FocalTech

FocalTech Systems Co., Ltd.

2020

ESG INSIGHT REPORT

Environmental

FocalTech is a high-tech IC design company. It is engaged in the research and development of semiconductors in the Hsinchu Science Park. The company outsources the manufacturing functions to various well-known domestic and international IC manufacturers to carry out wafer fabrication. Therefore, the company's business activities have a low impact on the environment. As an IC design company, our environmental efforts will be mainly dedicated towards the supply chain. On the other hand, Focaltech has also maintained our commitment to improve the Company's own environmental accounting and initiatives.

Environmental Management System

SUPPLIERS
Selection of suppliers with environmental responsibility

DISPOSAL
Establishment of proper disposal methods for waste

POLLUTION
Reduction of pollution

NON-TOXIC
Provide customers with quality products with no toxic and hazardous substances

RECYCLED
Use of recycled materials

Climate Change Risks and Opportunities

Opportunities	Responses
Water and Electricity Supply - Instability - Increased cost due to climate change FocalTech is an IC design company which is not engaged in any production operations and therefore, does not strongly rely on a stable water and electricity supply. Water and electricity cost savings are achieved through the internal promotion of water and electricity conservation in everyday operations, which reduces the impact of unstable supply.	1. Regular accounting of water and electricity consumption GHG emissions. 2. Adoption of energy conservation, carbon and GHG reduction initiatives. 3. Ongoing promotion of electronic approval procedures to reduce paper consumption and thereby indirectly decrease the consumption of global resources.

Opportunities	Responses
Company's Transformational Risks In Response to Climate Change, International Trends and Legal Requirements FocalTech is fully dedicated to developing low energy consuming or lighter IC products to reduce the power consumption of end products and decrease the production of consumables. FocalTech successfully developed and integrated the touch and display operating chips into one. In addition to reducing production materials, it also reduced the cost of manufacturing process, consumables, and labor for downstream customers. In 2020, the market share of FocalTech IDC products is 27.8%, which is evidence of its energy efficiency. Compared to peers, FocalTech fingerprint products in standby and scan mode reduces power consumption by 92% and 6% respectively.	1. Adoption of more rigorous standards for the determination of new product specifications. 2. Unwavering ommitment to technological breakthroughs to satisfy customer and investor demands and make an utmost effort to help slow down global warming.

Environmental Policies and Goals

1. **Energy conservation and carbon, greenhouse gas reduction:**

   Installing water-saving facilities, reducing environmental burdens, continuing to promote digital signing procedures, reducing paper consumption, installing blinds and curtains to reduce solar radiation heat transmission into the office, reducing the amount of electricity used for air conditioning, and ensuring that basic lighting matches illumination level standards and requirements with the use of appropriate energy-efficient daylight lighting.

   In 2020, lighting has been replaced with energy-effecient LED lighting, which enabled 50% energy savings, a total of 2,177KW saved.

2. **Formulate energy conservation and carbon reduction targets:**

   Since the factory and office areas are integrated, the increment in the carbon emissions per capita should be less than 10%.

   Due to a damaged small ice machine, the Company has switched to a larger model in 2020. This caused a spike during July-September metrics. However, for 2020 the settings for the larger ice machine has been optimized to conserve 12% electrical usage.

3. **Water conservation management plan and water resource efficiency:**

   Raise employees' water conservation awareness, continue to adjust the water supply valves (50% of water supply valves have been closed), and adjust office air-conditioning to 27 degrees in order to save water used in air-conditioning.

   With the continual promotion of water conservation, water consumption per capita is 1.3% less than the previous year 2019.

