, Arcadyan is committed to achieving the important goal of emission reduction. In addition to focusing on the reuse of resources and reducing carbon emissions, the effective use of energy resources is considered in the product development process to move towards the vision of zero waste and zero emissions in resource recycling.	Arcadyan Energy Management Policy: 1. Comply with domestic environmental safety and health regulations and effectively implement the environmental, safety and health management system. 2. All staff participate in product ecological design, environmental protection and energy management, and promote continuous improvement for sustainability. 3. Improve resource recycling and energy efficiency, and reduce the impact of carbon emissions in the supply chain. 4. Promote education and publicity on environmental safety, energy and product eco-design.
Action Taken	In the stage of product development, Arcadyan consider maximizing the value of products and resources. The primary consideration is to extend the life cycle of products, and think about how to process them into recycled materials through the recycling system when the life cycle of its components is over. And apply post-consumer recycling (PCR) materials in the product casing and packaging design, through design optimization, reduce the use of parts and raw materials, improve product performance, reduce energy consumption during use, and save energy resources in the product life cycle expend.	Arcadyan group takes PDCA method to formulate long-term and short-term reduction targets for greenhouse gases, energy (electricity), water resources, and hazardous waste, and use key performance indicators (KPIs) to review the status of energy management monthly, and then propose improvement measures and plans painting. Arcadyan Vietnam manufacturing center has built a solar photovoltaic system, which generated electricity in June 2022. It is planned to add a solar photovoltaic system in the second phase of the project, which is expected to be completed by the end of 2023.
Management System	Arcadyan has adopted the concept of BS 8001 Circular Economy in product design since 2020, followed the six principles to carry out eight circular promotion stages, and obtained the SGS certification of BS 8001 circular economy best practice certification.	Arcadyan's headquarters implemented the ISO 50001 Energy Management System in 2022 and received external certification. The Vietnam manufacturing center also completed the implementation of the ISO 50001 system in 2023.
Metrics and Targets	Short Term (2023~2025) 1. Promote 20 pieces of biodegradable or low-material materials every year 2. The proportion of product models that use recycled plastics should exceed 60% 3. The average product packaging material uses recycled material exceed 80% Long Term (2026~2030) 1. Use biodegradable materials with a proportion of more than 10% 2. The proportion of products using recycled plastics should exceed 80% 3. The average product packaging material uses 90% recycled materials.	Short Term (2023~2025) 1. Energy intensity decreased by 1% compared to the previous year 2. Vietnam manufacturing center introduced ISO 50001 energy management system 3. The second plant of the Vietnam manufacturing center has implemented a solar power generation system. Long Term (2026~2030) 1. Arcadyan headquarters builds solar power generation system 2. Achieve SBTi scope 2 carbon reduction target
Assessment Method	1. Hold review meetings quarterly to report on the status of plans implementation and goals achievement 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement	1. Hold review meetings quarterly to report on the status of plans implementation and goals achievement 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Sustainability Vision | Sustainability Organization | Performance, Certification and Initiatives | Stakeholders and Materiality

Aspect	Environmental Aspect		Social Aspect		
	Climate Change and Carbon Management		Equality of Human Rights		
Significance Statement	In response to climate change trends, over a hundred countries or alliances worldwide have pledged net-zero emissions, with carbon reduction targets gradually extending from environmental aspects to industrial and energy transitions. Since 2021, all Arcadyan Group sites have passed third-party verification for greenhouse gas inventories and have implemented the ISO 50001 Energy Management System, committed to reducing the carbon emissions of the organization and its products.		Arcadyan abides by international human rights organizations and labor policies, and shall not discriminate against others, engage in human trafficking or force others to work for any reason. And listed relevant human rights laws and regulations as the focus of audits in the selection of new suppliers and annual supplier audits.		
Corresponding GRI Standards	GRI 305: Emissions	GRI 201: Economic Performance	GRI 406: Non-Discrimination	GRI 408: Child Labor	GRI 409: Forced Labor
Impact Effect	To mitigate climate change impacts on Arcadyan's operations and align with global commitments for achieving net-zero emissions by 2050, as well as meeting customer carbon reduction requirements, Arcadyan has adopted Science-Based Targets (SBTi) to limit global warming to 1.5℃ . These targets are now integrated into the group's daily operations management. This commitment underscores Arcadyan's dual focus on economic performance and leadership in guiding its supply chain to fulfill responsibilities for carbon reduction and environmental protection, aiming for a sustainable, low-carbon value chain.		Diversity and inclusiveness are the competitive advantages of corporate differentiation. By employing diverse employees and advocating a corporate culture of diversity, equality and inclusiveness, Arcadyan encourages employees to have a sense of belonging and identity, and provides employees with career planning and encourages them to display their potential , to achieve Arcadyan's goals		
Policy or Commitment	Arcadyan signed the Science-Based Reduction Target Initiative (SBTi) carbon reduction target and the 2040~2050 net zero commitment in 2022, and submitted the CDP (Carbon Disclosure Project) questionnaire and TCFD (Task Force on Climate-Related Financial Disclosures) related information every year, continue to promote reduction of greenhouse gases.		In 2023, Arcadyan launched its "Arcadyan Human Rights Policy" integrating respect for economic, social, cultural, and civic rights into operations. It promotes diversity, inclusion, non-discrimination, and a safe, healthy, harassment-free work environment, ensuring equal employment opportunities.		
Action Taken	Arcadyan headquarters and manufacturing centers in China and Vietnam obtained the third-party verification of ISO 14064 greenhouse gas inventory every year. In 2022, Arcadyan cooperated with PwC Consulting Company to establish the Science-Based Reduction Target Initiative (SBTi) carbon reduction strategy project to manage various aspects of greenhouse gases, and take specific actions and initiatives to prevent or mitigate potential negative impacts.		Arcadyan conducts human rights risk assessments every year, and formulates the "Control Procedures for Using Child Labor, Underage Workers and Student Workers", "Control Procedures for Freedom of Association and Collective Bargaining Rights", "Procedures for Prohibiting Discrimination and Disciplinary Measures Management", " Prohibition of forced labor control procedures" and other relevant management regulations to ensure that employees and external stakeholders will not work under any retaliation or threat. Arcadyan conducts labor human rights awareness training for all employees every year. The course content including employee code of conduct, gender equality, sexual harassment prevention, forced labor, and measures related to the implementation of human rights policies.		
Management System	Arcadyan headquarters and manufacturing centers in China and Vietnam have obtained ISO 14001 Environmental Management System certification, regularly conduct environmental-related risk assessments to reduce the impact on the operating environment and the external environment, and conduct annual inspections of greenhouse gas emissions at each operating site, and have obtained ISO 14064 third-party verification.		All of Arcadyan's operating sites follow "International Labor Organization Convention", "the United Nations Universal Declaration of Human Rights", "the United Nations Global Covenant" and other international human rights conventions and local regulations to prevent any violations of human rights. Arcadyan also complies with "the UK Modern Slavery Act 2015", prohibits forced labor, protects the personal freedom of employees, and respects the rights of employees, including freedom of employment, freedom of resignation, freedom of overtime and freedom of movement, etc		
Metrics and Targets	**Short Term (2023~2025)** 1. Scope 1+2: Following the SBTi 1.5 ℃ pathway, with 2022 as the baseline year, achieve an absolute reduction of 6.25%. 2. Scope 3: Following the SBTi 1.5℃ pathway, with 2022 as the baseline year, achieve a 10% intensity reduction (per million in gross profit) by 2024. 3. Review and revise climate change risk management mechanisms in accordance with regulatory guidance. **Long Term (2026~2030)** Achieve Science-Based Reduction Target Initiative (SBTi) scope 1, 2,and 3 carbon reduction target		**Short Term (2023~2025)** 1. Zero child labor 2. Zero forced labor complaints 3. Every year human rights awareness training rate for new recruits is 100% **Long Term (2026~2030)** 1. Continue to increase the number of employees with disabilities through job planning 2. Promotion of gender equality in the workplace		
Assessment Method	1. Hold review meetings quarterly to report on the status of plans implementation and goals achievement 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement		1. Hold review meetings quarterly to report on the status of plans implementation and goals achievement 2. Through Arcadyan Sustainable Development Committee and the Sustainable execution Team, continue to track the status of plans implementation and goals achievement		

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Corporate Operations

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

2.1 About Arcadyan

Arcadyan was established in 2003 and was the first domestic company to integrate broadband, multimedia, wireless, and Internet communication protocol technologies. This winning combination creates an innovative approach to broadband access technology development and optimizes audio/video streaming quality.

Arcadyan develops products with the end-user in mind. We are dedicated to pursuing high quality technology development and ensuring consumers get a rich and enjoyable experience from our products. In addition, our development team engages with leading researchers and developers, both in-house and external, to develop best-in-class platforms and implementations for our latest value-added innovations.

Company Profile

Company Name	Arcadyan Technology Corporation
Date of Establishment	May 9, 2003
Headquarter	No.8, Sec.2, Guangfu Rd., Hsinchu City 30071, Taiwan
Chairman	Chen, Jui-Tsung
President	Tseng, Chao-Peng
Employee Numbers	Approximately 5,000 employees worldwide
Total Capital	Total Capital: NT$ 30 billion Paid-in Capita: NT$ 22.04 billion
Principal Activities	• Wireless LAN products • Integrated digital home and mobile office solutions • Multimedia gateways • Wireless audio and video products
Affiliated Group	Compel Group
Revenue And Cost	The consolidated operating revenues for 2023 were NT$ 511.6 billion; the consolidated operating costs were NT$ 437.7 billion.

Vision

- Create a better future through networking.

- Become a global leader in broadband access and multimedia terminal products.

Mission

- We focus on consumer requirements then use exceptional products and services that improve the quality of life to boost our customer's competitiveness and profitability.

- We strive to introduce and develop various advanced technologies based on "Four Screens and a Cloud" and "Tri-Network Fusion". In working to keep ahead of our competitors, we hope to grow and face the needs and challenges of the future together with our customers.

- We aim to provide employees with a fair environment for self-development and provide investors with satisfactory returns.
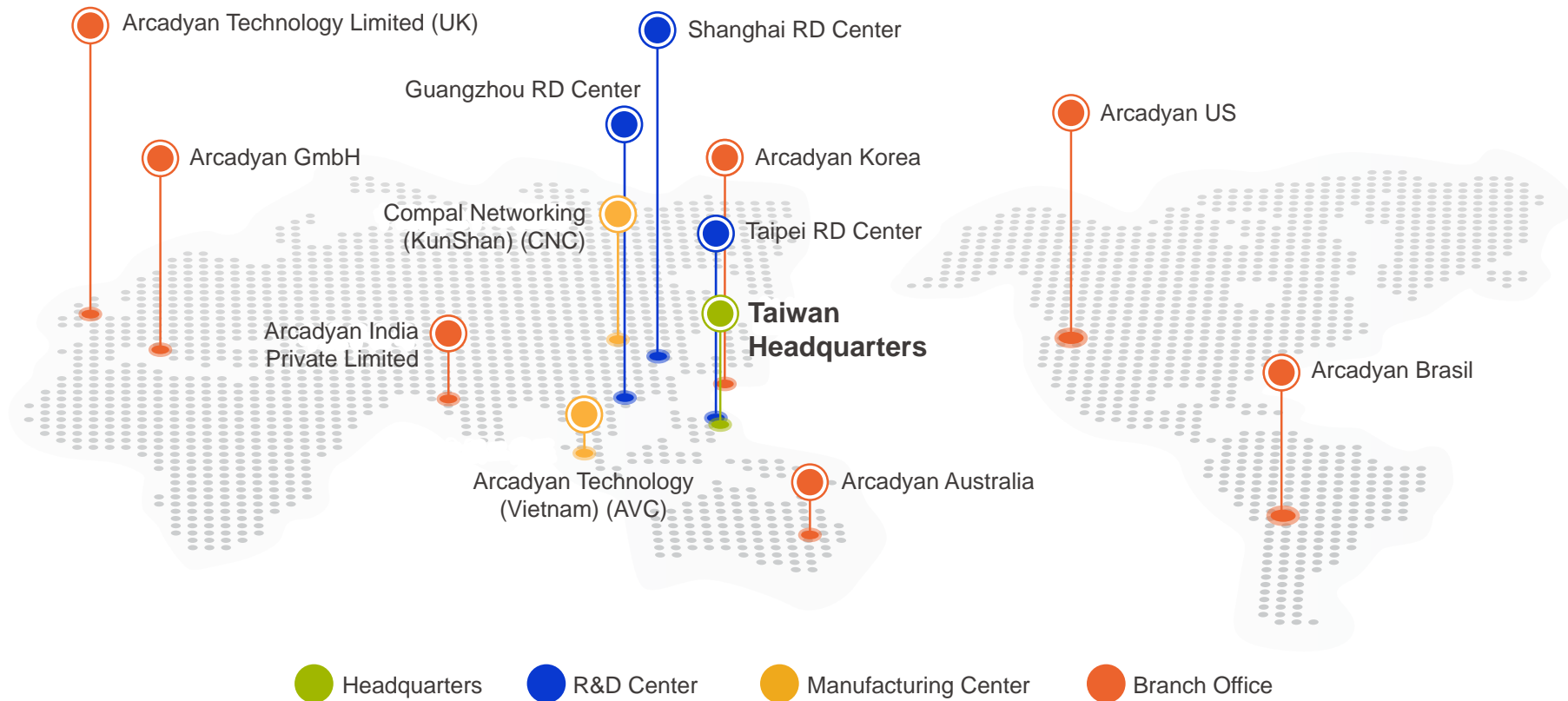
Core Values

- Innovation: We focus on consumer requirements then use exceptional products and services that improve the quality of life to boost our customer's competitiveness and profitability. We strive to introduce and develop various advanced technologies based on "Four Screens and a Cloud" and "Tri-Network Fusion". In working to keep ahead of our competitors, we hope to grow and face the needs and challenges of the future together with our customers. We aim to provide employees with a fair environment for self-development and provide investors with satisfactory returns.

- Harmony: We emphasize a "people-centric approach" based on trust and respect for the individual. We all believe in honesty, commitment, coordination, teamwork and efficiency. We work together to use business resources to further our future development. In such an environment, everyone can continue to grow and contribute, leading to a culture of cooperation.

- Surpass: Everyone must challenge their own limits and strive to surpass themselves. We must think outside of the box and learn to reject assumptions. We believe that all waste can be reduced and there is always a better way of doing things.

- Services: We put customers first and strive to make customers our long-term value partner. We must use top-down engineering as well as continued improvements to meet the needs of internal customers and suppliers to drive competition reforms.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Global Network

Arcadyan products are sold worldwide. Our global positioning allows us to provide complete and rapid services. Arcadyan is headquartered in Hsinchu, Taiwan with R&D centers and technical support centers in Taiwan & China to keep up with new technological developments. We also have branch offices in Europe and the Americas to monitor market demand as well as provide customers with more rapid technical consultations and after-sales service.

- Arcadyan Technology Limited (UK)
- Shanghai RD Center
- Guangzhou RD Center
- Arcadyan GmbH
- Arcadyan Korea
- Arcadyan US
- Compal Networking (KunShan) (CNC)
- Taipei RD Center
- Arcadyan India Private Limited
- **Taiwan Headquarters**
- Arcadyan Brasil
- Arcadyan Technology (Vietnam) (AVC)
- Arcadyan Australia

Legend:
- Headquarters
- R&D Center
- Manufacturing Center
- Branch Office

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

2.1.1 Products and Core Technologies

We supply leading-edge solutions designed to enhance the user's experience while allowing customers to achieve fast time-to-market and remain competitive. We add value to the entire product development cycle from creation to fulfillment.

We understand our customers' needs for combination solutions, backwards compatibility and standards-based platforms on which to develop. To address these needs, Arcadyan delivers a full line of broadband access and digital home solutions. Arcadyan's product lines include:

- DSL CPEs
- Wireless LAN
- FTTX
- Set Top Box
- Mobile Communications

Industry Value Chain

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership
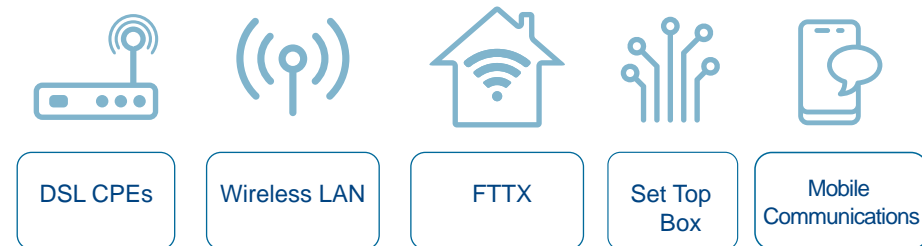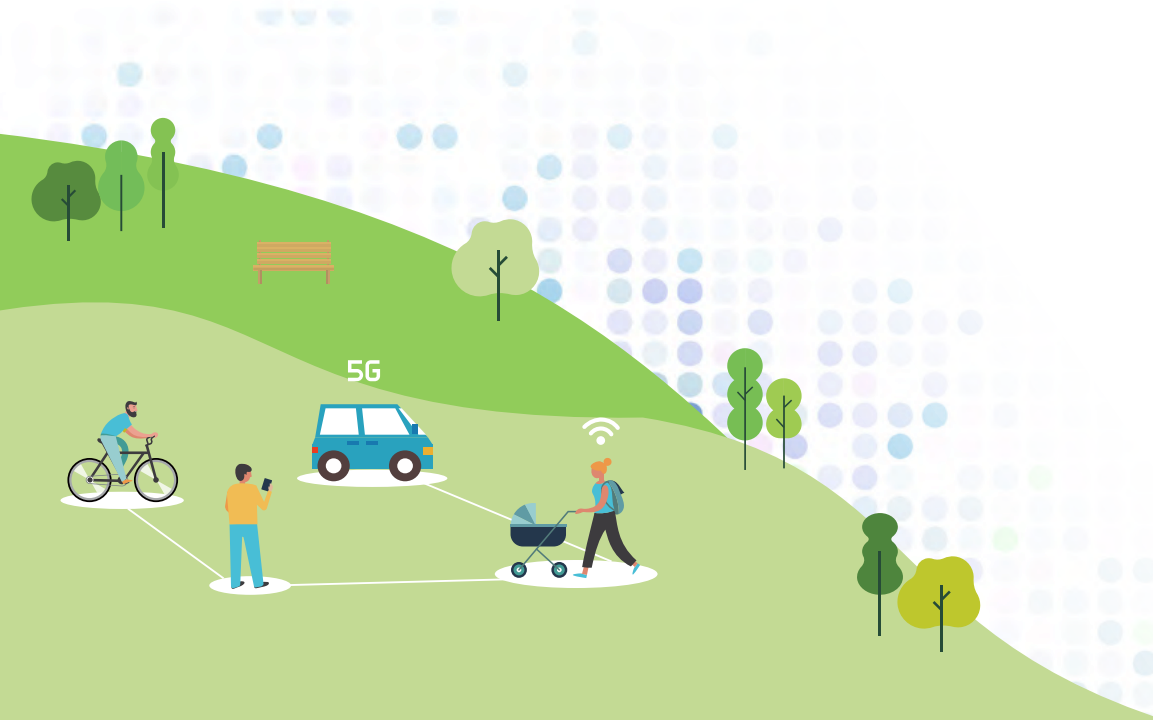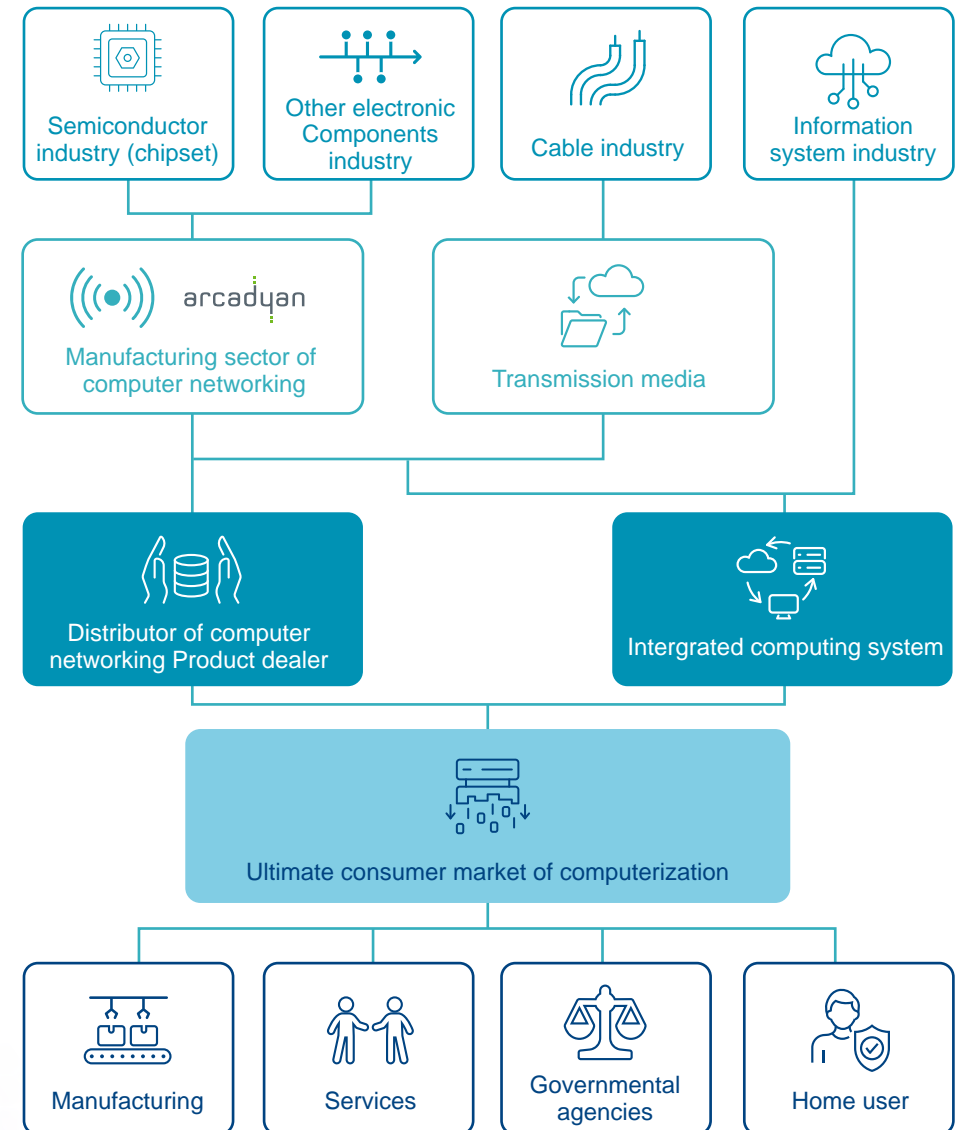
2023 Revenue Distribution

In response to the continuous development of 5G networks, the expansion of edge computing, and the rapid growth of artificial intelligence and machine learning, Arcadyan continues to invest in related research and development activities.

- The developed products are including: 5G FWA CPE, Whole Home Wifi (Wifi Mesh Network) smart home solution, 4G/LTE Small Cell integrated SON (Self Organizing Network) features, Indoor and Outdoor LTE Routers/Gateways, 802.11ax and 802.11ac (Single-band, Dual-band and Tri-band) Wireless Routers, 802.11ax and 802.11ac VDSL Routers, Repeaters used to expand Wifi coverage, Android TV OTT/ IP STB support Ultra-high resolution (4K) and HDR (High Dynamic Range Imaging), Edge AI Box, GPON OLT/ONT and NG-PON2 Fiber products, and DOCSIS 4.0, 3.1 & 3.0 Cable Modems.

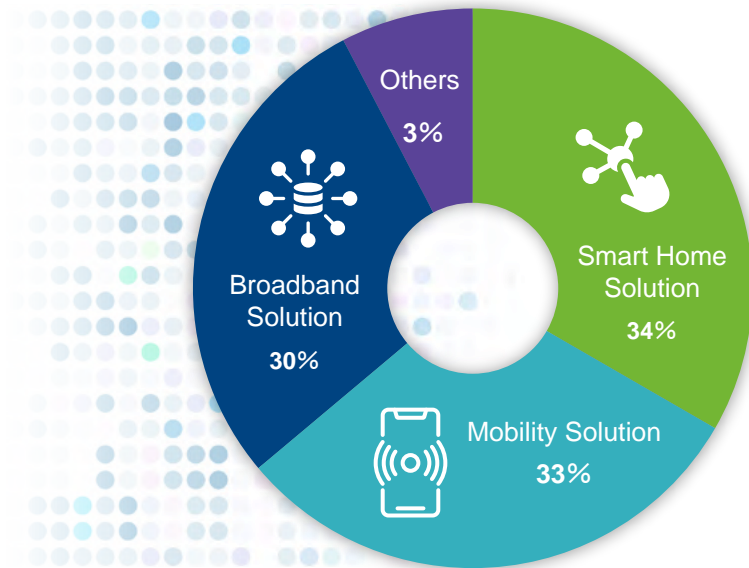- Keep integrating and optimizing the new functions into the next generation IAD, such as Zigbee, Z-wave, BLE, DECT ULE and NFC, and introducing AI (Artificial Intelligence) algorithm, Intelligent Diagnostic functions, IEEE1905.1, EasyMeshTM R1/R2 Multi-interfaces Management System, and big data cloud analysis platform optimization.

- Expedite developing next generation 5G CPE (Customer Premise Equipment), 5G Small Cell, MEC Switch, Smart Home Gateway plus IOT (Internet of Things) applications, 76GHz-80GHz Automotive Blind Spot Detection (BSD) Active warning radar system, Antenna Integrated PCB Car Alarm, and AI/Big Data/Cloud computing integration technology.

Arcadyan's customers are spread worldwide, and its revenue by region in 2023 is shown as follows:

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About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership
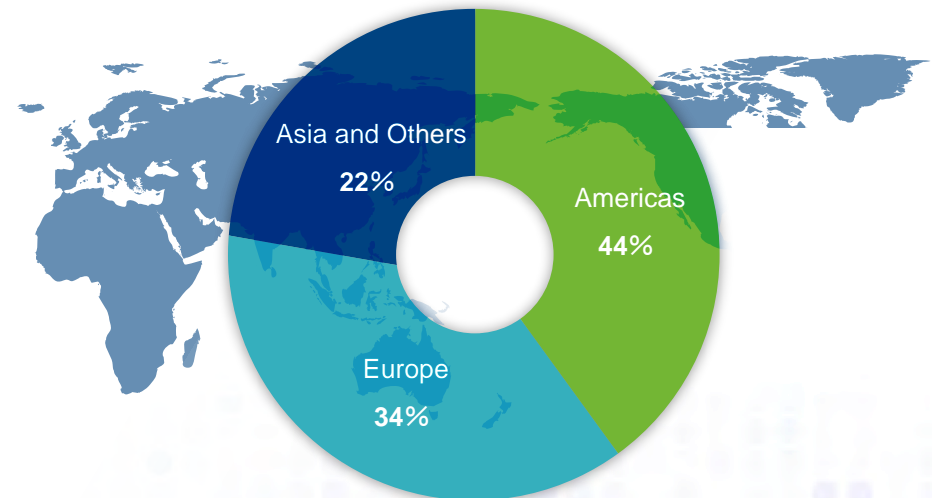
2.1.2 Operational Performance

In 2023, Arcadyan experienced no significant changes in overall operations, with both revenue and profits showing steady growth. Financial performance and profitability were calculated under the new International Financial Reporting Standards (IFRS). For detailed operational status and financial performance, including assets, liabilities, equity, retained earnings, dividend policies, and execution status, please refer to Arcadyan Technology 2023 Annual Report.
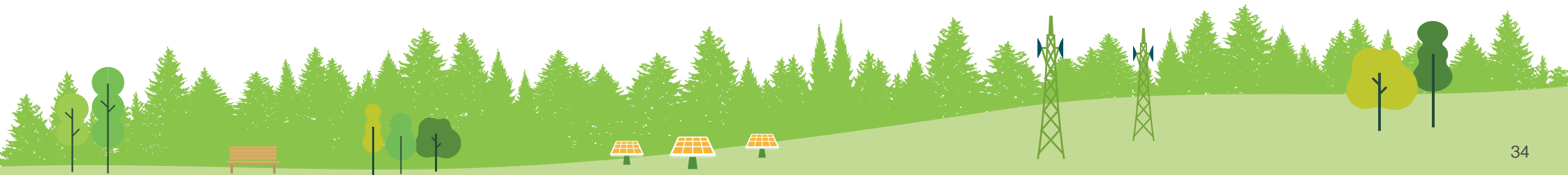
Operating Strategy

In the post-pandemic era, global demand for remote work and cloud applications continues to grow. With active broadband infrastructure construction worldwide, needs for networking products are expected to maintain steady growth. Arcadyan aims to keep enlarging the existing telecom market share and developing new telecom customers in emerging markets. Technical collaboration with the key chipset vendors and front-end suppliers ensures that Arcadyan's products remain technologically advanced and competitive, while also exploring new market opportunities. Arcadyan plans to extend from fixed line to optical fiber products and develop mobile broadband related products. By providing the rapid customized products and services to all customers, Arcadyan supports the customers by designing and developing competitive products according to their needs, in order to efficiently make market segmentation for them.

In terms of technical services, Arcadyan focuses on the following developments:

- Strengthen the technical capability of software, hardware on Android TV OTT and IP-STB, expand product lines with Edge AI Box and other new products, focusing on new markets and developing new customers to continuously optimize the overall product portfolio and profitability.

- Expansion of the MSO (Multiple System Operator) market share and enhance market positioning, proactive development of new customers, expansion of Cable Modem production lines, and increase product penetration at the customer end through the provision of added-value services.

- Proactive development of new product categories such as Smart Home, Internet of Things (IOT), Artificial Intelligence (AI), 76GHz-80GHz Automotive Blind Spot Detection (BSD) Active Warning Radar system, Antenna Integrated PCB and Car Alarm, etc; implementation of research on commercially viable applications of derived technologies, initiatives in sync with the development of 5G technology, keep the development of new-generation 5G CPE products and invest on 5G small-cell market.

In terms of sustainability operation, Arcadyan focuses on the following strategies:

- The sustainability strategy is based on its core values, and is built on five major aspects of "corporate governance", "environmental sustainability", "employee care", "sustainable procurement", and "social participation" to set short, medium, and long-term goals and management objectives.

- Through the operations of Sustainability Committee, Arcadyan sets the sustainability strategy and development goals and continues to interact with all stakeholders to achieve the objectives of sustainability future.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Financial Performance

Business results of 2023 are showed as below:

- Earnings per share (EPS): NT$ 10.98

- Consolidated operating revenues: NT$ 51,158,122 thousands

- Net income: NT$ 2,389,606 thousands

Operating Revenues and Net Income (millions of TWD)

Bar values (Operating Revenues): 2019: 32,897.9; 2020: 33,765.3; 2021: 38,240.1; 2022: 47,167.7; 2023: 51,158.1

Line values (Net Income): 2019: 1,357.0; 2020: 1,630.6; 2021: 1,701.8; 2022: 1,915.1; 2023: 2,389.6

Legend: Operating Revenues — Net Income
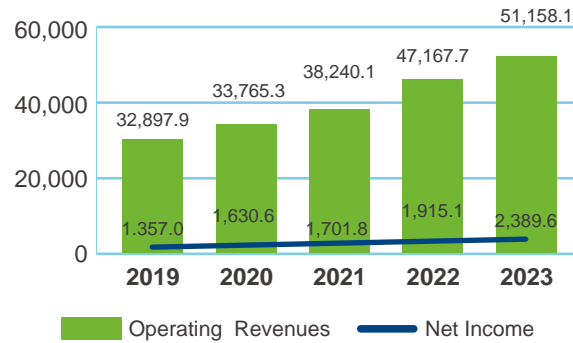
Operating costs and Employee Salary (millions of TWD)

Bar values (Operating Costs): 2019: 28,545.5; 2020: 28,711.8; 2021: 32,930.6; 2022: 40,581.7; 2023: 43,772.8

Line values (Employee Salary Expenses): 2019: 1,207.6; 2020: 1,381.3; 2021: 1,558.6; 2022: 1,495.8; 2023: 2,781.8

Legend: Operating Costs — Employee Salary Expenses
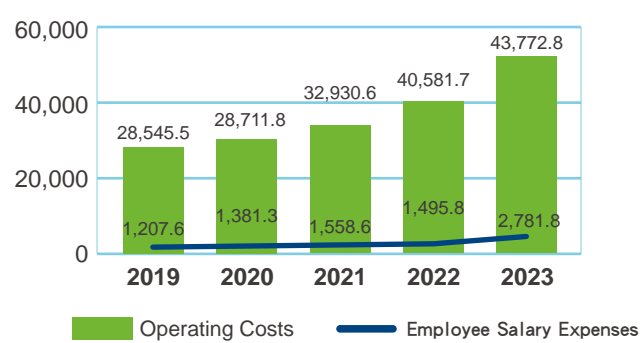
Gross Margin and Net Profit Margin (%)

Gross Margin: 2019: 13.23%; 2020: 14.97%; 2021: 13.88%; 2022: 13.96%; 2023: 14.44%

Net Profit Margin: 2019: 4.12%; 2020: 4.83%; 2021: 4.45%; 2022: 4.06%; 2023: 4.67%

Legend: Gross Margin — Net Profit Margin
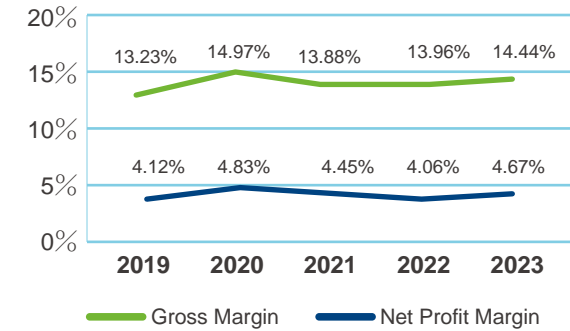
Return on Equity and Return on Assets (%)

Return on Equity: 2019: 13.04%; 2020: 13.99%; 2021: 13.68%; 2022: 14.26%; 2023: 16.57%

Return on Assets: 2019: 5.99%; 2020: 6.14%; 2021: 5.52%; 2022: 5.43%; 2023: 6.36%

Legend: Return on Equity — Return on Assets
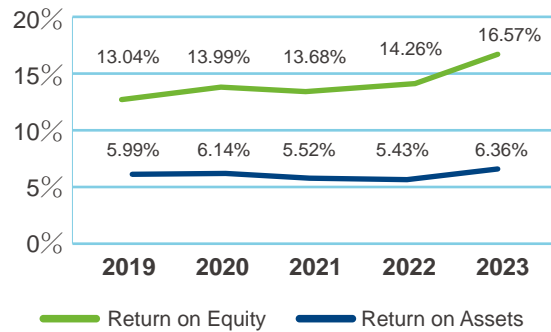
Cash Dividend and Earnings per Share (TWD)

Bar values (Cash Dividend): 2019: 4.7; 2020: 6.5; 2021: 6.8; 2022: 6.5; 2023: 7.0

Line values (Earnings per Share): 2019: 6.85; 2020: 8.36; 2021: 8.60; 2022: 9.20; 2023: 10.98

Legend: Cash Dividend — Earnings per Share
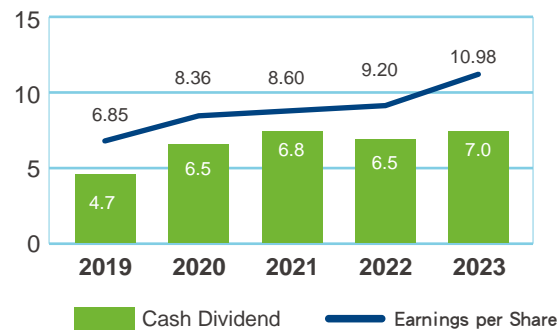
Income Tax Expense and R&D Tax Credit (millions of TWD)

Income Tax Expense: 2019: 345.8; 2020: 707.5; 2021: 571.0; 2022: 551.1; 2023: 810.4

R&D Tax Credit: 2019: 63.8; 2020: 77.0; 2021: 98.4; 2022: 102.4; 2023: 115.0

Legend: Income Tax Expense — R&D Tax Credit

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | **Corporate Governance** | Risk Management | Integrity Management | Sustainable Partnership

2.2 Corporate Governance

Governance Organization and Primary Activities

Board of Directors
- Remuneration Committee
- Internal Audit Office
- Audit Committee
- Sustainability Committee

President Office
- Europe and Asia Sales Center
- Sales Business Center
- New Business Center
- Operation Management Center
- Software R&D Center
- Hardware R&D Center
- Manufacturing Center
- Finance Center
- HR & Administration Division
- Sustainability Development Office
- Business Management Committee

Department	Main Responsibilities
Board of Directors	Overseeing the planning and execution of the company's overall business operations, while continuously supervising and improving internal control processes.
Remuneration Committee	1. Establishing and reviewing performance of Directors and managers, as well as policy, system, standard and structure of remuneration and compensation on a regular basis. 2. Evaluating and establishing the remuneration and compensation of Directors and managers on a regular basis.
Audit Committee	The main objective is to supervise the following items: 1. Fair presentation of the financial reports of the Company. 2. Appointing, dismissing and evaluating the independence and performance of certificated public accountants. 3. The effective implementation of the internal control system of the Company. 4. Compliance with relevant laws and regulations by the Company. 5. Management of the existing or potential risks of the Company.
Sustainability Committee	1. The formulation of sustainable development policies. 2. The establishment of the annual plan and strategic direction of sustainable development. 3. Track and review the implementation and effectiveness of sustainable development. 4. Decisions on other matters related to sustainable development.
Internal Audit Office	In charging of the planning, execution and improvement of the internal audit of the Company.
President Office	Establishing the operational goals of the Company, taking charge, directing and overseeing the overall business operations.
Europe and Asia Sales Center	1. Expanding and developing sales operation. 2. Taking charge the communication channels of customer service. 3. Managing marketing strategy and business operation. 4. Designing, planning and implementation of marketing projects.
Sales Business Center	
New Business Center	Conducting R&D on new technologies, new products development and introduction for mass production, including assessment of the feasibility of new product development and integration of technologies.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Department	Main Responsibilities
Operation Management Center	1. Managing products and controlling project schedules. 2. Collaborating with R&D and manufacturing divisions and arranging for trial-run manufacturing to facilitate mass production. 3. Taking charge procurement, import and export, and production material management. 4. Designing and managing the engineering and manufacturing of products, managing and certificating of product quality. 5. Constructing and overseeing network environment, and installing and maintaining the mainframe computer system and peripheral equipment. 6. Planning for introduction and conducting overall maintenance of ERP/MES, other online systems, developing operating procedures and assessing feasibilities. 7. Planning, designing and implementation of legal and patent related business. 8. Assisting in cost control of products and procurement to increase the overall profitability. 9. Responsible for manufacturing outsourcing, managing outsourcing factories, and handling relevant matters.
Software R&D Center	Develop various software technologies and testing programs of the Company.
Hardware R&D Center	Develop various hardware technologies and the related integration programs of the Company.
Manufacturing Center	Supervising the overall production matters and capacity accommodation in the factory areas of Vietnam and China.
Finance Center	1. Preparing and examining the accounting and tax matters, and preparing financial reports. 2. Preparing budgets, difference analysis and control of variances. 3. Managing financial matters, establishing short, medium and long term capital funding and arrangement. 4. Cost computing, analyzing and planning for inventory physical count.
HR & Administration Division	1. Establishing, amending and implementation of Company management system. 2. Establishing performance assessment for employees, evaluation promotion, retirement and other HR systems. 3. Planning and conducting employee training. 4. Computing salary, labor, health and group insurance. 5. Managing administrative matters.
Sustainable Development Office	1. Promotion and implementation of matters related to the sustainable development of the Company. 2. Assistance in the Sustainability Committee to track the implementation progress of various sustainable development matters.
Business Management Committee	Responsibilities in planning, execution and overseeing risk management related matters.