2020 Initiatives

1 Obtained SONY Green Partner Certification.

2 Completed cleaning the HVAC ducts in the building to improve air-conditioning energy efficiency.

3 Arranged centralized offices for plant planners to enhance energy efficiency.

4 Completed all regular environmental monitoring and awareness-raising activities.

Environmental Metrics

	Unit	2018	2019	2020
Greenhouse Gas Emissions	tons	891	871	1,115
Carbon Emissions per Capita	tons	2.23	2.49	2.82
Water Consumption	m^3	8,019	7,607	8,470
Total Volume of Recycled Materials	tons	1.28	1.24	1.53

Increase in GHG Emissions and Water Consumption in 2020 mainly attributed to: increase in employees; aforementioned 2020 ice machine malfunctioning; and a warehouse pipeline incident.

Environmental Certifications

Certification		Validity
ISO 14001	Environmental Management System	2020 - 2023
ISO 9001	Quality Management System	2018 - 2021
SONY GP	SONY Green Partner	2019 - 2021
RoHS / REACH	RoHS Directive & REACH Regulations	NA

Social

FocalTech places strong emphasis on R&D and innovation and has made an ongoing commitment to recruiting outstanding talent and offering competitive and fair compensation packages and diversified benefits and activities for its employees. Talent is one of our most important assets. The joint efforts of all staff members enabled us to weather adversity and overcome hardship between 2017 and 2019, and have turned loss into profit in 2020.

Talent Structure

Globally the company has over 800 employees. Table below shows the talent structure of Taiwan area.

Position	Gender	2018		2019		2020	
Rank and File Note	M	245	61.1%	228	59.2%	221	57.4%
	F	50	12.5%	52	13.5%	56	14.5%
Rank and File Note	M	94	23.4%	95	24.7%	96	24.9%
	F	12	3.0%	10	2.6%	12	3.1%
Temporary Employees		6		4		5	
Total		407		389		390	

Note: Permanent full-time employees.

Gender Pay Equality

	2017	2018	2019	2020
F	1.000	1.000	1.000	1.0000
M	1.525	1.605	1.597	1.793

2020 Employee Turnover

New Employees by Gender	M	F
New Employees	56	22
Total	78	
Termination of Employees by Gender	M	F
Termination of Employment	69	14
Total	83	

Any justification for the increase in employee turnover 15% - 20%?

3-Year Turnover

Year	T/O
2018	16%
2019	15%
2020	20%

Engineer Turnover

	2018	2019	2020
New Engineers/ Total Engineers	23 / 174	25 / 181	55 / 177
Exited Engineers/ Total Engineers	46 / 155	32 / 174	31 / 176

Identification of Talent Retention Risks

Risks	Responses
Employee Benefits and Communication: Uncompetitive benefits and poor communication. **Talent Cultivation and Learning Development:** Lack of a sense of satisfaction derived from learning and growth.	1. **Competitive Remuneration** Ongoing enhancement of employee compensation and sharing of the excellent business results with employees; the compensation package includes base salary, different types of bonuses, surplus distribution, stock awards, insurance, health checks, and employee welfare committee benefits. 2. **Creation of various communication channels** In addition to regular business management meetings, various functional interdepartmental meetings, internal departmental meetings, and project meetings, the Company organizes "soft" activities such as birthday parties, Facebook Fan Page, and Valentine's Day group activities. 3. **Talent reserve** To better manage standard employee turnover, the Company offers diverse training courses and participation in projects to constantly train talent that meets the needs of the Company.

Employee Renumeration

FocalTech has always viewed talent as its most valuable asset and is therefore fully committed to providing its employees with the most competitive compensation and benefit packages with the goal of attracting and retaining top-notch talent. Between 2018 and 2020, the mean value of the annual salaries of full-time employees in non-management positions increased steadily. The value in 2020 was 31.55% higher than in the previous year.

Salaries of Full-time employees in Non-management Positions

Employees reviewed in 2020		2018	2019	2020	Difference
Number of full-time employees in non-management positions		362	356	334	-6.18%
Annual salaries of full-time employees in non- Mean management positions (Unit: 1,000 NTD)	Mean	1,622	1,535	2,018	31.47%
	Median	-	1,360	1,740	27.94%
Industry (Semiconductor) Mean Comparison		1,228	1,230	1,416	15.12%

Employee Benefits and Communication

SDG Target	FocalTech Contribution
8 DECENT WORK AND ECONOMIC GROWTH **8.7** Take immediate and effective measures to eradicate forced labor and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms. **8.8** Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	1. Adoption of human rights principles with reference to the core conventions of the International Labor Organization (ILO) and the Responsible Business Alliance (RBA) Code of Conduct; banning of child labor and guarantee of a safe work environment and humane treatment of workers. 2. Active recruitment of outstanding talent, provision of a competitive compensation and training package, and sharing of the results of corporate growth to ensure strengthening of the Company.

FocalTech employees are entitled the following benefits:

- Group accident assurance, labor insurance/health insurance
- Annual leave
- Maternity and parental leave
- Wedding/funeral allowances
- Retirement system
- Festival bonuses
- Year-end bonuses
- Staff trips
- Club activities
- Celebration activities
- Dinner party subsidies

Employee Shareholdings

After completing three months of service, employees are eligible to contribute a fixed percentage of their salary for the purchase of Company shares. To encourage long-term holding, the Company will also match this contribution, and both are deposited in employee accounts.

Health management and Risk Identification

The Company administers annual health checks for all employees. Depending on the results, physicians may provide additional professional healthcare services, health assessments, and professional advice every two months for those in need; fostering a culture of long-term health and wellbeing. The Company also actively engages in abnormal workload assessments, maternal health protection, ergonomic hazard prevention programs, and communicable disease prevention counseling.

Check-up Rates

2018	2019	2020
97.0%	98.1%	95.3%

COVID-19 Response

COVID-19 emergency response plan has been implemented, including various measures from protective, sanitizing equipment to access controls and adjustment of business trips etc. The status of the epidemic is announced on a daily basis as of 2 Jan 2020.

Talent Cultivation and Learning Development

SDG Target	FocalTech Contribution
4 QUALITY EDUCATION **4.5** By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.	1. Execution of HR operations including hiring, promotions, training, and benefits in accordance with the internal control system and external laws and regulations and elimination of gender disparities in all areas. 2. In 2020, the Company offered diversified courses encompassing supervisory management, professional skills, general education,and personal development for a total of 2,445 trainees. (total expenditures amounted to NT$ 1,088,433).

FocalTech provides corresponding training and learning resources for employees and supervisors at different levels and positions to effectively enhance their work abilities and career development.

Learning Framework

Personal Efficacy Training Department Training Program

Mid-level Management Organizational Leadership Training

Top-level Management Strategic Leadership Training

All employees Basic training

Entry-level management Task leadership training

Number of Internal Training Course Sessions in 2020

Training Item	Content	No. Sessions	Satisfaction Survey Score (Out of 5)
Orientation Training	Better understanding of company systems and corporate culture to facilitate a more rapid assimilation into the team.	4	4.3
Supervisor Training	Effective enhancement of managerial abilities.	4	4.2
Rank and File Training	Diversified training contents to enhance the professional knowledge and skills of employees.	28	4.3

Occupational Safety and Health

FocalTech places top priority on workplace safety and acquired ISO 45001 certificate in 2020. The Company has adopted environmental and occupational health and safety policies and pledge to comply with all requirements set forth by the government and in relevant laws and regulations. The Company has an OSH Committee consisting of 13 members and convenes every quarter to deliberate occupational safety issues.

Human Rights Policies

FocalTech adopts human rights principles with reference to the core conventions of the International Labor Organization (ILO) and the Responsible Business Alliance (RBA) Code of Conduct.

ISO 45001

No labor-management disputes occurred between 2018 and 2020.

Human Rights Commitments

01 NO CHILD LABOR
Prohibit hiring of anyone under the age of 15, or under the age of compulsory education, or the minimum age for employment in the country/region.