2.2.2 Board Operations

Arcadyan values operational transparency and corporate governance. In compliance with the Company Act, Securities and Exchange Act, and other relevant regulations, Arcadyan has established its Articles of Incorporation, governance structure, and practical guidelines. The Board of Directors is the highest governing body, with the Chairman serving as its head. The "Rules and Procedures for Board of Directors Meetings" ensure the effective functioning of the board's duties, mandating at least one meeting per quarter. The board's main responsibilities include guiding company strategy, appointing and supervising management, overseeing performance, and managing impacts. In 2023, Arcadyan held five board meetings with an average attendance rate of 86.66%

Arcadyan has implemented a "Procedures for Election of Directors" detailing the selection process, which follows a candidate nomination system. Candidates are evaluated based on the "Corporate Governance Best Practice Principles," and shareholders elect board members from the nominated candidates. The board consists of nine directors. The current board was elected in 2023 for a three-year term, consisting of three independent directors and one female director, with an average age between 60-69 years. Directors who also serve as company managers do not exceed one-third of the board seats.Arcadyan adheres to the "Corporate Governance Best Practice Principles," ensuring that the composition of its Board of Directors reflects diversity. According to these principles, directors who also serve as company managers should not exceed one-third of the board seats. The election of board directors also should considers the company's operations, business model, and development needs. The diversity criteria include, but are not limited to, the following two major aspects:

Basic Criteria and Values	Gender, age, nationality and culture, etc.
Professional Knowledge and Skills	Professional background, including experience in law, accounting, industry, finance, marketing, technology, or other professional skills and industry experience.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Board of Directors Diversification

Position	Name	Major Education and Experience	Core Capabilities									Gender	Age
			Operational judgments	Accounting and financial analysis	Business management	Risk management	Knowledge of the industry	International market perspective	Leadership	Knowledge of investment and merger	Legal proficiency		
Chairman	Jui-Tsung Chen	Representative of Compal Electronics, Inc. Vice Chairman and CSO of Compal Electronics, Inc. BS in Electrical Engineering, NCKU	O	O	O	O	O	O	O	O		M	70~79
Director	Chung-Pin Wong	Representative of Compal Electronics Inc. Director and General Manager Of Compal Electronics, Inc. MS in Management Science, NCTU	O	O	O	O	O	O	O	O		M	60~69
Director	Sheng-Hua Peng	Representative of Compal Electronics Inc. Senior Vice President of Compal Electronics Inc. MS in Electrical and Computer Engineering, NTU	O		O	O	O	O	O			M	50~59
Director	Chung-Pao Liu	Representative of Compal Electronics Inc. Vice President of Arcadyan Technology. EMBA, NCTU	O		O	O	O	O	O			M	60~69
Director	Chao-Peng Tseng	President of Arcadyan Technology Corp. MBA, Oklahoma State University.	O	O	O	O	O	O	O	O		M	60~69
Director	Cheng-Hua Sun	Prosecutor of Taiwan Shilin District Prosecutors Office Judge of Civil Counts and Presiding Judge of Criminal Counts of Taiwan Taipei District Court Chief Legal Officer of Yuanta Financial Holdings	O		O	O		O	O		O	F	50~59
Independent Director	Ying-Jen Lee	Chairman Of Litemax Co., Ltd. PhD in Electrical Engineering, NTU	O	O	O	O	O	O	O	O		M	70~79
Independent Director	Ching-Jang Wen	Director of Bioptik Technology Inc. PhD in Electrical Engineering, University of Pennsylvania.	O	O	O	O	O	O	O	O		M	70~79
Independent Director	Wen-An Yang	Chairman of Durbun Digital Solutions, Inc. MBA, NTU	O	O	O	O		O	O	O		M	60~69

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Functional Committees

Name	Responsibilities	2023 Results
Audit Committee	The main duties of the Audit Committee includes: reviewing and examining financial reports, internal audit, internal control systems, significant assets and derivatives transactions, loan of funds, endorsement or guarantee provision, engagement or discharge, fee proposal and independence assessment of CPAs, appointment or dismissal of finance, accounting officers or internal audit officers, acceptance for whistle-blowing cases, inspecting legal compliance of the Company on a regular basis, reviewing the risk management policies and procedures, and monitoring risk management.	• 5 meetings were held in 2023. • Independent Directors' in-person attendance rate was 100%.
Remuneration Committee	The Remuneration Committee is responsible for assisting the assessment and evaluation of the remuneration of Directors and the salary standard of the managers so as to align the disbursement of compensation to the performance of individuals and the Company, justifying the remuneration and salary, and attracting and keeping outstanding talents.	• 4 meetings were held in 2023. • In-person attendance rate was 100%.
Sustainability Committee	The Sustainability Committee serves as the internal decision-making center for sustainability development within the company. Its main responsibilities include identifying key sustainability issues, formulating responsive action plans, setting targets and revising policies related to sustainability, supervising the implementation of sustainability initiatives, and evaluating their execution.	• 2 meetings were held in 2023. • In-person attendance rate was 83.3%.

Board Advancement

According to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies," Directors of Arcadyan are required to complete annual training sessions to stay abreast of significant international trends in corporate governance, information security, corporate sustainability, risk management, and other relevant areas. In 2023, the average training hours per director exceed 6.67 hours.

Courses	Hours
2023 KPMG Leaders Academy Forum- Challenges and Opportunities of Net Zero	3
Global Trends and Business Opportunities of Low Carbon Economy and Low Carbon Innovation in 2023	9
AI Thinking and Digital Transformation	3
The Development Trend of Internet Technology and the New Thinking of Internal Auditors	6
Corporate Governance Lectures	3
Key fiscal, taxation and securities regulations issues in 2023	3
Matters needing attention in enterprise IPO planning: general company and group spin-off	3
Legal Risks of Enterprise Investment and Financing	3
Formulating sustainable governance strategies under risk management	3

Courses	Hours
An Era of Stringent Personal Data Protection Regulation	3
The 19th (2023) Corporate Governance Summit Creating New Sphere of Governance for the Elevating Value of Enterprises	6
Improve information security literacy and personal data protection	3
The Latest Money Laundering prevention Trends and Practice	3
Accountants' responsibilities and responses to company shareholder disputes	3
The business implications of ESG rating analysis and sustainability evaluation	3
Introduction to carbon market: discussion about carbon fee, carbon tax, allowance, and carbon trading	3

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Performance Evaluation of the Board of Directors and Remuneration

Arcadyan has established the "Procedures of Performance Evaluation of the Board of Directors and Functional Committees." According to the procedures, an internal self-assessment of the board of directors should be conducted annually, and once every three years externally by a professional independent organization or a team of experts or scholars. In 2023, the internal self-assessment of the board of directors, functional committees, and individual directors all resulted in "standards significantly surpassed." An external performance evaluation was conducted by an external professional institution in 2023, utilizing questionnaire surveys, interviews, and document reviews and analyses to examine three major aspects (board structure, members and processes, and information) and seven major contents (board participation and understanding of company operations and responsibilities, improvement of board decision-making quality and grasp of goals and tasks, board composition and structure, director selection and ongoing education, internal controls, audit committees, and compensation committees). The evaluation result in 2023 was "Advanced"

Regarding director remuneration, Arcadyan's Articles of Incorporation stipulate that if the company makes a profit in any fiscal year, an amount not exceeding two percent of the pre-tax net profit before deducting employee remuneration and director remuneration shall be allocated for director remuneration. This allocation considers the company's operational performance and its contribution to company performance, taking into account industry standards, and is determined by the compensation committee and approved by the board of directors. The remuneration policy for Arcadyan's executives (Chairman, CEO, and Vice Presidents) is based on the company's salary policy, industry standards, and factors such as job title, rank, education, professional competence, and responsibilities within the company. The remuneration ratio is calculated based on the executive's performance in achieving goals, operational efficiency, and contributions, ensuring fair compensation. The executive remuneration system is regularly reviewed in accordance with actual operating conditions and relevant laws and regulations. For detailed information on employee and director remuneration, please refer to Arcadyan Technology 2023 Annual Report.

About this Report   Sustainability Development Management   **Corporate Operations**   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

About Arcadyan   Corporate Governance   **Risk Management**   Integrity Management   Sustainable Partnership

2.3 Risk Management

In response to the increasing impact of global economic and political volatility, as well as climate change, corporates face a variety of risks, including regulatory changes, competitive pressures, and natural disasters. To strengthen corporate governance and implement effective operational risk management, Arcadyan established the "Risk Management Policies and Procedures" in 2022. Under the President, the "Business Management Committee" was formed, along with the "Risk Management Implementation Task Force," to develop a comprehensive risk management system and ensure steady business operations.

Risk Management Organization

Board of Directors Director

Audit Committee

Business Management Committee

Risk Management Implementation Task Force

Operating Units

| Manufacturing Center | Sales | Procurement | Legal Affairs | Quality | IT | R&D | HR | Administration | Finance |

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About this Report Sustainability Development Management **Corporate Operations** Green Innovation Environmental Sustainability Social Inclusion Appendix

About Arcadyan Corporate Governance **Risk Management** Integrity Management Sustainable Partnership

2.3.1 Operational Risk Management Procedures

Arcadyan conducts a systematic analysis to cover the five major elements of risk: identification, analysis, assessment, response, and monitoring and review mechanisms.

Identification

Based on previous experience and information, and considering internal and external risk factors as well as stakeholders' concerns, comprehensively identify potential risk events. These include both strategic and operational risks that could prevent the company from achieving its goals or cause losses or negative impacts.

Analysis

Analyze and identify the impact of risk events, using quantitative or qualitative measurements to calculate risk values. Establishes risk tolerance levels and develop corresponding risk levels, and response strategies accordingly.

Assessment

Compare the risk analysis results with the risk tolerance levels to identify priority risk events. Plan and implement subsequent risk response actions based on the determined risk levels.

Response

Develop related action plans for risk response and continuously monitor their implementation. The action plans should consider the company's strategic objectives, internal and external stakeholder perspectives, risk tolerance levels, and available resources to ensure a balance between achieving goals and cost-effectiveness in the risk response solutions.

Monitoring and Review

The execution of risk monitoring and review mechanismsis regularly reviewed and audited by the Business Management Committee and the Risk Management Implementation Task Force. The results of these reviews are incorporated into performance metrics and reporting items, and linked to key processes within the organization to effectively supervise and enhance the implementation and efficacy of risk management practices.

Arcadyan ISO 22301 Business Continuity Management Policy:

- Effectively manage any unforeseen events that could potentially disrupt company operations.
- Ensure that critical products and services are restored to customers within the agreed-upon time frame in the event of an operational disruption.
- Minimize potential impacts of any operational disruptions on Arcadyan and its reputation.

Arcadyan also incorporate risk reporting and disclosure guidelines into the risk management procedures:

Documenting	Document, review, report, and retain the processes and outcomes of risk management for future reference.
Reporting	Consider the specific information needs and requirements of different stakeholders, the frequency and timeliness of reporting, the reporting methods, and the relevance of the information to organizational goals and decision-making.
Disclosure	Disclose risk-related information on the company's website or public information platforms, providing external stakeholders with relevant information and continuously updating it.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

2.3.2 Risk Management and Mitigation Strategies

Aspects	Types	Risks	Mitigation Strategies	Opportunities
Economic	Business Continuity	Natural disasters (e.g. typhoons, earthquakes, tsunamis), pandemic, or international events (e.g. the US-China trade war, the Russia-Ukraine conflict, tensions in the Middle East) may impact normal operations.	• Arcadyan key operational sites are ISO 22301 Business Continuity Management Systems certified. Risk assessments of operational processes were regularly conducted, including supply chain risks, production relocation, pandemics, and emergency response scenarios. Additionally, Arcadyan has developed a Business Continuity Plan (BCP). • To enhance operational flexibility and resilience, Arcadyan has expanded its AVC Manufacturing Center (Plant 2) in Vietnam and established partnerships with overseas manufacturing facilities in India, Brazil, and other locations, adopting a multi-site production model.	With advanced planning, Arcadyan established AVC Manufacturing Center in 2020 and expanded its capacity in 2023. The company has proactively anticipated various risks that may impact operations and develops corresponding plans to mitigate any potential disruptions to customer supply or service delivery.
	Legal Compliance	Due to the failure to promptly grasp international regulations related to the environment, products, society, labor, etc., operational losses or legal liabilities have occurred.	• The Arcadyan Board of Directors serves as the highest governance body and the significant decision-making center responsible for ensuring the company's compliance with various laws and regulations. • Arcadyan actively participates in global initiatives and actions to receive the latest regulatory requirements and identify regulatory-related risks.	Regularly identify and understand the international regulations related to the environment, products, society, labor, etc., shorten the preparation period for compliance.
	Business Performance	Stakeholders cannot access key financial information, e.g. as Arcadyan's revenue and costs, or poor business performance may affect investor interests and customer business willingness.	• Arcadyan regularly publishes its operational performance, industry trends, and future outlook on its website and in its annual reports. Additionally, in compliance with regulations for listed and OTC companies, Arcadyan holds annual shareholder meetings for communication purposes. • Investor Mailbox (investor@arcadyan.com) was set up to facilitate smooth communication between investors and the company.	With its robust financial performance, Arcadyan bolsters shareholder confidence and enhance investor and customer relationships.
	Information Security	Oversight in information security management may result in hacker intrusions or the leakage of important information such as customer documents and R&D secrets.	• Arcadyan key operational sites are ISO 27001 Information Security Management System certified, ensuring the integrity of customer documents and critical company data. Additionally, Arcadyan has obtained ISO 27005 and ISO 27005 Information Security, Cybersecurity and Privacy Protection certification, conducting regular assessments of information systems and assets to identify risks and develop corresponding response measures and plans.	Established comprehensive information security incident management procedures to reduce or eliminate the threats and impacts posed by information security incidents.
	Customer Service Management	The inability to ensure product safety or deliver customer satisfaction, or failure to establish long-term, close, and trusted business partnerships with customers, may result in declining performance.	• Arcadyan key operational sites are ISO 9001 Quality Management Systems and TL 9000 Telecom Quality Management System certified. Quality-related key performance indicators were uploaded monthly to the QuEST Forum, and Arcadyan's product quality performance consistently exceeds industry standards in the telecommunications sector. • Arcadyan conducts annual customer satisfaction surveys focusing on technology, quality, responsiveness, delivery time, and other aspects, and develops improvement plans based on survey results. • Arcadyan engages in regular communication with customers through Quarterly Business Reviews (QBR) and ad-hoc meetings.	By providing safe and high-quality products and establishing close and trusted business partnerships with customers, Arcadyan enhances customer willingness for long-term cooperation.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | **Risk Management** | Integrity Management | Sustainable Partnership

Aspects	Types	Risks	Mitigation Strategies	Opportunities
Economic	Integrity Management and Anti-Corruption	The absence of integrity management and anti-corruption policies, or ineffective monitoring mechanisms, can negatively impact investor interests and the willingness of customers and suppliers to collaborate.	• Arcadyan has established policies such as the "Business Ethics Policy," "Ethical Corporate Management Best Practice Principles," and "Procedures for Ethical Management and Guidelines for Conduct" to promote and regulate honest and ethical behavior among employees. • Arcadyan conducts due diligence investigations annually based on risk assessment results to eliminate unethical practices such as hospitality, money laundering, bribery, fraud, and anti-competitive behavior. • Violation Reporting Mailbox (ethics@arcadyan.com) was set up, encouraging internal and external stakeholders to report any unethical or improper behaviors.	By implementing robust integrity management and anti-corruption policies along with comprehensive management mechanisms, Arcadyan enhances investor confidence and the willingness of customers and suppliers to engage in long-term partnerships.
	Research and Development	Inability to propose innovative approaches in technology, processes, and products, or insufficient R&D capabilities, may affect new products development and launch timing for customers.	• Through irregular visits, technical forums, seminars, and meeting, Arcadyan communicates with customers about product technologies development and directions. • With an outstanding R&D team, Arcadyan remains at the forefront in development experience and capabilities, providing customers with quickly delivered, highly functional customized product services.	Arcadyan stays ahead of market trends by recruiting top talent and using advanced technology to design and develop products that are competitive, and collaborating with customers to explore new market opportunities.
	Supply Chain Management	Failure to implement effective supervision and management of the supply chain (including new suppliers), or failure to assess suppliers' quality, social, and environmental performance, or conflict minerals management could increase potential risks. External political and economic conditions could lead to supply chain disruptions.	• Through irregular visits, technical forums, seminars, and meeting, Arcadyan communicates with customers about product technologies development and directions. • With an outstanding R&D team, Arcadyan remains at the forefront in development experience and capabilities, providing customers with quickly delivered, highly functional customized product services.	Arcadyan manages the supply chain in accordance with external environments (such as regulatory requirements or customer demands) to enhance supply chain resilience and reduce operational risks.
	Geopolitics	Failure to recognize national security risks may lead to disruptions in international trade and company operations due to geopolitical factors.	• Arcadyan has established a "Sustainable Procurement Policy" and requires suppliers to sign "Supplier CSR Commitment." Annual suppliers' CSR audits are performed, and RBA, CAR, and JAC audits as conducted per customer requests. • In 2023, Arcadyan launched the "Go Green with Arcadyan" program, partnering with suppliers to reduce organizational and product carbon footprints.	With advanced planning, Arcadyan established AVC Manufacturing Center in 2020 and expanded its capacity in 2023. Arcadyan anticipates any potential operational risks and formulates relevant plans to mitigate impacts on customer supply or service delivery.
Environmental	Green Products	Failure to develop green products that comply with regulatory requirements and customer demands may result in environmental impacts and order loss.	• Arcadyan has obtained ISO 14006 certification for product eco-design, ensuring that products meet relevant energy regulations through rigorous testing. • Arcadyan's core product design principles are based on green concepts: using low-toxicity materials, incorporating energy-saving designs, and ensuring products are easy to disassemble, recycle, and package minimally. • Develop environmentally friendly products and, as needed, applies for TÜV Green Product Mark, Product Carbon Label, and Product Carbon Footprint Verification.	Arcadyan is committed to developing green products to reduce environmental impact, fulfill corporate environmental responsibilities, enhance corporate image, and increase product competitiveness.

About this Report   Sustainability Development Management   **Corporate Operations**   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

About Arcadyan   Corporate Governance   **Risk Management**   Integrity Management   Sustainable Partnership

Aspects	Types	Risks	Mitigation Strategies	Opportunities
Environmental	Circular Economy	Failure to develop products that meet regulatory requirements and customer demands in circular economy may result in environmental impacts and order.	• In 2021, Arcadyan obtained BS 8001 certification for circular economy optimization and integrated it into the product design and development process. • Arcadyan maximizes the benefits and value of products, components, and materials by incorporating designs that are recoverable and renewable, meeting the requirements of a circular economy.	Arcadyan implements circular economy concepts in its product design and development process, enhancing product competitiveness and fulfilling corporate environmental responsibilities.
	Climate Change and Carbon Management	Failure to effectively monitor energy and resources consumption or failure to implement effective energy-saving and carbon reduction measures can result in environmental impacts, negatively affecting social perception and corporate image.	• Arcadyan participated in CDP (formerly the Carbon Disclosure Project), voluntarily disclosing climate change and water resource information, and uses the TCFD framework to identify and disclose significant climate risks. • Arcadyan key operational sites conduct ISO 14064 organizational greenhouse gas inventories and obtain verification to review emission statuses and develop reduction plans. • Arcadyan actively increases the use of renewable energy, expanding the photovoltaic system at the AVC Vietnam Manufacturing Center in 2023, and implements a renewable energy certificate procurement plan. • In 2023, Arcadyan joined Science Based Targets initiative (SBTi) and introduced aggressive carbon reduction strategies, committing to achieve net-zero emissions by 2050.	Arcadyan regularly monitors the use of energy, water, the production of waste, and emissions of greenhouse gases at its facilities, setting reduction measures to foster environmental friendliness and enhance corporate image, thereby exerting corporate influence.
	Energy and Resources Management	Failure to effectively monitor energy resource consumption or implement efficient energy-saving and carbon reduction measures can lead to environmental impacts, affecting societal perceptions and corporate image.	• Arcadyan's Headquarter and AVC Vietnam Manufacturing Center are ISO 50001 Energy Management Systems certified, effectively managing electricity consumption and enhancing energy efficiency. • In 2023, Arcadyan's Headquarter initiated the "Real-Time Smart Energy Saving Project," employing smart electricity usage management and installing variable frequency sensors to monitor high-energy-consuming equipment, thus achieving energy-saving objectives.	Arcadyan conducts energy audits and significant energy use assessments, analyzing consumption and implementing relevant energy-saving management measures, resulting in tangible outcomes such as energy and operational cost savings, while also fostering environmental protection.
Social	Human Rights	Failure to safeguard employee rights, including freedom of association, collective bargaining, non-discrimination, and the prevention of child labor, can impact employee welfare and lead to talent attrition, severely damaging a company's reputation.	• Arcadyan has established a "Human Rights Policy Declaration" to eliminate any acts that violate human rights, ensuring that all employees receive fair and dignified treatment. • Stakeholder Complaint Mailbox (hr_hq@arcadyan.com) and hotlines were set up to protect employees who wish to file complaints without fear of retaliation, ensuring that employee complaints are handled appropriately. • Through diverse and effective negotiation mechanisms, Arcadyan fosters positive labor-management relations, regularly convening labor-management meetings to solicit employee feedback and actively address concerns.	Arcadyan adheres to the Responsible Business Alliance (RBA) Code of Conduct, respecting employees' freedom and ensuring no instances of forced labor, thereby safeguarding employee rights, enhancing employee morale, and fulfilling corporate social responsibilities.

About this Report   Sustainability Development   **Corporate**   Green   Environmental   Social   Appendix
Management   **Operations**   Innovation   Sustainability   Inclusion

About Arcadyan   Corporate Governance   Risk Management   Integrity Management   Sustainable Partnership

2.2.3 Risk Management of Information Security

Information security is becoming increasingly important in today's industries. Arcadyan adheres to information security management objectives when formulating its information security policy statement, "Information Security, Everyone's Responsibility." Arcadyan implements this policy by following the Plan-Do-Check-Act (PDCA) cycle of information security management systems to ensure effectiveness. Various risks related to information assets are assessed through information asset risk assessments. Based on the characteristics of each risk, appropriate control measures are implemented, and retention periods for various types of third-party data and information are established to mitigate or transfer risks, achieving the goal of risk management. This ensures the confidentiality of Arcadyan's relevant business information and prevents the leakage and loss of sensitive information and personal data.

Arcadyan's Taiwan Headquarter, CNC China Manufacturing Center, and AVC Vietnam Manufacturing Center undergo external certification for ISO 27001 Information Security Management System and ISO 27005 Information Risk Management System annually. This ensures that the data privacy of the company and individuals, and customer confidential information, including trade secrets and intellectual property rights, are well-controlled. Arcadyan also strictly controls different types of data output channels, implementing monitoring systems to prevent sensitive data leaks through communication software, external devices, and other means, thereby strengthening mobile user data protection and reducing the risk of data breaches.

Arcadyan ISO 27001 Information Security Management Policy:
- Ensure the confidentiality of information related to the business of the Company to prevent breaches or losses of the Company's sensitive information and individual data.
- Ensure the completeness and availability of the Company's business information to perform the operation and various business of the Company correctly.

Information Security Organization Chart

Arcadyan has established Cyber Security Business Management Committee, information security management representative (dedicated personnel), documentation editing team, risk management and assessment team, and internal audit team to manage the relevant information security risks. The information security management representative reports the information security management performance, information security related issues and directions to the Business Management Committee every six months to ensure the suitability, appropriateness and effectiveness.

Business Management Committee

Spokesperson

Information Security Management Representative

ISMS Documentation Editing Team

Risk Management and Assessment Team

Internal Audit Team

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | **Risk Management** | Integrity Management | Sustainable Partnership

Information Security Management Mechanism

To ensure the confidentiality, integrity, and availability of all information, Arcadyan follows the ISO/IEC 27001 international standard to establish internal control documents. Annually, internal and external audits are conducted to evaluate the risk levels of various process databases, scan system vulnerabilities, update information asset inventories, and execute related operational impact analyses, disaster recovery drills, user account privilege reviews, firewall configuration reviews, information security awareness and education training, penetration testing, governance committee meetings, and periodic social media exercises as control mechanisms. Since 2020, Arcadyan has obtained cybersecurity insurance annually since 2020, and the insurance coverage amount in 2024 has reached USD 3 million.

Regular Risk Assessment of Information Securit

Annual audits were performed according to ISO 27001 Information Security Management System. Two internal audits and one external audit were conducted in 2023.

Information Privacy Management

Enforcing a strict confidentiality policy, employees are held accountable for maintaining the security of all electronic data, documents, and communications. Arcadyan noted a privacy policy statement on its website, obtaining consent for the use of cookies.

Establish Information Security Notification Management Procedures

It is divided into four levels according to the severity of the event, and related procedures are established for subsequent notification and processing.

Network Security Detection

Deep Discovery Inspector (DDI) service to continuously monitor threats, analyzing threat intelligence to identify all potential risks from attacks, advanced threats, and ransomware. By detecting unknown malicious attacks in advance, it continuously improves Arcadyan's ability to detect and assess current threats.

Confidential Information Management

Before exchanging information with external parties, Arcadyan follows the management procedures to conduct third-party information security due diligence. External vendors or related personnel are required to sign a Non-Disclosure Agreement (NDA) to ensure information security and confidentiality.

Complaints and Whistleblowing

Violation Reporting Mailbox（ethics@arcadyan.com）was set up, allowing stakeholders to communicate topics related to information security.

Information Security Management Solution

Information Security Announcement and Training

Items	Implementation	2023 Results
Information Security Announcement	Publish information security announcements and share information security related news on anti-fraud, phishing, hacking, information vulnerabilities, ransomware attacks, fake links, and other cybersecurity topics.	• Arcadyan Taiwan Headquarter published 34 information security announcements. • AVC Vietnam Manufacturing Center published 12 information security announcements.
Social Engineering and Phishing Email Test	Social engineering and phishing email tests are conducted quarterly to increase security awareness. Unqualified colleagues are re-educated and tested to ensure the implementation of cybersecurity awareness.	• Arcadyan Taiwan Headquarter conducted 8 phishing email tests.
Information Security Awareness Training	Arcadyan Taiwan Headquarter and AVC Vietnam Manufacturing Center conducts social engineering email tests quarterly. Employees who did not pass the test were required strengthen awareness in trainings. CNC China Manufacturing Center holds routine information security awareness trainings, and required new employees to take IT cybersecurity training, strengthening employees' awareness in cyber security.	• Arcadyan Taiwan Headquarter held 4 information security awareness trainings. • AVC Vietnam Manufacturing Center held 3 information security awareness trainings.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | **Integrity Management** | Sustainable Partnership

2.4 Integrity Management

Arcadyan operates with a commitment to integrity, establishing strong corporate governance and risk control mechanisms. Arcadyan implements integrity management through four key aspects: "Policy Formulation," "Education and Training," "Prevention and Protection," and "Complaint and Whistleblowing."

Policy Formulation

In accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", Arcadyan has established "Ethical Corporate Management Best Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," and "Code of Conduct for Directors and Managers." In addition, in the personnel regulations, the policies and practices of integrity management have been expressly stated in "Business Ethics Policy." Arcadyan has formulated a prevention plan for dishonest behavior, covering the following areas:

1. Prohibition of bribery and accepting bribes
2. Prohibition of providing illegal political donations
3. Prohibition of inappropriate charitable donations or sponsorships
4. Prohibition of unreasonable gifts, hospitality, or other improper benefits
5. Prohibition of intellectual property infringement
6. Prohibition of engaging in unfair competitive practices
7. Prevention of harm to stakeholders from products or services

In 2023, Arcadyan did not receive any reports related to violations of its integrity management guidelines. There were also no cases involving violations of integrity management guidelines, corruption and bribery, fraud, insider trading, anti-competitive behavior, anti-trust and monopoly practices, or legal proceedings and penalties related to market manipulation.

Education and Training

Arcadyan established the "Employee Code of Conduct" in 2007, outlining that employees should avoid any conflicts or potential impacts between personal interests and company interests. In 2021, the scope was expanded and revised to be renamed as the "Business Ethics Policy," covering integrity, conflicts of interest, gifts and entertainment, protection and use of company resources, intellectual property and confidentiality, fair competition and trade, and anti-money laundering. The policy clarifies that when engaging in daily work and business activities, employees should avoid business transactions with agents, suppliers, customers, or other business counterparts involved in dishonest behavior. If any dishonest behavior is detected among business counterparts or partners, employees should immediately cease business transactions with them and report to relevant authorities to uphold Arcadyan's ethical corporate management policy and protect its reputation. For employees who commit serious breaches of integrity, Arcadyan will take disciplinary actions according to relevant laws or company regulations, including dismissal or termination. The content of the "Business Ethics Policy" is conveyed through training and education for new employees upon joining the company.

Arcadyan requires employees to adhere to "Ethical Corporate Management Best Practice Principles" and "Business Ethics Policy." Every new employee must complete "Awareness Training for All Staff," covering topics such as business ethics, codes of conduct, risk management, insider trading prevention, and procedures for handling internal sensitive information. Additionally, all employees receive annual refresher training on these topics to ensure familiarity and vigilance regarding integrity-related issues. In 2023, a total of 4,638 employees completed the training, achieving a completion rate of 90.53%. Arcadyan's board members, corporate governance managers, audit managers, and relevant department personnel also participate in external education and training on integrity-related topics. The curriculum includes compliance with integrity regulations, accounting systems, prevention of insider trading, financial and tax issues, information security and privacy protection, and internal controls, with a total training duration of 89 hours.

Courses	Participants	Number of People Completed	Completion Rate	Total Training Hours
Integrity management, corporate governance, internal audit and control courses	Board members	8	100%	42
	Corporate governance managers	3	100%	47
Awareness Training for All Staff (integrity management, insider trading prevention, risk management)	Employees	4,638	90.53%[Note]	6,325

Note: Number of people selected for Awareness Training for All Staff: 873 people from Arcadyan Taiwan Headquarter, 750 people from CNC China Manufacturing Center and 3500 people from AVC Vietnam Manufacturing Center; number of people completed the training: 873 people from Arcadyan Taiwan Headquarter, 3015 people from CNC China Manufacturing Center and 3500 people from AVC Vietnam Manufacturing Center

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Prevention and Protection

Arcadyan has established a comprehensive and effective internal control system. Each year, it conducts reviews of anti-corruption and integrity issues within its operational scope following the risk management procedures. Integrity-related items are included in the annual audit plan, and Internal Audit Office supervises the implementation of various policies, and reports regularly to the board of directors. The Financial Accounting Department at Arcadyan regularly rotates job assignments to enhance organizational dynamism and prevent collusion and collective fraud. In cases where business activities involve significant amounts of funds or decisions that may affect shareholder interests, the Four-eye Principle is applied. This principle involves dividing business operations into stages and setting control points, which are handled by different units or departments, strengthening internal checks and balances and division of responsibilities to ensure effective internal control.

In 2022, Arcadyan established "Risk Management Implementation Task Force" to conduct risk assessments for the various business activities of the company. In 2023, integrity-related risks were identified as high-risk items, including anti-corruption and fair competition. High-risk behaviors such as hospitality, money laundering, bribery, fraud, and violations of fair competition were evaluated for their severity and likelihood. Processes identified as high risk included procurement, sales, and financial duties involving direct contact with customers, suppliers, and financial institutions or processes with substantial influence. Arcadyan conducted integrity due diligence on relevant departments, requiring managers and employees to complete the "Anti-corruption Due Diligence Questionnaire," and pledge not to offer or accept bribes, as well as prohibit any form of kickbacks, money, goods, or other valuable items from third-party collaborators, which may influence objective decision-making. In 2023, a total of 62 managers and employees from high-risk process underwent investigation and completed the questionnaire, achieving a completion rate of 100%. The investigation found no violations of business ethics or corruption-related issues.

- **Anti-Competitive Practices**

Arcadyan has established the "Ethical Corporate Management Best Practice Principles" and the "Arcadyan Technology Business Ethics Policy," conducting business activities in accordance with relevant competition regulations. Practices such as fixing prices, bid rigging, limiting production and quotas, or sharing or dividing markets through allocation of customers, suppliers, operating regions, or types of businesses are strictly prohibited. Arcadyan strictly prohibits any theft of patent information, handling of trade secrets obtained without the owner's consent, or inducing employees of other companies, whether current or former, to disclose their confidential information. It respects and treats fairly the rights of company clients, suppliers, competitors, and employees. Employees are required not to obtain unreasonable benefits from others through manipulation, concealment, abuse of privileges, dissemination of false information, or other illegal trading practices. Arcadyan encourages both internal and external individuals to report any dishonest or improper behavior. If an employee is involved in dishonest behavior, the incident will be reported to department supervisors immediately, and appropriate action will be taken, including reporting to regulatory authorities or referring for investigation if necessary. In 2023, Arcadyan had no involvement in litigation related to anti-competitive practices, antitrust, or monopoly regulations, nor were there any legal actions concluded during the year.

- **Suppliers Integrity Due Diligence**

Suppliers are important partners for Arcadyan in implementing integrity and business ethics. Arcadyan requires all suppliers to sign a "Arcadyan Supplier CSR commitment," clarifying the requirements for supplier ethical standards. Suppliers are required to pledge to prohibit bribery, donations, gifts, and other illegal and unethical behavior. They are also required to conduct training for their employees or agents to raise awareness of anti-corruption efforts, encourage reporting of suspected corruption incidents, and prevent all forms of corruption. The procurement department conducts assessments of suppliers annually. Based on the assessment results, suppliers categorized as medium and high risk are required to complete a "Supplier Integrity Due Diligence Questionnaire" to prevent bribery, improper gifts, hospitality, and other improper benefits. In 2023, a total of 45 suppliers underwent integrity due diligence, with a completion rate of 100%. The investigation found no violations of business ethics, kickbacks, or instances of receiving money, goods, or improper hospitality.

- **Legal Compliance**

Arcadyan adheres to relevant regulations based on local laws and international standards at each operational site. The Board of Directors and relevant governance units continuously monitor directives from regulatory authorities and domestic and international regulations updates to promptly revise internal regulations and policies related to environmental protection, occupational health and safety, anti-bribery/corruption, anti-harassment/discrimination, fair competition, information security, intellectual property, and other relevant areas to ensure compliance with various legal requirements.

Arcadyan adheres to ISO 14001 Environmental Management Systems, ISO 45001 Occupational Health and Safety Management Systems and other international standards, and engages in global environmental initiatives and actions to establish a regulatory identification process. This ensures its compliance with local and international regulations. In 2023, Arcadyan had no incidents of non-compliance with local regulations or significant legal disputes (involving amounts exceeding NT$2 million or related to product transactions)

About this Report   Sustainability Development Management   **Corporate Operations**   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

About Arcadyan   Corporate Governance   Risk Management   **Integrity Management**   Sustainable Partnership

Complaint and Whistleblowing

Arcadyan advocates for a transparent business ethics culture. It established Violation Reporting Mailbox (ethics@arcadyan.com), allowing both internal and external individuals to report dishonest or unethical behaviors. Arcadyan ensures the confidentiality of whistleblower's identify and the content of the reports, promising to protect whistleblowers from retaliation. When investigating the reported individuals or departments, original or the copies of the report will not be disclosed, whistleblowers' identities will not be exposed. Anonymous reports are treated with discretion, handwriting analysis will not be conducted and the content will not be circulated. Upon verifying instances of dishonest behavior or reported incidents, Arcadyan takes strict disciplinary actions and notifies judicial authorities or government anti-corruption agencies when necessary. In 2023, Arcadyan did not receive any complaints related to corruption or violations of its integrity policies, nor did it face penalties from regulatory authorities for breaches of integrity or corruption-related regulations.

Incidents	Grievance Channels	Numbers of Complaints Received	Numbers of Complaints Accepted	Numbers of Complaints Closed
Acceptance of improper gifts, hospitality, bribes, and conflicts of interest	Violation Reporting Mailbox (ethics@arcadyan.com)	0	0	0
	CSR Mailbox (csr@arcadyan.com)	0	0	0
	Stakeholder Complaint Mailbox (hr_hq@arcadyan.com)	0	0	0
	Direct report to supervisors	0	0	0

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | **Sustainable Partnership**
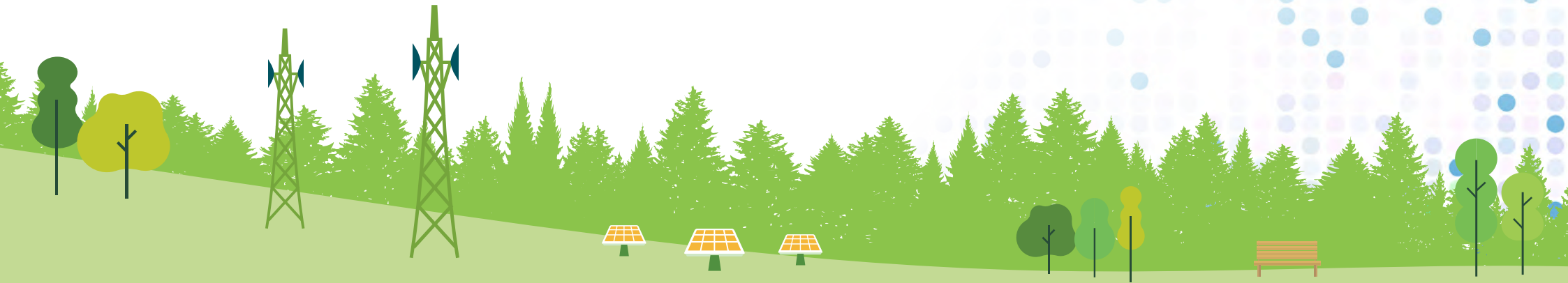
2.5 Sustainable Partnership

2.5.1 Sustainable Partnerships

Arcadyan has established long-term, mutually beneficial relationships with key operational partners, maintaining effective communication mechanisms and a foundation of mutual trust to build a comprehensive supply and sales chain. "Customer satisfaction" is Arcadyan's core value. We continuously leverage innovative research and technology to provide quick and immediate responses to customers. All employees participate with a positive and prudent attitude, improving and growing together with customers, becoming their key partners. Suppliers are crucial to Arcadyan's sustainable supply chain. Through supplier conferences, training sessions, CSR commitment signatures, and surveys, we strengthen management and interaction with suppliers, implement sustainable procurement policies, and enhance overall supply chain competitiveness.

Customer Satisfaction

Arcadyan attaches great importance to its interactive relationship with customers, maintaining communication through emails, phone calls, or Quarterly Business Reviews (QBR). Arcadyan sets customer satisfaction as a key management indicator, conducting annual surveys to jointly review performance in four major areas: "Technology", "Quality", "Response Service" and "Delivery". Customer satisfaction serves as a crucial basis for Arcadyan to continuously improve its products and services. Based on customer evaluation records and audit scoring results, improvement plans are formulated through the quality management system. Enhancing customer evaluation performance is established as a performance indicator for each relevant department, with continuous tracking of customer satisfaction to ensure perfect product quality.

Since 2020, Arcadyan has been recognized annually by telecom customers with the Sustainable Development Program (SDP) Best Practice Award. Over the past three years, the average customer satisfaction rating has exceeded 85 points. Arcadyan upholds the spirit of continuous improvement, providing customers with high-standard and innovative quality and services. We actively respond to customer needs and offer comprehensive solutions to customer problems and feedback, striving to be the best partner for our customers.

ISO 9001 Quality Management Policy:
- Fully participation, Effective & Economically, and Customer Satisfaction

Customer Satisfaction Over the Years

Since 2020, the COVID-19 pandemic has caused delays in international transportation and lock-downs in China, exacerbating logistics and supply chain delivery issues. In the 2022 customer satisfaction survey, the performance in "Delivery" affected the overall rating. Arcadyan has been dedicated to managing its supply chain and logistics, as well as striving for advancements in technological innovation and quality improvement. In 2023, customer satisfaction significantly increased to over 91 points.

Year	2021	2022	2023
Average Satisfaction Score	85.3	82.9	91.1

2.5.2 Product Information Security Protection

Arcadyan using the ISO 27001 Information Security Management System strictly controls important confidential documents to protect the confidentiality and integrity of customer documents and data, and to mitigate threats and risks faced by various departments during information usage. Arcadyan has implemented a "Visitor Reservation System" to systematically manage visitors, thereby maintaining information security. Rigorous protection measures are established in every aspect of daily operations, fulfilling the responsibility to safeguard customer privacy. Arcadyan's "Information Security Committee" regularly reviews the group's information security policies and operations. In 2023, Arcadyan did not experience any infringements or leaks of customer privacy.

Arcadyan adheres to the highest safety standards in product design and services. To comprehensively protect customer privacy and their data, the R&D department periodically analyzes and evaluates information on potential security vulnerabilities provided by market security researchers, academic institutions, and other members of the security community. Upon receiving notification of a suspected vulnerability, the responsible unit immediately conducts a detailed investigation, actively discusses solutions to major security vulnerabilities with customers, and reports the progress of the process.

In 2023, Arcadyan received a total of 25 vulnerabilities related to Arcadyan product software through various channels. After assessment and classification, there were 14 high-risk vulnerabilities and 11 moderate-risk vulnerabilities, with 2 risks unrelated to Arcadyan product functionality. All confirmed risky vulnerabilities were promptly repaired with customer consent.

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About this Report   Sustainability Development Management   **Corporate Operations**   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

About Arcadyan   Corporate Governance   Risk Management   Integrity Management   Sustainable Partnership

Arcadyan is committed to preventing information security attacks throughout the entire product supply chain lifecycle, from parts procurement and manufacturing to transportation, service, and product recycling. Arcadyan notifies all partners of their obligation to comply with information security regulations, emphasizing the requirements for identifying counterfeiting, malware, and tampering risks.

Product Development Design → **Security Verification** →

- Preproduction and Post-sale Safety Information Collection
- Weakness Detection
- Penetration Testing
- Analysis and Reporting
- Bug Fix and Testing

Product R&D Process

Through internal training and sharing of information security incidents, prevent relevant departments from being attacked by hackers due to information security vulnerabilities during product development.

Product Outgoing Inspection

Arcadyan established a complete software/firmware testing process. The product needs to pass a complete test before shipping to ensure that all functions and versions meet the specifications, and there is no doubt about the risk of information security vulnerabilities.

After-sales Product Protection

Set up a special department to monitor software/firmware vulnerabilities, analyze and evaluate suspicious vulnerabilities, and if they are confirmed to be major security vulnerabilities, they must be repaired and eliminated immediately

Data and Privacy Protection

To ensure the protection and management of personal data, Arcadyan follows regulatory requirements in its operating jurisdictions and complies with the European Union's General Data Protection Regulation (GDPR). Arcadyan has established a Privacy Policy as the highest guiding principle for privacy protection for itself and its stakeholders. The Information Security Department manages the collection, processing, and retention of data to ensure compliance with local laws and internal company codes of conduct. Arcadyan has established channels for privacy complaints and reports. Any instances of privacy infringement or violations of the Privacy Policy can be reported through the Ethics Violation Reporting Inbox (ethics@arcadyan.com). In 2023, there were no complaints or penalties related to privacy from external or regulatory authorities. Arcadyan values the protection of privacy, and any breaches by personnel will be subject to disciplinary actions in accordance with the company's code of conduct.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

2.5.3 Sustainable Supply Chain Management

Arcadyan aims to enhance corporate operational development and market competitiveness, viewing supplier management as a key action to fulfill social responsibility. In addition to requiring suppliers to improve quality, delivery times, service, and pricing performance, Arcadyan also strengthens the implementation of environmental and social responsibilities among suppliers. This involves developing optimal procurement policies and jointly operating responsible supply chains with suppliers. To ensure that suppliers align with Arcadyan's concept of sustainable supply chains, annual supplier risk assessments are conducted. Written reviews and on-site audits are conducted for medium and high-risk suppliers, with regular follow-ups on supplier improvement effectiveness. Arcadyan also integrates directives for green products requested by customers into supplier incoming inspection procedures and audit operations. In 2023, for key customer-focused suppliers, Arcadyan collected the Green Parts List and Material Test Reports for environmental performance assessments, achieving a 100% recycling rate. Arcadyan will continue to promote upstream management and implement circular improvements.
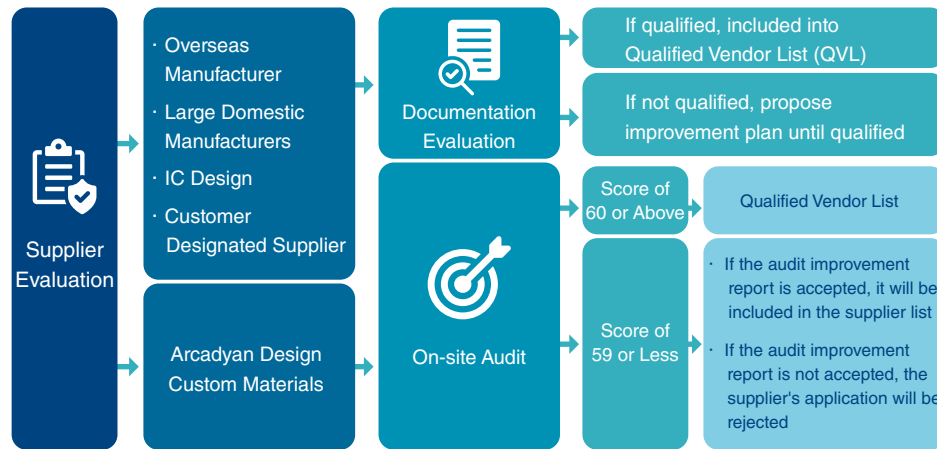
Arcadyan has developed a comprehensive "Supplier Sustainability Investigation Criteria," covering four key management mechanisms: new supplier assessment, supplier management, supplier audits, and supplier guidance. These mechanisms assist suppliers in implementing ESG management practices to foster a green supply chain. Arcadyan has also established the "Arcadyan Sustainable Procurement Policy" and revised the "Supplier CSR Commitment" in 2023, aligning diverse inclusivity and anti-forced labor guidelines with international regulations and customer requirements. In 2023, a total of 325 suppliers signed commitments, achieving a 100% response rate. Since 2021, Arcadyan has integrated environmental sustainability and social human rights clauses into supplier procurement contracts, requiring suppliers to fully comply with local environmental and social regulations as well as international standards. By 2023, signing compliance has exceeded 90%, showcasing Arcadyan's strong commitment to enhancing supply chain sustainability.

Supplier CSR Commitment — Code of Ethics, Organizational Governance, Grievance Mechanism, Environmental Protection, Labor Rights, Occupational Health and Safety, Management System

Sustainable Procurement Training

The training covered the ISO 20400 sustainable procurement standards and common issues in RBA audits. In 2023, a total of 20 procurement personnel participated in the course, completing a total of 40 training hours, achieving a 100% completion rate.

Supplier CSR Commitment

In 2023, the supplier signing rate reached 100%. The commitment covers seven major management principles. Arcadyan communicates with suppliers to jointly adhere to social and environmental conduct standards.

New Supplier Evaluation

In 2023, 22 new qualified suppliers were added. These suppliers were evaluated based on labor rights, health and safety, environmental protection, corporate governance, business ethics, and grievance mechanisms.

Supplier Sustainability Risk Assessment

Based on product type, transaction status, and comprehensive review and evaluation of ESG-related performance, there were no high-risk suppliers in 2023. Twenty medium-risk key suppliers were selected for on-site audits.

Supplier On-Site Audits

For medium-risk suppliers, on-site audits were conducted based on RBA audit guidelines. A total of 18 supplier audits were completed, achieving a 90% completion rate.

Supplier Anti-corruption Investigation

Anti-corruption questionnaires were distributed to 45 medium-risk suppliers, achieving a 100% response rate. The investigation results revealed no violations of business ethics, no instances of bribery, and no acceptance of money, goods, or improper hospitality.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | **Sustainable Partnership**

New Supplier Evaluation

Arcadyan strengthens the construction of a sustainable supply chain to ensure that cooperation with suppliers complies with Arcadyan's Supplier Sustainability Investigation Criteria in economic, social, and environmental aspects. Therefore, a series of new supplier approval processes are implemented. In the "Supplier Assessment Form," suppliers are required to provide supporting documents. The evaluation includes quality, environment, engineering technology, and CSR aspects. In 2023, evaluations of 22 new suppliers were completed, with a 100% compliance rate. Additionally, candidate suppliers are required to sign the "Supplier Corporate Social Responsibility Commitment" to declare adherence to Arcadyan's Supplier Code of Conduct. Only those meeting the assessment score standards are included in the Qualified Vendor List (QVL).

Supplier Evaluation flow

- Supplier Evaluation
  - · Overseas Manufacturer
  - · Large Domestic Manufacturers
  - · IC Design
  - · Customer Designated Supplier
  - Arcadyan Design Custom Materials
- Documentation Evaluation
  - If qualified, included into Qualified Vendor List (QVL)
  - If not qualified, propose improvement plan until qualified
- On-site Audit
  - Score of 60 or Above → Qualified Vendor List
  - Score of 59 or Less
    - · If the audit improvement report is accepted, it will be included in the supplier list
    - · If the audit improvement report is not accepted, the supplier's application will be rejected

Sustainable Procurement Training

In 2023, Arcadyan conducted "ISO 20400 Sustainable Procurement Course" training for procurement personnel responsible for supplier development. A total of 20 managers and colleagues completed the internal training, achieving a 100% completion rate. The course set sustainable procurement goals for Arcadyan and discussed common supplier management topics such as labor rights, working hours, health and safety, greenhouse gas management, and carbon reduction measures. Arcadyan linked sustainable procurement goals to procurement personnel performance evaluations and mandated that supplier auditors undergo RBA auditor training and pass the assessment. In 2023, 28 personnel participated, completing a total of 96 training hours.

Supplier Sustainability Risk Assessment

Arcadyan has established a supplier sustainability risk assessment mechanism to identify potential risks in the supply chain. This involves investigating and evaluating suppliers across nine key areas, including corporate sustainability, human rights, environment, and business continuity. In 2023, there were no high-risk suppliers. Anti-corruption due diligence questionnaires were distributed to all 45 medium-risk suppliers, achieving a 100% completion rate for the 2023 assessment.

Aspects	Evaluation Items
Location	Whether the supplier is from high-risk conflict mineral areas or regions with forced labor risks.
Product Category	Whether the manufacturing process involves environmental pollution risks, such as printed circuit boards, painting, and electroplating.
Transaction Scale	The transaction scale with the supplier, including the total annual transaction amount and product quantity.
Sales Model	The supplier's sales model, such as direct sales, agents, or distributors.
Conflict Mineral Risk	Whether the supplied products pose a risk of originating from conflict mineral areas.
Hazardous Substances Risk	Whether the supplied products pose a risk of containing hazardous substances.
Business Continuity Risk	Whether the supplier's operations face continuity risks, such as financial risks, geopolitical issues, and supply risks.
Labor Rights Risk	The supplier's labor rights risks, including child labor, forced labor, working hours and wages, and working conditions.
CSR Performance	The supplier's corporate social responsibility performance, such as past audit results and the completion of corrective actions for audit deficiencies.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

Supplier CSR Audits

Arcadyan's overseas manufacturing centers have implemented a supplier CSR audit checklist based on the RBA Code of Conduct. The audit process for high-risk suppliers covers 11 key aspects, with "Environmental Management" and "Labor Rights" comprising 55% of the total evaluation weight, and the remaining nine aspects accounting for 45%. In 2023, 20 key suppliers from the medium-risk category were selected for on-site audits. Of these, 18 audits were completed, resulting in a 90% completion rate. Suppliers that did not complete the audits are currently undergoing relocation to Vietnam, and CSR on-site audits will be conducted post-relocation.

To comply with customer audit requirements, audits were expanded to Tier 2 suppliers of key suppliers. In 2023, audits and guidance were provided to one key Tier 2 supplier, ensuring that their operations met environmental, social, and ethical standards. Efforts will continue to extend CSR audits to additional Tier 2 suppliers, thereby enhancing the overall sustainability of supply chain management.

Since 2016, Arcadyan has partnered with the Joint Alliance for CSR (JAC) to audit its suppliers. JAC, formed by major global telecom operators, aims to promote sustainability in the ICT industry by auditing and assessing CSR performance at key multinational suppliers' manufacturing centers. These audits cover labor conditions, health and safety, environment, ethics, anti-corruption, and management systems. Each year, Arcadyan works with customers to select suppliers for JAC audits, introducing CSR and sustainability concepts and guiding improvement efforts. In 2023, four suppliers were audited. For those not meeting standards, Arcadyan set clear improvement targets, reviewed and formulated plans with suppliers, and provided assistance and training.

2023 Sustainable Supply Chain Measures	Target Number of Suppliers	Actual Number of Suppliers Implemented	Achievement Rate
New Supplier Evaluations	22	22	100%
Supplier CSR Commitment	325	325	100%
On-Site Audits for Risk Suppliers	20	18	90%[Note]
Supplier CSR Capability Enhancement	18	18	100%
Supplier Integrity Due Diligence	45	45	100%

Note: Due to supplier relocation, audits were not completed; audits will be conducted once the relocation is completed for CSR site audits.

Weighting of Supplier Audits

- 30% Environmental Management
- 25% Health and Safety
- 5%
- 5%
- 5%
- 5%
- 5%
- 5%
- 5%
- 5%
- 5%

Legend:
- Child labor and Underage Workers
- Forced Labor
- Freedom of Association
- Discrimination and Harassment
- Disciplinary Measures
- Working Hours
- Wages and Compensation
- Business Ethics
- Supplier Management

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | **Sustainable Partnership**
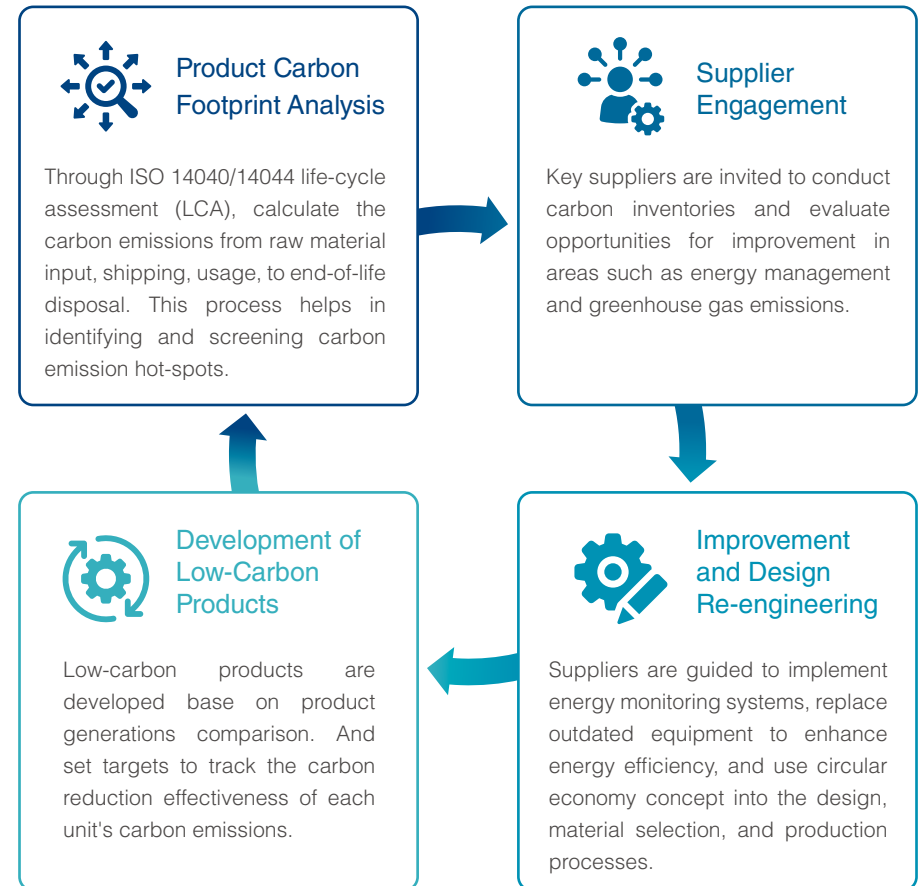
Supplier Guidance

Arcadyan continues to monitor and support suppliers in improving their Corporate Social Responsibility (CSR) practices. In 2023, its assisted 18 suppliers in addressing deficiencies in CSR related aspects, with the highest focus on "Health and Safety," "Environmental," and "Working Hours and Overtime," accounting for approximately 70% of the total audit discrepancies.In the aspect of environmental management, Arcadyan has established a dedicated Green Information Platform. This platform provides updated international green environmental procedures and announcements, ensuring suppliers adhere to the latest regulatory requirements. Suppliers can also use the platform to upload and update documents, thereby maintaining compliance with current standards.

Arcadyan actively participates in customers' Sustainable Development Program (SDP) and assists its suppliers in engaging with and adhering to the Responsible Business Alliance (RBA) and Joint Alliance for CSR (JAC). The company evaluates suppliers' performance in ten ESG dimensions, including circular economy, resource and energy management, environmental protection, labor and human rights, ethical standards, and supply chain management. Arcadyan undertakes a two-year sustainability performance enhancement project to help suppliers establish sustainable management solutions. In 2023, two suppliers participated in this development program, and through continuous improvement over the two-year period, they received silver-level recognition.

In 2022, Arcadyan collaborated with key customers to promote a Carbon Reduction Program (CRP) targeting key product suppliers. Through life-cycle assessment (LCA), the top three high-carbon emission suppliers were identified. Arcadyan assisted these three suppliers in optimizing energy management, greenhouse gas emissions, and circular economy initiatives. In 2023, the total carbon reduction reached 23,367 tCO2e, reducing the product carbon footprint by approximately 27.4 kgCO2e per unit.

Product Carbon Footprint Analysis

Through ISO 14040/14044 life-cycle assessment (LCA), calculate the carbon emissions from raw material input, shipping, usage, to end-of-life disposal. This process helps in identifying and screening carbon emission hot-spots.

Supplier Engagement

Key suppliers are invited to conduct carbon inventories and evaluate opportunities for improvement in areas such as energy management and greenhouse gas emissions.

Improvement and Design Re-engineering

Suppliers are guided to implement energy monitoring systems, replace outdated equipment to enhance energy efficiency, and use circular economy concept into the design, material selection, and production processes.

Development of Low-Carbon Products

Low-carbon products are developed base on product generations comparison. And set targets to track the carbon reduction effectiveness of each unit's carbon emissions.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership
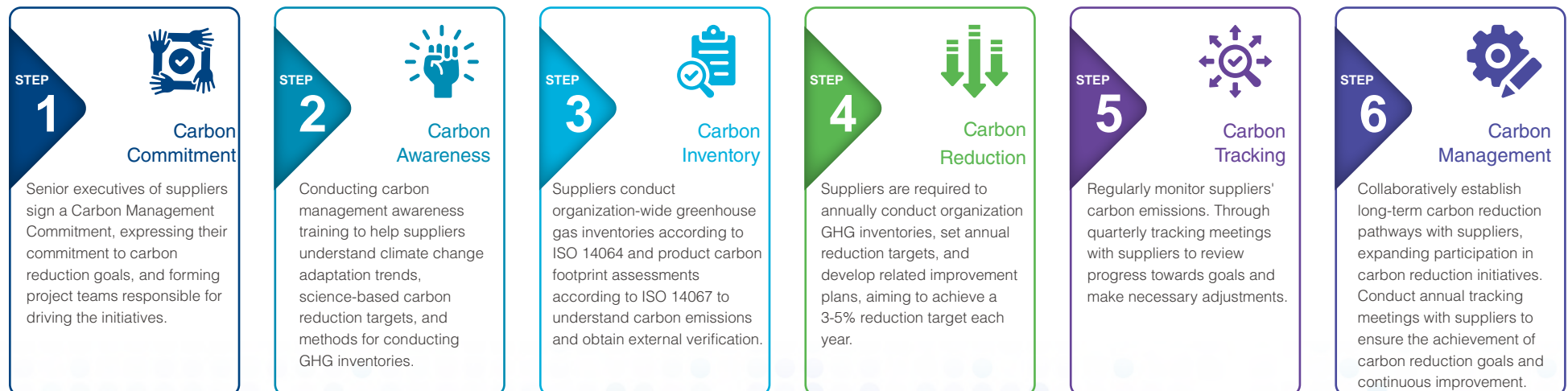
2.5.4 Go Green with Arcadyan Carbon Reduction Project

With the EU Green Deal passed in 2020, the call for carbon reduction in the international market has grown stronger, and many customers now include suppliers' sustainability performance as an evaluation criterion in new product proposals. In response to international trends and customer demands, Arcadyan joined the Science Based Targets initiative (SBTi) in 2022 to set aggressive carbon reduction strategies, and implement carbon reduction targets through collaboration with the value chain.

In October 2023, Arcadyan launched the "Go Green with Arcadyan" project, inviting 14 suppliers of high-carbon components in key products to participate in carbon reduction efforts. The project systematically guides suppliers in developing organizational and product-specific carbon reduction plans, jointly establishing the first phase of carbon reduction improvement programs. This includes conducting carbon emission inventories, setting reduction targets, and formulating specific carbon reduction action plans. In addition to raising suppliers' awareness of carbon reduction, Arcadyan also integrates circular economy and eco-design principles to achieve effective carbon reduction. This initiative aims to fulfill environmental commitments for Arcadyan, its supplier partners, and customers on the path to net-zero.

Since 2009, Arcadyan has participated in the CDP (formerly Carbon Disclosure Project) questionnaire. In 2023, a total of 30 suppliers (including their parent companies) completed the questionnaire, achieving a response rate of approximately 30%. The CDP Supplier Engagement Rating (SER), based on the climate change questionnaire, evaluates the connectivity of enterprises in upstream and downstream supply chains, products, and services to climate change issues. Responding to industry trends and customer demands, Arcadyan has developed low-carbon products, provided training to suppliers, and collected product carbon footprint data. Arcadyan also requires suppliers to implement energy conservation and resource management measures. In 2023, Arcadyan received an A- (Leadership) rating in the CDP Supplier Engagement Rating, affirming its leadership in this area. Arcadyan will continue to actively address the challenges of climate change, working collaboratively with suppliers to achieve carbon reduction goals and promote a more energy-efficient and sustainable development in the supply chain.

STEP 1 — Carbon Commitment
Senior executives of suppliers sign a Carbon Management Commitment, expressing their commitment to carbon reduction goals, and forming project teams responsible for driving the initiatives.

STEP 2 — Carbon Awareness
Conducting carbon management awareness training to help suppliers understand climate change adaptation trends, science-based carbon reduction targets, and methods for conducting GHG inventories.

STEP 3 — Carbon Inventory
Suppliers conduct organization-wide greenhouse gas inventories according to ISO 14064 and product carbon footprint assessments according to ISO 14067 to understand carbon emissions and obtain external verification.

STEP 4 — Carbon Reduction
Suppliers are required to annually conduct organization GHG inventories, set annual reduction targets, and develop related improvement plans, aiming to achieve a 3-5% reduction target each year.

STEP 5 — Carbon Tracking
Regularly monitor suppliers' carbon emissions. Through quarterly tracking meetings with suppliers to review progress towards goals and make necessary adjustments.

STEP 6 — Carbon Management
Collaboratively establish long-term carbon reduction pathways with suppliers, expanding participation in carbon reduction initiatives. Conduct annual tracking meetings with suppliers to ensure the achievement of carbon reduction goals and continuous improvement.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | Sustainable Partnership

2.5.5 Supplier Diversity, Equity, and Inclusion

Arcadyan adheres to various international human rights conventions such as the International Labour Organization conventions, the United Nations Universal Declaration of Human Rights, and the UN Global Compact. We have formulated the "Arcadyan Human Rights Policy Declaration" to eradicate any acts that infringe upon or violate human rights. This ensures that all employees receive fair and dignified treatment, promoting an inclusive organizational culture that fosters respect for diversity and equality among employees.

Arcadyan requires suppliers to commit to respecting all employees through the "Supplier CSR Commitment." Suppliers must not discriminate based on race, color, age, gender, sexual orientation, ethnicity, disability, religious beliefs, political affiliation, union membership, nationality, or marital status in processes such as recruitment, compensation, training opportunities, rewards, promotions, discipline, dismissal, or retirement. They must also ensure that the workplace is free from any forms of corporal punishment, harassment, human trafficking, or verbal abuse. Except as required by law or for roles of a special nature, suppliers must not subject employees or potential employees to discriminatory medical examinations or physical checks. The original "Anti-Discrimination and Harassment" theme of the commitment has been expanded to cover aspects of "Diversity, Equity, Inclusion, and Anti-Discrimination."

Arcadyan is committed to respecting diversity in terms of gender, nationality, ethnicity, vulnerable groups, age, and sexual orientation, creating a work environment where employees feel safe, accepted, respected, and valued for their uniqueness. Arcadyan not only fosters these values within the company but also collaborates with external partners to promote the principles of diversity and inclusion. We support small disadvantaged groups, ethnic minorities, and female-led businesses. Currently, 50% of our outsourced catering services are provided by businesses operated by indigenous women. In the future, we will continue to work with external charitable organizations to provide job opportunities for disadvantaged individuals with disabilities, ensuring a diverse and equitable work environment.

Type	Enterprise Characteristics	2022 Transaction Amount
Employee Cafeteria	1. Small Locally-Operated Businesses 2. Female-Operated Businesses 3. Minority-Operated Businesses	TWD 7,144,433
Cleaning Company	1. Small Locally-Operated Businesses 2. Provide Employment Opportunities for Relatively Disadvantaged Workers (e.g., Middle-Aged and Older Women)	TWD 3,465,844
Charitable Organization	1. Enterprises or Sheltered Workshops Operated by Social Welfare Organizations 2. Provide Employment Opportunities for Relatively Disadvantaged Workers	TWD 520,000
Total Amount		TWD 11,130,277

Recognition of Excellent Suppliers

At the end of 2022, Arcadyan revised its criteria for selecting excellent suppliers to include not only quality of delivered goods, customer complaint resolution, and service coordination, but also Corporate Social Responsibility (CSR) performance. This adjustment aimed to prioritize suppliers with strong performance metrics during procurement processes, while adjusting procurement weightings for suppliers with less distinguished performances.

In 2023, Arcadyan hosted its suppliers' conference, focusing on the Green Product Management System platform and related requirements. The conference facilitated discussions on current environmental and social issues facing the industry and encouraged dialogue with supply chain partners. Recognizing exceptional environmental and social responsibility achievements among suppliers, Arcadyan awarded medals to 15 outstanding suppliers. These awards aimed to motivate suppliers to enhance their CSR efforts and collaborate closely on corporate social responsibility initiatives.

About this Report | Sustainability Development Management | **Corporate Operations** | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

About Arcadyan | Corporate Governance | Risk Management | Integrity Management | **Sustainable Partnership**

2.5.6 Supply Chain Localization

Arcadyan takes the manufacturing centers in China and Vietnam as important production bases, and continues to develop local procurement in order to improve production, supply efficiency and economic scale. Most of the important components of Arcadyan's products, including power supplies, electronic components, electromechanical parts, printed circuit boards, and mechanism suppliers, come from Taiwan, China and Vietnam. As demand for products continues to rise, many Taiwanese suppliers have expanded their production capacities either in their own factories or in other regions of China or Vietnam. In order to reduce the energy consumption and environmental pollution caused by the transportation of raw materials and products, in addition to improving the effective use of packaging materials and space, using recyclable packaging materials. This approach aims to minimize excessive transportation costs and carbon emissions.

To balance operational continuity and reduce greenhouse gas emissions from transportation, Arcadyan is gradually increasing its local procurement ratio and continuously developing local suppliers through procurement management. In 2023, due to geopolitical factors and operational cost considerations, some key suppliers of CNC China Manufacturing Center relocated their production to Vietnam. This shift has resulted in a decrease in the proportion of local procurement expenditures in China compared to 2022. Meanwhile, the Vietnam Manufacturing Center has introduced new-generation models for production. However, due to supply chain disruptions from the previous year's lock-downs, local suppliers' relocation plans were delayed and not fully implemented by 2023, leading to continued reliance on Chinese suppliers for key components. Consequently, the target of achieving a 15% Vietnam local procurement ratio was not met. Arcadyan will continue to monitor suppliers' relocation plans, enhance the balance between local procurement and supply chain diversification. This approach will accelerate production efficiency, strengthen the resilience of sustainable supply, and reduce carbon emissions from the transportation of raw materials and components.

Proportion of local Purchase Amount	CNC China Manufacturing Center	AVC Vietnam Manufacturing Center
2021	79%	15%
2022	87%	12%
2023	82%	14%

2.5.7 Conflict Minerals

Arcadyan adheres to the Responsible Minerals Initiative (RMI) standards and incorporates the prohibition of conflict minerals into its Sustainable Procurement Policy. Suppliers are required to sign the "Supplier CSR Commitment" pledging to comply with Arcadyan's responsible procurement policies. Arcadyan mandates that smelters/refiners in its supply chain adhere to the Responsible Minerals Assurance Process (RMAP) and submit Conflict Minerals Reporting Templates (CMRT) to manage the metal sourcing of components responsibly. In 2023, Arcadyan recovered 345 CMRTs with a recovery rate of 99%, and no instances of conflict minerals were found in the supply chain.

Arcadyan investigates the sourcing of metals such as gold, tantalum, tungsten, tin, cobalt, and others across all materials and their supply chains to ensure they are not obtained through illegal groups in conflict areas such as the Democratic Republic of Congo or through illicit smuggling routes. Arcadyan accepts anonymous reports of any potential violations related to conflict minerals regulations. Upon confirmation of any violations, procurement is immediately halted, and suppliers are required to provide written explanations along with improvement and prevention measures to ensure compliance with conflict-free metal requirements. Arcadyan continues to advocate for humane mining practices and urges suppliers to prioritize ethical standards, labor rights, health and safety, and environmental protection.

For reporting complaints, please contact us via email at ethics@arcadyan.com

3

Green Innovation

About this Report Sustainability Development Management Corporate Operations **Green Innovation** Environmental Sustainability Social Inclusion Appendix

Product Innovation Sustainable Product Design Ecodesign Restricted Hazardous Substances Management Customer Health and Safety

3.1 Product Development and Innovation

Arcadyan focuses its research and development on broadband network access technology. Based on advanced technology, Arcadyan leads the industry in wireless and broadband professional technologies, enabling Arcadyan to provide customers with a complete series of broadband access products and become a major global provider of broadband equipment supplier. Excellent R&D capabilities are a key factor for Arcadyan to maintain its competitive advantage. In order to respond to rapid technological innovation and launch products into the market immediately, Arcadyan has set up R&D centers in Taipei, Hsinchu, Shanghai, and Guangdong; it has also set up technical support centers in Taiwan, Spain, Germany, the United States, Canada, Australia, and India to quickly provide technical consultation and after-sales service.

R&D Investment Over the Years

In 2023, Arcadyan allocated 5.32% of its revenue to research and development. R&D personnel accounted for 71.8% of Arcadyan's total workforce at its R&D headquarters. With an excellent R&D team, Arcadyan ensures its competitive advantage in an environment of rapid changes in technology and specifications.

R&D investment	2021	2022	2023
R&D investment (NT$ million)	1,725	1,939	2,510
R&D expenditure to revenue ratio (%)	5.11%	5.07%	5.32%
R&D personnel (people)	594	646	666
Ratio of R&D personnel to employees (%)	72.9%	73.5%	73.2%
Key R&D Talent Retention Rate (%)	86.32%	85.45%	97.60%

Number of new technology and product patents over the years

Arcadyan continues to invest in research and development capabilities to enhance the quality of patents, focusing on patent applications for new technologies, products, and new business developments. During the enhancement of the patent application process, Arcadyan emphasis the patented products to ensure the validity and value of patents, which will serve as the basis for the company's innovation to expand market competitiveness and bring more opportunities for innovation and development.

Patent applications and certifications over the years	2021	2022	2023
Number of patent applications	37	20	33
Number of certified patents	26	31	44

Note: The patent review process usually takes 1 to 4 years (depending on the procedures of different countries), so the number of certified patents is mostly from cases applications in previous years.

Countries and proportions of patents certified in 2023

Country	Europe	East Asia	North America	Australia
Number of certified patents	23	10	9	2
Ratio of certified patents	52.3%	22.7%	20.4%	4.5%

Note: East Asia is Taiwan and Japan, and North America is the United States and Canada.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | Ecodesign | Restricted Hazardous Substances Management | Customer Health and Safety

Recent Successful Product and Technology Developments in the Past Three Years

With the development of 4G/5G wireless communication technology, Arcadyan's product development philosophy emphasizes user-centric approaches,extending from home devices to in-vehicle safety and mobility equipment. In addition to meeting customer demands for in-vehicle devices, Arcadyan provides comprehensive automotive solutions for driver safety and fleet management. This includes Advanced Driver Assistance Systems (ADAS) and smart vehicle management software tailored for commercial or electric vehicles, featuring 4G and 5G intelligent in-vehicle systems. Integration with Telematics Box (T-box) enables real-time driver diagnostics, vehicle management, and collision prevention.

In the development of in-vehicle and vehicle IoT systems, Arcadyan pioneered the use of 4G LTE (Long Term Evolution) and 5G intelligent systems specifically designed for electric vehicles. These systems integrate vehicle-machine interfaces with radar functionality to detect abnormal driving behaviors, aiming to enhance safe driving practices. Through smart IoT systems and Arcadyan's intelligent vehicle management software, it can remotely diagnose the engine and radar system functions, and connect to remote updates to repair abnormal system functions. Additionally, Arcadyan also provides analysis and statistics of alarm data to improve driving safety.

Antenna Design for Printed Circuit Boards

Patent announcement number:

TWI744913, EP3916912B1, US11502403B2

This invention is a configuration design of antennas and isolators between different layers. While maintaining performance, it reduces circuit board area required for multiple antennas by 20-30% and decreases the number of isolators. This achieves goals of miniaturization and lightweight design, effectively reducing energy and material consumption.

Tri-band antenna module

Patent announcement number:

TWI823391

The invention is a printed tri-band antenna structure that can support multiple frequency bands. The printed design effectively reduces the number and space of antennas, overcoming the problems of traditional three-dimensional antennas requiring large space and complex structures. It offers flexibility for adjustment and modification according to product requirements, reducing the risk of antenna deformation and saving mold and assembly costs. This achieves more efficient utilization of resources.

Waterproof and breathable structure of automotive millimeter wave radar

Patent announcement number:

TWM642647, JP3243069, UAU202311714, GB6270961, EP0150155830001

This waterproof and breathable structure provides high-strength waterproof protection through an integrated design, solving the problems in traditional separated designs, such as the degradation and replacement of waterproof gaskets, and prevents radar malfunction caused by water and moisture ingress. This enhances and prolongs the safety and lifespan of millimeter-wave radar systems, reducing risks of deterioration and maintenance costs.

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | Ecodesign | Restricted Hazardous Substances Management | Customer Health and Safety

3.2 Sustainable Product Design

Arcadyan regularly assesses the potential risks and opportunities of climate change for now and in the future, and adopts Task Force on Climate-Related Financial Disclosures (TCFD) to respond to climate-related issues. All members of Arcadyan participate in green design, and consider the environmental impact of each life cycle stage from raw material procurement, manufacturing, packaging and transportation, consumer use to disposal and recycling in the "Product Life Cycle (PLC)". Arcadyan Introduce "Cradle to Cradle" thinking and adopt a "make-use-recycle" circular economy model. Through redesign, business model changes, and improvement of energy and resource efficiency, it can avoid pollution and reduce waste generation from the source, and using less resources to create more value and reduce carbon emissions. Arcadyan implements ISO 14006 Product Eco-Design, uses innovative technology to mitigate the environmental impact caused by climate change, and enhances the sustainable value of products.

At the beginning of product design, Arcadyan focus on customer needs, functionality, energy-saving and low-carbon design, and comply with safety regulations and energy consumption labels, such as the EU Eco-design Requirements for Energy-relative Products or other laws and regulations. In 2023, all Arcadyan products are 100% compliant with the EU Waste Electrical and Electronic Equipment Directive (WEEE), comply with customer needs and legal requirements in each sales region, and do not violate product information labeling regulations and voluntary norms event.

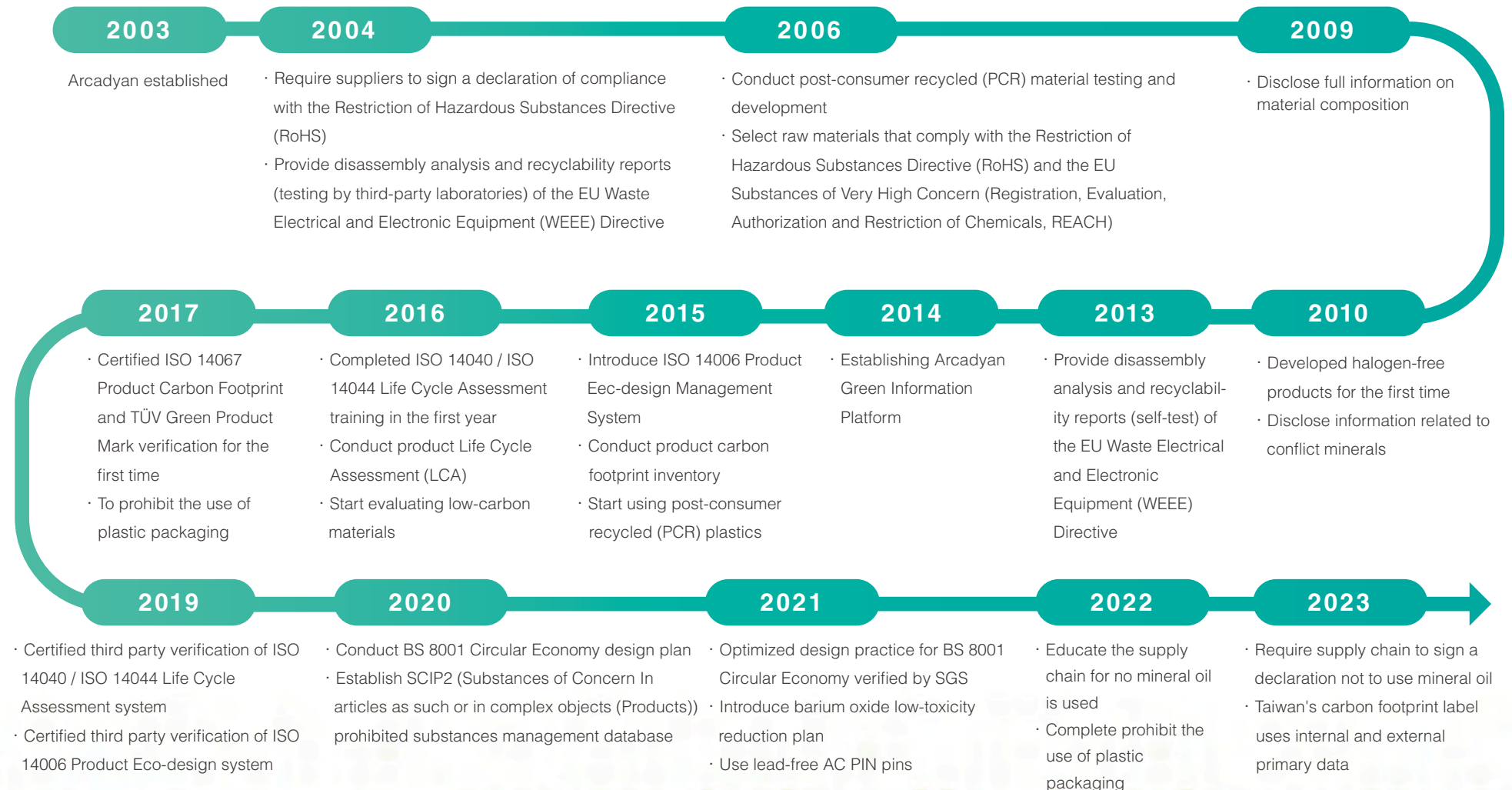| Material Selection	Product Design	Process Optimization	Use	Repairs and Refurbishment	Recycle
· Choose materials that are recyclable, durable, safe, non-toxic and renewable. · Choose simplified product materials.	· To meet the needs of users, design the products that are easy to upgrade or can save energy resources during the product life cycle. · Through the easy-to-disassemble design, the product can easily enter the cycle system for repair and refurbishment. · Design for extend product life cycle.	· Simplify the manufacturing process and introduce automated equipment to improve product yield and reduce scrapped products. · Optimize the use efficiency of water, energy and resources required at each stage of the production process to reduce environmental impact.	· In the research and development process of hardware and software, Arcadyan design products that are lower than the energy consumption standards of energy regulations to reduce the energy resource (electricity) consumption of end customers during use phase.In the research and development process of hardware and software, Arcadyan design products that are lower than the energy consumption standards of energy regulations to reduce the energy resource (electricity) consumption of end customers during use phase.	· By troubleshooting or replacing components, the product can be restored to its original functionality. · Through product inspection and parts replacement, the product can be restored to a near-new condition to extend the product life cycle.	· The end-of-use materials or products will be processed appropriately procedure as the components or recycled materials for other products.

About this Report   Sustainability Development Management   Corporate Operations   **Green Innovation**   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   **Sustainable Product Design**   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

Arcadyan Sustainable Product Development Process

"Selection of low-toxic materials", "Saving electricity and low energy consumption", "Easy to disassemble and recycle", and "Extending product service life" are the core concepts of Arcadyan's sustainable product design. Since its establishment, Arcadyan continuously improved and enhanced its environmentally friendly design capabilities in response to international trends, stakeholder and customer needs every year to achieve the best eco-effectiveness.

2003
Arcadyan established

2004
· Require suppliers to sign a declaration of compliance with the Restriction of Hazardous Substances Directive (RoHS)
· Provide disassembly analysis and recyclability reports (testing by third-party laboratories) of the EU Waste Electrical and Electronic Equipment (WEEE) Directive

2006
· Conduct post-consumer recycled (PCR) material testing and development
· Select raw materials that comply with the Restriction of Hazardous Substances Directive (RoHS) and the EU Substances of Very High Concern (Registration, Evaluation, Authorization and Restriction of Chemicals, REACH)

2009
· Disclose full information on material composition

2017
· Certified ISO 14067 Product Carbon Footprint and TÜV Green Product Mark verification for the first time
· To prohibit the use of plastic packaging

2016
· Completed ISO 14040 / ISO 14044 Life Cycle Assessment training in the first year
· Conduct product Life Cycle Assessment (LCA)
· Start evaluating low-carbon materials

2015
· Introduce ISO 14006 Product Eec-design Management System
· Conduct product carbon footprint inventory
· Start using post-consumer recycled (PCR) plastics

2014
· Establishing Arcadyan Green Information Platform

2013
· Provide disassembly analysis and recyclability reports (self-test) of the EU Waste Electrical and Electronic Equipment (WEEE) Directive

2010
· Developed halogen-free products for the first time
· Disclose information related to conflict minerals

2019
· Certified third party verification of ISO 14040 / ISO 14044 Life Cycle Assessment system
· Certified third party verification of ISO 14006 Product Eco-design system

2020
· Conduct BS 8001 Circular Economy design plan
· Establish SCIP2 (Substances of Concern In articles as such or in complex objects (Products)) prohibited substances management database

2021
· Optimized design practice for BS 8001 Circular Economy verified by SGS
· Introduce barium oxide low-toxicity reduction plan
· Use lead-free AC PIN pins

2022
· Educate the supply chain for no mineral oil is used
· Complete prohibit the use of plastic packaging

2023
· Require supply chain to sign a declaration not to use mineral oil
· Taiwan's carbon footprint label uses internal and external primary data

About this Report   Sustainability Development Management   Corporate Operations   **Green Innovation**   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   **Sustainable Product Design**   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

Environmentally friendly materials cloud library platform

To effectively manage the carbon emission data of parts, Arcadyan Green Product Team and the IT department jointly developed the "Environmental Protection Materials Cloud Library" in 2023. This material information database platform collects the first-level carbon emission data of various raw materials, making it easy for the R&D team to select materials and calculate the product carbon footprint during product development. In product life cycle analysis process, querying relevant information from the database can more accurately estimate the impact of carbon emissions and reduce errors in quoting data from different sources. This database platform can improve the work efficiency and data quality of sustainable product research and development, and can also help expand the introduction of biomass and low-carbon materials into products, accelerating the Arcadyan's green and low-carbon transformation and move towards net zero.

Sustainable design training course

To maintain R&D competitiveness and strengthen R&D innovation in product development and sustainable products, Arcadyan regularly implements training courses related to sustainable product design, integrates green environmental protection concepts and technologies into the product development and design stages, and enhances the design capabilities of environmentally friendly products. In 2023, a total of 6 green product-related physical and on line courses were held, with a total of 4,912 people participating in the following courses:

Green Product Course	Hours	Number of Participants
Instructions for green product part number application process	1	200
Plastic and metal aging analysis seminar	2	20
New trend in carbon reduction of biomass materials	2	14
Group seminar_ impact of climate change	3	20
Awareness training for all employees of Arcadyan Group_Green Products and Hazardous Substances Management	1	4,638
Introduction to post-consumer recycled (PCR) materials	2	20

Low carbon materials course

Awareness training for all employees of Arcadyan Group

About this Report   Sustainability Development Management   Corporate Operations   **Green Innovation**   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety
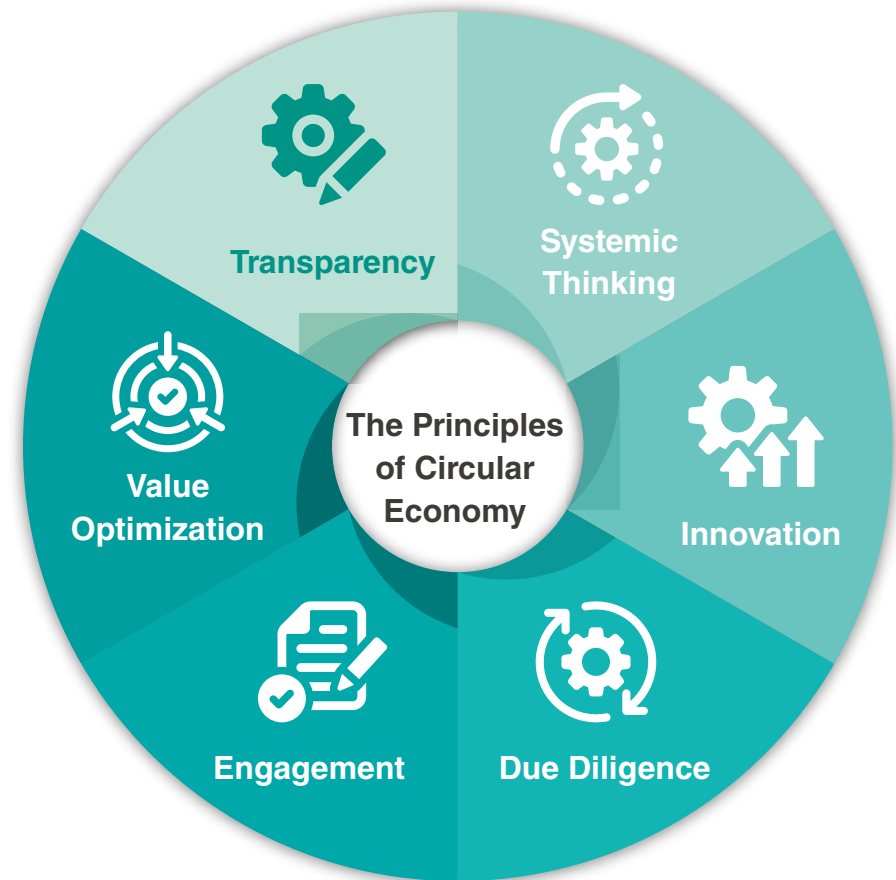
3.2.1 BS 8001 Circular Economy Design Plan Introduction

As the global population continues to grow and the earth's energy resources continue to be depleted, While corporate development, Arcadyan is also committed to achieving the important goal of emission reduction. In addition to focusing on resource reuse and reducing carbon emissions, Arcadyan considers the effective use of resources during the product development process, with the ultimate vision of moving towards resource recycling, zero waste and zero emissions.