02 HUMANE TREATMENT
Employees must not be treated inhumanely, including any form of sexual harassment, sexual assault, physical punishment, mental or physical coercion.

03 NON-DISCRIMINATION POLICY
No discrimination during recruitment or during work due to race, color, age, sex, sexual orientation, gender identity and expression, race or nationality, disability, pregnancy, belief, political stance, group background, veteran status, protected genetic information, or marital status, etc.

04 HEALTH AND SAFETY
Minimize the incidence of work-related injuries, provide a safe and healthy working environment, and improve the quality of products and services, the stability of production, and the loyalty and morale of employees.

05 OCUPATIONAL SAFETY
Continuous safety knowledge training to control hidden safety hazards in the workplace (such as electricity and other energy sources, fires, vehicles, and fall hazards or accidents) so as not to endanger employees.

06 EMERGENCY PREPAREDNESS
Potential emergency situations and incidents should be identified and evaluated, and their impact should be minimized by implementing emergency plans and response procedures, including: emergency reports, employee notifications and evacuation plans, employee training and exercises, appropriate fire detection and fire suppression Equipment, adequate evacuation facilities and recovery plan.

07 PUBLIC HEALTH AND ACCOMMODATION
Employee s should be provided with clean toilet facilities, clean drinking water, and sanitary cooking utensils, food storage facilities and tableware.

08 ENVIRONMENT
Reduce the adverse impact on the community, environment and natural resources, while protecting the health and safety of the public.

09 HARMFUL SUBSTANCES
The Company is a fabless IC design company, and no harmful substances are produced. It still pays attention to identifying and managing chemical substances and other substances that are released into the surrounding environment that can cause harm.

10 INTEGRITY MANAGEMENT
Implement it in accordance with the established code of integrity management and professional ethics.

Supplier Management

FocalTech is fully devoted to creating a positive cycle between chip design and supply chain manufacturing and fostering cooperative relationships with its suppliers.

SDG Target	FocalTech Contribution
8 DECENT WORK AND ECONOMIC GROWTH **8.7** Take immediate and effective measures to eradicate forced labor and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms. 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. **12 RESPONSIBLE CONSUMPTION AND PRODUCTION** **12.4** By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.	1. Carrying out of annual audits and reviews to ensure that new and existing suppliers of FocalTech conform to relevant requirements in the fields of quality, costs, delivery times, and CSR; audit items encompass quality system and environmental screening criteria (e.g., green product management, ISO 14001 Environmental Management System certification) and social screening criteria (ISO 45001 Occupational Health and Safety Management System certification). 2. All FocalTech suppliers fully comply with RoHS and REACH standards and fulfill their social responsibility in the field of environmental protection.

17 PARTNERSHIP FOR THE GOALS

17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries

3. FocalTech has a close partnership with its suppliers and all cooperating wafer fabs and processing plants to meet its production capacity demands; the Company cooperates and shares technologies with wafer plants, packaging and testing plants, panel fabs, and terminal application providers to foster the joint development of new technologies and business opportunities.

The Company has established 40 regulations for suppliers to comply with in accordance with manufacturing processes, such as the Production Control Regulations; the Outsourcing Factory Management Regulations for the selection of new suppliers and regular audits; and the Management Regulations for Environmental Banned Substances. Before a supplier is selected, the Company first ascertains the supplier's compliance with environmental protection, occupational safety and health, and labor rights via QSA and QPA questionnaires and on-site examinations. The Company then selects qualified suppliers after a comprehensive evaluation.