Arcadyan reduces its impact on the environment and regards the realization of corporate sustainable development as an important indicator. Arcadyan implemented circular economy design plan in 2020, launching eight promotion stages based on six principles, and introducing design concepts based on the 10R strategy of the Dutch Environmental Assessment Agency (Planbureauvoor de Leefomgeving, PBL). In the material selection stage, priority to consider whether recycled plastics or metals can be applied to existing materials, or how to recycle the components into recycled materials through the recycling system when they cannot be used. In the product development process, consider maximizing the value of products and resources, and try to increase the proportion of post-consumer recycled (PCR) materials used in product casings and packaging. And to reduce the use of unnecessary parts and materials through design optimization and selection of high-quality parts. Discuss the operating model with customers, provide product repair and refurbishment services, to restore products to good condition through product repair and parts replacement to extend the life of the product; or, at the end of the product life cycle, product disassembly and classification can be performed on the client side, so that usable parts or materials can be recirculated into the manufacturing process, thereby practicing circular economy in the supply chain.
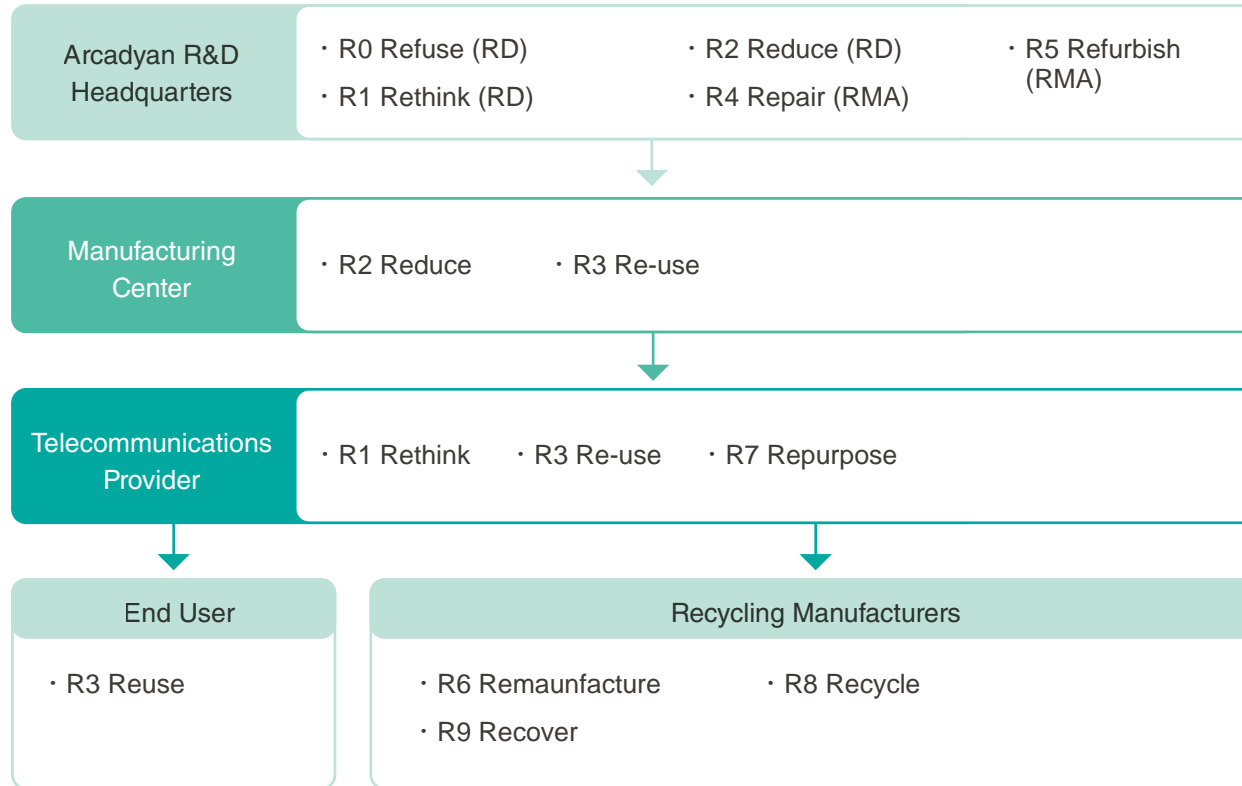
Arcadyan follows the six principles of BS 8001 Circular Economy and develops five major design plans with a systematic framework. After the circular economy team calculates and evaluates its carbon reduction benefits, it is planned to extend this circular design concept to other new products. Arcadyan took customer's VDSL CPE GATEWAY product as a demonstration project model and obtained the SGS rating BS 8001 circular economy optimization practice verification in the first year of introduction.

The Principles of Circular Economy

- Transparency
- Systemic Thinking
- Innovation
- Due Diligence
- Engagement
- Value Optimization

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | Ecodesign | Restricted Hazardous Substances Management | Customer Health and Safety

Arcadyan introduces 10R strategic concept of circular economy

Strategy		Definition	Arcadyan Promotes Content
Innovative design for product use and manufacturing	R0 Refuse	Decline to buy product	1. In components selection stage, evaluate whether recycled metal, recycled plastic or recycled paper can be used in the use of parts, plastics and packaging materials . 2. In components selection stage, evaluate how the components can be processed into recycled materials through the recycling system when they are no longer usable. 3. Promote ❶ "Introduction of Post-Consumer Recycled (PCR) Plastics" plan into the mechanism design.
	R1 Rethink	Products are used more intensively, such as sharing products and multi-functional products	1. Limited by the operating model (Arcadyan is not a terminal service provider), Arcadyan only provides services for physical products. 2. Develop multi-functional products to provide customers with diverse choices. 3. Promote ❷ "Extended Product Life Cycle (MTBF)" program
	R2 Reduce	Improve the efficiency of manufacturing or using products and reduce the consumption of natural resources	1. Promote ❸ "Reduce the use of product parts" solution in product design. 2. Promote ❹ "Improving PCB Utilization" plan in the design. 3. The manufacturing center reduces carbon emissions and energy consumption during the manufacturing process. 4. Simplify the manufacturing process and introduce automated equipment to improve product yield and reduce scrapped products.
Extend the life cycle of products and components	R3 Re-use	Reuse products that have been discarded by consumers but are still in good condition and functionality	1. The manufacturing center sets recycling targets for packaging materials and daily waste. 2. Executed locally by the client. 3. Promote ❺ "Easy to disassemble and refurbish design" solution to reduce the scrap rate of the casing when repair and make it reusable.
	R4 Repair	Repair products to restore functionality so products can still be used	1. According to the contract requirements, RMA department will provide product repair services. 2. Promote ❺ "Easy to disassemble and refurbish design" solution to reduce the scrap rate of the casing when repair, and make it reusable.
	R5 Refurbish	Refurbished to restore old products	1. According to the contract requirements, RMA department will provide product repair services. 2. Promote ❺ "Easy to disassemble and refurbish design" solution to reduce the scrap rate of the casing when repair, and make it reusable.
	R6 Remanufacture	Reuse some of scrapped product components in new and functionally equivalent products	Limited by the operating model (Arcadyan is not a terminal service provider), it is executed locally by the client.
	R7 Repurpose	Reuse some of scrapped product components in new but functionally different products	Limited by the operating model (Arcadyan is not a terminal service provider), it is executed locally by the client.
Material application	R8 Recycle	Through the material processing process, some scrapped product components are recycled into materials for use in the same or lower-end products	Back-end recycling is considered during the research and development stage, so all parts are made of non-toxic and recyclable materials.
	R9 Recover	Use waste materials as fuel and regenerate them as energy (energy recovery)	Limited by the operating model (Arcadyan is not a terminal service provider), it is executed locally by the client.

Note: The Netherlands Environmental Assessment Agency (Planbureauvoor de Leefomgeving, PBL) divides implementation methods into three categories and a total of 10 levels according to the effectiveness of circular economy promotion, named R0-R9. The smaller the number, the less resources it consumes or the higher the product value it retains, and the resulting circular economy effect is better.
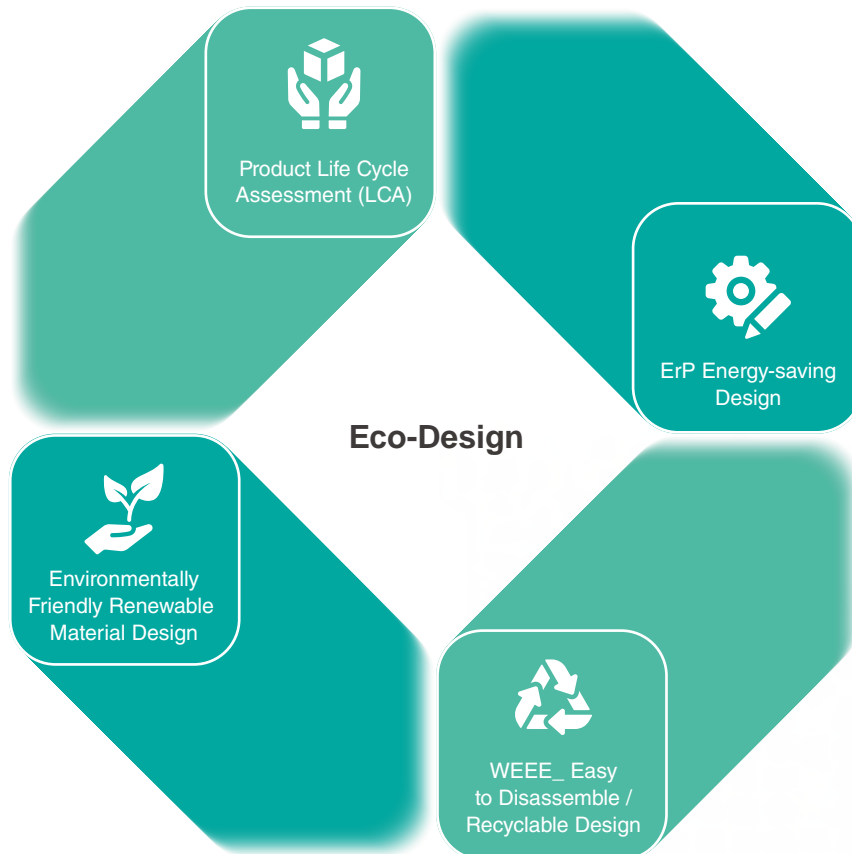
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About this Report | Sustainability Development Management | Corporate Operations | **Green Innovation** | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | Ecodesign | Restricted Hazardous Substances Management | Customer Health and Safety

| Arcadyan R&D Headquarters | ・R0 Refuse (RD) ・R1 Rethink (RD) | ・R2 Reduce (RD) ・R4 Repair (RMA) | ・R5 Refurbish (RMA) |

| Manufacturing Center | ・R2 Reduce ・R3 Re-use |

| Telecommunications Provider | ・R1 Rethink ・R3 Re-use ・R7 Repurpose |

| End User | ・R3 Reuse |

| Recycling Manufacturers | ・R6 Remaunfacture ・R8 Recycle ・R9 Recover |

Arcadyan's excellent circular economy design capabilities are highly recognized. In 2023, from many participating manufacturers and Arcadyan won the Circular Economy Product Excellence Award from the China Economic Research Institute and the Green Economy Research Center, becoming a leader in green network equipment. This award commends Arcadyan for introducing circular economy thinking, reducing the impact of energy resources on the environment, trying to create more value with fewer resources, ensuring that the earth's limited resources can be used in a recycling and sustainable manner, reaching the goal of resource circular and zero waste.

About this Report   Sustainability Development Management   Corporate Operations   **Green Innovation**   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   **Ecodesign**   Restricted Hazardous Substances Management   Customer Health and Safety

3.3 Product Eco-design

Arcadyan certified ISO 14006 Product Eco-design System in 2018, and implemented product life cycle data collection and carbon inventory. The main assessment content includes four parts: purpose and scope definition, life cycle inventory analysis, life cycle impact assessment and life cycle interpretation. In addition to fully understanding the implementation practices of product environmental impact assessment, and using environmental information disclosure reports as necessary reference documents for external verification. In 2023, Arcadyan introduced ISO 14006 Product Eco-design specifications into the design of Gateway & Set Top Box products. Compared with the previous series of products, Gateway reduced product carbon emissions by 23 kgCO2e, accounting for approximately 10% of the total, and obtained TÜV Green Product Mark and Carbon Footprint Verification; Set Top Box products reduce product carbon emissions by 18 kgCO2e, accounting for approximately 42% of the total, and obtained carbon footprint verification.

Arcadyan ensures that the products and services provided comply with environmental and energy-related regulations, reduce the impact of the operation process on the environment, and achieve the Arcadyan's sustainable development goals. In 2023, Arcadyan assisted brand customers in inventorying product life cycles and product carbon footprints, accounting for 48.2% of the total annual product models.

Eco-Design

- Product Life Cycle Assessment (LCA)
- ErP Energy-saving Design
- Environmentally Friendly Renewable Material Design
- WEEE_ Easy to Disassemble / Recyclable Design

Inventory Category	Number of products inventory in 2023	Number of products that obtained the mark in 2023
ISO 14040/14044 Product Life Cycle Assessment	20	5
ISO 14067 Product Carbon Footprint Inventory	113	5
TÜV Rheinland's Green Product Mark	5	5

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About this Report | Sustainability Development Management | Corporate Operations | **Green Innovation** | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | **Ecodesign** | Restricted Hazardous Substances Management | Customer Health and Safety

3.3.1 Product Life Cycle Assessment (LCA）

Arcadyan conducts life cycle assessment during the product development process, considering the actual and potential environmental impacts during the product life cycle from raw material acquisition, production, use, end-of-life processing, recycling and final disposal, including energy use, resources consumption, pollution emissions, etc. Also discuss and improve the assessment results with relevant departments, and continue to develop and produce environmentally friendly products.

In 2023, Arcadyan use LCA analysis software to assess environmental impact and product carbon footprint results in accordance with ISO 14040 and 14044 Life Cycle Assessment Standards. According to the IT Equipment Product Category Rules (PCR) of the EU Environmental Footprint Classification, the scope is defined from cradle to grave, which includes the raw material stage, manufacturing stage, distribution stage, use stage and waste treatment stage to measure the environmental impacts faced by operations, such as 28 ecological impacts such as climate change, human toxicity, freshwater toxicity and depletion of minerals, fossils and resources. In 2023, the number of products for which Arcadyan conducted life cycle analysis based on customer needs accounted for approximately 16% of the total shipments in 2023.
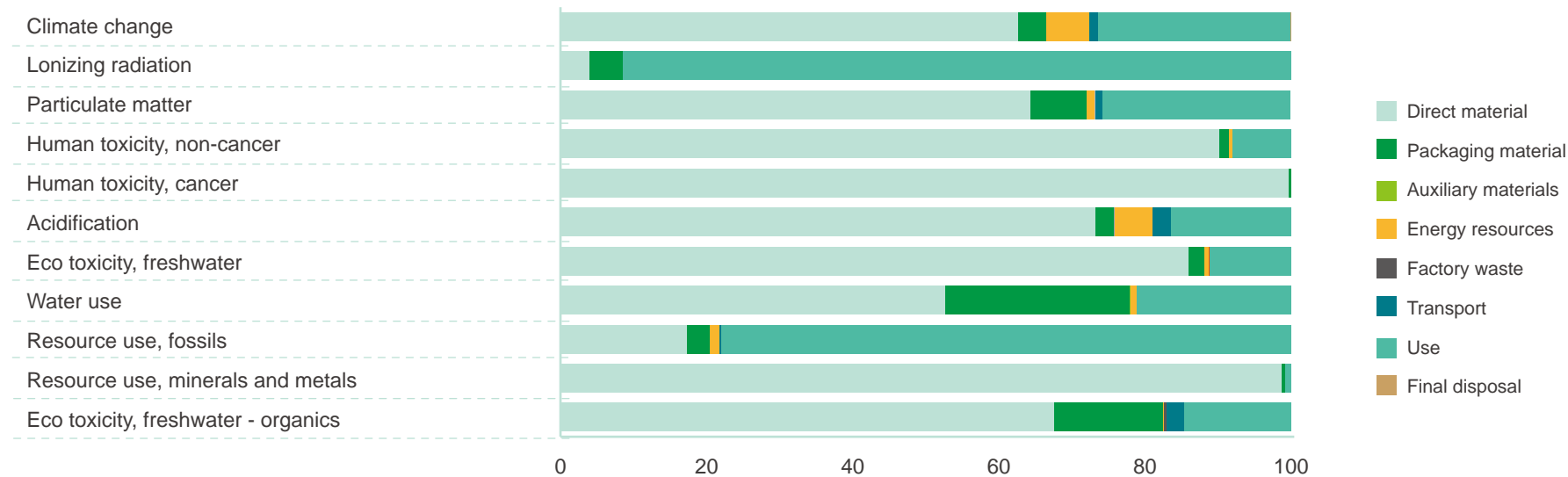
The proportion of carbon footprint at each stage of the life cycle (taking products sold to Europe as an example)

Life Cycle Stage	Climate change %
Direct material	39%
Electricity	3%
Transport	1%
Use	57%
Final disposal	0.2%

LCA Environmental Impact Assessment Results

Impact Category	Unit	Set Top Box Products	Gateway Products
Climate change	kg CO_2 eq	25	59
Ionizing radiation	kBq U-235 eq	47	227
Particulate matter	kg PM2.5 eq	<0.001	<0.001
Human toxicity, non-cancer	CTUh	<0.001	<0.001
Human toxicity, cancer	CTUh	<0.001	0.003
Acidification	mol H+ eq	0.3	0.4
Eco toxicity, freshwater	CTUe	2,615	3,730
Water use	m^3 depriv.	14	26
Resource use, fossils	MJ	1,209	5,631
Resource use, minerals and metals	kg Sb eq	0.03	0.1
Eco toxicity, freshwater - organics	CTUe	10	17

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About this Report   Sustainability Development   Corporate   Green   Environmental   Social   Appendix
                     Management   Operations   Innovation   Sustainability   Inclusion

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

Product Life Cycle Assessment Results (taking Set Top Box products as an example)

Legend:
- Direct material
- Packaging material
- Auxiliary materials
- Energy resources
- Factory waste
- Transport
- Use
- Final disposal

Product Life Cycle Assessment Results (taking Gateway products as an example)

Legend:
- Direct material
- Packaging material
- Electricity，（AVC）
- Waste
- Transport
- Use
- Final disposal

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

3.3.2 Energy-Related Products Directive (ErP) energy-saving design

Energy consumption reduction is a priority issue in the "European Climate Change Program (ECCP)", and improving the energy efficiency of consumer appliances is regarded as a method that can continue to contribute to achieving greenhouse gas improvement goals.

Light Load, Efficient and Energy-saving Design

Arcadyan selects high-efficiency power conversion devices, which can automatically enter pulse skip mode under light load conditions and reduce the switching frequency, and achieve the effect of improving conversion efficiency. Energy efficiency can be increased by 1~2% on average. Arcadyan products support or built-in Bluetooth functions. In the hardware design, WiFi and Bluetooth functions are used to replace physical connectors, with lower power consumption, higher transmission speed and longer transmission distance as the design goals, so that the product's short-range wireless transmission can be realized through WiFi and Bluetooth technology.

Arcadyan Intelligent Power Management (AIPM)

Using smart microcontrollers (MCUs) to reduce product standby time and reduce product load to improve energy efficiency is expected to reduce product energy consumption by about 20~30%.

3.3.3 Renewable Material Design

With global attention on corporate net-zero goals and green products, Arcadyan communicates with customers about the possibilities of various environmentally friendly designs in the early stages of product design. In addition to complying with international environmental protection regulations and customer requirements, Arcadyan evaluates the feasibility of product miniaturization and lightweight design during the research and development process, carefully selects the materials of parts, and takes the reduction of raw materials and easy recycling solutions as the main considerations.

Upstream PCR Recycling Plastic Applications

Arcadyan uses plastics with high recycling potential to promote the recycling and use of waste plastics, effectively implements Post-Consumer Recycled (PCR) policies, and continues to increase the utilization rate of recycled materials. Arcadyan recycles the scrapped plastic casings and re-makes it into products again as new raw materials. Since 2015, 65% to 99% PCR recycled plastic has been introduced into plastic parts. In order to ensure that the recycled plastic made of ABS or ABS + PC does not affect the structural strength, a clip-on design is used to replace the general locking design, reducing the amount of screws and improving the convenience of final product and material recycling.

Arcadyan continues to promote the use of renewable plastics. In 2023, the proportion of customer product introduction has reached 65%, achieving the target of more than 60% of recycled plastics set in 2022. Arcadyan will continue to promote the recycling of waste and is expected to increase the proportion of recycled plastic use to more than 70% in 2024.
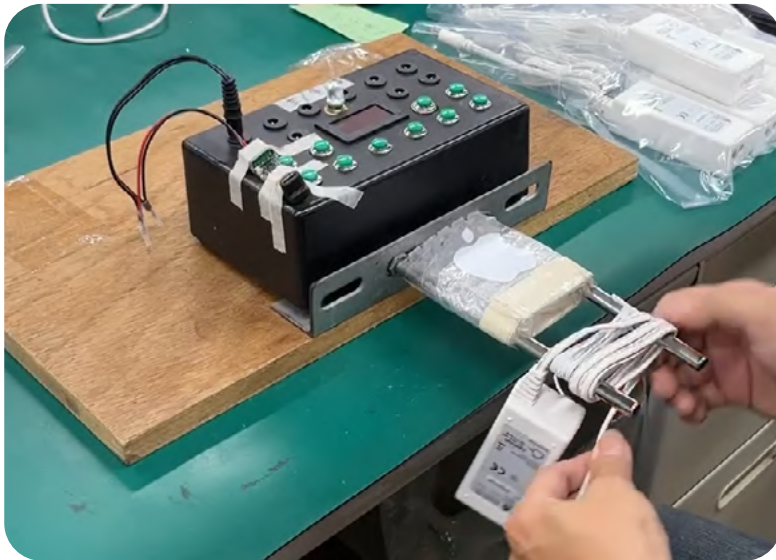
PCR Recycling Plastic Usage	2020	2021	2022	2023
Recycled plastic specifications	65~99% ABS or ABS+PC	65~99% ABS or ABS+PC	65~99% ABS or ABS+PC	65~99% ABS or ABS+PC
Customer application ratio	9.8%	25%	50%	65%

About this Report   Sustainability Development Management   Corporate Operations   **Green Innovation**   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   **Ecodesign**   Restricted Hazardous Substances Management   Customer Health and Safety

Downstream PCR Recycling Plastic Reuse

Arcadyan cooperates with key customers to promote a circular economy model and recycles discarded products after being sold on the market. After disassembly and classifying, the plastic casings are shipped back to the supplier to be made into PCR plastic raw pellets, which are then put into production again to reduce carbon emissions from the use of raw materials. In 2023, Arcadyan Return Merchandise Authorization (RMA) department recycled approximately 11 tons of casing plastics from the returned scrap products that cannot be repaired, and cooperate with plastic suppliers to return discarded waste plastics to the manufacturing process through a recycling mechanism. This is equivalent to saving 80.25t CO2e carbon emissions.

Refurbish Packaged Power Supplies and Cable Accessories

In 2023, 13,394 products were refurbished by Return Merchandise Authorization (RMA) department. Arcadyan restored faulty products to good condition by repairing faulty components or reassembling them, extending product service life and reducing carbon emissions by approximately 1,339 tons. About 75,000 pieces of power supplies and wire accessories were repackaged to maximize the use of accessories and packaging materials. About 70% were recycled and reused,reducing carbon emissions by about 38 tons

About this Report | Sustainability Development Management | Corporate Operations | **Green Innovation** | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | Ecodesign | Restricted Hazardous Substances Management | Customer Health and Safety

Environmentally Friendly Packaging Design

Arcadyan continues to aim at reducing the use of packaging materials, optimizing the design of each product packaging during the research and development process, using stacking methods to increase the percentage of unit volume used, and improve the volumetric ratio of product transportation. Arcadyan uses recycled paper or Forest Stewardship Council (FSC) cardboard for product inner packaging, and prints it with plant-based inks to reduce the burden on the environment. In 2023, Arcadyan Vietnam Manufacturing Center obtained FSC (Forest Stewardship Council) certification, ensuring the traceability and quality of the forest-friendly packaging materials in the manufacturing center from raw materials to final products. FSC certified products accounted for 32.6% of total shipments in 2023.

Arcadyan uses biodegradable materials in the design of the packaging structure, and the ingredients come from industrial starch, plant fiber or paper foam. The production process of biodegradable materials is low-carbon and can be directly recycled or used as compost materials. They naturally degrade with low pollution and will not produce harmful residues. The proportion of recycled paper used in products shipped by Arcadyan in 2023 has reached more than 82%. Arcadyan will continue to develop and improve environmentally friendly packaging and make greater contributions to environmental protection.

Percentage of renewable materials used	2020	2021	2022	2023
Biodegradable packaging materials	0%	0.3%	0.3%	0.3%
PCR recycled paper packaging materials	55%	55%	80%	82%

3.3.4 WEEE Easy to Disassemble / Recyclable Design

Arcadyan cooperates with customers' reuse / refurbish recycling policy and designs the product casing with one-hand opening to reduce the amount of engagement in the groove design. Easy-to-disassemble design and equipped with special fixtures, the product casing can be quickly and completely removed for repair or replacement of parts, improving the maintainability and repair-ability of the product. Through this design, each product can reduce carbon emissions by approximately 0.993 kgCO2e on average.
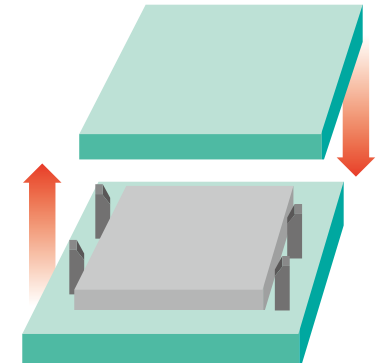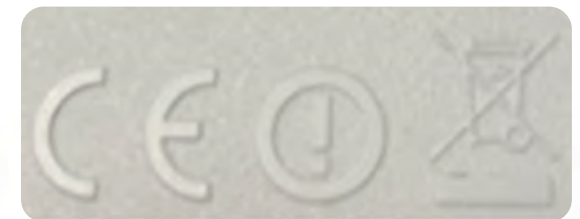

Other Environmentally Friendly Design Concepts:

- Print product instructions on the outer box to reduce paper usage

- Use replaceable foot pads for easy repair and refurbishment to extend the usability of the product

- Use paper cable ties to secure accessories, which are easy to recycle and decompose to achieve environmental friendliness

- The product label and casing are integrally formed to reduce process operation time, and the single-material design makes it easy for the product to enter the recycling system after its life is over (picture below)
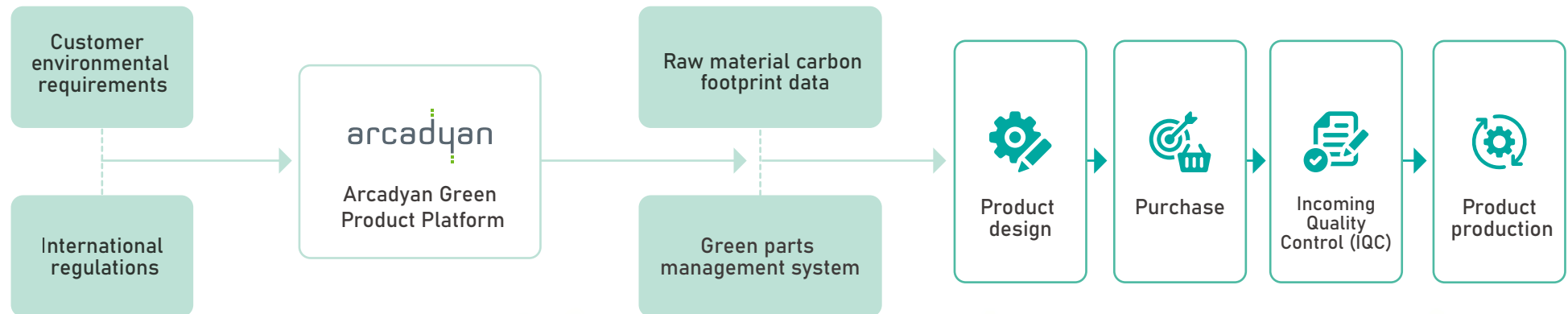

Label sticker

Braille characters on the case surface

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

3.4 Management of Prohibited Substances in Raw Materials

Arcadyan pays attention to and regularly updates global environmental protection legal requirements, customer environmental standards and green product management systems to ensure compliance with the latest regulations. In order to provide environmentally friendly products, Arcadyan has implemented systematic control through the GP Data Application Form from the design and development stage to ensure that all products comply with relevant international regulations, directives and customer needs, and uses Arcadyan Green Parts Material Substance Declaration Checking List to conduct part composition investigation. Both China and Vietnam manufacturing centers introduced the QC080000 Hazardous Substances Management process, strictly conduct material testing to protect the health and safety of our customers, actively develop halogen-free products, and commit to using parts sourced from non-conflict minerals.

Arcadyan requires suppliers to sign a "Declaration of Prohibited Hazardous Substances", and a total of 160 copies were signed back in 2023, with a recycling rate of 99%. In order to effectively promote the concept of prohibited hazardous substances, Arcadyan also provides one-on-one on-line or telephone training for suppliers. A total of 83 training sessions were completed in 2023, with the target supplier training rate reaching 100%.
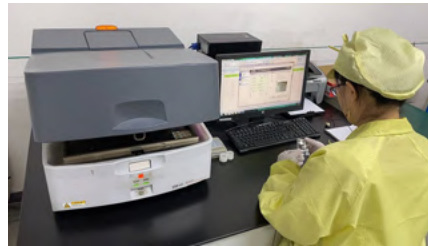
Environmental laws and regulations promulgated by European countries in recent years control the use and content of mineral oil to avoid the risks posed by mineral oil compounds to human health, and regulate the prohibition of the use of mineral oil in packaging, printed matter, advertising leaflets, catalog letters and other products for commercial promotion. Arcadyan complies with relevant regulations and restricted use conditions, and starting from 2023, Arcadyan require suppliers to sign a "Declaration of Compliance for No Use of Mineral Oil" to ensure that the materials provided to Arcadyan comply with relevant use restrictions.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

Dismantling parts to the smallest units

Using XRF to detect metal-type materials

Supplier training courses (1)
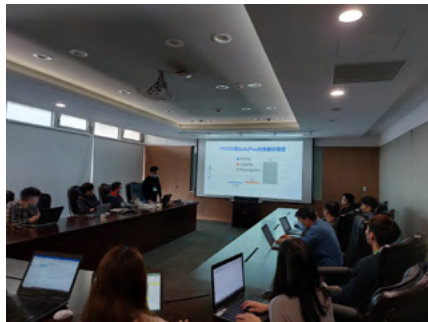
Supplier training courses (2)

Regulations or Directives	Arcadyan Products
EU RoHS Directive: Control of Environmentally Hazardous Substances	100% compliant
REACH	100% compliant
WEEE: Electronic / Electrical Waste Recycling	100% compliant
CA65	Products sold in American are 100% compliant
POPs（Persistent organic pollutants）	Products sold in EU are 100% compliant
French mineral oil	Products sold in France are 100% compliant

3.4.1 EU Waste Electrical and Electronic Equipment Directive (WEEE)

At the design stage, Arcadyan considers customer needs, waste reduction and resource reuse, uses environmentally friendly materials and low-pollution alternative materials, and introduces design patterns that reduce the use of natural resources and increase recycling. In 2023, the total weight of non-renewable materials in the main products produced and packaged by Arcadyan was 12,481 tons. The total weight of renewable materials such as paper, cardboard, wood, plastic, etc. is approximately 25,100 tons. Others account for 67% of the total, comply with WEEE requirements and the specifications for the recyclable proportion of products. Following is the design of Arcadyan products in compliance with the concept of the EU Waste Electrical and Electronic Equipment Directive (WEEE) :

EU Waste Electrical and Electronic Equipment Directive (WEEE)
• Prohibit or reduce the use of hazardous chemicals and comply with the Restriction of Hazardous Substances Directive (RoHS) standards
• Use a single plastic material
• Raw materials are all recycled plastics and biodegradable plastics
• Product plastics need to be compatible with raw materials for chemical surface treatment in order to be recyclable and reusable
• Product design for easy disassembly and recycling
• Product modular design so that main parts can be easily replaced and upgraded to extend product life

About this Report   Sustainability Development   Corporate   Green   Environmental   Social   Appendix
Management   Operations   Innovation   Sustainability   Inclusion

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

3.4.2 TÜV Green Product Mark

The energy efficiency label is widely used in the EU market and is authoritative evidence of energy consumption levels. It also shows the overall environmental friendliness of the product. This voluntary environmental label certification standard is based on product life cycle considerations and conveys verifiable and accurate information about the environmental aspects of products. Certification with the Green Product Mark provides consumers with clear guidelines for environmentally friendly products while reducing environmental impact.

Since 2018, each model of Arcadyan's products sold to Deutsche Telekom has applied for the TUV Rheinland Green Product Mark, conducted energy efficiency testing, confirmed product testing and certification in compliance with relevant energy consumption regulations, and obtained a green label and carbon footprint certificate. TUV Green Product Mark not only ensures that the product complies with the entry regulations of the target market, but also enhances consumers' trust in the product.

3.4.3 Restriction of Hazardous Substances Directive (RoHS)

In 2015, the European Union issued 2015/863 Directive, officially including four phosphophthalates (DEHP, BBP, DBP, DiBP) into RoHS control items. The harmful impact of waste electronic and electrical products on the environment is increasing day by day. All Arcadyan products are 100% compliant with the limits required by the RoHS (2011/65/EU) directive, and there are no restrictions due to the Restriction of Hazardous Substances (RoHS) violations caused by customer complaints or returns.

In response to the usage content limits of plasticizers DEHP, BBP, DBP, DIBP that came into effect in 2019 and four new phosphophthalates (commonly used in plasticizers, dyes, paints, paints, adhesives and lubricants, etc.), Arcadyan requires suppliers to include the above-mentioned substances in the risk assessment of homogeneous components if their electronic products have applications.

3.4.4 Taiwan RoHS

In response to the international emphasis on product quality and safety, Taiwan Bureau of Standards Metrology and Inspection (BSMI) has included the six RoHS-controlled toxic substances into product verification and registration management, requiring that listing products to inspection must comply with Chinese National Standards (CNS) 15663 requires Section 5 "Content Labeling" to indicate the content of restricted substances on the product itself, packaging, labels or instructions. Arcadyan certified by Bureau of Standards Metrology and Inspection (BSMI) of the Ministry of Economic Affairs, obtained the Taiwan Product Safety Label, and provided a "Restricted Substance Content Labeling Declaration" based on the product status for the purpose of applying for the BSMI certificate.

3.4.5 REACH Substances of Very High Concern (SVHC)

In accordance with international environmental protection regulations and customer environmental protection requirements, Arcadyan has formulated the "Management Guidelines for Environmentally Hazardous Chemical Substances", defined the restriction standards for hazardous substances such as parts, packaging materials and auxiliary materials used in products, and established a list of control and monitoring items. Arcadyan has been actively logging into the EU Substances of Concern In articles as such or in complex objects (Products) (SCIP) database since 2020 and submitting relevant information of REACH Substances of Very High Concern (SVHC), and work with suppliers to fulfill the obligation to communicate to recipients of finished products.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Product Innovation   Sustainable Product Design   Ecodesign   Restricted Hazardous Substances Management   Customer Health and Safety

3.5 Customer Health and Safety

Arcadyan attaches great importance to the impact of products on the health and safety of users. In order to avoid impacting Arcadyan's reputation, reduce legal and financial risks, and comply with market regulations, Arcadyan strives to avoid any risks in manufacturing products that endanger the health and safety of customers. Providing products that take into account health, safety and high quality, Arcadyan ensures that raw material procurement fully complies with Arcadyan's hazardous substance standards and regulations through its product research and development management system. In response to the parts approval standards of international directives such as Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), Restriction of Hazardous Substances (RoHS) and other international directives, both China and Vietnam manufacturing centers have introduced the QC080000 Hazardous Substances Management Process and strictly implemented substance content testing. In 2023, Arcadyan's products shipped to Europe and the United States 100% comply with the requirements of electronic product safety standards (IEC62368) and comply with the Restriction of Hazardous Substances Directive in Electrical and Electronic Products (EN IEC 63000: 2018 RoHS).

Customers' health and safety is not only Arcadyan's commitment but also Arcadyan's responsibility. Arcadyan continues to build a healthier and safer product production system to ensure that products comply with various safety regulations.

Consumer Health and Safety Protection

In the early stages of Arcadyan product development, the product development department and customers identify and analyze potential health and safety impacts during the use phase of the product, and formulate product-related operating manuals and safety instructions. If any major problems are found in the product or may seriously affect the health or safety of consumers, Arcadyan should hold an emergency meeting in accordance with the "Return and Repair Management Procedure" to track the quantity, serial number range, and production status of the affected products, and decide to arrange personnel to on-site processing or product recall measures.

Electromagnetic Compatibility (EMC) Test

All products shipped by Arcadyan have passed the electromagnetic compatibility (EMC) test to confirm that there is no electromagnetic interference, or interference with other electrical appliances, or impact on the safety and health of users. Electromagnetic compatibility tests include:

1. Electromagnetic Interference (EMI) test: Tests conducted in accordance with relevant standards (methods) confirm that the instrument or system will not produce electromagnetic interference exceeding the regulations during use.

2. Electromagnetic Susceptibility (EMS): To confirm that the instrument or system can still operate completely in an electromagnetic environment and will not impair its functions due to being in an electromagnetic environment.
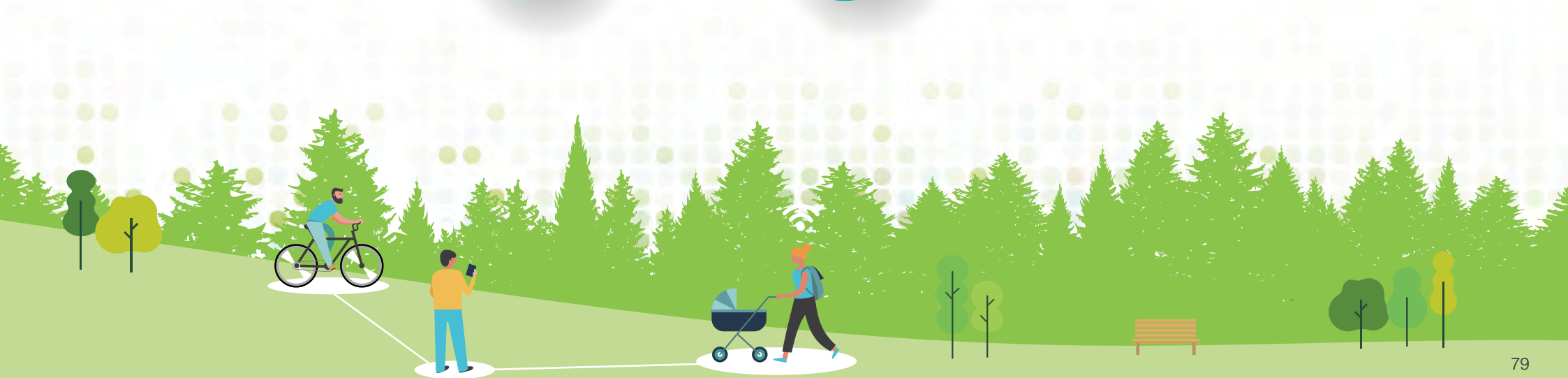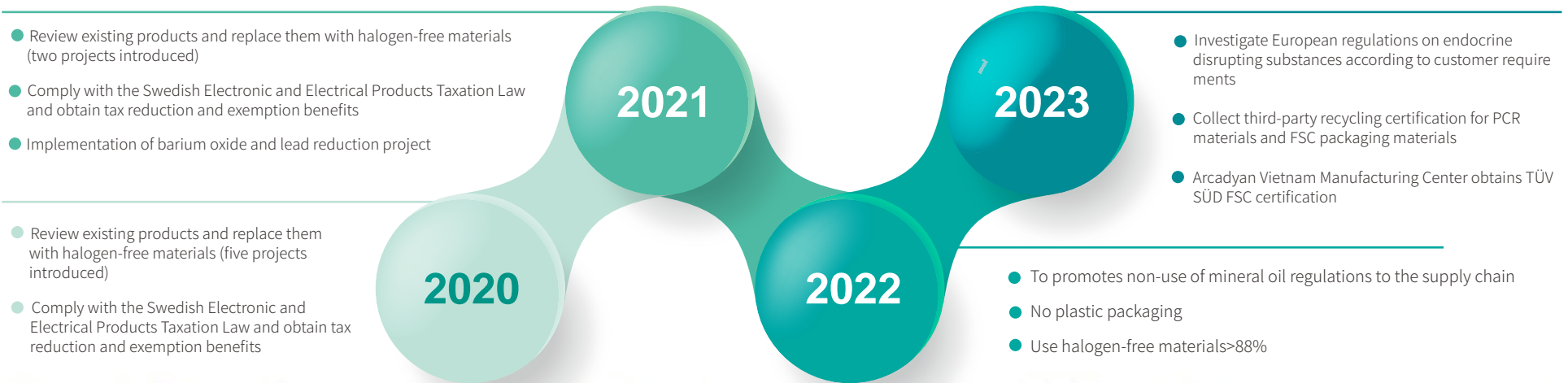
Safety regulations (IEC 62368 and IEC 63000)

To ensure that Arcadyan's products are safe under normal use and prevent materials and parts from causing risks such as electric shock, energy, fire, mechanical, radiation, chemical and burn injuries, Arcadyan complies with the electronic product safety standards IEC 62368 and IEC 63000 verification standards and conducts testing during the design stage. After completing internal safety testing, the verification agency personnel will verify the test process on site to ensure that all products entering mass production have obtained local national safety certification. A total of 119 newly developed models passed testing in 2023.

Prohibition of Plastic Materials

The fifth United Nations Environment Assembly established a global agreement to slow down and eventually prohibit plastic pollution. All countries need to take action on the plastic life cycle, including design, production, manufacturing, logistics, use, reuse and end-of-life management, and propose measures to reduce production and improve waste management. European and American countries have successively announced prohibit plastic policies in recent years, and the European Union announced legislation in 2019 to restrict the use of single-use plastics. Prohibited plastic items include plastic bags, disposable tableware, containers made of plastic and thermoplastics, polypropylene non-woven bags, plastic wrap, plastic and thermoplastic decorations, and plastic packaging for food. In 2023, Arcadyan's customers who have introduced post-consumer recycled (PCR) plastic into their products accounted for 65%. Arcadyan also recycles plastics from end-of-life products and puts them back into the production cycle, moving towards a circular economy and providing customers with lower-carbon sustainable material options.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Product Innovation | Sustainable Product Design | Ecodesign | Restricted Hazardous Substances Management | Customer Health and Safety

Halogen-Free

Halogens may produce highly toxic dioxin after being burned and discarded. The EU has included brominated flame retardants (PBB, PBDEs) under control in the Restriction of Hazardous Substances (RoHS) directive. In response to international organizations advocate "halogen-free parts and processes" and customers' more active environmental protection needs, Arcadyan is committed to the design of reducing environmental load and reducing human hazards. In the management of environmentally-related controlled substances in parts and raw materials, Arcadyan clearly defines the content limits and control scope of chlorine and bromine in halogen-free products, and gradually builds Arcadyan's halogen-free product manufacturing capabilities. Since 2010, Arcadyan has comprehensively inspected non-halogen products and replaced them with environmentally friendly materials. In line with market trends, it has accelerated the replacement of halogen-containing materials and moved towards fully halogen-free environmentally friendly specifications. As of 2023, Arcadyan's halogen-free materials account for more than 88%, and the other 12% of materials are within the allowable range of regulations. The process of Arcadyan halogen-free material promotion is shown in the figure:

2021
- Review existing products and replace them with halogen-free materials (two projects introduced)
- Comply with the Swedish Electronic and Electrical Products Taxation Law and obtain tax reduction and exemption benefits
- Implementation of barium oxide and lead reduction project

2020
- Review existing products and replace them with halogen-free materials (five projects introduced)
- Comply with the Swedish Electronic and Electrical Products Taxation Law and obtain tax reduction and exemption benefits

2023
- Investigate European regulations on endocrine disrupting substances according to customer require ments
- Collect third-party recycling certification for PCR materials and FSC packaging materials
- Arcadyan Vietnam Manufacturing Center obtains TÜV SÜD FSC certification

2022
- To promotes non-use of mineral oil regulations to the supply chain
- No plastic packaging
- Use halogen-free materials>88%

4

Environmental Sustainability

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | **Environmental Sustainability** | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.1 Environmental Sustainability Policies

Arcadyan recognizes the limited resources of the earth and the importance of sustainable development, and introduced the ISO 14001 Environmental Management System at its major operating locations and strictly implemented environmental management measures. In order to promote and fulfill its responsibility for environmental protection, Arcadyan formulated the "Environmental, Safety, Energy and Product Eco-design Policy" to effectively reduce the impact of business activities on the environment with the highest standards, improve environmental management performance, and achieve sustainability development purposes through continuous improvement.

Arcadyan Environmental, Safety and Health, Energy and Product Eco-design policies:

- Comply with the domestic environmental, health / safety, and energy regulations, and effectively implement the environmental, health / safety, and energy management system.

- All staff participate in product eco-design, environmental protection and energy management, and promote continuous improvement for sustainability.

- Improve resource recycling and energy efficiency, and reduce the impact of carbon emissions in supply chain.

- Promote training and publicity on environmental, safety and health, energy and product eco-design.

- Implement employee health management, proactively prevent occupational disasters, and create a safe workplace with zero disasters.

Environmental Management Policies and Goals

Arcadyan signed the Science Based Targets initiative (SBTi) commitment letter in October 2022, joined the Business Ambition for 1.5℃ campaign member, and gradually launched low-carbon energy-saving measures. Arcadyan submitted the SBTi science-based reduction target in December 2023 and promised to work towards achieving the net zero goal. In order to strengthen the accuracy and credibility of carbon inventory data, Arcadyan headquarters, CNC China Manufacturing Center and AVC Vietnam Manufacturing Center have all completed ISO 14064 greenhouse gas third-party inspections in 2023, monitoring direct and indirect greenhouse gas emissions in scope 1, 2, and 3 of major operating sites, and set annual reduction targets based on the SBTi science-based net-zero carbon reduction path. It is expected to complete the SBTi target review in 2024.

In order to achieve the net-zero goal, Arcadyan takes low-carbon operations as its environmental sustainability strategy and is committed to reducing organizational carbon emissions at each operating site, improving the energy efficiency of equipment and facilities, the use of renewable energy, and reducing water consumption. , Improve the recycling rate and reuse rate of waste. In the product design stage, Arcadyan considers the raw material, manufacturing, transportation and final disposal stages of the product life cycle. Through circular economy and eco-design, it reduces the use of parts and increases the use of recycled raw materials to reduce environmental impact and achieve Net zero target for 2040~2050.

Category	2023 Annual Goals	Implementation Status in 2023	2024 Annual Goals
Greenhouse gases (Scope 1 and 2)	Following the SBTi 1.5℃ carbon reduction path, the absolute reduction by 6.25% with 2022 as the base year.	Absolute reduction of greenhouse gases by 20.1%	Following the SBTi 1.5℃ carbon reduction path, the absolute reduction by 12.5% with 2022 as the base year.
Greenhouse gases (Scope 3)	Following the SBTi 1.5℃ carbon reduction path, the intensity (carbon emissions/gross profit per million) reduction 10.2% with 2022 as the base year.	Intensity reduction of greenhouse gases by 14.5%	Following the SBTi 1.5℃ carbon reduction path, the intensity (carbon emissions/gross profit per million) reduction 21.5% with 2022 as the base year.
Energy (Electricity)	Energy intensity (turnover per million) reduced by 1% compared with 2022.	Energy intensity (turnover per million) reduced by 5.4% compared with 2022	Energy intensity decreased by 5% compared with the previous year.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   **Environmental Sustainability**   Social Inclusion   Appendix

Environmental Sustainability Policies   TCFD Climate Change Information Disclosure   Green House Gas Management   Climate Change Mitigation and Carbon Reduction Measures   Energy Management   Water Management   Waste Management   Biodiversity Management

Category	2023 Annual Goals	Implementation Status in 2023	2024 Annual Goals
Water resources	Average water consumption per person decreased by 1% compared with 2022	Average water consumption per person increased by 7.7% compared with 2022	Average water consumption per person decreased by 1% compared with the previous year
Waste	Waste intensity decreased by 1% compared with the previous year	Waste intensity increases by 8.3% compared to 2022	Waste intensity decreased by 1% compared with the previous year
Waste water disposal	Comply with local regulations and standards	Annual wastewater testing in 2023 complies with local regulations and standards	Comply with local regulations and standards
Exhaust emissions	Comply with local regulations and standards	Annual exhaust gas testing in 2023 complies with local regulations and standards	Comply with local regulations and standards

Compliance with Environmental Regulations

Arcadyan formulates energy conservation, carbon reduction, greenhouse gas reduction, water use reduction and waste management policies, and participates in CDP (original Carbon Disclosure Plan) every year to strengthen the company's ability to respond to climate change. In 2023, Arcadyan did not have any violations of environmental protection regulations or major leaks or environmental-related lawsuits (the amount exceeds NT$2 million or lawsuits related to product transactions). Arcadyan continues to pay attention to and update international environmental regulations to implement internal operating procedures and organize regulatory training courses to ensure that the company's operating processes comply with regulatory requirements.

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About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   **Environmental Sustainability**   Social Inclusion   Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.2 TCFD Climate Change Information Disclosure

Arcadyan is concerned about global environmental changes. In order to specifically demonstrate the impact of climate change on operations, Arcadyan adopts the recommended structure issued by the Task Force on Climate-related Financial Disclosures (TCFD), including four core elements of governance, strategy, risk management, indicators and goals for explanation.

Indicators and Goals

1. In line with strategy and risk management processes, the organization sets indicators for assessing climate-related risks and opportunities.
2. Disclose Scope 1, 2 and 3 carbon emissions and related risks
3. Establish the organization's goals for managing climate-related risks and opportunities, and its performance in implementing these goals

- Arcadyan takes data such as greenhouse gas emissions, energy intensity, and environmentally friendly material introduction rates as indicators to measure the impact of climate risks.
- Arcadyan discloses Scope 1, 2, and 3 carbon emissions in CDP (original Carbon Disclosure Project) every year. Arcadyan Taiwan headquarters and manufacturing centers in China and Vietnam conduct external verifications of ISO 14064-1 greenhouse gas management every year.
- Arcadyan continues to invest in renewable energy and expands the construction of solar power generation facilities in the Vietnam manufacturing center. It is expected that the group's renewable energy usage rate will reach 20% in 2025.
- Arcadyan invites key suppliers to conduct carbon inventories to evaluate improvement opportunities in energy management and greenhouse gas emissions. The carbon reduction performance of the supply chain will be disclosed in the 2024 sustainability report.

Risk Management

1. Develop the organization's process for identifying and assessing climate-related risks
2. Develop the organization's processes for managing climate-related risks
3. Develop the organization's processes for identifying, assessing and managing climate-related risks, and Integrate into overall risk management approach

Arcadyan regularly performs risk assessment and discuss risk management measures and potential opportunities with relevant departments. In the face of climate change risks, Arcadyan adopts two management approaches of mitigation and adaptation:

Mitigation: Introduce ISO 50001 energy management system to improve energy efficiency, build renewable energy power generation systems, purchase renewable energy certificates, promote smart factories, and green innovation to develop low-carbon products to reduce carbon emissions.

Adaptation: Arcadyan strengthens the warning system in response to extreme weather, implements an alert plan, regularly inspects the location of factories and equipment, and elevates low-lying areas to reduce the risk of flooding.

Governance
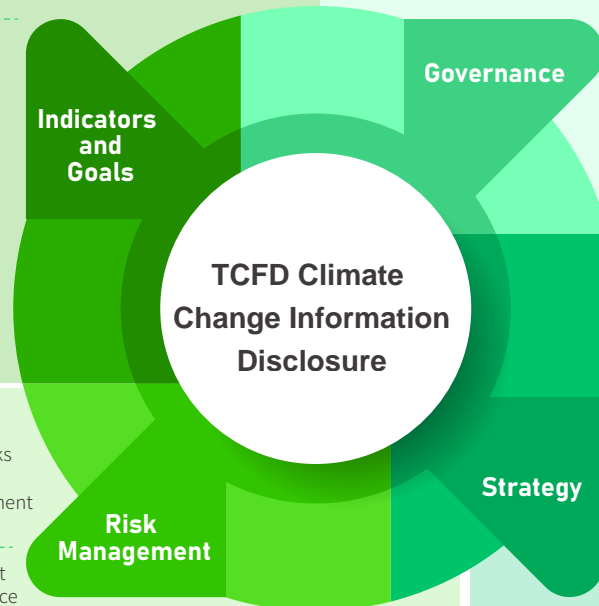
1. Board review of climate risk-related risks and opportunities
2. Management's role in assessing and managing climate-related risks and opportunities

Arcadyan's board of directors formulated "Organizational Rules of the Sustainability Development Committee" in 2022, setting up a sustainability committee under the board of directors, with the general manager as the chairman, and assigning senior managers of each department to lead the sustainability execution team to jointly review Arcadyan's core capabilities and formulate medium-term and long-term sustainable development plans. Among them, the Environmental Sustainability Group is a functional organization for the company to promote eco-design of green products, energy resources and carbon management. The Sustainability Committee regularly reports to the Board of Directors on sustainability promotion results and achievement of goals.

Strategy

1. Identify climate-related risks and opportunities in the short, medium and long term.
2. Identify the impact of climate-related risks and opportunities that significantly impact the organization's business, strategy and financial planning.
3. Identify the potential impact of different climate scenarios on organizational strategies and identify organizational resilience.

Arcadyan conducted climate change risk assessment in 2023, summarize the opinions of relevant departments and summarize three major environmental strategies, promote climate change development plans and set performance targets to strengthen Arcadyan's adaptability to climate change:

1. Greenhouse gas reduction: Arcadyan signed the Science Based Targets initiative (SBTi) in 2022 and set a net-zero carbon reduction target for the group in 2023. It is expected to complete the SBTi target review in 2024.
2. Product low-carbon innovation: The core of Arcadyan's green product design includes "power saving and low energy consumption", "easy disassembly and recycling" and "extended life cycle". In line with international trends and customer needs, Arcadyan introduce energy-saving ICs with light-load and high-efficiency energy-saving technology, develop Arcadyan Intelligent Power Management (AIPM), and apply PCR renewable plastic or metal materials to develop low-carbon products.
3. Sustainable supply chain management: The "Go Green with Arcadyan" project launched in 2023, inviting 14 key supply chain partners to join in carbon reduction, systematically leading suppliers to develop organizational and product carbon reduction, and jointly implement carbon reduction goals.

TCFD Climate Change Information Disclosure

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | **Environmental Sustainability** | Social Inclusion | Appendix

Environmental Sustainability Policies | **TCFD Climate Change Information Disclosure** | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management
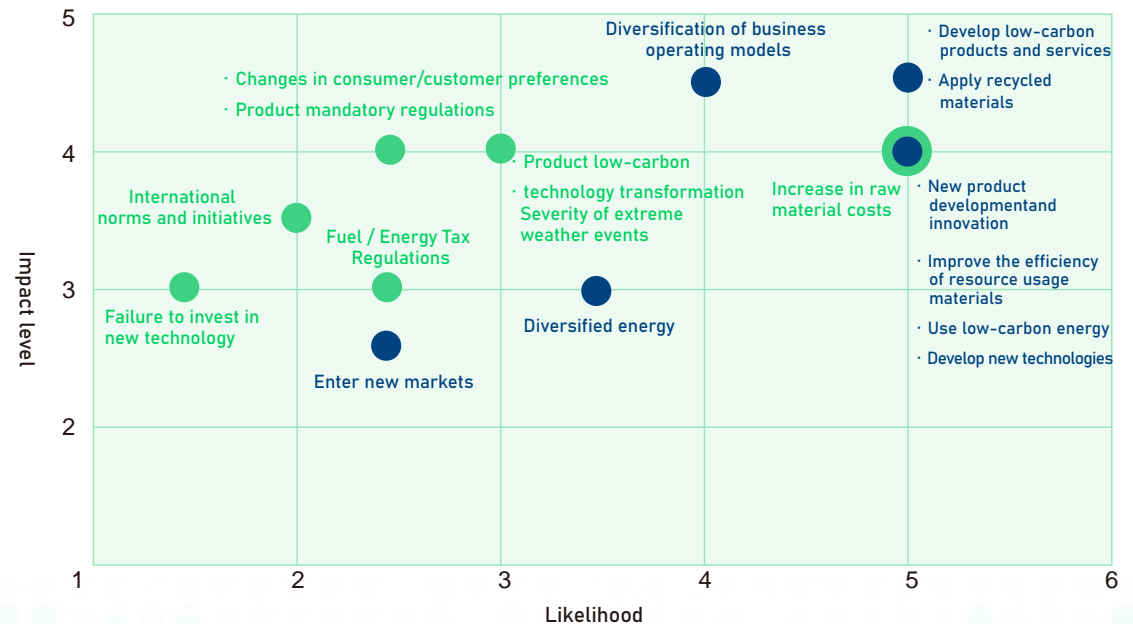
Climate Change Risk Identification

Global warming and extreme weather caused by climate change will affect corporate operations and production activities, including property losses or threats to workers' health and safety. Arcadyan followed the Task Force on Climate-Related Financial Disclosures (TCFD) structure since 2021, disclosing information based on the four core elements of governance, strategy, risk management, indicators and goals, and explain relevant strategies, implementation methods and results. Arcadyan formulates management strategies for major climate risks based on its assessment results and through scenario analysis, risks and opportunities are quantified into financial impacts as a basis for planning and preparing relevant response measures to strengthen Arcadyan's climate change adaptation capabilities and resilience.

In 2023, Arcadyan Environmental Sustainability Team was divided into groups to collect and discuss information, identify the impact (severity) and likelihood (occurrence) of potential risks related to climate change issues, and select the 8 items with the highest risks and opportunities. The sources are "Develop low-carbon products and services (opportunities)", "Developing low-carbon products and services (opportunities)", "Developing new technologies (opportunities)", "Diversification of business operation models (opportunities)", "Improve the efficiency of resource usage (opportunity)", "Apply recycled materials (opportunity)", "Use low-carbon energy (opportunity)", "Increase in raw material costs (risk)", and further assess its financial impact and formulate its management practices and measure.

Step 1 Identify risks and opportunities

Step 2 Screen for significant risks and opportunities

Step 3 Develop mitigation/adaptation risks and opportunities

Step 4 Continuous improvement and regular review

Number	Risk issues	Likelihood	Impact
R1	Product mandatory regulations	2.5	4
R2	International norms and initiatives	2	3.5
R3	Fuel / Energy Tax Regulations	2.5	3
R4	Product low-carbon technology transformation	3	4
R5	Failure to invest in new technology	1.5	3
R6	Increase in raw material costs	5	4
R7	Changes in consumer/customer preferences	2.5	4
R8	Severity of extreme weather events	3	4

Number	Risk issues	Likelihood	Impact
R1	New product development and innovation	5	4.5
R2	Develop low-carbon products and services	5	4.5
R3	Develop new technologies	5	4
R4	Diversification of business operating models	4	4.5
R5	Improve the efficiency of resource usage	5	4
R6	Apply recycled materials	5	4
R7	Enter new markets	2.5	2.5
R8	Use low-carbon energy	5	4
R9	Diversified energy	3.5	3

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | **Environmental Sustainability** | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

Description of risks / opportunities related to climate change and response strategies

Opportunity Type	Opportunity Sources	Potential Financial Impact	Practices and Measures
Product opportunities	New product development and innovation	Developing low-energy consumption products, but using high-specification ICs will increase raw material costs.	Continue to invest R&D resources in communication product technology and product green design to enhance the competitiveness of Arcadyan products.
Product opportunities	Develop low-carbon products and services	• Apply post-consumer recycled (PCR) raw materials may increase parts and testing costs. • The use of environmentally friendly raw materials can increase end-users' purchasing intentions and increase product competitiveness.	• Continue to pay attention to international trends and customer needs, delve into the development of low-carbon parts, and expect that market trends and mature technologies can reduce the cost of post-consumer recycling (PCR). • Arcadyan continues to work closely with plastics and metal suppliers to share environmental protection trends in the industry and market, and also works with suppliers to evaluate and test the feasibility of recycling and reuse technologies in their development processes.
Product opportunities	Develop new technologies	Develop low-carbon products and services to meet customer needs and expand into new markets.	Continue to enhance and optimize the integrated functions of the new generation IAD, such as ZigBee / Z-ave / BLE / DECT ULE / NFC technology integration, and software AI intelligent repair functions.
Product opportunities	Diversification of business operating models	• In response to climate change and the post-epidemic generation, the demand for network communication products has increased significantly. Arcadyan can increase its market share by providing products with energy saving and carbon reduction benefits. • In response to the development trend of climate change, the international community advocates repairing instead of purchasing. This can not only extend the life cycle of products, but also reduce the cost of processing scrapped products and the waste of resources.	• Arcadyan continues to invest in new technologies such as artificial intelligence (AI) calculations / big data cloud analysis integration to increase product market share. • Arcadyan set up a diverse and professional RMA after-sales maintenance team, which can cooperate with customers on new business models and assist in product recycling, repair and refurbishment.
Resource efficiency	Improve the efficiency of resource usage	• Improving process yield helps reduce production and scrap processing costs. • The process introduces waste heat recovery and rainwater recovery systems to reduce energy resource usage costs. • Replace or add frequency conversion equipment in the factory to reduce electricity costs.	The Vietnam Manufacturing Center certified ISO 50001 Energy Management System in 2023. In order to expand the use of renewable energy (solar energy), Arcadyan has built the second phase of the solar system of the Vietnam production center in 2023 and purchased International Renewable Energy Certificates (I-REC) to increase the proportion of renewable energy used in the factory.
Resource efficiency	Apply recycled materials	Apply post-consumer recycled (PCR) raw materials may increase parts and testing costs.	Arcadyan continues to work closely with plastics and metal suppliers to share environmental protection trends in the industry and market, and also works with suppliers to evaluate and test the feasibility of recycling and reuse technologies in their development processes.
Energy source	Use low-carbon energy	• Building a solar power generation system can reduce the annual electricity cost of the factory. • The use of renewable energy in the manufacturing process can reduce the carbon footprint of products and enhance the competitiveness of green products.	Arcadyan built a solar power generation system in the second phase of the Vietnam Manufacturing Center that is 150% of the scale of the first phase of the factory to increase the proportion of renewable energy used in the manufacturing center. It is expected to reach more than 20% of the annual electricity consumption of the Vietnam Manufacturing Center.
Market cost	Increase in raw material costs	The use of environmentally friendly materials may increase raw material costs, but if market acceptance is high, mass production can reduce material costs.	• Establish long-term cooperative relationships with suppliers with carbon reduction potential and increase suppliers' willingness to invest in the research and development of new materials. • Launch "Go Green with Arcadyan" project in 2023 to systematically lead suppliers to develop organizational and product carbon reduction plans.

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.3 Greenhouse Gas Management

Arcadyan pays attention to the environmental issues of global climate change, including relevant agreements actively promoted by various countries, such as the Kyoto Protocol, the United Nations Framework Convention on Climate Change (NFCCC), the Paris Agreement, United Nations treaties and product energy conservation regulatory requirements. Arcadyan has participated in CDP* (original Carbon Disclosure Project) every year since 2009, proactively disclosed its own carbon performance, understood the latest climate change trends and policies, and further transformed climate change risks into green circular economy business opportunities to improve corporate business sustainability.

In response to the carbon reduction goals of the IPCC's "Special Report on Global Warming of 1.5 ℃ ", Arcadyan joined the "Science-based targets initiative (SBTi)" in 2022, signed the SBTi carbon reduction commitment letter, and officially joined the Business Ambition for 1.5 ℃ campaign member. Arcadyan expanded the inventory and management of emission hotspot categories in scope 3, and launched product carbon footprint surveys on key suppliers. Arcadyan signed a carbon reduction project contract with PwC Sustainability Development Services Company, held a series of carbon management training courses, set absolute and intensity reduction targets in line with controlling the temperature increase of 1.5℃ , launched a net-zero strategic blueprint, and submitted carbon reduction targets to SBTi for review by the end of 2023.

Milestones for Arcadyan in responding to climate change

2009
· Arcadyan headquarters conducts an organizational greenhouse gas inventory and takes carbon reduction measures.
· Arcadyan headquarters participates in CDP* (original Carbon Disclosure Project).

2013
· CNC China Manufacturing Center set organizational carbon reduction goals and takes emission reduction measures.

2017
· Arcadyan headquarters conducts LCA carbon footprint inventory of Electronic Home Gateway product.

2015
· Conducted organizational greenhouse inventory of the new Taiwan headquarters building
· Arcadyan headquarters purchased carbon footprint calculation software and participated in product carbon footprint green design guidance

2019
· AVC Vietnam Manufacturing Center conducts greenhouse gas inventory.

2021
· Arcadyan Headquarters and China Manufacturing Center certified ISO 14064* Greenhouse Gas third-party verification

2023
· Set carbon reduction targets for Scope 1, 2 and 3.
· Submit SBTi* carbon reduction targets for review.
· Launched carbon reduction project for key suppliers.
· Purchase renewable energy certificates.
· Assist suppliers in CBAM declaration.

2022
· Sign the SBTi* Carbon Reduction Commitment Letter
· Investigate the carbon footprint of key supplier products
· Introduction of ISO 50001 Energy Management System
· Vietnam Manufacturing Center certified ISO 14064 Greenhouse Gas third-party verification*

*CDP (original Carbon Disclosure Project): focuses on how companies manage and respond to climate change, and strengthens corporate policy capabilities in response to climate change, including carbon emissions inventory and verification, carbon reduction effectiveness, identification of regulatory and physical risks, and various risks Including resource depletion, resource shortages, climate change, sea level rise, etc.

*SBTi (Science-Based Targets initiatives): The world's leading corporate climate target standard setter is based on achieving total carbon emissions that control the global warming trend within a temperature rise of no more than 1.5℃ or 2℃ . Through scientific methods and weight calculation, the reasonable emission (carbon reduction) quota of companies in specific industries is calculated in the context of the global carbon budget.

*ISO 14064 Greenhouse Gas third-party Verification: The inventory data verified is the carbon emissions from January to December of the previous year.

About this Report Sustainability Development Management Corporate Operations Green Innovation Environmental Sustainability Social Inclusion Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.3.1 Responsibilities for Greenhouse Gas Management

In response to the goal of controlling global warming within 1.5℃ , Arcadyan is committed to the realization of net-zero carbon emissions and promises to achieve net-zero emissions at important operating locations from 2040 to 2050. In addition to joining the Science-Based Target Initiative (SBTi), Arcadyan established a carbon management group under the Sustainability Committee of the Board of Directors. A dedicated team composed of relevant departments is responsible for realizing Arcadyan's greenhouse gas emission reduction commitments, preparing financial budgets for implementing greenhouse gas emission reduction management, and linking the performance-based compensation of senior management and teams with emission reduction targets to promote and achieve Arcadyan climate management-related strategies and goals.

Arcadyan monitors greenhouse gases in key operating locations and manufacturing centers, including Arcadyan Taiwan headquarters, CNC China Manufacturing Center, AVC Vietnam Manufacturing Center, and Guangzhi Technology Development Office in Shanghai, China. The number of employees at the above-mentioned operating bases accounts for approximately 97.2% of Arcadyan's global employees, and shows the comprehensiveness of Arcadyan's implementation of greenhouse gas control.

Chairman

Sustainable Development Committee

Environmental Sustainability Team
· Identification of Opportunities and Risks of Climate Change
· Corporate carbon inventory
· Corporate carbon asset management
· Environmental management (electricity, water resources, waste)

Sustainable Product Design Team
· Low carbon product design and development
· Product life cycle assessment
· Development of environmentally friendly materials

Carbon management investment amount

Year	Measure or Project Topic	Content	Investment Amount （NTD）	Benefit
2023	Carbon management training series courses	Signed a carbon reduction project contract with PwC Sustainable Development Services Company, launched a series of carbon management training courses, formulated short, medium and long-term carbon reduction goals, and launched a blueprint for a net-zero carbon reduction strategy.	$1,500,000	Formulate net-zero carbon reduction strategies and guidelines, strengthen carbon management mechanisms, effectively monitor carbon reduction progress, and ensure that carbon reduction targets at each stage are achieved.
	Purchase I-REC renewable energy certificates	In addition to self-generated solar energy, Arcadyan complies with the SBTi carbon reduction path by purchasing I-REC renewable energy certificates.	$150,000	Reduce Scope 2 Greenhouse Gas Emissions.
	Vietnam manufacturing center established real-time energy monitoring system	Through real-time energy monitoring and automatic control systems to optimize equipment energy efficiency, reduce energy waste, and timely discover potential safety risks based on the analyzed energy data.	$1,500,000	Reduce scope 2 greenhouse gas emissions by about 3,000t CO_2e.
	Arcadyan headquarters intelligent power management system	Cooperate with external energy technology service providers to analyze the energy usage structure and conduct baseline measurements, and introduce energy-saving technologies to build energy monitoring equipment to improve energy management transparency and energy usage efficiency.	$1,000,000	To introduce variable flow dynamic control of the ice machine water pump, which is estimated to reduce 30,000 kWh of electricity and about 15,000t CO_2e every year.
	Support for CDP international initiative	To join CDP Enhance Level member to learn more about supply chain actions to address climate change.	$244,600	In-depth benchmarking management of climate change and water resources.

About this Report Sustainability Development Management Corporate Operations Green Innovation Environmental Sustainability Social Inclusion Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

Year	Measure or Project Topic	Content	Investment Amount（NTD）	Benefit
2024	Vietnam Manufacturing Center built solar power generation system (Phase II)	Arcadyan plans to add 24,000m³ of solar power generation equipment in the second factory of the Vietnam Manufacturing Center in 2024 to increase the use of renewable energy.	$4,100,000	The second-phase solar panel installation capacity can generate 4 million kWh of electricity per year. Reduce carbon emissions by about 2,888t CO_2e.
	Purchase I-REC renewable energy certificates	In addition to self-generated solar energy, Arcadyan complies with the SBTi carbon reduction path by purchasing I-REC renewable energy certificates.	$50,000	Reduce Scope 2 Greenhouse Gas Emissions
	Support for CDP international initiative	To join CDP Enhance Level member to learn more about supply chain actions to address climate change.	$244,600	In-depth benchmarking management of climate change and water resources
	Total investment amount		$8,789,200	

4.3.2 Greenhouse Gas Management Strategies and Goals

Arcadyan formulated a diversified and comprehensive climate change response strategy, including certification of ISO 50001 Energy Management System, increasing the use of renewable energy, developing low-carbon products, introducing low-carbon transportation routes, strengthening low-carbon supply chain management, etc. With its core capabilities of improving energy efficiency and deploying low-carbon products, Arcadyan implements greenhouse gas reduction and mitigates the impact of climate change.

Arcadyan joined Science-Based Target Initiative (SBTi) in 2022, refer to the International Energy Agency's scenario of 1.5 ℃ warming, assess the impact of future climate change, and accordingly formulate greenhouse gas categories 1, 2 and 3 in the near-term and long-term reduction targets. In 2023, Arcadyan refer to SBTi scientific carbon reduction methodology and set more aggressive goals than the industrial carbon reduction path. Arcadyan announced that using 2022 as the base year, set a short-term goal of reducing greenhouse gases within the organization (Scope 1+2) by 6.25% per year, with an absolute reduction of 50% by 2030, and until reaching the net-zero emission target in 2040. Arcadyan has also set a short-term goal of reducing the intensity (tons/gross profit per million) of carbon emissions from the purchase of goods and services, fuels and energy, and sales of products in the indirect greenhouse gases (Scope 3) outside the organization by 66.47% in 2030 and reach the net-zero emission target in 2050.

In order to achieve Arcadyan's carbon reduction goals and each customer's requirements for the proportion of renewable energy used in product manufacturing processes, overseas manufacturing center management plans in 2023 include: promoting factory energy-saving plans, planning and constructing the second phase of Vietnam's solar power generation system, purchasing renewable energy certificates, and evaluating sign a green Power Purchase Agreement (PPA) to achieve the SBTi carbon reduction and net-zero path.

Arcadyan Greenhouse Gas Scope 1, 2 and 3 Carbon Reduction Targets

	Scope 1 and 2	Scope 3
Short-term goals	Compared with the base year of 2022, the absolute reduction will reach 50% in 2030.	Compared with the base year of 2022, intensity (tons/gross profit per million) carbon emissions in 2030 will be reduced by 66.47%
Long-term goals (net zero)	Compared with the base year of 2022, the absolute reduction in 2040 will reach 90%	Compared with the base year of 2022, intensity (tons/gross profit per million) carbon emissions in 2050 will be reduced by 98.19%

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.3.3 Greenhouse Gas Inventory

In 2023, Arcadyan Scope 1 and 2 greenhouse gas emissions adopted the control method in accordance with the GHG Protocol. The inventory is conducted on key operating locations, which is in line with the boundaries of Arcadyan's consolidated financial statements, and was verified by third-party in accordance with the ISO 14064-1:2018 standard.

In addition to the direct greenhouse gas emissions from its own operating sites, the Scope 3 inventory is based on the principles of GHG Protocol and identifies Arcadyan's major indirect emission sources are identified according to 15 categories, and the most significant emission sources are included in the scope of the inventory based on the identification results. Due to the three major emissions: "Category 1: Purchased products and services", "Category 3: Fuel and Energy-related activities, not included in Scope 1 or Scope 2" and "Category 11: Use of sold products" account for more than 90% of Arcadyan Group's total greenhouse gas emissions. Therefore, third party verifies these three key emission projects, while Arcadyan manages them and sets corresponding carbon reduction targets. Since other scope 3 categories are not carbon emission hotspots of Arcadyan Group, third-party verification will not be conducted at this time.

Scope 1 and 2 emissions (tons CO_2e)	Arcadyan Taiwan Headquarters	CNC China Manufacturing Center	AVC Vietnam Manufacturing Center	Guangzhi Office in Shanghai China	Total emissions
Greenhouse gas emissions (Scope 1)	121.85	326.23	284.01	6.51	738.60
Greenhouse gas emissions (Scope 2)_ Location base	1,787.25	10,682.02	14,827.13	63.18	27,359.59
Greenhouse gas emissions (Scope 2)_ Market base	1,787.25	7,619.62	14,827.13	63.18	24,297.19
Total greenhouse gas emissions (Scope 1+2)_ Location base	1,909.11	11,008.25	15,111.15	69.68	28,098.19
Total greenhouse gas emissions (Scope 1+2)_ Market base	1,909.11	7,945.85	15,111.15	69.68	25,035.79

Note: The power coefficient of scope 2 in Arcadyan operating bases: Taiwan 0.494 $kgCO_2e$/Kwh, China 0.5568 $kgCO_2e$/Kwh, Vietnam 0.6766 $kgCO_2e$/Kwh.

Categories of greenhouse gas emissions in scope 1 and 2 (t CO_2e)

Categories	2021	2022	2023
CO_2	30,377.21	30,414.07	27,427.30
CH_4	837.87	882.87	670.38
N_2O	0.39	0.27	0.50
HFC	0	34.731	0
PFC	0	0	0
SF6	0	0	0
NF3	0	0	0
Total amount	31,215.47	31,332.11	28,098.19

arcadyan

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

Scope 3[Note1]	Categories 4~6[Note 2]	Categories Name	Inventory content	Emissions（t CO₂e）
01	4	Purchased products and services	Carbon emissions from raw materials procured by Arcadyan	346,600.05
02	4	Capital goods	Carbon emissions from computers and production equipment purchased	429.84
03	5	Fuel and Energy-related activities, not included in Scope 1 or Scope 2	Carbon emissions from upstream transportation mileage at main operational sites	4,238.12
04	4	Upstream transportation and distribution	Carbon emissions from upstream transportation mileage at main operational sites	6,755.81
05	4	Waste generated in operations	Carbon emissions from waste generated in operations	0.11
06	4	Business travel	Carbon emissions from employee business travel mileage at main operational sites	171.29
07	3	Employee commuting	Annual carbon emissions from employee commuting mileage at main operational sites	500.36
08	4	Upstream leased assets	Carbon emissions from fuel usage of leased vehicles	7.32
09	3	Downstream transportation and distribution	Carbon emissions generated from downstream transportation for product shipment	8,821.45
10	3	Processing of sold products	Not applicable to Arcadyan business model	-
11	4	Use of sold products	The carbon emissions of products sold by Arcadyan during the use phase	2,953,795.46
12	3	End of life treatment of sold product	Carbon emissions from the end-of-life treatment of products sold globally	3,819.78
13	5	Downstream leased assets	No leased assets under Arcadyan	-
14	5	Franchises	Not applicable to Arcadyan business model	-
15	5	Investment	Carbon emissions from subsidiaries outside operational control	95.17
Total amount				3,325,234.75

Note 1: Classification based on GHG Protocol identification   Note 2: Based on the classification defined by the ISO 14064:2018 standard

Arcdyan Vietnam Manufacturing Center obtained third-party verification of ISO 50001 Energy Management System in 2023 to improve energy efficiency. In addition to using solar power generation systems, Arcdyan also purchased 5,500 International Renewable Energy Certificates (I-REC) to offset the production electricity consumption of China manufacturing centers. The total amount of greenhouse gas categories 1 and 2 of Arcdyan is 25,035.79 t CO2e, which is about 20% lower than the total amount of 31,332.1 t CO2e in the base year of 2022, achieving the SBTi absolute reduction target of 6.25%. The carbon intensity of Scope 1 and 2 in 2023 is 0.4894 (tons/million turnover), which is 26.3% lower than the carbon intensity of 0.6643 (tons/million turnover) in 2022.

The total emissions of the three main categories of Scope 3 in 2023, "Category 1: Purchased products and services", "Category 3: Fuel and Energy-related activities, not included in Scope 1 or Scope 2" and "Category 11: Use of sold products", was 3,304,633.63 tons, and the emission intensity was 447.5 (tons/gross profit per million), which is 14.5% lower than the Scope 3 emission intensity of 523.3 (tons/gross profit per million) in 2022, achieving SBTi intensity reduced by 10.2% target.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.4 Climate Change Mitigation and Carbon Reduction Measures

Arcadyan has established energy management teams at headquarters and manufacturing centers, composed of facility management or relevant dedicated departments. These teams regularly review the energy usage and energy-saving project progress at the sites, and report on target achievement at quarterly sustainable execution team meetings. This promotes the sharing of project results and exchange of experiences between different sites, effectively implementing energy conservation and enhancing the efficiency of facilities and equipment in both manufacturing sites and offices.

4.4.1 Electricity Conservation and Energy Efficiency Enhancement

Arcadyan promotes green offices and green production to achieve low carbon emissions. The related measures include the implementation of the ISO 50001 energy management system and energy-saving projects to reduce production electricity consumption and improve product manufacturing efficiency. Priority is given to purchasing equipment and tools with energy-saving labels. Energy efficiency is further enhanced by upgrading equipment or installing variable frequency systems, regularly cleaning air conditioning ducts and filters, and establishing an energy real-time monitoring system to manage energy consumption.

From the design stage, the AVC Vietnam Manufacturing Center planned to use energy-efficient lighting and variable frequency equipment throughout the entire facility. Automated robotic arms are utilized to enhance production efficiency, reduce defect rates, and minimize energy and resource waste. In 2023, the center obtained ISO 50001 energy management system certification and continues to plan for maximizing the energy usage efficiency of all software and hardware facilities to achieve green production goals.

Vietnam Manufacturing Center implemented energy-saving projects related to ISO 50001

Category	Major Implementation Projects	Annual Energy Savings（MWh）	Annual Emission Reduction（Tons CO_2e）
Lighting	All factory premises lighting is equipped with LED energy-saving lamps and automatic motion sensing systems	364	246
Lighting	Solar street lights	36	24
Air Conditioning	The air conditioning circulating water pump adopts variable frequency automatic control	318	215
Air Conditioning	The air conditioning system uses variable frequency control and is equipped with a heat recovery unit	956	647
Equipment	Air compressor equipped with a heat recovery unit	615	416
Equipment	Install variable frequency exhaust system for waste gas treatment	266	180
Others	Establish an energy real-time monitoring system	360	244
Others	Install a solar power generation system (Phase II)	4,000	2,706
Total		6,915	4,679

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.4.2 IT-related energy-saving infrastructure

Arcadyan's headquarters hosts 13 energy-efficient physical servers and approximately 105 virtual servers. The server room is designed with a cold and warm aisle containment setup, which annually saves around 551,880 kWh of electricity. This translates to reducing approximately 273 tons of carbon emissions, equivalent to the impact of planting 1,660 trees on the environment.

IT energy-efficient server setup	2021	2022	2023
Physical Servers Installed (units)	10	10	13
Virtual Servers Deployed (number)	100	100	105

IT Equipment Refurbishment and Reconstruction

In 2023, Arcadyan's MIS department refurbished a total of 229 old computers discarded by various departments, converting them into 36 refurbished units through dismantling and reassembly. Functional testing and thorough cleaning were conducted to maintain the operational stability of the hardware and software components. Based on a four-year estimation of laptop usage, this refurbishment approach is expected to reduce the computer replacement rate, thereby saving approximately 240kgCO$_2$e in life cycle carbon emissions.

4.4.3 Energy Transition

Arcadyan's Vietnam Manufacturing Center has installed a rooftop solar power system covering an area of 17,000m^2. The solar power generation was verified by SGS in 2022. In 2023, the total solar power generation at the Vietnam Manufacturing Center reached 2,527 MWH, accounting for 5.34% of the total group electricity consumption. This fell short of the 6% target set for 2022, primarily due to the increased electricity consumption from the expansion of the second plant in the second half of 2023. It is anticipated that after the completion of the second plant at the Vietnam Manufacturing Center in 2024, the installation of the second phase of the solar system will be accelerated. Additionally, solar panels will be installed on the rooftops of the administrative building and parking lot, resulting in a combined solar area of 24,000m^2. It is estimated that upon the completion of the first and second phases of the solar power system, the proportion of renewable energy used by the group will increase to 20%.

The Renewable Energy 100 (RE100) is a global initiative launched jointly by The Climate Group and the Climate Disclosure Project (CDP) in 2014. This initiative invites companies worldwide to publicly commit to achieving 100% renewable energy usage. Although Arcadyan is not classified as a high electricity consumer and does not meet the energy consumption threshold required to join the RE100 initiative, the company has consistently placed importance on energy-saving issues and is dedicated to reducing the environmental impact of its operations. In response to the international trend towards renewable energy, Arcadyan purchased 5.5 million kWh of renewable energy certificates in 2023 to actively increase the proportion of renewable energy used in its manufacturing centers and simultaneously offset greenhouse gas emissions (Market Base). Besides purchasing renewable energy certificates, Arcadyan is actively seeking suitable renewable energy providers to evaluate the signing of Power Purchase Agreements (PPA). And plans to achieve 100% renewable energy use in production electricity by 2040, gradually realizing its strategy of energy transition and low-carbon production in daily operations.