Supplier Management Goals

2020 Status

- Raw materials procured from RMI certified smelter **100%**
- ISO 14001 certificate by suppliers **96%**
- RoHS and REACH standards conformity **100%**
- ISO 45001 certificate by suppliers **52%**

Short-Term (2021)

- Supplier Integrity Commitment signed **100%**
- Supplier Audits .... Systems Audit **80%**
- Raw materials procured from RMI certified smelter **100%**
- ISO 9001 certificate by suppliers **100%**
- ISO 14001 certificate by suppliers **96%**
- RoHS and REACH standards conformity **100%**

Mid-Term (2022~2024)

- Supplier Social Responsibility Commitment signed **80%**
- Supplier Audits .... On-site Audit **90%**
- Raw materials procured from RMI certified smelter **100%**
- ISO 9001 certificate by suppliers **100%**
- ISO 45001 certificate by suppliers **90%**
- Supplier management information platform .... **Establish**

Long Term (2025~)

- Supplier Social Responsibility Commitment signed **100%**
- ISO 45001 certificate by suppliers **100%**
- Development of a sustainability and CSR-oriented supply chain .... Cooperation w/ all supply chain members

Identification of Supply Chain Management Risks

Risks	Responses
Insufficient or Excessive Production Capacities Can result in delivery delays, excess inventories, and increased costs.	**FocalTech maintains regular dealings and interactions with its suppliers who it views as its key business partners.** 1. Close monitoring of market trends to gain a firm grasp of supply and demand changes. 2. Internal sharing of market dynamics in a timely manner and implementation of a reporting mechanism in relevant meetings. 3. Scheduled and non-scheduled supplier meetings and interactions for the discussion of the production capacities, product quality, and delivery times of both sides.

Supply Chain Management Procedures

FocalTech conducts supplier evaluations and questionnaire surveys pursuant to the ISO 9001 Subcontractor Management Guidelines.

Risks	Supllier Management Process	
Onboarding of New Suppliers	· Review of basic information · Review of production capacity · Quality system · New supplier audit · Assessment/verification of engineering items	· Reliability verification · Green product guarantee and document review · Integrity and non-use of conflict minerals
Mass Production by Qualified Suppliers	· Quality objective management · Registration and management of qualified suppliers · Regular audits · Quality review meeting	· Change management · Anomaly management · Ongoing improvements
Unqualified Suppliers	· Reinforced guidance and audits · Reduced order volume · Removal from qualified supplier list	

All suppliers are required to undergo regular on-site and written audits and improvement meetings scheduled by FocalTech on an annual basis. Audit items include the quality management system, environmental screening criteria (incl. green product management requirements, acquisition of ISO 14001 Environmental Management System certifications), and social screening criteria (acquisition of ISO 45001 OHSMS certifications, RBA social responsibility management).

In 2020, no suppliers were removed from qualified list and no violations of the environmental and social criteria for supplier evaluations occurred.

Customer Service and Satisfaction

FocalTech espouses the corporate value of win-win outcomes and the guiding principle of ISO 9001 customer orientation. The Company views its agents and customers as key strategic partners and has therefore formulated Customer Service and Complaint Management Procedures to satisfy the demands and expectations of these partners in the fields of product quality and provided services.

8.78/10 **2020 Customer Satisfaction Score**

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Identification of Customer Service and Satisfaction Risks

Risks	Responses
Epidemics or Operational Risks May cause lack of timeliness of quality and services, which in turn affects customer satisfaction	**Epidemics or business relationships cause lack of timeliness of quality and services, which in turn affects customer satisfaction;** 1. An internal customer service team which is composed of dedicated sales, product application engineering, and quality control specialists has been formed. 2. An internal customer complaint management platform has been established. This platform features a dedicated team which analyzes and resolves customer issues and needs. The Quality Center is responsible for case closure to ensure customer satisfaction.