Waste Heat Recovery System

2022 Arcadyan Vietnam Manufacturing Center installed a waste heat recovery system. This system uses a chiller heat recovery unit to transfer heat from high-temperature, high-pressure gaseous refrigerant to water via a circulation pump. The water, initially at normal temperature, is sent into the heat recovery unit, where it undergoes heat exchange with the high-temperature refrigerant vapor. The heated water is then sent to the terminal air conditioning box for dehumidification, ensuring that the production process maintains a constant temperature and humidity within the controlled range. In 2023, Arcadyan also implemented a heat recovery mechanism for air compressors. Using the same heat exchange principle, the waste heat is re-purposed for employee showers. This initiative reduces energy consumption by approximately 615 MWH annually.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | **Environmental Sustainability** | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | **Climate Change Mitigation and Carbon Reduction Measures** | Energy Management | Water Management | Waste Management | Biodiversity Management

Low-Carbon Commuting and Transportation

In response to the global trend towards low-carbon transportation and the encouragement to replace fuel vehicles with electric vehicles (EVs) to reduce carbon emissions, Arcadyan has established four EV-exclusive parking spaces equipped with charging stations at its headquarters parking lot. This provides the convenience of EV charging and helps reduce Scope 3 greenhouse gas emissions associated with employee commuting.

Regarding raw material transportation, Arcadyan introduced biofuel-powered transportation routes in 2023. These routes use renewable biofuels with low carbon emissions, effectively reducing carbon emissions by approximately 80% compared to traditional fuels. The use of biofuels not only helps improve air quality but also benefits climate change mitigation due to their low-carbon properties. By utilizing energy in a circular and regenerative manner, Arcadyan achieves the dual goals of environmental protection and sustainable energy use. The company will continue to focus on the development of sustainable renewable energy technologies to reduce carbon emissions throughout the value chain.

4.4.4 Green Procurement

In alignment with government green consumption policies and to enhance the company's green image and actions, Arcadyan prioritizes the procurement of green products that meet environmental protection and energy-saving standards for internal administrative supplies. By promoting green consumption awareness, the company encourages employees to adopt green procurement practices in their daily lives. In 2023, the total amount of Arcadyan's green procurement was NT$13,773,644, accounting for 79% of the total administrative supplies.

Product Types^{Note}	Quantities	Amounts
Environmentally Friendly Labeled Notebooks	177	$ 6,868,944
Personal Desktop PCs	91	$ 3,141,700
Environmentally Friendly Labeled Monitors	143	$ 1,292,300
Energy-Efficient Servers	3	$ 1,605,000
Energy-Efficient IT Equipment	17	$ 865,700

Note: Arcadyan's green procurement references the EPA's recognized categories of green products, including: First Category Environmental Labels, Second Category Environmental Labels, Energy Labels, Water-Saving Labels, Green Building Material Labels, Carbon Footprint Reduction Labels, etc.

Arcadyan actively promotes paperless operations. In 2023, the company collaborated with ticket vendors to use electronic vouchers for holiday bonuses and other employee benefits. This initiative saved approximately 2,358 paper vouchers, equivalent to reducing around 260 kg of carbon emissions.

4.4.5 Environmental Sustainability Training Courses

Arcadyan values climate change issues and conducts annual environmental sustainability training courses to provide employees with training on energy conservation and greenhouse gas emissions reduction. In 2023, we organized four physical and online courses on environmental sustainability, with approximately 4,743 participants cumulatively attending.

2023 Environmental Sustainability Training Courses

Training Courses	Hours	Participants
SBTi Carbon Reduction Strategy Training Program	12	50
[Arcadyan Group Awareness Training Series] Climate Change and Carbon Management	1	4,638
ISO 50001:2018 Energy Management	24	40
Agricultural Carbon Sink and Net Zero Emissions Seminar	3	15

4.4.6 Assisting Suppliers with CBAM Declaration

The Carbon Border Adjustment Mechanism (CBAM) is an EU policy aimed at reducing carbon emissions and preventing carbon leakage. It ensures that imported products meet the same environmental standards as those produced within the EU. Since the fourth quarter of 2023, Arcadyan has been assisting suppliers with CBAM declarations. We have supported 2 suppliers in providing product carbon content information and submitting carbon fees to EU importers or customs representatives.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

4.5 Energy Management

Arcadyan's headquarters and overseas manufacturing centers primarily rely on purchased electricity to achieve the net-zero emissions goal, emphasizing energy management at plant sites. Arcadyan scrutinizes electricity usage behaviors at these facilities, identifies energy-saving opportunities, implements demand-side management, and establishes energy monitoring systems to achieve benefits in energy conservation, cost reduction, and carbon emission reduction. In 2023, Arcadyan achieved a energy intensity of 876.3 (KWH/million NTD revenue), a decrease of 5.4% compared with the energy intensity of 926.3 (KWH/million NTD revenue) in 2022, which is better than the energy intensity set for 2022, which is reduced by 1 % Target.

Category	Site	Energy Usage（KWH）		
		2021	2022	2023
External Purchased Electricity	Arcadyan Headquarters	3,256,629	3,557,028	3,617,920
	China Manufacturing Center	27,946,292	24,027,676	19,184,667
	Vietnam Manufacturing Center	11,088,129	15,994,692	21,914,180
	Shanghai Guangzhi Office	110,081	113,638	113,467
Solar Energy	Vietnam Manufacturing Center	-	1,546,044	2,527,210
Total Energy Consumption		42,401,130	45,239,078	47,357,444
Renewable Energy Certificates		0	0	5,500,000
Percentage of Renewable Energy		0%	3.4%	16.95%

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   **Environmental Sustainability**   Social Inclusion   Appendix

Environmental Sustainability Policies   TCFD Climate Change Information Disclosure   Green House Gas Management   Climate Change Mitigation and Carbon Reduction Measures   **Energy Management**   Water Management   Waste Management   Biodiversity Management

4.5.1 Arcadyan Headquarters Smart Energy Management Project

In 2023, Arcadyan's Hsinchu headquarters collaborated with external energy technology service providers to implement an energy management project. The project targeted identified energy hotspots, such as high-energy-consuming equipment like chiller units and cooling towers in the air conditioning systems. It involved conducting a structural analysis of energy use and introducing an automated monitoring system to enhance transparency and visualization of energy consumption. Furthermore, variable frequency drives (VFDs) and temperature monitoring interfaces were installed on the air conditioning units. These interfaces transmit real-time temperature data to the control system, allowing the system to automatically adjust motor VFD settings based on temperature feedback. This improves response times and system efficiency, reducing energy waste and ensuring stable indoor temperatures. The installation of VFDs and temperature monitoring interfaces also extends equipment lifespan and reduces maintenance costs. Arcadyan remains committed to achieving sustainable development goals through innovative technologies and effective power management practices.

4.5.2 Vietnam Manufacturing Center Establishes Energy Monitoring Center

In 2023, Arcadyan Vietnam Manufacturing Center established an Energy Monitoring Center (EMC). This facility operates around the clock with a centralized system for real-time energy monitoring, consumption analysis, alert notifications, and energy usage diagnostics. The EMC ensures transparency in electricity consumption and effective implementation of energy-saving strategies. This initiative not only detects energy anomalies promptly but also optimizes energy efficiency measures, potentially saving approximately 360 MWh of electricity and reducing around 260 tons of carbon emissions annually. Beyond financial savings, these efforts significantly contribute to environmental sustainability, aligning with Arcadyan's commitment to green manufacturing practices.

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management
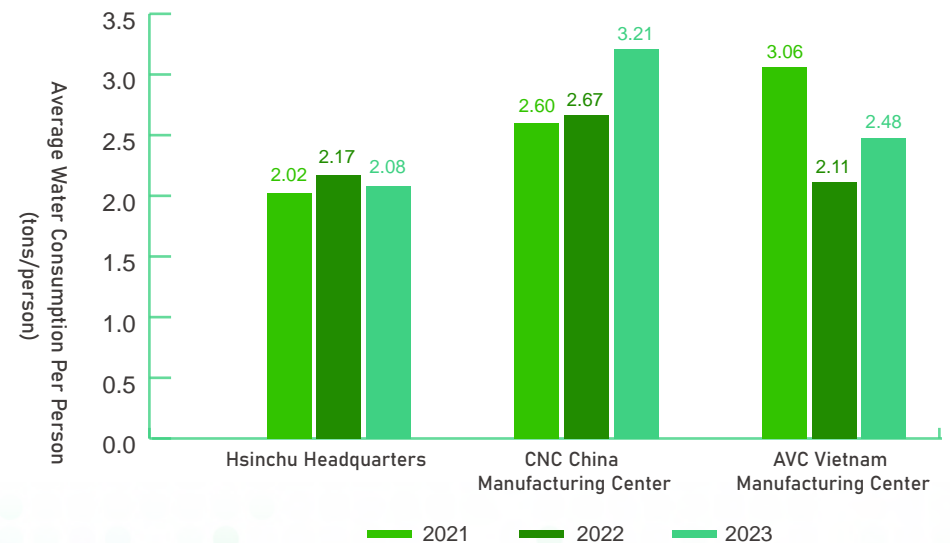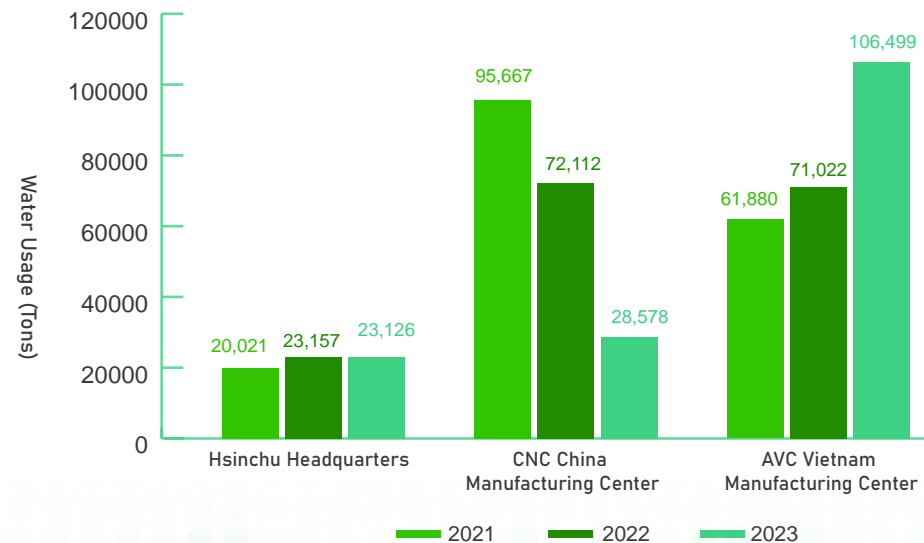
4.6 Water Management

Water is an essential resource in modern society and one of the most precious elements of life on Earth. Arcadyan's headquarters and manufacturing centers do not have significant water usage demands, with water sources coming from tap water and rainwater. The water used in operations is mainly for domestic purposes, and domestic wastewater is recycled, having no significant impact on natural water sources. In wastewater management, treatment facilities are planned according to the type of wastewater, such as separating grease from kitchen wastewater, to minimize environmental impact, ensuring that the wastewater discharge from the plant meets and exceeds discharge standards.

Arcadyan's overseas manufacturing centers operate as assembly plants, and the process only generates domestic wastewater rather than industrial wastewater. The domestic wastewater is directly discharged into the municipal sewer system, with the discharge endpoint being the sewage management system. Annually, Arcadyan obtains sewage discharge permits per local regulations, and the discharge water content is regularly tested by certified agencies. As of 2023, the water discharge from Arcadyan's headquarters, CNC China Manufacturing Center, and AVC Vietnam Manufacturing Center has been tested by third parties for pH, oxygen content, suspended solids, ammonia nitrogen, total phosphorus, total nitrogen, and other chemical contents, all meeting local discharge water quality standards. There have been no violations of environmental protection regulations or major leakage-related lawsuits (with amounts exceeding NT$2 million or product-related transactions) associated with these facilities.

Water Usage Across Arcadyan's Operating Sites

In 2023, the average monthly water consumption per person in the Arcadyan Group was 2.51 tons per person, representing a 7.7% increase from 2.33 tons per person in 2022. This increase did not meet the 2022 target of reducing average water consumption per person by 1%. The primary reason for this rise is the expansion of the second-phase plant at the AVC Vietnam Manufacturing Center in 2023, which resulted in higher water consumption. Most of the water was used for cleaning roads post-construction, fire system pressure testing, and filling the new industrial and fire water tanks, as well as for environmental cleaning. To effectively manage water resources, besides the rainwater harvesting system, the AVC Vietnam Manufacturing Center added a domestic wastewater recycling system at the end of 2023. This addition increase the source of recycled water within the plant and reduce tap water consumption.

Left chart — Water Usage (Tons):
- Hsinchu Headquarters: 2021: 20,021; 2022: 23,157; 2023: 23,126
- CNC China Manufacturing Center: 2021: 95,667; 2022: 72,112; 2023: 28,578
- AVC Vietnam Manufacturing Center: 2021: 61,880; 2022: 71,022; 2023: 106,499

Legend: 2021 | 2022 | 2023

Right chart — Average Water Consumption Per Person (tons/person):
- Hsinchu Headquarters: 2021: 2.02; 2022: 2.17; 2023: 2.08
- CNC China Manufacturing Center: 2021: 2.60; 2022: 2.67; 2023: 3.21
- AVC Vietnam Manufacturing Center: 2021: 3.06; 2022: 2.11; 2023: 2.48

Legend: 2021 | 2022 | 2023

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About this Report   Sustainability Development   Corporate   Green   **Environmental**   Social   Appendix
                     Management   Operations   Innovation   **Sustainability**   Inclusion

Environmental   TCFD Climate Change Information   Green House Gas   Climate Change Mitigation and   Energy   **Water   Waste   Biodiversity
Sustainability Policies   Disclosure   Management   Carbon Reduction Measures   Management   Management**   Management   Management

4.6.1 AVC Vietnam Manufacturing Center

Arcadyan's headquarters is an office building focused on research and development, where water resources are used only for general domestic purposes, with no water used in the manufacturing process. All generated wastewater is directed into the government-managed sewage system. To conserve water, the headquarters uses water-saving equipment, a rainwater harvesting system, and an automated irrigation system for plants.CNC China Manufacturing Center The China Manufacturing Center has installed a domestic wastewater recycling system that collects and filters water from hand washing and domestic use. The recycled water is used for toilet flushing, improving the water recycling rate within the facility.

AVC Vietnam Manufacturing Center Since relocating to a new facility at the end of 2021, the AVC Vietnam Manufacturing Center has planned and built a rainwater harvesting system. This system collects rainwater and ground water through gutters and downspouts installed on the roofs and eaves of the facility. After filtration, the collected water is used for toilet flushing and plant irrigation, reducing the demand for daily water supply. In 2023, an additional domestic wastewater recycling area was established in the Vietnam Manufacturing second plant. Rainwater and wastewater undergo a five-stage filtration process, and the treated water is stored in tanks for use in toilets, air conditioning, cooling water, and facility landscaping. In 2023, the Vietnam Manufacturing Center recycled a total of 27,903 tons of water, accounting for 22.5% of the facility's total water usage that year.

Through the operation of the water recycling system, the center maximized the use of natural resources and reduced reliance on tap water, effectively lowering the company's water costs. Arcadyan will continue to improve and optimize its water recycling system to achieve greater environmental and economic benefits.

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About this Report   Sustainability Development   Corporate   Green   **Environmental**   Social   Appendix
                     Management   Operations   Innovation   **Sustainability**   Inclusion

Environmental   TCFD Climate Change Information   Green House Gas   Climate Change Mitigation and   Energy   Water   **Waste**   Biodiversity
Sustainability Policies   Disclosure   Management   Carbon Reduction Measures   Management   Management   **Management**   Management
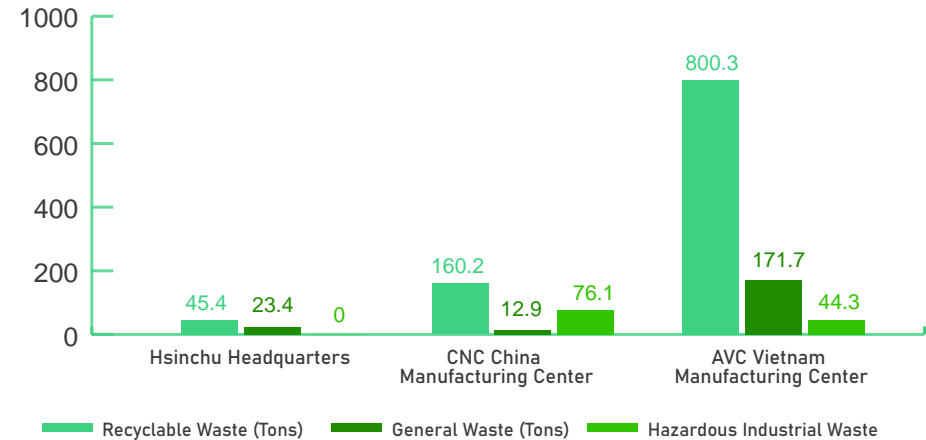
4.7 Waste Management

Arcadyan is committed to preventing any pollution incidents by effectively categorizing waste from the source to achieve waste reduction goals. In 2023, the waste intensity across Arcadyan's facilities was 0.026 tons per NTD million in revenue, showing an 8.3% increase from 0.024 tons per NTD million in 2022. This increase did not meet the 2022 target of reducing waste intensity by 1% compared to the previous year. The rise in waste intensity in 2023 was primarily due to the expanded production scale and the second-phase expansion at the AVC Vietnam Manufacturing Center, which increased the use of packaging materials such as cardboard, plastic, wooden pallets, and general waste, most of which are recyclable. Arcadyan achieved a 2.88% increase in overall waste recycling rates compared to the previous year. Below is a further explanation of waste management practices at the Hsinchu Headquarters and each manufacturing center:
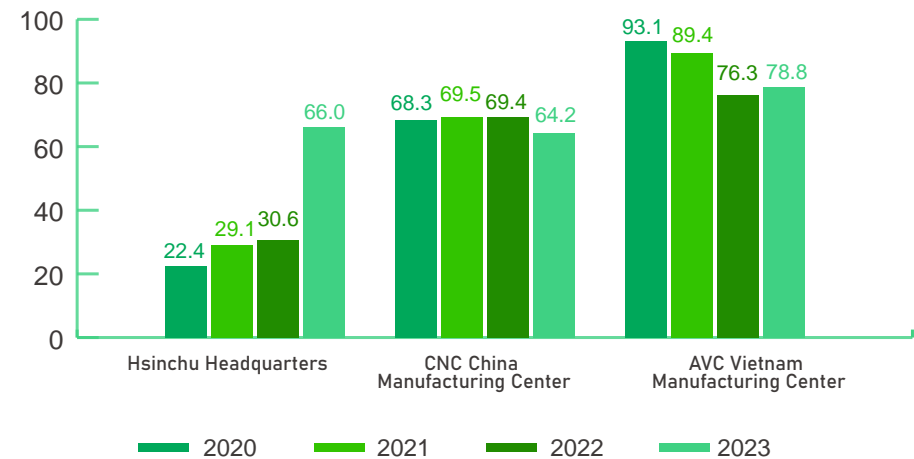
The waste generated at Arcadyan headquarters includes general waste, recyclable waste, and hazardous industrial waste. General waste consists of regular combustible domestic garbage. Recyclable waste includes categories such as paper, general plastics, product plastic casings, metal, and glass. Hazardous industrial waste comprises non-recyclable scrapped products or electronic materials. For waste disposal, we have established regulated waste storage areas where waste is sorted, reduced, recycled, reused, and incinerated. These processes are handled by authorized third-party agencies in compliance with regulations. Besides implementing internal waste self-audit management procedures, since 2019, the waste data at headquarters has been verified by the third-party TUV Rheinland audit. This verification process is conducted annually following the same methods for statistical analysis.

The waste generated at Arcadyan's manufacturing centers in China and Vietnam is sorted and processed by category. It is then handed over to certified professional environmental companies for recycling or incineration. The factories produce a small amount of hazardous industrial waste, primarily from cleaning agents used for steel plates and reflow ovens, alcohol for wiping, waste liquids from cleaning tools, waste light tubes, and PCB board edges. These hazardous wastes are all managed and disposed of by qualified local recycling and disposal companies. As of 2023, there have been no instances of hazardous waste import/export or any violations of environmental regulations.

Waste Quantities at Arcadyan Facilities in 2023

Bar chart legend: Recyclable Waste (Tons), General Waste (Tons), Hazardous Industrial Waste

Facility	Recyclable Waste	General Waste	Hazardous Industrial Waste
Hsinchu Headquarters	45.4	23.4	0
CNC China Manufacturing Center	160.2	12.9	76.1
AVC Vietnam Manufacturing Center	800.3	171.7	44.3

Historical Waste Recycling Rates at Arcadyan Facilities

Bar chart legend: 2020, 2021, 2022, 2023

Facility	2020	2021	2022	2023
Hsinchu Headquarters	22.4	29.1	30.6	66.0
CNC China Manufacturing Center	68.3	69.5	69.4	64.2
AVC Vietnam Manufacturing Center	93.1	89.4	76.3	78.8

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

Total Waste Amount and Density Over the Years at Arcadyan
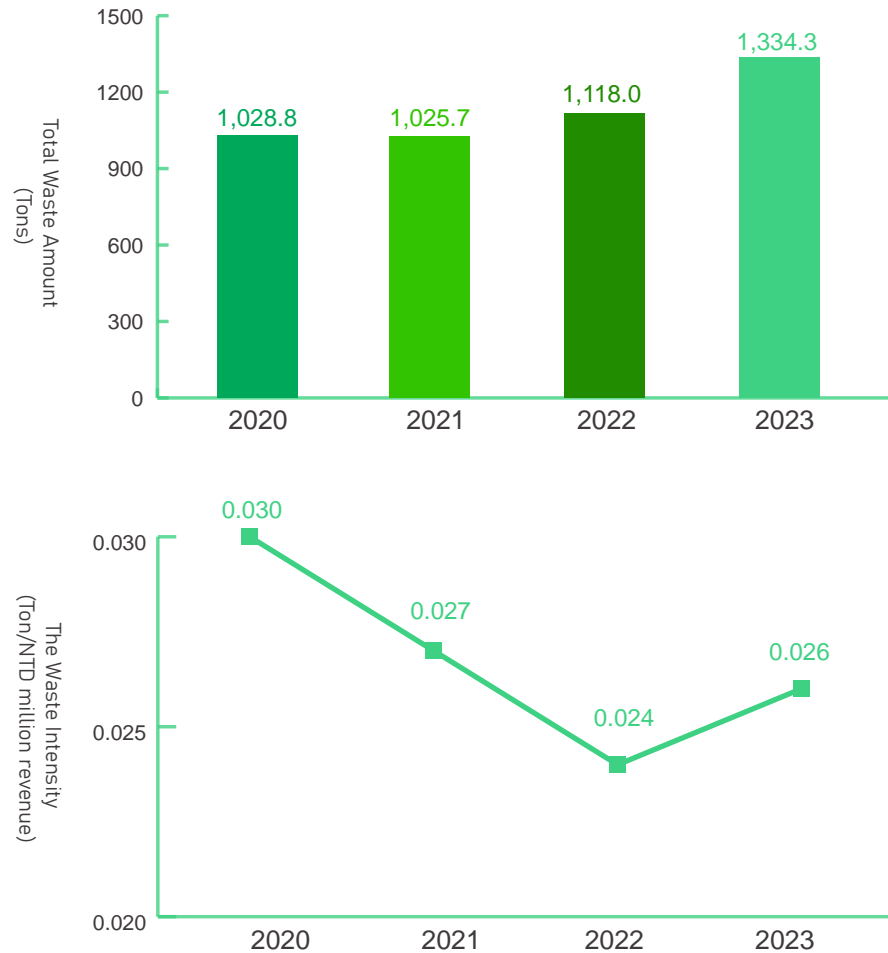
Procedure for Scrap Disposal
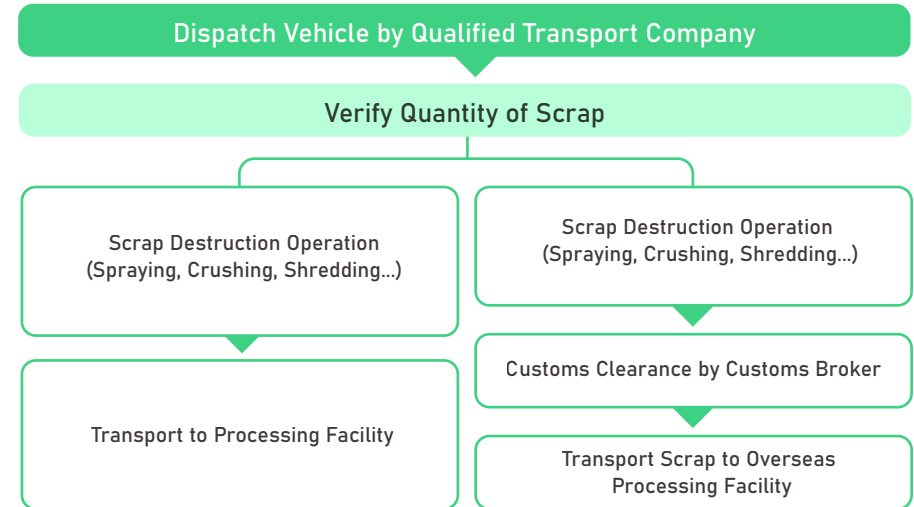
4.7.1 Waste Reduction

Arcadyan understands the importance of waste source sorting and recycling. Internal waste sorting recycling bins have been implemented, alongside a reduction plan. The number of waste recycling bins in the factory area has increased from 8 to 18, improving recycling convenience and fostering environmental awareness among employees. Arcadyan will continue to conduct waste sorting and recycling to reduce resource consumption. Regular employee education and training programs on environmental protection and energy conservation are conducted to enhance environmental awareness.

Arcadyan's Waste Reduction Measures
• The headquarters and factory employee canteens do not use disposable tableware.
• Developed an on-line electronic approval system to reduce paper usage.
• Implemented automated processes to improve product yield.
• Reduced material scrap due to human error.

About this Report   Sustainability Development   Corporate   Green   **Environmental**   Social   Appendix
Management   Operations   Innovation   **Sustainability**   Inclusion

Environmental   TCFD Climate Change Information   Green House Gas   Climate Change Mitigation and   Energy   Water   **Waste**   Biodiversity
Sustainability Policies   Disclosure   Management   Carbon Reduction Measures   Management   Management   **Management**   Management

4.7.2 RMA Repair and Refurbishment for Reuse

With advancing technology shortening the lifecycle of consumer electronics and increasing electronic waste, Arcadyan addresses environmental concerns by recycling scrapped plastic casings into new materials. During the Return Merchandise Authorization (RMA) process, Arcadyan reuses packaging materials and components, refurbishing or renewing used products to extend their lifecycle. This approach enhances product and accessory durability, leveraging design expertise and recycling recommendations to maximize recyclability throughout the product lifecycle.

Assessment of Recyclability Across Five Dimensions
1. Material Composition
2. Product Design for Assembly/Disassembly
3. Recycling Processes According to WEEE Directive
4. Disassembly Methods According to WEEE Directive
5. Accessibility of Component Removal

4.7.3 Air Pollution Control

Arcadyan's manufacturing center manages trace emissions, including volatile organic compounds (VOCs) such as flux and isopropanol used in processes, and nitrogen oxides emitted from activities like generator usage during testing or emergencies. Since 2019, Arcadyan has progressively enhanced air pollution control at Vietnam manufacturing center by installing waste gas treatment systems. These systems employ multi-layer activated carbon adsorption to ensure emissions meet regulatory standards post-treatment. Testing data indicates negligible levels of nitrogen oxides (NOx) and sulfur oxides (SOx) on the workshop floor. The site undergoes regular third-party inspections and verification to comply with local environmental policies, implementing reduction measures such as using low-VOC cleaning products. Ongoing education and training reinforce VOC emission management from the source to achieve pollutant removal goals. As of 2023, there have been no significant air quality violations due to emissions leaks or other major pollutant releases.

Arcadyan's volatile organic compound (VOC) emissions are monitored by third-party agencies. The test results show emissions below the VOC emission standards set in various regions. In 2023, the total VOC emissions from Vietnam manufacturing center were 11.66 metric tons. Arcadyan remains committed to continuous monitoring and reducing VOC emissions further to exceed regulatory standards.

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About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Environmental Sustainability Policies   TCFD Climate Change Information Disclosure   Green House Gas Management   Climate Change Mitigation and Carbon Reduction Measures   Energy Management   Water Management   Waste Management   Biodiversity Management

4.8 Biodiversity Management

Biodiversity in Site Planting Diversity

Arcadyan's headquarters were designed with reference to nine key criteria in green building assessment: biodiversity, green coverage, water conservation, daily energy savings, carbon reduction, waste reduction, indoor environment, water resources, and wastewater management. The site includes ecological green zones planted with trees, shrubs, and ground cover, achieving an overall green coverage close to 90%, surpassing the 50% standard set by green building norms. No pesticides, synthetic chemicals, or insecticides are used to establish a stable plant community ecosystem, enhancing water conservation, air purification, climate regulation, natural concealment, and biodiversity support within the campus.

Arcadyan employs green roof design concepts by incorporating vegetation on the top floor to reduce solar radiation heat and carbon dioxide levels, lowering indoor roof temperatures by 3-5 degrees Celsius and minimizing air conditioning usage. Additionally, Arcadyan participates in nearby land adoption for green beautification, extending the conservation of natural ecological environments to surrounding areas. This initiative not only enhances environmental landscapes but also prevents issues such as land vacancy-related occupancy, sanitation, and security concerns.

Promoting Sustainable Farming with Straw Decomposition Bacteria

Since 2022, Arcadyan has been participating in a national agricultural science project by subscribing to 40 hectares of farmland annually for implementing "straw decomposition bacteria". This approach replaces traditional burning of rice straw after harvest with the use of organic fertilizer mixed with decomposition bacteria to break down the straw. This method avoids the release of harmful gases and particulate matter into the air from burning straw, thereby reducing air pollution emissions. Using organic fertilizers to decompose straw not only prevents soil acidification but also maintains the ecological balance needed for microbial biodiversity. It enhances soil moisture retention and resilience, eliminating the need for basal fertilizer application before the next planting season. Additionally, nutrients released from organic materials in the fertilizer enrich the surrounding plants, promoting faster growth and healthier conditions, thereby aiding ecosystem restoration and increasing biodiversity.

In 2023, Arcadyan expanded its adoption of farmland to 60 hectares, demonstrating its commitment to promoting sustainable farming and biodiversity conservation. This effort was recognized with an appreciation certificate from the Taitung County Government. Moving forward, Arcadyan continues to monitor carbon sink technology developments and engage in relevant offset assessments, actively supporting the achievement of carbon neutrality goals.

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Environmental Sustainability Policies | TCFD Climate Change Information Disclosure | Green House Gas Management | Climate Change Mitigation and Carbon Reduction Measures | Energy Management | Water Management | Waste Management | Biodiversity Management

Arcadyan Headquarters Family Day Series: Community Integration Ecology Tour

Arcadyan Headquarters is located near the historic landmark of "General Village" in Hsinchu City. In November 2023, in alignment with our commitment to giving back to the community and deepening employees' understanding of local history and culture, Arcadyan collaborated with HOH Market, a local agricultural cooperative, to organize an ecology tour and DIY moss ball workshop at General Village. A total of 80 employees and their families participated.

General Village hosts a food forest spanning over 660 square meters, designed with a low-carbon footprint to mimic natural forests within an urban setting. This green ecological space aims to integrate food production with ecological greening initiatives. The food forest features a variety of fruit trees and insect species, fostering a multi-layered and diverse ecosystem where flora and fauna interdependent. Guided by professional ecologists, our team experienced firsthand the biodiversity of the surrounding environment, gaining insights into local plant and animal ecosystems. Together, they discussed the importance of ecological conservation, sharing perspectives on biodiversity protection and ecological balance.

The DIY moss ball workshop involved creating micro-ecosystems using moss plants and small organisms. This hands-on activity allowed employees to observe the interdependencies among plants up close, deepening their understanding of biodiversity conservation and inspiring active engagement in environmental protection. This ecological tour experience not only raised awareness among our employees about biodiversity conservation but also promoted community interaction and integration, serving both leisure and educational purposes.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Environmental Sustainability Policies   TCFD Climate Change Information Disclosure   Green House Gas Management   Climate Change Mitigation and Carbon Reduction Measures   Energy Management   Water Management   Waste Management   Biodiversity Management

International Coastal Cleanup Day 2023

Arcadyan responded to Sustainable Development Goal 14 (SDG 14) of the United Nations, focusing on marine ecosystem conservation. In September, marking Arcadyan's 20th anniversary, we partnered with The Society of Wilderness Hsinchu branch to organize the International Coastal Cleanup Day.

On September 18, 2023, a total of 62 Arcadyan employees participated in cleaning up the beach and coastline at Nanliao in Hsinchu. And collected over 2.3 tons of marine debris, preventing pollution to marine life from plastics, metals, and other waste. This effort not only maintained clean habitats but also supported the habitat and reproduction of various species, preserving the ecological balance of coastal plants and animals. Through waste reduction and education on plastic-free practices, employees and their families gained a deeper understanding of the importance of marine conservation and sustainable environmental practices.

5

Social
Inclusion

About this Report　Sustainability Development Management　Corporate Operations　Green Innovation　Environmental Sustainability　Social Inclusion　Appendix

Human Rights Management　Talent Attraction and Retention　Talent Development　Safety and Health　Social Participation

5.1 Human Rights Management
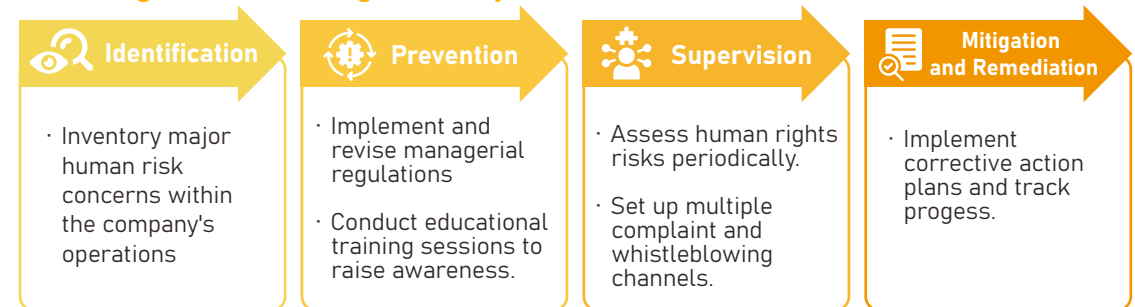
Arcadyan Human Rights Policy

Arcadyan adheres to international labor-related human rights norms such as the International Labor Organization conventions, the United Nations Universal Declaration of Human Rights, and the United Nations Global Compact. The company has established a "Human Rights Policy Declaration," committing to providing a safe, healthy, harassment-free, and non-discriminatory work environment. Forced labor and child labor are strongly prohibited, and discrimination is strictly forbidden. Arcadyan ensures equal job opportunities and promotes a culture of open communication, respect, and diversity. An open management model has been established to assist employees in maintaining physical and mental well-being, as well as achieving work-life balance.

Key operational locations of Arcadyan participate in the Responsible Business Alliance (RBA) Validated Assessment Program (VAP) and undergo Joint Alliance for CSR (JAC) audits to ensure compliance with human rights management. As of 2023, Arcadyan's global operational sites have not experienced any significant human rights violations.

5.1.1 Risks Management of Human Rights

Arcadyan established Human Rights Risk Management Cycle to conduct risk identification, prevention, and improvement concerning potential human rights issues within its operations and supply chain. By adhering to the RBA Code of Conduct and stakeholder expectations, Arcadyan continuously safeguard workers' labor rights.

uman Rights Risk Management Cycle

Identification
· Inventory major human risk concerns within the company's operations

Prevention
· Implement and revise managerial regulations
· Conduct educational training sessions to raise awareness.

Supervision
· Assess human rights risks periodically.
· Set up multiple complaint and whistleblowing channels.

Mitigation and Remediation
· Implement corrective action plans and track progess.

Major Human Risk Concerns	Descriptions	Managerial Regulations	Prevention	Mitigation and Remediation
Working Hours	• Working hours exceed 60 hours per week • Continuous work for 7 days without one rest day.	Work Rules	• Establish "Working Hours Alert System" to monitor employees' working hours, notifications are automatically sent out before working hours exceed regulations.	• Managers actively note employees' work situations and provided assistance as needed.
Child Labor & Juvenile Workers	• Accidental use of child labor • Young workers are at work in situations that may harm their health, safety or morals.	Control Procedures for the Use of Child Labor, Juvenile Workers and Student Workers	• All new employees are required to provide a government issued ID to prevent accidental hire of child labor or mistaken age of workers. • Young workers and student workers are arranged suitable positions that are low-risked and helpful in their development. Arcadyan also focuses on their training status, work life balance and management satiations.	• If child labor is accidentally employed, the Human Resources Department should immediately notify the relevant authorities and take necessary measures to ensure the child's physical and mental health, and facilitate their return to their guardian if desired. • Young workers and student workers should undergo regular annual health check-ups to monitor their physical and mental well-being.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   **Social Inclusion**   Appendix

Human Rights Management   Talent Attraction and Retention   Talent Development   Safety and Health   Social Participation

Major Human Risk Concerns	Descriptions	Managerial Regulations	Prevention	Mitigation and Remediation
Forced Labor	• Workers' freedom of movement is restricted at the workplace.	Control Procedures for Prohibition of Forced Labor	Every new employee must complete "Awareness Training for All Staff," covering topics such as human rights policy, forced labor prohibition, gender equality, and sexual harassment prevention. Additionally, all employees receive annual refresher training on these topics to ensure all employees know their rights and the respect they deserved.	• Employees can anonymously report any illegal activities through the complaint mailbox and various channels at each site. Arcadyan establishes an investigation committee in accordance with internal regulations and takes action toward the involved individuals or departments based on the attribution of responsibility and the severity of the situation, following the relevant company rules.
Discriminations	• Inhumane treatment. • Unfair salary and opportunities for promotions, rewards and receiving trainings.	Procedures for Anti-Discrimination and Disciplinary Practices		
Freedom of Association	• Employees are unable to communicate directly or negotiate with the executive management.	Control Procedures for Freedom of Association and Collective Bargaining Rights		
Supplier Responsibilities	• Suppliers did not follow RBA Code of Conduct • Suppliers direct or indirect use of conflict minerals	• Commitment of Supplier for Corpty • Sustainorate Social Responsibiliable Procurement Policy	• Suppliers are required to sign back" Commitment of Supplier for Corporate Social Responsibility" • Arranged RBA audits annually for key suppliers and include the results in Supplier Assessment. • Suppliers are required to disclose minerals sources with CMRT and responsible to perform due diligence on their suppliers.	• Suppliers are required to complete corrective action plans within designated time frame; uncooperative suppliers will be review in Supplier Assessment. • If suppliers are found sourcing conflict minerals, they are required to complete corrective action plans within designated time frame, or Arcadyan will discuss with customers for alternative suppliers.

Prohibition of Child Labor

Arcadyan adheres to the law and does not employ individuals under the legal minimum employment age (16 year-old). Ascadyan's "Corporate Social Responsibility Best Practice Principles" explicitly prohibits the use of child labor. To prevent inadvertent hiring of individuals under 16, Arcadyan's "Recruitment and Appointment Rugulations" and "Control Procedures for the Use of Child Labor, Juvenile Workers and Student Workers" require new employees to present identification documents for verification upon onboarding. In 2022, there were no instances of child labor employment at any Arcadyan operational sites.

Prohibition of Forced Labor

Arcadyan ensures that all its operational sites comply with the International Labor Organization (ILO) Conventions, the United Nations Universal Declaration of Human Rights, the United Nations Global Comp act, and various international human rights conventions and local regulations. Any actions that infringe on or violate human rights are strictly prohibited. Arcadyan also adheres to the UK Modern Slavery Act 2015, firmly banning forced labor and protecting employees' personal freedom. This includes respecting employees' rights to freely choose employment, resign, work overtime, and move freely without any form of coercion, such as contract labor or debt bondage. The company prohibits the confiscation of employees' identification cards, passports,

or work permits and ensures that employees are not subjected to retaliation or threats for their work or service, including debt repayment-related tasks. Employees have the right to resign by providing the company with the legally required notice and completing the necessary departure procedures. Arcadyan conducts regular internal audits and controls to ensure compliance with regulations against forced labor. In 2023, there were no violations of forced labor regulations at any of Arcadyan's operational sites.

Diversity, Equity and Inclusion

Arcadyan respects employees' diversity, gender equality, and well-being. All Gender Restrooms are accessible for employees of all gender identities and those with physical limitations. Arcadyab actively seeks to attract a diverse range of job candidates, arranging for female managers to represent the company at campus recruitment events. Female managers share their experience on women's involvement in the technology industry to encourage and guide women in STEM (science, technology, engineering and mathematics) to realize their full potential. Starting in 2023, Arcadyan has also offered leadership training courses for female managers to support their personal growth and excellence. One course was held in 2023.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Human Rights Management   Talent Attraction and Retention   Talent Development   Safety and Health   Social Participation

In compliance with Article 38, Paragraph 2 of the People with Disabilities Rights Protection Act, Arcadyan collaborates with government agencies to provide employment opportunities for individuals with disabilities, ensuring the office environment meets their special needs. This includes accessible entrance ramps, restrooms, designated parking spaces, and water dispensers and elevators equipped with voice prompts and Braille buttons. In 2023, Arcadyan's Taiwan Headquarter employed seven individuals with disabilities (five with mild conditions and two with severe conditions), meeting the legal requirements for the employment of people with disabilities in private enterprises.

Prevention of Discrimination, Harassment, and Workplace Violence and Aggression

Arcadyan prohibits all forms of discrimination and adheres to principles of fairness and equality in matters such as recruitment, compensation, benefits, training, promotion, dismissal, or retirement. Discrimination based on region, race, ethnicity, background, social class, ancestry, religion, disability, gender, sexual orientation, gender identity and expression, pregnancy, marital status, political stance, appearance, age, or union affiliation is strictly forbidden.

Arcadyan has established the "Procedures for Workplace Sexual Harassment Prevention Measures, Complaint, and Disciplinary" in accordance with Article 13, Paragraph 1 of the Gender Equality in Employment Act. The company prohibits any form of sexual harassment, including gestures, language, and physical contact. An internal grievance mechanism, including a dedicated email, hotline, and fax, is available to protect employees from retaliation when reporting incidents. Designated personnel with no conflicts of interest conduct confidential investigations and take corrective actions promptly. In 2023, Arcadyan headquarters received one workplace bullying complaint. The Human Resources Department processed the complaint, and after an investigation by relevant units, it was assessed and concluded that the complaint was unsubstantiated and the case was closed.

Arcadyan Taiwan Headquarter Grievance Mechanism		Received	Substantiated	Closed
Email	hr_hq@arcadyan.com	1	0	1
Hotline	03-5727000 #14499			
Fax	03-5727969			

CNC China Manufacturing Center Grievance Mechanism		Received	Substantiated	Closed
Email	SHWYH_CNC@arcadyan.com.cn	0	0	0
Hotline	57028888-22018 /22415			
Social Media	WeChat Official Account: Compal Networking (Kunshan) Co., Ltd.			

AVC China Manufacturing Center Grievance Mechanism		Received	Substantiated	Closed
Email	HR_AVC@arcadyan.com.vn	0	0	0
Hotline	HR Hotline: 0397-580197 / 0911-893228 HR Manager Hotline: 02113-858666 #32161			
Social Media	Zalo app			
Mailbox	Physical mailbox			

Freedom of Association

Arcadyan respects the right of employees to freely associate and is committed to providing channels and an environment where they can freely express their opinions. Across Arcadyan's global operation sites, employees can voice their opinions through various organizations such as labor unions and labor-management committees. Employee representatives participate in these meetings to ensure that employees' voices are heard and responded to by the company.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | **Social Inclusion** | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

5.1.2 Diverse Communication Channels

Arcadyan respects employees' opinions and rights, established diverse and transparent communication and negotiate channels. Employees' suggestions are well received and actively handled, Arcadyan strives to culture a positive labor-management relationship.

Communication Channels	Communication Frequencies	Communication Contents
Labor-Management Meeting	Taiwan Headquarter: quarterly Oversea Manufacturing Centers: annually	Overview of personnel, operational status, employee health and safety, working conditions, welfare committee measures, training and career development, handling and tracking of complaints and reports.
Welfare Committee Meeting	Taiwan Headquarter: every two months	Welfare policies, social club activities, employee outings and other employee activities.
New Employee Orientation Meeting	Taiwan Headquarter: quarterly	Work status, workplace integration and adaptation.
Manager-Employee Meeting	AVC Vietnam Manufacturing Center: annually	First line workers' opinions and executive announcements.
Employee Satisfaction Survey	Annually	Work environment, job duties, trainings and development, compensation and benefit, and management structure.
Discrimination, Harassment, Workplace Violation and Aggression Complaint Channel	Irregularly	Complaint against discriminations, harassments, workplace violence and aggressions.
Ethics and Integrity Complaint Channel	Irregularly	Complaint against integrity and ethics.
BBS (Bulletin Board System)	Irregularly	Internal important announcements and employees message exchanges.

Labor-Management Meeting

Unions are present in AVC Vietnam Manufacturing Center and labor-management meetings are formed in Taiwan Headquarter and CNC China Manufacturing Center in accordance with the law. These meetings serve as a two-way communication channel, with labor and management representatives elected by employees for a four-year term. The proportion of representatives complies with local regulations in each factory. Arcadyan has a total of 36 employees serving as employee representatives, accounting for 0.51% of the entire workforce. Regular labor-management negotiation meetings are held to gather employee feedback and address issues from both sides. Arcadyan reviews its departure, retirement, and organizational change processes through these meetings to prevent labor disputes and commits to informing employees of significant operational changes at least four weeks in advance. Additionally, a system platform and email are available for labor and management to communicate their opinions, maintaining a good relationship. Arcadyan's labor-management relations have always been harmonious, with no losses incurred due to labor disputes.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Human Rights Management   Talent Attraction and Retention   Talent Development   Safety and Health   Social Participation

Representative Proportions of Labor-Management Meeting

Sites	Capital Representatives	Labor Representatives	Proportion of Labor Representative (%)
Taiwan Headquarter	5	5	0.54%
CNC China Manufacturing Center	5	15	0.60%
AVC Vietnam Manufacturing Center	4	16	0.45%

Labor representatives at the AVC Vietnam Manufacturing Center are served by the union representatives. In 2023, 3,585 employees signed the collective agreement, marking a 100% union coverage rate in AVC Vietnam Manufacturing Center.

Welfare Committee Meeting

Arcadyan's Taiwan headquarter has legally established the "Arcadyan Employees' Welfare Committee" (hereinafter referred to as the Arcadyan Welfare Committee). It holds regular meetings every two months to decide on welfare policies and plan various employee activities. Welfare benefits include birthday/festival bonuses, travel subsidies, as well as allowances designed to meet employees' changing life roles and unexpected situations, such as marriage, childbirth, hospitalization, and bereavement. In addition to allowances, the Welfare Committee also supports club activities, affiliated stores, family days, and other activities to meet the needs of employees.

New Employee Orientation Meeting

Arcadyan's Taiwan headquarters organizes monthly orientation meetings for new employees to understand their adaptation to work and the workplace. These meetings are conducted in a relaxed, group activity format, creating a platform for communication and interaction, and allowing new employees to get acquainted with each other. The Human Resources Department gathers feedback from new employees on any difficulties they face in their job and cultural integration within the company, and offers necessary assistance. Additionally, it provides a space for new employees to release the pressures of learning and adaptation. In 2023, a total of five orientation meetings were held with a participation rate of approximately 78.8%, while attendance was open for voluntary sign-up.

Manager-Employee Meeting

In addition to labor-management meetings, AVC Vietnam Manufacturing Center also organizes annual manager-employee meetings. These meetings provide an opportunity for frontline employees to interact with senior management, allowing the management team to directly listen to employees' thoughts and effectively and quickly disseminate company updates, ensuring smooth communication.

Employee Satisfaction Survey

Arcadyan values employee experience and conducts annual employee satisfaction surveys covering work environment, job content, training, compensation and benefits, and management systems. Feedback collected from these surveys is used to implement improvement plans, providing a more supportive work environment and activities that better meet employees' needs, ultimately enhancing employee cohesion.

Sites	Employees Surveyed	Satisfaction Rate	Major Feedback
Taiwan Headquarter	171	76%	Promotion, training and development.
CNC China Manufacturing Center	1,300	95%	Shuttle buses for dormitories, meal options at company cafeteria.
AVC Vietnam Manufacturing Center	476	80%	Oversea training opportunities, employees career planning.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

5.2 Talent Attraction and Retention
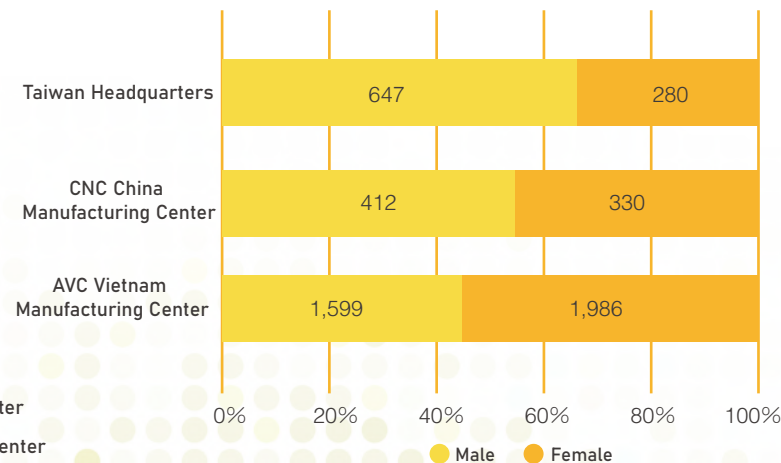
5.2.1 Employee Diversity

Arcadyan respects every employee and ensures equal employment rights, adhering to the "Labor Standards Act," "Gender Equality in Employment Act," and "Employment Services Act." Employment, compensation, and promotion opportunities are not influenced by gender, race, age, or other factors.

As of the end of December 2023, Arcadyan employs 5,254 people globally, with 927 at its Taiwan Headquarter, 742 at the CNC China Manufacturing Center, and 3,585 at the AVC Vietnam Manufacturing Center. The overall gender ratio is 50.6% male and 49.4% female, with women comprising 24.4% of supervisory roles. Additionally, Arcadyan Taiwan Headquarter employs 16 expatriates from India, Turkey, the Philippines, Argentina, the Dominican Republic, Colombia, Malaysia, France, and Vietnam, making up 1.3% of the headquarter's workforce, demonstrating the company's diversity and inclusiveness.

definition	Management	Technical Staff	Other Employees	
	Supervisory Roles (Manager and above)	Professional Technical Specialist (RD、Engineer)	Administration	Direct Labor
Taiwan Headquarter	190	558	179	0
CNC China Manufacturing Center	85	163	19	475
AVC Vietnam Manufacturing Center	16	283	197	3,089

2023 Global Workforce Analysis

Location

- Taiwan Headquarters — 68%
- CNC ChinaManufacturing Center — 14%
- AVC Vietnam Manufacturing Center — 18%

	Male	Female
Taiwan Headquarters	647	280
CNC China Manufacturing Center	412	330
AVC Vietnam Manufacturing Center	1,599	1,986

0% 20% 40% 60% 80% 100%

Male   Female

Types of Jobs

- Direct Labor — 62%
- Indirect Labor — 32%
- Manager — 6%

110

About this Report　Sustainability Development Management　Corporate Operations　Green Innovation　Environmental Sustainability　**Social Inclusion**　Appendix

Human Rights Management　**Talent Attraction and Retention**　Talent Development　Safety and Health　Social Participation

	Male						Female					
	Direct Labor	Indirect Labor		Dispatched Worker	Sub-total	Proportion	Direct Labor	Indirect Labor		Dispatched Worker	Sub-total	Proportion
		Supervisors	Employee					Supervisors	Employee			
Taiwan Headquarter	0	151	496	10	647	69.80%	0	39	241	29	280	30.20%
CNC China Manufacturing Center	115	60	237	0	412	55.53%	71	25	234	0	330	44.47%
AVC Vietnam Manufacturing Center	1,279	9	311	0	1,599	44.60%	1,810	7	169	0	1,986	55.40%
Total	1,394	220	1,044	10	2,658	50.59%	1,881	71	644	29	2,596	49.41%

Note 1: Direct Labor is defined as those directly involved in on-site operations; indirect employees are defined as employees other than operators; supervisors are individuals holding positions at the level of section manager or above.

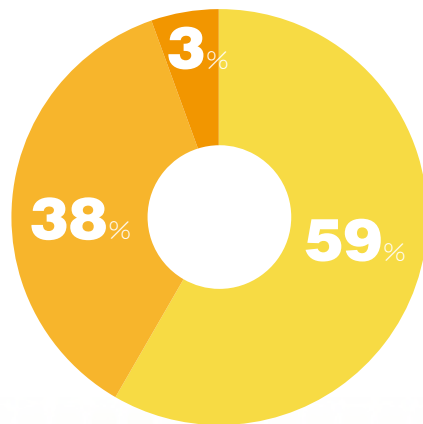Note 2: Arcadyan's Taiwan Headquarters employs dispatched workers based on operational needs during peak and off-peak seasons. The information disclosed above represents the total number of dispatched workers as of December 31, 2023. The number of dispatched workers is not included in the total employee count.

Age

- Under 31 Year-old 59%
- 31-50 Year-old 38%
- 51+Year-old 3%

	Male						Female					
	Under 31 year-old		31-50 year-old		51+ year-old		Under 31 year-old		31-50 year-old		51+ year-old	
Taiwan Headquarter	110	2.09%	448	8.53%	89	1.69%	74	1.41%	179	3.41%	27	0.51%
CNC China Manufacturing Center	180	3.43%	222	4.23%	10	0.19%	190	3.62%	134	2.55%	6	0.11%
AVC Vietnam Manufacturing Center	1,281	24.38%	318	6.05%	0	0.00%	1,248	23.75%	728	13.86%	10	0.19%

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

Employment of Employees with Disabilities in Taiwan

Arcadyan collaborates with government agencies to provide employment opportunities for individuals with disabilities. In 2023, Arcadyan's Taiwan Headquarter employed seven individuals with disabilities (five with mild conditions and two with severe conditions), meeting the legal requirements for the employment of people with disabilities in private enterprises.

	2021		2022		2023	
	Employed number	Workforce Proportion (%)	Employed number	Workforce Proportion (%)	Employed number	Workforce Proportion (%)
Individuals with Disabilities	6	0.73%	6	0.67%	7	0.76%

Supervisory Role Localization

Arcadyan's operating sites predominantly employ local residents. To strengthen local human capital and boost local economic benefits, manager-level and above Taiwanese supervisors are stationed at the CNC China Manufacturing Center and AVC Vietnam Manufacturing Center to impart management experience. In 2023, the proportion of local supervisors at the CNC China Manufacturing Center was 89.4%, and at the AVC Vietnam Manufacturing Center, it was 48.5%.

	Total Number of Supervisors	Number of Local Supervisors	Proportion
Taiwan Headquarter	190	188	98.95%
CNC China Manufacturing Center	85	76	89.41%
AVC Vietnam Manufacturing Center	33	16	48.48%

5.2.2 Recruitment and Resignation

Outstanding research and development capabilities are a key factor in maintaining Arcadyan's competitive edge. To ensure leadership in a rapidly evolving technological and regulatory environment, Arcadyan establishes its business guidelines and development strategies for the coming year at the end of each year, along with an annual staffing plan. Arcadyan utilizes diverse recruitment channels, including job sites, social media, campus recruitment events, internship programs, and headhunting consultants, to attract potential talent. The Human Resources Department periodically publishes job announcements through various recruitment channels, adhering to government regulations, and conducts recruitment processes based on principles of openness, transparency, and suitability, ensuring a fair and just selection of appropriate candidates. To foster internal talent mobility and respect employees' career development while considering the company's operational needs, Arcadyan offers various opportunities such as expatriate assignments, internal transfers, and overseas professional technical transfers. By encouraging cross-cultural and interdisciplinary learning, Arcadyan supports employees in acquiring new knowledge and skills, thus diversifying their career development.

Campus Recruitment

To recruit outstanding entry-level talent, Arcadyan participates in campus recruitment events at various universities and colleges. In 2023, Arcadyan organized three events, engaging and interacting with students. The company encourages students aspiring to enter the network communication equipment industry to pursue their dreams and contribute to Taiwan's technology sector.

Arcadyan participates in campus recruitment events to recruit potential talent.

Female managers attends campus recruitment events, encouraging female students in STEM (science, technology, engineer and mathematics) to grow to their full potential.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | **Social Inclusion** | Appendix

Human Rights Management | **Talent Attraction and Retention** | Talent Development | Safety and Health | Social Participation

Internship Program

Arcadyan values talent development and collaborates with universities such as Yuan Ze University and National Yang Ming Chiao Tung University. Each year, Arcadyan offers one-year internships to graduate students from relevant departments, aiming to help students put their academic knowledge into practice and gain professional skills and experience. In 2023, 16 students joined Arcadyan as interns. The company provided a safe working environment, stable income, and opportunities to learn the latest industry technologies, nurturing potential future talent. Two interns performed exceptionally well and were offered full-time positions upon graduation.

Arcadyan also offers eight summer internship positions for university students, with priority given to youth supported by social welfare organizations such as the Taiwan Fund for Children and Families. Through a matching process based on their fields of study and expertise, five students from social welfare backgrounds joined the summer internship program in 2023, while the remaining three positions were filled by general college students. The summer internship program allows students to gain early exposure to the real workplace, combining theory with practice to enhance their future job competitiveness and aid in career planning.

New Employees

	Male						Female					
	Under 31 year-old		31-50 year-old		51+ year-old		31-50 year-old		Under 31 year-old		51+ year-old	
Taiwan Headquarter	25	2.70%	33	3.56%	1	0.11%	22	2.37%	21	2.27%	0	0.00%
CNC China Manufacturing Center	2,322	312.94%	283	38.14%	0	0.00%	1,562	210.51%	420	56.60%	0	0.00%
AVC Vietnam Manufacturing Center	1,534	42.79%	270	7.53%	0	0.00%	1,276	35.59%	468	13.05%	9	0.25%

Resigned Employees

	Male						Female					
	Under 31 year-old		31-50 year-old		51+ year-old		31-50 year-old		Under 31 year-old		51+ year-old	
Taiwan Headquarter	9	0.97%	33	3.56%	9	0.97%	12	1.29%	18	1.94%	3	0.32%
CNC China Manufacturing Center	3,025	407.68%	536	72.24%	6	0.81%	2,058	277.36%	691	93.13%	13	1.75%
AVC Vietnam Manufacturing Center	1,019	28.42%	233	6.50%	0	0.00%	1,007	28.09%	494	13.78%	6	0.17%

Note 1: The proportion of new and resigned employees are based on the proportion of new hires and resignations at each operational site relative to the total number of employees at that site as of December 31, 2023.
Note 2: To minimize geopolitical risks, the production capacity at CNC China Manufacturing Center was gradually relocated to AVC Vietnam Manufacturing Center. As a result, the turnover rate at the CNC China Manufacturing Center was higher for the year.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | **Talent Attraction and Retention** | Talent Development | Safety and Health | Social Participation

5.2.3 Compensation and Benefits

Salaries and Rewards

Arcadyan has established a fair salary and remuneration system to ensure that employee compensation aligns with relevant regulations and maintains market standards. All formally employed staff are entitled to statutory insurance and retirement plans. Arcadyan practices an equal pay policy, ensuring no discrimination based on race, nationality, age, social status, ancestry, religion, physical disability, gender, sexual orientation, family responsibilities, marital status, or political views. The remuneration system considers overall compensation, including a fixed monthly salary, annual (holiday) bonuses, patent bonuses, project bonuses, and various other incentives. Annual salary adjustments are based on company profitability and individual performance. All employees undergo performance evaluations twice a year, with the results informing rewards, appointments, promotions, and other personnel management decisions.

Salaries of Non-Managerial Employees at Arcadyan Taiwan Headquarter (thousands of TWD)		
Year	Average	Median
2021	1,805	1,598
2022	1,780	1,518
2023	1,881	1,589

Ratio of Entry-Level Employee Salaries with Local Legal Minimum Wages

Sites	Male	Female
CNC China Manufacturing Center	1.35	1.35
AVC Vietnam Manufacturing Center	1.34	1.34

Salaries Ratio by Gender

Sites	Types		Male	Female
Taiwan Headquarter	Direct Labor		N/A	N/A
	Indirect Labor	Supervisory Roles	1.25	1
		Employees	1.28	1
CNC China Manufacturing Center	Direct Labor		1	1
	Indirect Labor	Supervisory Roles	1.26	1
		Employees	1.16	1
AVC Vietnam Manufacturing Center	Direct Labor		1.01	1
	Indirect Labor	Supervisory Roles	0.97	1
		Employees	1.02	1

Note: According to Arcadyan's salary policy, employees in research and development (R&D) positions generally receive higher salaries. R&D employees at Taiwan Headquarter account for 74% of the total workforce, with many of them having backgrounds in science and technology. Since males are predominant in science and technology fields, the proportion of male colleagues with higher salaries is higher.

Retirement Plan

Arcadyan has a Retirement Supervisory Committee and has established Employee Retirement Regulations. Each year, an external actuary ensures adequate contributions to safeguard the rights and interests of employees. Since the implementation of the Labor Pension Act on July 1, 2005, employees were allowed to choose between the old and new retirement systems. Under the old system, the contribution rate is 2% of monthly salary, and as of the end of 2023, the balance in the retirement account is NT$141,037,000. For employees under the new system, 6% of their monthly salary is contributed to their individual retirement accounts at the Labor Insurance Bureau. In overseas manufacturing centers, a certain percentage of employee salaries is contributed to government social insurance accounts according to local social insurance systems (16% in China, 14% in Vietnam).

At the end of 2023, Arcadyan recognized retirement expenses for subsidiaries included in the consolidated financial statements totaling NT$112,346,000. Other expenses for labor insurance and other employee welfare expenses for subsidiaries included in the consolidated financial statements amounted to NT$902,296,000 at the end of 2023.

About this Report   Sustainability Development   Corporate   Green   Environmental   **Social**   Appendix
                      Management   Operations   Innovation   Sustainability   **Inclusion**

Human Rights Management   **Talent Attraction and Retention**   Talent Development   Safety and Health   Social Participation

Baby Bonus and Parental Leave

Supporting government policies aimed at boosting Taiwan's population growth rate, Arcadyan has been offering a baby bonus of NT$66,000 per birth since 2011. As of 2023, a total of 337 newborn babies have been born among Arcadyan employees, with approximately NT$22.24 million disbursed in incentives. Arcadyan has also partnered with childcare facilities and early childhood education institutions to offer employees discounted childcare or preschool education services, easing parents' financial burden on childcare.

Regardless of gender, Arcadyan employees can apply for parental leave in accordance with the Gender Equality in Employment Act and the Regulations for Implementing Unpaid Parental Leave for Raising Children. Employees at the Taiwan headquarter who have been with the company for at least six months can apply for parental leave until their children reach three years of age. The maximum duration of parental leave is two years, after which employees are reintegrated into their original or related departments and provided with necessary trainings to facilitate the transition. Additionally, Arcadyan offers compassionate workplace policies such as maternity leave, prenatal check-up leave, childbirth leave, paternity leave, antenatal care leave, family care leave, lactation rooms, and maternal health protection. Arcadyan has also established contracts with qualified and reputable childcare centers to support employees' childcare needs from all aspects. Overseas manufacturing centers also comply with local regulations regarding maternity and parental leave.

Parental Leave Status	Taiwan Headquarter		CNC China Manufacturing Center		AVC Vietnam Manufacturing Center	
	Male	Female	Male	Female	Male	Female
Number of employees eligible for parental leave in 2023	34	11	46	26	112	125
Number of employees applied for parental leave in 2023	1	8	46	26	112	125
Expecting number of employees returned to work in 2023 (A)	1	4	46	26	112	111
Actual number of employees returned to work in 2023 (B)	1	4	46	26	112	69
Number of employees who continued working for one year after returning from parental leave in 2022 (C)	1	4	9	17	78	39
Actual number of employees returned to work in 2022 (D)	2	5	9	17	90	61
2023 Return Rate (E) = (B) / (A) *100%	100.00%	100.00%	100.00%	100.00%	100.00%	62.16%
2023Retention Rate (F) = (C) / (D) *100%	50.00%	80.00%	100.00%	100.00%	86.67%	63.93%

Group Insurance

Arcadyan provides insurance coverage for employees at each operational site in accordance with local regulations. Arcadyan Taiwan Headquarter also offers group insurance to employees and their dependents, including life insurance, accident insurance, cancer insurance, medical insurance, and other protection plans. Overseas manufacturing centers provide employees with various social insurance, medical insurance, unemployment insurance, and other statutory benefits in accordance with local regulations.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

Diverse Welfare Structure

Welfare Measures

· Arcadyan adopts a flexible working hour system, allowing employees to adjust their working hour according to regulations. Additionally, Arcadyan provides 40 hours of full-paid sick leave, exceeding legal requirements.
· Employees are also granted adjusted holidays according to government personnel calendars without the need for additional make up workdays.

Flexible working hours and day offs

Meal compensations

Arcadyan provides lunch compensations to all employees. Free dinner are provided to employees who need to work overtime. Arcadyan disbursed NT$ 15,341 thousands in meal compensations in 2023.

Childcare compensations

Arcadyan provides a NT$66,000 baby bonus per birth and Arcadyan Welfare Committee offers an additional NT$1,600 per birth.

Birthday and holidays gift money

Arcadyan provides birthday, and holidays (Moon Festival and Dragon Boat Festival) gift money, celebrating these special days with employees.

Friendly working environment

· Designated nursing rooms.
· Employee cafeteria and coffee bars.
· Exercise equipment.
· Free parking spaces.
· Elegant public spaces.

Social club activities

There are 12 social clubs at Arcadyan Taiwan Headquarter, allowing employees to culture hobbies, express themselves and expand social network. In 2023, Arcadyan reimbursed NT$132 thousands in social clubs activities compensations.

Other benefits

· Company T-shirts.
· Discounted tickets and gift cards.
· Free massage services.
· Year-end parties.
· Domestic and international employee company trips and travel reimbursement.
· Family days.

Employees join the Cardio Boxing Club, strengthening their physiques.

Free massage services allow employees to release stress.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   **Social Inclusion**   Appendix

Human Rights Management   **Talent Attraction and Retention**   Talent Development   Safety and Health   Social Participation

What a Good Fall! A Culture Tour of the General Village

Arcadyan Taiwan Headquarter neighbors a Hsinchu Municipal Cultural Heritage "General Village." In 2023, Arcadyan collaborated with Hoh Market Cooperative to host "What a Good Fall! A Culture Tour of the General Village," introducing General Village's history through professional interpreters to employees. The tour incorporated a DIY session and a local market, employees enjoyed a cultural afternoon with their family and friends. "What a Good Fall! A Culture Tour of the General Village" offers two time slots, a total of 80 employees and their family and friends attended.

Professional interpreters introduced General Village's historical backgrounds, allowing employees have a deeper understanding of nearby cultural heritage.

Group photo of "What a Good Fall! A Culture Tour of the General Village."

Arcadyan 20th Anniversary Celebration

2023 is Arcadyan's 20th anniversary. Family Day was organized at Green World in Beipu Township, approximate 1,200 employees and their family and friends attended. Four teams were form across different departments go participate in the teambuilding activities. Employees sharpen their skills in collaboration, strategizing and communication. With empathy and inclusivity, all teams completed the team tasks. Aligning with the company's sustainable principles, employees are encouraged to bring water bottles to refill, and catering services are chose from local vendors. Arcadyan celebrated its birthday with all employees while being environmental conscious.

Arcadyan's 20th anniversary Family Day was organized at Green World in Beipu Township, approximate 1,200 employees and their family and friends attended.

Employees participated in teambuilding activities to sharpen their soft skills such as collaboration, strategizing, communication, empathy and inclusivity.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   **Social Inclusion**   Appendix

Human Rights Management   Talent Attraction and Retention   **Talent Development**   Safety and Health   Social Participation
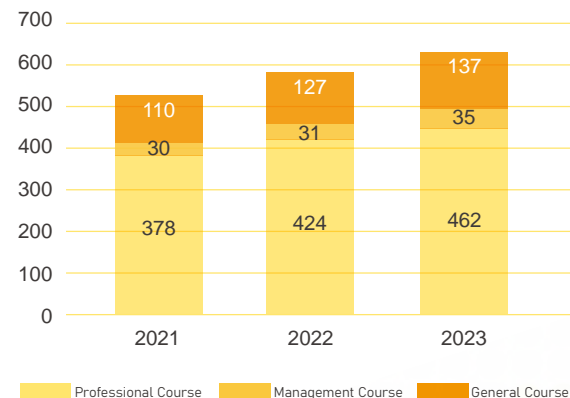
5.3 Talent Development

Arcadyan values employee development and is committed to nurturing talent. The company actively encourages employees to participate in various training courses and self-directed learning. In addition to allocating an annual training budget and collaborating with professional institutions to offer specialized courses, Arcadyan also plans annual training programs based on the company's operational strategy, competency framework, and training needs. This supports employees in continuously advancing their technical skills and knowledge, fostering innovative thinking, and helping teams maintain a technological edge. During the training process, employees of different ages are encouraged to interact, breaking down stereotypes and prejudices related to age and alleviating intergenerational differences in the workplace. This facilitates mutual understanding and collaboration between new and experienced employees, leading to more cohesive and synergistic teams.

Adhering to the company's core values of "Innovation, Harmony, Excellence, and Service," Arcadyan offers a variety of courses. Over the past five years, the company has conducted a cumulative total of 283 professional courses, with the overall number of courses exceeding 374. Arcadyan is dedicated to the sustainable development and competitiveness of its diverse talents. In addition to R&D professional courses, the training offerings include IT skills, engineering expertise, regulatory and patent knowledge, and finance and accounting courses. In 2023, 99.7% of employees participated in job-related or career-related training.

Courses	Content
Professional Technical Course	Arcadyan collaborates with universities and professional institutions to conduct specialized courses, continuously delving into research and development knowledge and fostering innovative thinking. This helps R&D teams maintain a technological edge. Experts from academia and industry are invited to give lectures, accelerating the dissemination of new knowledge internally and enhancing the ability to develop and apply new technologies and solve problems.
Leadership and Management Course	Ongoing leadership and management courses are offered to develop leadership skills and broaden the perspectives of supervisors, aiding both personal growth and the growth of their subordinates. Channels for open dialogue between supervisors and subordinates are established, and courses for sharing and exchanging ideas between generations are introduced to assist various departments in supporting new employees.
General Communication Course	Through project management or team communication courses, Arcadyan supports R&D and project managers in cross-team communication and collaboration. This enhances daily project operations and improves problem-solving efficiency.

General education training		Direct Labor		Indirect Labor			
				Supervisors		Employee	
		Male	Female	Male	Female	Male	Female
Taiwan Headquarter	Number of people trained	-	-	149	39	487	236
	Total hours trained	-	-	820	308	1,216	463
	Average Training hours per person	-	-	5.5	7.9	2.5	2.0
CNC China Manufacturing Center	Number of people trained	115	71	60	25	237	234
	Total hours trained	8,510	4,260	2,100	1,000	2,133	3,042
	Average Training hours per person	74.0	60.0	35.0	40.0	9.00	13.0
AVC Vietnam Manufacturing Center	Number of people trained	1,279	1,810	9	7	311	169
	Total hours trained	65,147	95,030	594	456	23,998	10,050
	Average Training hours per person	50.9	52.5	65.9	65.1	77.2	59.5

Cumulative Numbers of Courses Conducted in Recent 3 Years

	2021	2022	2023
General Course	110	127	137
Management Course	30	31	35
Professional Course	378	424	462

Professional Course   Management Course   General Course

Arcadyan Content Sharing System

Arcadyan has established a knowledge-sharing platform known as the Arcadyan Content Sharing System (CSS). Employees act as internal instructors, sharing their professional experiences. Through this platform, employees can access educational materials and course videos within the company's network, as well as share departmental expertise. The Arcadyan CSS systematically consolidates the company's resources, enabling employees to efficiently obtain necessary information. It also encourages departments to develop knowledge management mechanisms and motivates employees to engage in continuous self-learning.

118

About this Report   Sustainability Development   Corporate   Green   Environmental   Social   Appendix
                     Management   Operations   Innovation   Sustainability   Inclusion

Human Rights Management   Talent Attraction and Retention   **Talent Development**   Safety and Health   Social Participation

Awareness Training for All Employee

Arcadyan ensures that all employees receive awareness training aligned with the company's sustainable development strategy. The training curriculum includes topics such as sustainable development, Arcadyan policy advocacy, climate change and carbon management, greenhouse gas inventory, hazardous substance management, anti-forced labor and human rights policy, gender equality, sexual harassment prevention, integrity management, insider trading prevention, risk management, and internal major information processing procedures. New employees are required to complete the "Awareness Training for All Staff," and current employees must also undergo this training annually. This ensures that all staff stay up-to-date and grow alongside the company on its path to sustainable development. In 2023, a total of 4,638 employees completed the "All-Employee Awareness Training," achieving a completion rate of 90.5%.

Female Leadership and Management Courses

Starting in 2023, Arcadyan launched management training courses specifically designed for female supervisors. These courses feature instructors who share professional experiences and insights, and guide discussions on issues that female employees in supervisory roles may face. Topics include work-life balance, time management, and effective management techniques, all aimed at helping newly appointed female supervisors achieve personal growth and excellence. In 2023, one Female Leadership and Management Course was conducted.

Awareness Training for All employee at CNC China Manufacturing Center.

Female Leadership and Management Course assists newly appointed female supervisors to excel in their career.

5.3.1 Performance Evaluation System

Arcadyan uses an electronic performance evaluation system to facilitate communication between supervisors and employees regarding work assignments and achievements over the past six months, and to set goals for the upcoming six months. This process ensures alignment between individual, departmental, and company objectives. At Taiwan Headquarter, excluding executives at the vice president level and above, and new employees who have been with the company for less than three months at the time of evaluation, over 90% of employees participated in regular performance evaluations in 2023. Overseas manufacturing centers also conduct biannual performance evaluations for indirect personnel.

For employees who achieve high performance in these evaluations, Arcadyan provides leadership management courses tailored to their competencies and job requirements. These courses aim to develop leadership skills, enhance cross-team communication and cooperation, and improve problem-solving abilities, effectively preparing them for future promotions and professional growth. For employees with lower performance evaluation results, Arcadyan implements performance improvement plans to help them enhance their performance and fully utilize their potential.

Performance Evaluation Participation at Each Operating Site in 2023

		Taiwan Headquarter			CNC China Manufacturing Center			AVC Vietnam Manufacturing Center		
		Number of people to be evaluated	Number of people evaluated	Completion Rate	Number of people to be evaluated	Number of people evaluated	Completion Rate	Number of people to be evaluated	Number of people evaluated	Completion Rate
Supervisors	Male	156	149	95.5%	51	51	100%	8	8	100%
	Female	40	38	95.0%	25	25	100%	8	8	100%
Employees	Male	479	460	96.0%	177	177	100%	245	245	100%
	Female	226	213	94.3%	90	90	100%	146	146	100%

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

Human Rights Management   Talent Attraction and Retention   Talent Development   Safety and Health   Social Participation

5.4 Safety and Health

5.4.1 Occupational Safety and Health

Arcadyan places a high priority on employee safety and health, providing a safe and comfortable work environment. Through effective management and risk assessment, the company aims to prevent potential occupational injuries.

Occupational Health and Safety Management System

Since 2005, Arcadyan has implemented the ISO 45001 Occupational Health and Safety Management System, establishing environmental health and safety policies and safety management procedures at each plant to control every workplace detail. The design of both software and hardware facilities in the office environment prioritizes employee safety. All entrances are equipped with access control card readers, restrooms have emergency push buttons, and each floor is equipped with AEDs (automated external defibrillators). Security personnel guard the main entrances 24/7 to ensure employee safety. All electrical, mechanical, and fire safety equipment (such as fire alarms and extinguishers) are maintained or repaired regularly as per specified schedules to ensure they remain in optimal working condition.

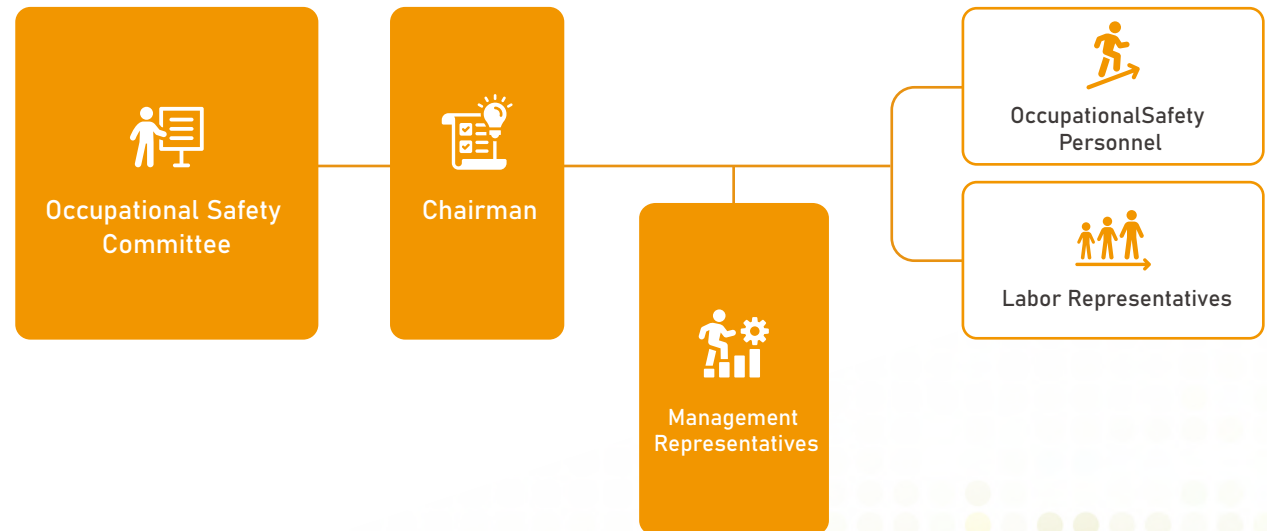ISO 45001 Occupational Health and Safety Management System Policy:

Implement comprehensive employee health management, proactively prevent occupational accidents, and create a zero-incident safe workplace.

For detailed information, please refer to 4.1 Arcadyan Environmental Sustainability Policy - Environment, Safety, Health, Energy, and Product Eco-Design Policy.

Occupational Safety Committee

Arcadyan Headquarter and overseas manufacturing centers have established Occupational Safety Committees with designated management representatives members. In accordance with the ISO 45001 Occupational Health and Safety Management System, regular meetings are held to assess related risks and track the implementation of safety measures, facilitating cross-departmental and multi-level communication and consultation with external stakeholders, ensuring a safe working environment.

At Arcadyan Taiwan Headquarter, the Environment and Labor Safety and Health Management Committee was established with 10 labor representatives, accounting for three-quarters of the committee members. They serve as a communication bridge between employees and the company regarding safety and health policies and procedures. The CNC China Manufacturing Center has a Health and Safety Production Committee with 16 members, and the AVC Vietnam Manufacturing Center has an Occupational Safety Committee with 48 members. Globally, the members of Arcadyan's Occupational Safety Committees make up about 1.41% of the total workforce. In 2023, four quarterly meetings were held to assess various safety and health risks, implement preventive measures, track goal-oriented programs, and review their effectiveness.

About this Report Sustainability Development Management Corporate Operations Green Innovation Environmental Sustainability Social Inclusion Appendix

Human Rights Management Talent Attraction and Retention Talent Development Safety and Health Social Participation

Occupational Hazard Identification and Risk Assessment

Arcadyan adheres to the ISO 45001 Occupational Health and Safety Management System by establishing the "Procedures for Environmental Considerations and Hazard Identification Risk Assessment Management." Through the "Safety and Health Hazard Identification and Risk Assessment Form," hazards are identified and risk levels are classified, allowing the company to formulate response policies and control measures.

In 2023, Arcadyan Taiwan Headquarter identified four high-risk hazards: ergonomic issues, traffic accidents, electric shock, and fire. Similarly, the overseas manufacturing centers identified four high-risk hazards: mechanical injuries, electric shock, fire, and traffic accidents. These high-risk hazards have been included in management programs for improvement, while other risks are controlled through documentation and routine inspections.

Sites	High-risk hazards	Operational activities	Improvement plan
Arcadyan Taiwan Headquarter	Ergonomic issues	Deterioration of vision, improper posture, hearing impact	• Increase the frequency of massage services. • Host eye health seminars. • Regularly monitor noise levels in the work environment.
	Traffic accidents	Traffic accidents on the way to work	• Conduct traffic safety education campaigns. • Promote defensive driving.
	Electric shock	Fire incidents in laboratories and cafeteria pipelines	• Conduct regular inspections by facility management. • Implement regular mechanical and electrical inspections. • Conduct annual fire drills which include cafeteria.
	Fire		
Overseas Manufacturing Centers	Mechanical injuries	Mechanical operation accidents during work	• Continuously provide related educational campaigns, instilling the concept of safety first.
	Electric shock		
	Fire	Fire incidents in facility pipelines	• Conduct fire drills every quarter. • Conduct evacuation drills every quarter.
	Traffic accidents	Traffic accidents on the way to work	• Strengthen traffic control at internal and external intersections and guide employees to follow traffic rules.

Environmental Monitoring

Arcadyan has dedicated departments at each global operation site to conduct environmental inspections. These departments regularly check and maintain the safety measures within the work environment, which include traffic and electrical safety measures, safety inspection measures, drinking water testing, emergency lighting testing, smoke detector testing, firefighting equipment testing, and lightning protection testing. At Arcadyan Taiwan Headquarter, lighting conditions and carbon dioxide (CO_2) levels in the work environment are measured twice a year in accordance with legal requirements to ensure the safety of the working environment for employees.

Occupational Injuries

Arcadyan adheres to the definitions of occupational injuries as per the Occupational Safety and Health Act and the key disability injury statistics provided by the Global Reporting Initiative (GRI). Annually, Arcadyan records the disabling injury frequency rate (FR) and severity rate (SR) to monitor employee work safety. In 2023, there were no occupational injury incidents at any of Arcadyan's global operation sites. Additionally, Arcadyan Taiwan Headquarter has participated in the "Occupational Accident Free Record," accumulating 17,684,770 hours without any accidents from 2008 to the end of 2023. Arcadyan is awarded with the Golden Award in Occupational Accident Free Record by the Industrial Safety and Health Association of the R.O.C. in 2023.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   **Social Inclusion**   Appendix

Human Rights Management   Talent Attraction and Retention   Talent Development   Safety and Health   Social Participation

	Arcadyan Taiwan Headquarter		CNC China Manufacturing Center		AVC Vietnam Manufacturing Center	
	Male	Female	Male	Female	Male	Female
Disabling Injury Frequency Rate (FR)[1]	0.00	0.00	0.00	0.00	0.00	0.00
Disabling Injury Severity Rate (SR)[2]	0.00	0.00	0.00	0.00	0.00	0.00
Frequency-Severity Indicator[3]	0.00	0.00	0.00	0.00	0.00	0.00
Occupational Disease Rate (ODR)[4]	0.00	0.00	0.00	0.00	0.00	0.00
Lost Day Rate (LDR)[5]	0.00	0.00	0.00	0.00	0.00	0.00
Absentee Rate (AR)[6]	1.96%	2.66%	1.53%	1.78%	4.14%	4.53%

Calculations for occupational injuries:

1. Disabling Injury Frequency Rate = Number of Disabling Injuries *1,000,000/ Total Man-hours Worked
2. Disabling Injury Severity Rate= Number of Injured Days Off Work *1,000,000/ Total Man-hours Worked
3. Frequency-Severity Indicator = Disabling Injury Frequency Rate * Disabling Injury Severity Rate /1,000
4. Occupational Disease Rate = (Number of Occupational Disease/ Total Man-hours Worked)*200,000
5. Lost Day Rate = (Numbers of Days Lost due to Injuries/ Total Man-hours Worked) *200,000
6. Absentee Rate = (Number of Absent Days/ Number of Total Working Days) *100%
7. The number of occupational injuries and occupational injury leave does not include traffic accidents that occur during commuting to and from work.