Governance

Organizational Structure
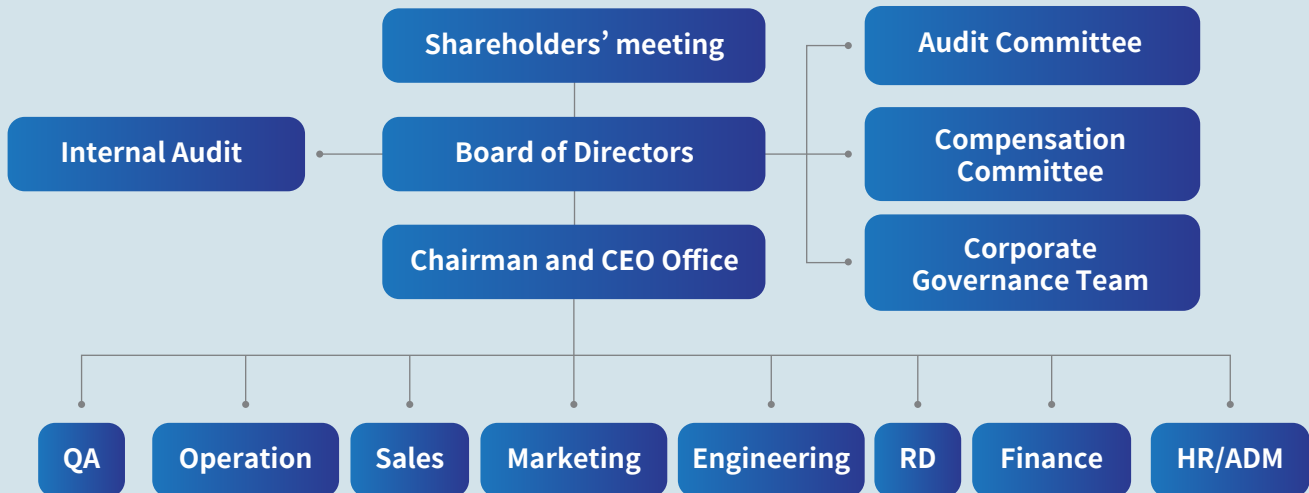
Board of Directors

A candidate nomination system is adopted for the FocalTech Board of Directors. Current term of directors was elected in June 2020, total of 9 members, 5 directors and 4 independent directors. Total of 7 board meetings were held in 2020. As of September 2021, the board of directors is composed of 7 members. 2 directors were discharged because more than half of the company's shares held at the time elected were transferred during term of office.

Title	Director	Representative	Gender	Executive Position in Company	Date First Elected
Chairperson	**Genda Hu**		M	CEO & General Manager	2015/1~
Director	**GWAA LLC**	**Chenming Hu**	M		2020/6~
Director	**GWAA LLC**	**Hanping Shie**	M		2015/6~
Independent Director	**Chintay Shih**		M		2015/1~
Independent Director	**Chanjane Lin**		F		2015/1~
Independent Director	**Chang Hsu**		M		2020/6~
Independent Director	**Xuhui (Benison) Hsu**		M		2020/6~
Discharged Director	**James Liao**		M	CFO	2015/6, discharged 2021/9
Discharged Director	**Sense Investment and Consulting Inc**	George Chang	M		2020/6, discharged 2021/4

Board Diversity Statistics

By gender, age and education level			2018 No.	2018 %	2019 No.	2019 %	2020 No.	2020 %
Board Members	Gender	Male	7	87.5%	7	87.5%	8	88.9%
		Female	1	12.5%	1	12.5%	1	11.1%
	Age	Below 50	3	37.5%	3	37.5%	2	22.2%
		Above 50	5	62.5%	5	62.5%	7	77.8%
	Education Level	MA/MS/PhD	8	100.0%	8	100.0%	9	100.0%
		BA/BS	0	0.0%	0	0.0%	0	0.0%
		High School	0	0.0%	0	0.0%	0	0.0%
Total Board Membership			8	100.0%	8	100.0%	9	100.0%

Note: Statistics table above are presented in line with base year dates of respective years.

Audit Committee

The Audit Committee convenes at least every quarter. A total of four meetings were convened in 2020.

The Chief Internal Auditor (CIA) reports relevant audit operations to the Audit Committee on a regular basis and engages in face-to-face discussions with independent directors.

| Committee	Name	Board Title	2020 Attendance Rate
Convener	Chanjane Lin	Independent Director	75%
Member	Chintay Shih	Independent Director	100%
Member	Chang Hsu	Independent Director	100%
Member	Xuhui (Benison) Hsu	Independent Director	100%

Note: Previous committee members Linshan Lee and Nengmou Tu discharged on 20 June 2020, attendance rate was 50% and 100% respectively.

Renumeration Committee

The Remuneration Committee convenes at least twice a year. A total of two meetings were convened in 2020.

Committee	Name	Board Title	2020 Attendance Rate
Convener	Chintay Shih	Independent Director	50%
Member	Chanjane Lin	Independent Director	100%
Member	Chun-Hao Lai		Newly Assumed 7 Aug 2020

Note: Previous committee member Linshan Lee discharged on 20 June 2020, attendance rate was 100%.
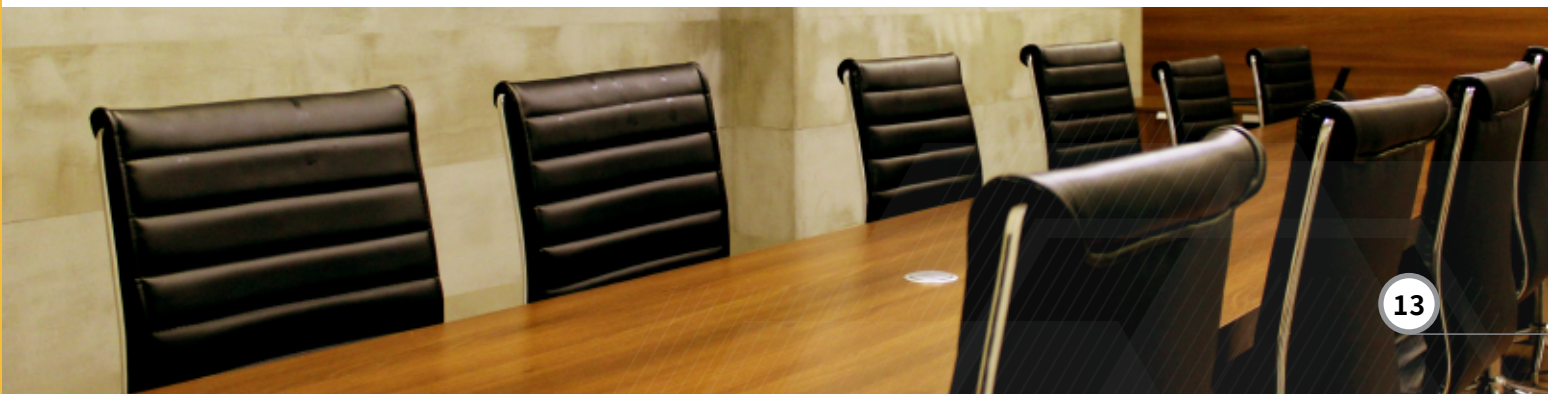
Corporate Governance and Sustainability Organization

Corporate Governance and Sustainability Task Force is formed to facilitate the promotion of CSR and ethical corporate management and conducts risk assessments for the group. The Chief Governance Officer (CGO) position established on November 6, 2020, serves as the convener of the Task Force and is in charge of the overall planning of corporate governance and the aforementioned operations.

Board of Directors

Corporate Governance and Sustainability Task Force

Board Executive Secretary

Business Governance	Social Concern	Environmental Sustainability
Financial Accounting Auditing	**Manufacturing Operations HR and Administration**	**Manufacturing Operations Quality Assurance Center**

Professional Ethics and Core Values

Integrity is the primary virtue of FocalTech's corporate culture and a core value upheld by the organization. The Company treats any kind of conduct that could constitute a violation of honesty, integrity, and professional ethics in a strict manner by adhering to principles of justice and non-condonation. Verified instances of such conduct result in severe disciplinary measures or legal action taken against violators if deemed necessary. We require all staff members to strictly refrain from sacrificing the interests of the Company for the sake of personal gain and from engaging in any form of conduct involving corruption, fraud, or misuse of company assets, or any conduct that prejudices the interests of the Company.