Occupational Safety Education and Training

Arcadyan has established "Procedures Emergency Preparedness and Response" to assist employees in understanding disaster levels, evacuation routes, and other related matters within the plant area. The company conducts regular disaster prevention knowledge dissemination annually, including correct procedures for handling fires, storms, floods, earthquakes, etc. Arcadyan also coordinates with local fire departments to conduct fire drills according to their instructions.

At Arcadyan Taiwan Headquarter, environmental health and safety system introductions and electrostatic protection training are included in the new employee orientations. In 2023, a total of 1 session was held with 78 participants. Additionally, a biannual fire education training and fire drill is conducted, integrating theoretical knowledge with practical exercises. Overseas manufacturing centers comply with local regulations in conducting fire drills. In 2023, CNC China Manufacturing Center conducted 3 sessions, involving a total of 4,500 participants in safety and health education training and evacuation drills. AVC Vietnam Manufacturing Center conducted 2 fire drills, involving a total of 4,128 participants in fire evacuation drills. Furthermore, occupational safety and health series courses covering various safety management, chemical use, radiation safety, and first aid training were conducted, totaling 3,240 participants completing the training.

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   **Social Inclusion**   Appendix

Human Rights Management   Talent Attraction and Retention   Talent Development   **Safety and Health**   Social Participation

5.4.2 Health Care and Promotion

Employees are Arcadyan's most valuable asset, and their health is crucial for the company's success and sustainable development. Providing a healthy and comfortable working environment for all employees is Arcadyan's goal. Arcadyan has established a health center staffed with professional nursing personnel, on-site physicians, and contracted medical institutions. It focuses on three main directions: health education, health promotion, and health management, ensuring the well-being of each employee.

Types	Contents
Health Education	• Health education seminars for new employees, first aid training, health epidemic prevention promotion
Health Promotion	• Comfortable lactation rooms, cervical cancer screening, vision-impaired massage services • Breast ultrasound examination, colorectal cancer screening, aerobic/stretching activities • Special health lectures, weight loss activities • Employee assistance program (EAP)
Health Management	• Health examinations for new employees, and annual health examinations for all employees

Emergency Response Training

Arcadyan Taiwan Headquarter conducts emergency response training courses every year to apply relevant emergency methods to daily life and improve employees' proficiency in using cardiopulmonary resuscitation (CPR) and Automated External Defibrillator (AED). In 2023, one session of CPR+AED training was held with 42 participants. The training included classroom instruction combined with practical exercises to ensure employees perform correctly.

Arcadyan Taiwan Headquarter has installed a total of 4 AED units across multiple floors and meets legal requirements for the provision of emergency responders to ensure workplace safety. The headquarter exceeds regulatory standards by appointing 20 emergency responders and scheduling 3 hours of on-the-job external training every three years. Similarly, CNC China Manufacturing Center appoints 50 emergency responders and participates in emergency responder training courses every two years, and AVC Vietnam Manufacturing Center appoints 52 emergency responders and participates in emergency responder training courses annually.

Health Examinations

Arcadyan provides health examinations that exceed regulatory standards in terms of scope and frequency. Each year, employee health examinations are conducted at the company premises. Based on a "Health Classification Management Table" developed by on-site physicians, employees are classified and managed accordingly. Employees classified under D and E categories receive health consultations from on-site physicians to ensure ongoing health management and treatment. Arcadyan also adheres to the guidelines of "Prevention Plan for Diseases Triggered by Abnormal Workloads," "Maternal Health Protection Program," "Human Factor Risk Prevention Plan," and "Prevention of Illegal Acts Against Duties," among others. These guidelines establish relevant management standards to create a healthy workplace and reduce occupational hazards. In 2023, Arcadyan Taiwan Headquarter conducted health examinations for a total of 787 employees with a completion rate of 90.1%. Similarly, AVC Vietnam Manufacturing Center conducted health check-ups for 2,466 employees with a completion rate of 88.6%.

Health Classification Management Table

Class	Management Content
A	No abnormalities: Regular participation in annual health check-up tracking.
B	Minor abnormalities: Employees manage their health independently, with regular follow-ups during annual examinations.
C	Abnormal results: Require follow-up re-examination within 6 months, with evaluation and recommendations by a physician or nurse to reduce risk.
D	Significant abnormal results: Require re-examination within one month by relevant departments, and continuous monitoring under individual management.
E	Severe abnormal results: Placed under individual management, requiring further follow-up and treatment at medical institutions.

In addition to regular health examinations, Arcadyan also conducts biannual special medical examinations for employees in specific roles such as PCB board cutting, soldering operations, and chemical management to mitigate occupational health risks. In 2023, CNC China Manufacturing Center completed special medical examinations for 246 employees, and AVC Vietnam Manufacturing Center completed them for 333 employees, with no abnormalities detected in the follow-up checks.

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

Female Employee Care

Arcadyan Taiwan Headquarter, CNC China Manufacturing Center, and AVC Vietnam Manufacturing Center together employ over 2,500 female employees. The company provides comprehensive care for female colleagues, ensuring their diverse needs during pregnancy are met.

Pregnancy and Childcare Period	Health Maintenance Period
• Conduct maternal health managerial assessments for different job positions. • On-site nurses provide pregnancy health education, medical guidance, and suitability advice for work. • On-site nurses assist employees in reviewing the maternity handbook and prenatal examination results for health self-assessment, continuously monitoring their health conditions. • Provide dedicated lactation rooms equipped with facilities such as bottle sterilizers, refrigerators, lockers, and nursing chairs, with unlimited access for employees in need.	• Proactively enroll all female employees or registered spouses of male employees under 44 years of age in group insurance coverage with maternity benefits. • Offer female-specific health examinations, such as mammography and cervical smear tests.

Employee Assistance Program (EAP)

Arcadyan understands that employee well-being is crucial for optimal job performance. In order to effectively assist employees in addressing issues that may affect their work, such as mental health, interpersonal relationships, emotional stress, marriage and family matters, financial concerns, legal issues, etc., Arcadyan is introducing an Employee Assistance Program (EAP) in 2024. In 2023, Arcadyan conducted information sessions to help employees familiarize themselves early with the usage and scope of services offered by the EAP, ensuring that the program can deliver maximum effectiveness upon its launch.

Psychological Counseling

Work pressure, interpersonal relationships, emotional distress, marriage and family, parent-child communication

Legal Advice

Traffic accidents, rental disputes, fraud issues, lawsuits

Dedicated Hot-line and Online Mailbox:
The consultation process will be kept confidential in accordance with regulations..

124

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

Health Promotion Activities

In 2023, Arcadyan organized a total of 12 health promotion activities covering topics such as epidemic prevention information, preventive healthcare, mental health, dietary control, and other related health education information.

Topic	2023 Results
2023 Summer Fat Burning Season - Group Fat Loss Challenge	79 people participated with a 419.8% total fat loss and 144.1 kg weight loss.
2023 Summer Fat Burning Season – Healthy Steps 7500	72 people participated.
Lung Cancer Special Topic: "Guarding Your Lungs with Care"	34 people participated.
Breast Cancer Prevention and Care - Love Yourself, Care for Your Family	21 people participated.
Quit Smoking for Love - Helping You Break Free from Addiction	16 people participated.
Getting Rid of Office Sedentary Back Pain (3 Sessions)	100 people participated.
Muscle Building and Fat Loss Diet	46 people participated.
Blocking in One Moment - " Hyperlipidemia"	33 people participated.
Office Workers' Eye Care	37 people participated.
Away from Depression, Embrace the Light	38 people participated.
Isha Meditation - Stress Reduction, Brain Health, and Focus Improvement	21 people participated.
Aromatherapy Stress Relief - Shoulders and Neck De-stressed	41 people participated.
Health Information Sharing	Total 16 articles.

2023 Summer Fat Burning Season - Group Fat Loss Challenge with a fat loss rate of 420%.

Lecture on back pain due to prolonged sitting in the office

In 2023, Arcadyan Taiwan Headquarter successfully applied for "Healthy Workplace Certification - Health Promotion Mark" by the Health Promotion Administration Ministry of Health and Welfare. This achievement demonstrates Arcadyan 's proactive commitment to corporate social responsibility, providing an excellent and healthy work environment, and safeguarding the health and safety of its employees.
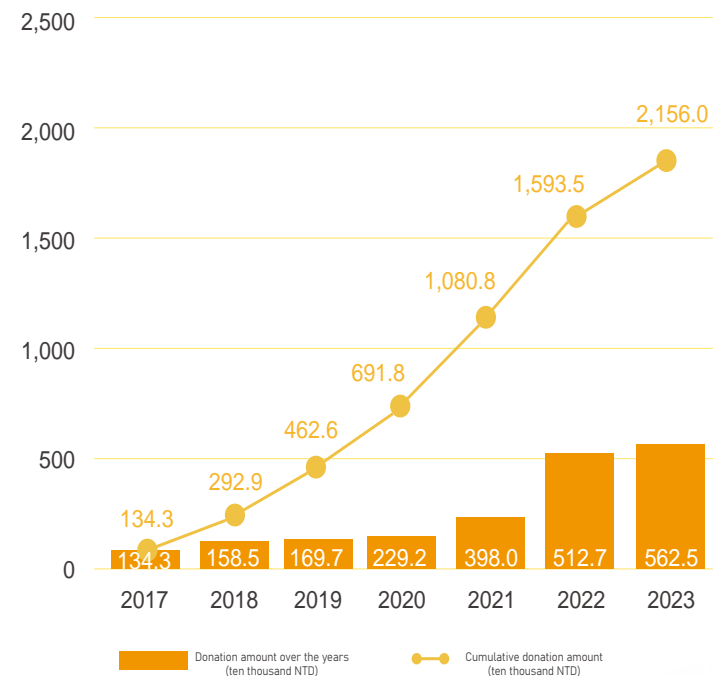
About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

5.5 Social Participation

Arcadyan has established the "Corporate Social Committee" (hereinafter referred to as the CSR Committee) within the "Social Participation Implementation Group" under the "Sustainable Development Committee." It collaborates with group enterprises and social welfare organizations to promote various social welfare activities. The CSR Committee formulates a social participation plan every year and holds various lectures and experiential activities to assist colleagues in implementing corporate social responsibilities in their daily lives. Arcadyan actively participates in numerous public welfare activities, gives back to society, and contributes to corporate social responsibility.
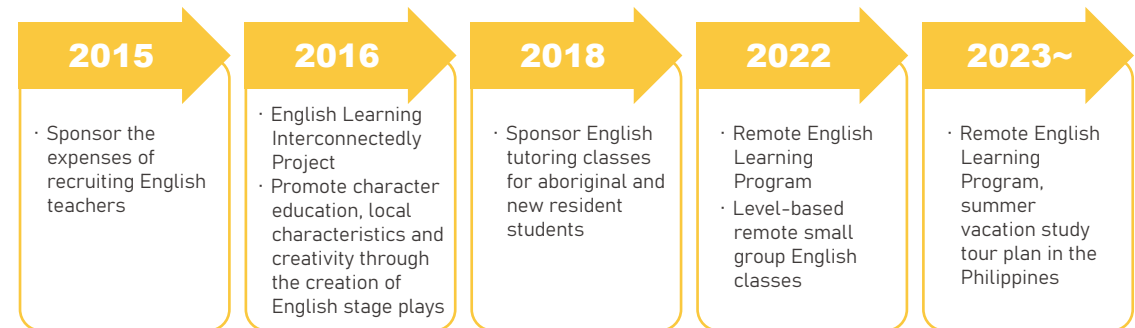
Achievements Over the Years

Arcadyan Social Prosperity Charity Donation (ten thousand NTD)

Legend:
- Donation amount over the years (ten thousand NTD)
- Cumulative donation amount (ten thousand NTD)

Year	2017	2018	2019	2020	2021	2022	2023
Donation amount	134.3	158.5	169.7	229.2	398.0	512.7	562.5
Cumulative	134.3	292.9	462.6	691.8	1,080.8	1,593.5	2,156.0

5.5.1 Remote Education

Arcadyan pays attention to children's education and leverages its business to provide additional educational resources and cultural stimulation for remote primary schools, aiming to promote an equal and high-quality educational environment. Remote education has always faced the problem of insufficient teachers, particularly in professional fields such as English. Arcadyan observes three key challenges facing remote primary schools that are neither in mountainous nor urban areas in implementing English teaching: a lack of English teachers, a lack of bilingual application and learning environments for students, and a significant gap in English proficiency among students, along with a lack of learning motivation. Since 2015, Arcadyan has been investing in the promotion of English education in these areas. The focus is on solving the high turnover rate of English teachers and the difficulty in recruiting teachers.

Arcadyan Remote English Education Milestone

2015
· Sponsor the expenses of recruiting English teachers

2016
· English Learning Interconnectedly Project
· Promote character education, local characteristics and creativity through the creation of English stage plays

2018
· Sponsor English tutoring classes for aboriginal and new resident students

2022
· Remote English Learning Program
· Level-based remote small group English classes

2023~
· Remote English Learning Program, summer vacation study tour plan in the Philippines
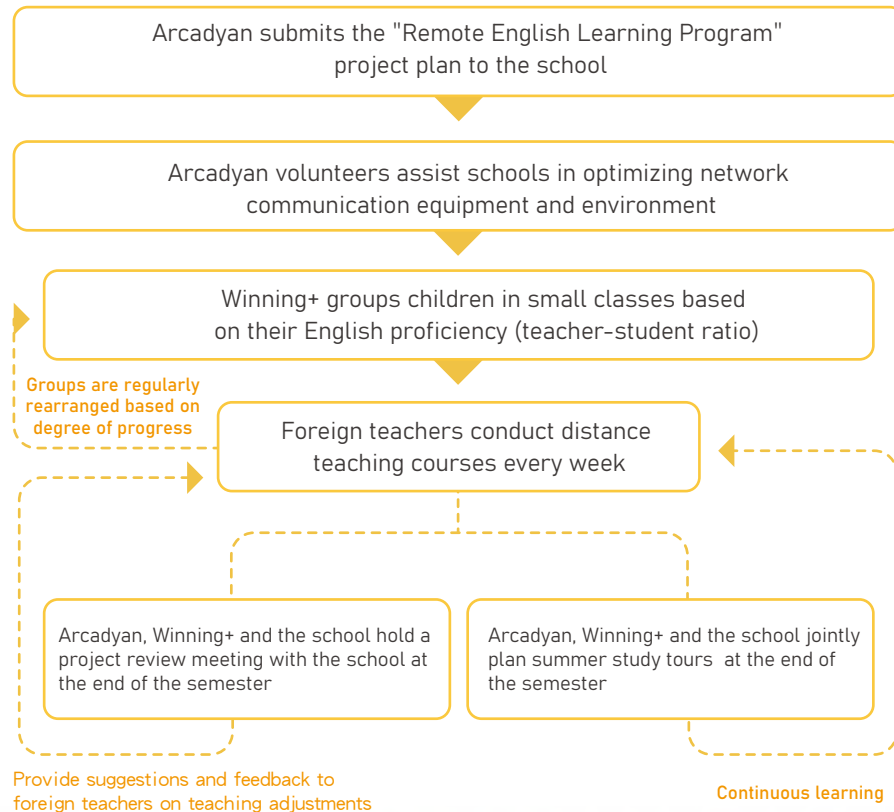
Remote English Learning Program

After the COVID-19 pandemic, the policy of suspending classes without suspending learning has led to a trend in digital learning. Arcadyan also recognizes the opportunities that distance teaching offers for schools in remote, non-mountainous, and non-urban areas. The Arcadyan CSR Committee is discussing the possibility of public welfare cooperation with the Winning+ online course platform (Winning English Co., Ltd.), aiming to bring high-quality foreign language teaching to remote and non-mountainous and non-city schools through technology. This initiative has launched since 2022 as the "Remote English Learning Program" project. Winning+ is a Taiwan-Philippine joint venture language school, Winning English School, a new operation project launched due to the epidemic restrictions on physical teaching. Arcadyan supports the digital transformation of local enterprises in Taiwan during the epidemic and has purchased suitable English courses from Winning+, including K12 children's English programs, children's natural pronunciation, children's rhythmic nursery rhymes, and children's career experience programs.

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About this Report   Sustainability Development   Corporate   Green   Environmental   Social   Appendix
                     Management   Operations   Innovation   Sustainability   Inclusion

Human Rights Management   Talent Attraction and Retention   Talent Development   Safety and Health   Social Participation

The "Remote English Learning Program" project was expanded to 9 elementary schools and 1 junior high school in 2023, investing more than NT$420,000 to provide educational resources and help improve the daily English proficiency of 186 students. The level-based and small-class teaching approach enables students with no prior English foundation to gradually engage in simple conversations and interact naturally with foreign teachers after one semester of courses. A professional English teacher noted that the "Remote English Learning Program" project greatly aids school English classes. Children work harder to listen and speak, and they gain a significant sense of accomplishment from understanding the material. In 2023, the total study hours for the "Remote English Learning Program" project amounted to 348 hours.

In addition to classroom courses, Arcadyan sponsored students for a two-week study tour at the Winning English Language School in the Philippines in the summer of 2023. It allowed children to learn English in an immersive environment, experience local culture, interact with students from around the world, and expand their worldview. The study tours not only extended language learning but also provided the experience of living and studying with classmates, temporarily leaving home to support independent living. It promoted the growth and development of children's non-cognitive skills in all aspects of life and cultivates grit, perseverance, curiosity, optimism, zest, conscientiousness, and self-control, thereby improving children's character.

Arcadyan submits the "Remote English Learning Program" project plan to the school

⬇

Arcadyan volunteers assist schools in optimizing network communication equipment and environment

⬇

Winning+ groups children in small classes based on their English proficiency (teacher–student ratio)

Groups are regularly rearranged based on degree of progress

⬇

Foreign teachers conduct distance teaching courses every week

Arcadyan, Winning+ and the school hold a project review meeting with the school at the end of the semester

Arcadyan, Winning+ and the school jointly plan summer study tours at the end of the semester

Provide suggestions and feedback to foreign teachers on teaching adjustments

Continuous learning

The "Remote English Learning Program" project uses technology to break the barriers of geography and time, bringing high-quality supplementary education resources to schools that need them most. Diversified teaching methods allow each child to learn language in a suitable way and strengthen the subject knowledge of children in remote or non-mountainous areas.

The "Remote English Learning Program" study tour allows children to learn English in an immersive environment, experience local culture, and interact with students from all over the world, thereby expanding their worldview.

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

Human Rights Management | Talent Attraction and Retention | Talent Development | Safety and Health | Social Participation

5.5.2 Support Disadvantaged Groups

Adhering to the principle of taking from society and using it for society, Arcadyan is committed to social welfare and strives to give back to the community in the long term. Arcadyan actively supports the Hsu Chauing Social Welfare Charity Foundation's philosophy of caring for the disadvantaged, helping others with kindness, and providing economic and resource assistance to disadvantaged children. Through the Dream Flying Project, Arcadyan help financially disadvantaged children with unique potential to develop their talents, benefiting a total of 24 disadvantaged children in 2023. We sponsor disadvantaged children to receive necessary supplies, daily necessities, or holiday gifts before the start of school and on special holidays (such as New Year's Day, Children's Day, Christmas, etc.).

Arcadyan also pays attention diverse social issues. In 2023, It cooperated with 27 non-profit organizations and social welfare groups, preparing budgets to support after-school tutoring and summer camps for disadvantaged students, resettlement and return-to-school programs for marginalized students, and social services for people with physical and mental disabilities and their families. Arcadyan provided festival gifts for disadvantaged families (such as Mother's Day cakes, Moon Festival, and Dragon Boat Festival gifts) and purchased food for worship according to the food bank's needs. After the ceremony, Arcadyan donated the food to disadvantaged families and children. In 2023, the total donation amounted to NTD 3.19 million.

Arcadyan supports the Hsu Chauing Social Welfare Charity Foundation's "Dreams and Wishes Come True" project and donates charity items on Children's Day to care for disadvantaged children.

Arcadyan responded to the Children Are Us Foundation's "Send Love to the Tribe" project, calling on employees to support the donation of Mother's Day cakes in 2023. This initiative ensured that individuals with mental disabilities received stable job training while delivering a warm Mother's Day blessing to tribal schoolchildren and their mothers.

Appendix

About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

GRI Standards Disclosure Index   Material Topic Disclosures   Other Topic Disclosures   SASB Content Index: TC Technology and Communication (Hardware) Industry   Taiwan Stock Exchange Sustainable Disclosure Index   Independent Verification Statement

GRI Standards Disclosure Index

- Statement of Use: The Arcadyan Sustainability Report has been prepared in accordance with the GRI Standards. The reporting period is the year 2023 (January 1, 2023 to December 31, 2023).

- GRI Use: GRI 1- Foundation 2021

- Applicable GRI Sector Standards: Not applicable

General Disclosures

	GRI Disclosure	Report Section Reference	Page	Omissions/Remarks
2-1	Organizational details	About this Report 2.1 About Arcadyan	3, 30-31	
2-2	Entities included in the organization's sustainability reporting	About this Report	3	
2-3	Reporting period, frequency and contact point	About this Report	3	
2-4	Restatements of information	About this Report	3	
2-5	External assurance	About this Report	3, 138-139	
2-6	Activities, value chain and other business relationships	2.1 About Arcadyan	32	
2-7	Employees	5.2 Talent Attraction and Retention	111	
2-8	Workers who are not employees	5.2 Talent Attraction and Retention	111	
2-9	Governance structure and composition	2.2 Corporate Governance	36-38	
2-10	Nomination and selection of the highest governance body	2.2 Corporate Governance	36-38	
2-11	Chair of the highest governance body	2.2 Corporate Governance	37	

About this Report   Sustainability Development   Corporate   Green   Environmental   Social   ▪ Appendix
                     Management   Operations   Innovation   Sustainability   Inclusion

GRI Standards   Material Topic   Other Topic   SASB Content Index: TC Technology and   Taiwan Stock Exchange   Independent Verification
Disclosure Index   Disclosures   Disclosures   Communication (Hardware) Industry   Sustainable Disclosure Index   Statement

	GRI Disclosure	Report Section Reference	Page	Omissions/Remarks
2-12	Role of the highest governance body in overseeing the management of impacts	2.2 Corporate Governance	37	
2-13	Delegation of responsibility for managing impacts	2.2 Corporate Governance	9, 37	
2-14	Role of the highest governance body in sustainability reporting	2.2 Corporate Governance	9	
2-15	Conflicts of interest	2.2 Corporate Governance	37, 48	
2-16	Communication of critical concerns	2.4 Integrity Management	9, 50	
2-17	Collective knowledge of the highest governance body	2.2 Corporate Governance	38	
2-18	Evaluation of the performance of the highest governance body	2.2 Corporate Governance	40	
2-19	Remuneration policies	2.2 Corporate Governance	40	
2-20	Process to determine remuneration	2.2 Corporate Governance	40	
2-21	Annual total compensation ratio	-	-	The highest individual annual total compensation is confidential company information.
2-22	Statement on sustainable development strategy	Message from the Executives	5	
2-23	Policy commitments	1.1 Sustainability Vision 2.4 Integrity Management 4.1 Arcadyan Environmental Sustainability Policies 5.1 Human Rights Management	7, 48-49, 81, 105-106	
2-24	Embedding policy commitments	2.4 Integrity Management 4.1 Arcadyan Environmental Sustainability Policies 5.1 Human Rights Management	48-49, 81, 93, 105-106, 119	

arcadyan

About this Report   Sustainability Development   Corporate   Green   Environmental   Social   Appendix
                     Management   Operations   Innovation   Sustainability   Inclusion

GRI Standards   Material Topic   Other Topic   SASB Content Index: TC Technology and   Taiwan Stock Exchange   Independent Verification
Disclosure Index   Disclosures   Disclosures   Communication (Hardware) Industry   Sustainable Disclosure Index   Statement

GRI Disclosure		Report Section Reference	Page	Omissions/Remarks
2-25	Processes to remediate negative impacts	2.4 Integrity Management 5.1 Human Rights Management	50, 105-107	
2-26	Mechanisms for seeking advice and raising concerns	2.3 Risk Management 2.4 Integrity Management 5.1 Human Rights Management	43-45, 50, 105-107	
2-27	Compliance with laws and regulations	2.4 Integrity Management 4.1 Arcadyan Environmental Sustainability Policies	49, 82	
2-28	Membership associations	1.3 Performance, Certification and Initiatives	11	
2-29	Approach to stakeholder engagement	1.4 Stakeholders and Materiality	17-22	
2-30	Collective bargaining agreements	5.1 Human Rights Management	108-109	

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

GRI Standards Disclosure Index | Material Topic Disclosures | Other Topic Disclosures | SASB Content Index: TC Technology and Communication (Hardware) Industry | Taiwan Stock Exchange Sustainable Disclosure Index | Independent Verification Statement

Material Topic Disclosures

	GRI Disclosure	Report Section Reference	Page	Omissions/Remarks
3-1	Process to determine material topics	1.4 Stakeholders and Materiality	17-22	
3-2	List of material topics	1.4 Stakeholders and Materiality	22	
3-3	Management of material topics	1.4 Stakeholders and Materiality	23-28	

Topics	GRI Disclosure	Report Section Reference	Page	Omissions/Remarks
GRI 201：Economic Performance	201-1 Direct economic value generated and distributed	2.1 About Arcadyan	33, 35	
	201-2 Financial implications and other risks and opportunities due to climate change	4.2 Climate-related Information Disclosure using TCFD Framework	83-85	
	201-3 Defined benefit plan obligations and other retirement plans	5.2 Talent Attraction and Retention	114	
	201-4 Financial assistance received from government	2.2 Corporate Governance	35	
GRI 204：Procurement Practices	204-1 Proportion of spending on local suppliers	2.5 Sustainable Partnership	59	
GRI 205：Anti-corruption	205-1 Operations assessed for risks related to corruption	2.2 Corporate Governance	49	
	205-2 Communication and training about anti-corruption policies and procedures	2.2 Corporate Governance	48	
	205-3 Confirmed incidents of corruption and actions taken	2.2 Corporate Governance	50	
GRI 206：Anti-competitive Behavior	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	2.2 Corporate Governance	49	
GRI 301：Materials	301-1 Materials used by weight or volume	3.4 Restricted Hazardous Substances Management	76	
	301-2 Recycled input materials used	3.3 Eco-design	72	
	301-3 Reclaimed products and their packaging materials	3.3 Eco-design	73	
GRI 302：Energy	302-1 Energy consumption within the organization	4.5 Energy Management	94	
	302-2 Energy consumption outside of the organization	4.3 Green House Gas Management	89-90	

arcadyan

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

GRI Standards Disclosure Index | **Material Topic Disclosures** | Other Topic Disclosures | SASB Content Index: TC Technology and Communication (Hardware) Industry | Taiwan Stock Exchange Sustainable Disclosure Index | Independent Verification Statement

Topics	GRI Disclosure	Report Section Reference	Page	Omissions/Remarks
GRI 302：Energy	302-3 Energy intensity	4.5 Energy Management	94	
	302-4 Reduction of energy consumption	4.5 Energy Management	91, 92, 95	
	302-5 Reductions in energy requirements of products and services	4.5 Energy Management	66-68, 72	
GRI 305：Emissions	305-1 Direct (Scope 1) GHG emissions	4.3 Green House Gas Management	89	
	305-2 Energy indirect (Scope 2) GHG emissions	4.3 Green House Gas Management	89	
	305-3 Other indirect (Scope 3) GHG emissions	4.3 Green House Gas Management	90	
	305-4 GHG emissions intensity	4.3 Green House Gas Management	90	
	305-5 Reduction of GHG emissions	4.3 Green House Gas Management	91-93	
	305-6 Emissions of ozone-depleting substances (ODS)	-		In 2023, Arcadyan's operations did not involve any emissions related to the use of chlorofluorocarbon substances.
	Nitrogen oxides (NO_x), sulfur oxides (SO^x), and other significant air emissions	-		Arcadyan's operations did not generate any emissions of nitrogen oxides or sulfur oxides, thus not applicable.
GRI 308： Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	2.5 Sustainable Partnership	53-54	
	308-2 Negative environmental impacts in the supply chain and actions taken	2.5 Sustainable Partnership	53-56	
GRI 406：Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	5.1 Human Rights Management	107	
GRI 408：Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	2.5 Sustainable Partnership 5.1 Human Rights Management	54-55, 105-106	
GRI 409： Forced or Compulsory Labor	409-1 for incidents of forced or compulsory labor	2.5 Sustainable Partnership 5.1 Human Rights Management	54, 55, 105-106	
GRI 414： Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	2.5 Sustainable Partnership	53-54	
	414-2 Negative social impacts in the supply chain and actions taken	2.5 Sustainable Partnership	53-56	
GRI 416： Customer Health and Safety	416-1 Assessment of the health and safety impacts of product and service categories	3.5 Customer Health and Safety	78-79	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	3.5 Customer Health and Safety	78	

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

GRI Standards Disclosure Index | Material Topic Disclosures | Other Topic Disclosures | SASB Content Index: TC Technology and Communication (Hardware) Industry | Taiwan Stock Exchange Sustainable Disclosure Index | Independent Verification Statement

Other Topic Disclosures

Topics	GRI Disclosure	Report Section Reference	Page	Omissions/Remarks
GRI 202：Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	5.2 Talent Attraction and Retention	114	
GRI 306：Waste	306-3 Significant spills	4.7 Waste Management	98	
	306-4 Transport of hazardous waste	4.7 Waste Management	98-99	
	306-5 Water bodies affected by water discharges and/or runoff	4.7 Waste Management	113	
GRI 401：Employment	401-1 New employee hires and employee turnover	5.2 Talent Attraction and Retention	114-116	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Talent Attraction and Retention	115	
	401-3 Parental leave	5.2 Talent Attraction and Retention	108	
GRI 402：Labor Management Relations	402-1 Minimum notice periods regarding operational changes	5.1 Human Rights Management	120	
GRI 403：Occupational Health and Safety	403-1 Occupational health and safety management system	5.4 Safety and Health	121	
	403-2 Hazard identification, risk assessment, and incident investigation	5.4 Safety and Health	121	
	403-3 Occupational health services	5.4 Safety and Health	120	
	403-4 Worker participation, consultation, and communication on occupational health and safety	5.4 Safety and Health	122	
	403-5 Worker training on occupational health and safety	5.4 Safety and Health	123	
	403-6 Promotion of worker health	5.4 Safety and Health	123-125	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.4 Safety and Health	121-122	
	403-9 Work-related injuries	5.4 Safety and Health	118	
GRI 404：Training and Education	404-1 Average hours of training per year per employee	5.3 Talent Development	119	
	404-3 Percentage of employees receiving regular performance and career development reviews	5.3 Talent Development	38	
GRI 405：Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	2.2 Corporate Governance 5.2 Talent Attraction and Retention	110-111	
	405-2 Ratio of basic salary and remuneration of women to men	5.2 Talent Attraction and Retention	114	

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | ▪ Appendix

GRI Standards Disclosure Index | Material Topic Disclosures | Other Topic Disclosures | SASB Content Index: TC Technology and Communication (Hardware) Industry | Taiwan Stock Exchange Sustainable Disclosure Index | Independent Verification Statement

SASB Content Index: TC Technology and Communication (Hardware) Industry

Topic	Standard Codes	Metric	Report Section Reference / Not Applicable Explanation	Page
Product Security	TC-HW-230a.1	Description of approach to identifying and addressing data security risks in products	2.5 Sustainable Partnership	51-52
Employee Diversity & Inclusion	TC-HW-330a.1	Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) technical employees and (d) all other employees	5.2 Talent Attraction and Retention	110-111
Product Lifecycle Management	TC-HW-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	3.4 Restricted Hazardous Substances Management	75-78
	TC-HW-410a.2	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent	Arcadyan's products are not subject to EPEAT standards.	-
	TC-HW-410a.3	Percentage of eligible products, by revenue, certified to an energy efficiency certification	Arcadyan's products are not subject to Energy Star standards.	-
	TC-HW-410a.4	Weight of end-of-life products and e-waste recovered, percentage recycled	Arcadyan operates under a B2B business model and does not have a product waste recycling process.	-
Supply Chain Management	TC-HW-430a.1	Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities	There were no high-risk suppliers in 2023. Four of Arcadyan's first-tier suppliers passed the JAC audit (equivalent to the RBA audit), and a total of ten suppliers have passed the JAC audit in the past three years.	
	TC-HW-430a.2	Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances	In 2023, four of Arcadyan's first-tier suppliers passed the JAC audit, achieving a 100% completion rate for audit deficiencies and improvements.	
Materials Sourcing	TC-HW-440a.1	Description of the management of risks associated with the use of critical materials	Arcadyan requires all suppliers to adhere to sustainable policies or document norms. It conducts annual supplier risk analyses, assesses supplier performance, schedules audits, and manages supplier risks. Arcadyan also develops guidelines for managing hazardous chemicals, monitors hazardous substances, conducts conflict mineral investigations, and actively develops halogen-free products to ensure customer health and safety.	44, 54, 59, 79

Topic	Standard Codes	Metric	Disclosure
Activity Metrics	TC-HW-000.A	Number of units produced by product category	In 2023, Arcadyan produced a total of 24,489,986 units of network communication devices.
	TC-HW-000.B	Area of manufacturing facilities	112,000 m^2(including China Manufacturing Center and Vietnam Manufacturing Center).
	TC-HW-000.C	Percentage of production from owned facilities	In 2023, Arcadyan's products are 100% produced in its own factories (China and Vietnam manufacturing center)

About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

GRI Standards Disclosure Index | Material Topic Disclosures | Other Topic Disclosures | SASB Content Index: TC Technology and Communication (Hardware) Industry | Taiwan Stock Exchange Sustainable Disclosure Index | Independent Verification Statement

Taiwan Stock Exchange Sustainable Disclosure Index

Sustainability Disclosure Index - Telecommunications Network Industry

No.	Metric	Type	Annual Disclosure	Report Section	Page
1	Total energy consumption, percentage of purchased power and renewable energy utilization rate	Quantitative	Total Energy Consumption: 170,377.884 billion joules (GJ) Percentage of Purchased Electricity: 94.66% Renewable Energy Usage Rate: 16.95%	4.5 Energy Management	94
2	Total water withdrawn and total water consumed	Quantitative	Total Water Withdrawal: 130,300 cubic meters (m³) Total Water Consumption: 158,203 cubic meters (m³)	4.6 Water Management	96-97
3	Amount of hazardous waste from manufacturing, percentage recycled	Quantitative	Weight of Hazardous Waste Generated: 120.34 metric tons (t) 100% of Arcadyan's hazardous business waste is handled by legally designated disposal facilities in accordance with regulations.	4.7 Waste Management	98-99
4	Types, number and rates of occupational injuries	Quantitative	0	5.4 Safety and Health	122
5	Weight of end-of-life products and e-waste recovered, percentage recycled (Including sales of scrap materials or other recycling/disposal methods, relevant explanations should be provided)	Quantitative	Arcadyan operates under a B2B business model without a related product waste recycling process.	-	-
6	Description of the management of risks associated with the use of critical materials	Qualitative Description	Arcadyan conducts supplier risk analysis, evaluates supplier performance, and schedules audit plans. They establish guidelines for managing hazardous chemicals, monitor hazardous substances, conduct conflict minerals investigations, and actively develop halogen-free products to ensure customer health and safety.	2.3 Risk Management	41-45
7	Total monetary losses incurred due to legal proceedings related to anti-competitive behavior regulations	Quantitative	0	2.4 Integrity Management	50
8	Major product output by product category	Quantitative	Smart Home Products: 7,837,000 units Broadband Network Products: 7,094,000 units Mobility Products: 2,961,000 units	2.1 About Arcadyan	33

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About this Report | Sustainability Development Management | Corporate Operations | Green Innovation | Environmental Sustainability | Social Inclusion | Appendix

GRI Standards Disclosure Index | Material Topic Disclosures | Other Topic Disclosures | SASB Content Index: TC Technology and Communication (Hardware) Industry | Taiwan Stock Exchange Sustainable Disclosure Index | Independent Verification Statement

Independent Verification Statement

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Independent Assurance Statement

ARCADYAN TECHNOLOGY CORPORATION's 2023 SUSTAINABLITY REPORT

AFNOR GROUP was established in 1926. We are the National Standardization Body of France, a permanent council member in ISO and one of the leading certification bodies in the world. This verification work was carried out by AFNOR ASIA LTD., a subsidiary of AFNOR GROUP. All the members of the verification team have professional backgrounds and have accepted AA1000 AS, AFAQ 26000, ISO 9001, ISO 14001, ISO 14064, ISO 45001, ISO 50001, and other sustainability-related international standard trainings. All assigned verifiers have been approved as the lead auditors or verifiers. AFNOR GROUP hereby provides a summary of ARCADYAN TECHNOLOGY CORPORATION's Sustainability Report of 2023 (hereinafter referred to as "the Report") but was not involved in any way in its preparation.

AFNOR GROUP and ARCADYAN TECHNOLOGY CORPORATION (hereinafter referred to as "Arcadyan") are independent entities. AFNOR ASIA LTD., was commissioned by Arcadyan to conduct the assessment and assure the Sustainability Report of 2023 was in accordance with AA1000 Assurance Standard (v3) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

SCOPE

ARCADYAN TECHNOLOGY CORPORATION is responsible for reporting fairly on the economic, environmental and social aspects of operating activities and performance of its various operating sites in Taiwan and oversea in sustainability reports in accordance with the declared sustainability reporting standards.

AFNOR ASIA LTD. is responsible for:

1. Evaluating the accordance of the Report with the Type 1 of AA1000 Assurance Standard (v3) based on the AA1000 Accountability Principles (2018). The reliability verification of the revealed sustainability performance information and data was not included. The verification scopes include sustainability issues, response mechanism, performance information, management systems of information, and the processes of materiality evaluation and stakeholder participation.
2. In accordance with the GRI Standards, we verified the statement options and material topics disclosed in the report compiled by Arcadyan.

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REFERENCES

The scope of the assurance includes an assessment of the source adequacy of specific performance information and an assessment of adherence to the following reporting criteria :

- AA1000 Accountability Principles (2018)
- GRI Standards

METHODOLOGY

- The inclusivity, materiality, responsiveness, and impact in the Report were assessed according to the principles of management process against AA1000 Assurance Standard (v3).
- The report is reported in accordance with the GRI Standards, and the content of the report is reviewed for general disclosures and specific topic disclosures that comply with the GRI Standards.
- The mechanism of communication and response to the interest of stakeholders was verified through discussion and interview with the management team, however, the assessment team did not make any direct contact with external stakeholders.
- The qualitative and quantitative information produced, collected, and disclosed by the Report was reviewed through a validated sampling plan.
- The documents, materials and information related to the report were examined and reviewed by interviewing the responsible persons of each group of Arcadyan.
- Interviews with members of the organization related to sustainable development management and report writing, including representatives of all levels and departments.
- All documents, data and information related to the preparation of this report were checked by the verification team through interviews with relevant personnel.
- Check the sufficiency and completeness of supporting materials and evidence for the content of the report.

CONCLUSION

◆ **AA1000 Accountability Principles**

Inclusivity

Arcadyan has identified stakeholders and maintained communication channels for stakeholders to participate in different important topics to understand the important information that stakeholders are concerned about. The report has fairly reported and disclosed relevant information

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About this Report   Sustainability Development Management   Corporate Operations   Green Innovation   Environmental Sustainability   Social Inclusion   Appendix

GRI Standards Disclosure Index   Material Topic Disclosures   Other Topic Disclosures   SASB Content Index: TC Technology and Communication (Hardware) Industry   Taiwan Stock Exchange Sustainable Disclosure Index   Independent Verification Statement

Independent Verification Statement

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on the economy, environment and society, and can provide effective information to its stakeholders.

Materiality

Arcadyan has established effective processes to identify issues of significance to stakeholders and operational performance. The double materiality decision-making mechanism implemented by the organization can focus on materiality issues related to its sustainable development, and the report reflects the organization's priority in handling materiality issues.

Responsiveness

Arcadyan has developed and implemented a stakeholder response mechanism, clearly announcing relevant policies and communicating with stakeholders, and providing specific responses to the expectations and opinions of stakeholders.

Impact

Arcadyan has understood the environmental impact of its operations and has developed processes to measure, assess and manage the organization's impact. The necessary capabilities and resources have been provided, and the organization is committed to making a comprehensive and balanced disclosure of the measurement and assessment of the impact of the organization on its stakeholders and itself.

◆ **Global Reporting Initiative Sustainability Reporting Standards**

Based on the results of the review, we confirmed that the general disclosure and specific disclosure content of the report and the necessary management policy disclosure of major topics have complied with the requirements of GRI Standards. In the future, the organization will continue to comply with the requirements of reporting standards, compile major theme management content and relevant operational performance of each base, and provide sufficient sustainable development reporting content.

ASSURANCE OPINION

AFNOR GROUP has developed a complete sustainability reporting assurance standard based on the verification guidelines of the AA1000 Assurance Standard (v3) and the GRI Standards. Based on the sufficient evidence provided by Arcadyan and the facts seen during on-site verification, we adhere to the principle of fairness and issue a statement on the global sustainability reporting standards followed by the organization.

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In our opinion, the information and data presented in the Report by Arcadyan provides a fair and balanced representation. We believe the focuses on economic, social, and environmental matters in Arcadyan in 2023 are well represented.

ASSURANCE LEVEL

In accordance with the AA1000 Assurance Standard (v3), we verified this assurance statement corresponding to a moderate level. The scope and methods are as described in this statement.

LIABILITY

This assurance statement is intended for the use of ARCADYAN TECHNOLOGY CORPORATION only. AFNOR is not responsible for any other uses. Our responsibility is only based on the scope and methodology described, and to provide stakeholders an independent assurance statement.

For and on behalf of AFNOR：

Patrick Ni

Patrick Ni
The Director for Certification and Assessment
Jun.26.2024

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