Code of Business Conduct and Ethics ratified on October 26, 2018 is publicly available on the corporate website. Annual implementation plans are formulated to ensure proper enforcement.

Six Principles of the Code of Business Conduct and Ethics

01 Prohibition of Insider Trading

02 Prohibition of IPR Infringement

03 Prohibition of Offering and Acceptance of Bribes

04 Prohibition of Improper Donations or Sponsorship

05 Prohibition of unreasonable gifts, entertainment, or other improper benefits

06 Recusal Due to Conflict of Interest

Items	2020 Plan	2020 Implementation	2021 Plan
Arrange personnel from specific units to reply to online publicity or questionnaires, with a participation rate or sending rate of no less than 70%	✔		
Promote in the training of new recruits, the completion rate is no less than 90%	✔		
Maintain no violation of the integrity management and professional ethics codes	✔		
Top management signed Code of Business Conduct and Ethics compliance declaration		**100% Achievement**	
Scheduled internal training courses administered by the Investigation Bureau		✔	✔
New hires education on the code of professional ethics during orientation training		**100% Achievement**	✔
Education on insider trading related laws for directors and insiders		✔	✔
Education on the Code of Business Conduct and Ethics and advocacy of Whistleblowing System through questionnaires and emails to all staff members			✔

> **No violations the Code of Business Conduct and Ethics recorded in 2020.**

Reporting Channels and Whistleblower Protection

With a view to supporting a transparent professional ethics culture, we encourage all staff members and external individuals to report any suspected illegal conduct via our whistleblowing system.

Email: whistleblower@focaltech-electronics.com

Internal and external stakeholders can report conduct in violation of professional ethics via dedicated mailbox. Upon receipt of such reports by an independent director (audit committee convener) and audit unit supervisor, investigations are carried out in a strictly confidential manner. Related units are ordered to form an investigation task force if deemed necessary. This task force handles received reports and follow-up investigations in a confidential and rigorous fashion. If accusations are verified, whistleblowers receive monetary bonuses commensurate with the monetary impact of the wrongdoing.

External Awards and Recognitions

2017
- **Corporate Governance Evaluation – Best Progress Award**
  Financial Supervisory Comission
- **Deloitte Technology Fast 500**
  Deloitte

2018
- **Top 10 IC Design Enterprise in China**
  China Semiconductor Industry Association (CSIA)
- **13th "China Core" Outstanding Technology Innovation Products**
  China Center for Information Industry Development (CCID)

2019
- **Top 500 Import/Export Businesses**
  Bureau of Foreign Trade
- **Badge of Accredited Healthy Workplace**
  Ministry of Health and Welfare
- **Exercise Enterprise Certification Award**
  Sports Administration, Ministry of Education
- **Exceptional Delivery Award**
  Shenzhen Chino-E Communication
- **Solidarity Award**
  TCL Communication Technology
- **Microsoft Intelligent Edge Partner**
  Microsoft Corporation

- **Core Supplier Conference-Outstanding Partner Award**
  Xiaomi Corporation

2020
- **Sincere Partner**
  Transsion Holdings
- **Best Technical Support Team**
  China Display Optoelectronics Technology Holdings Limited

Identification of Information Security Risks

Risks	Responses
Information Security Management Failure to implement high-quality information security management results in data loss and theft	· FocalTech has a clearly stipulated Information Security Policy and operating guidelines in place. In addition to routine monitoring and management in accordance with relevant policies and procedures, IT units add corrective items on a project basis in accordance with identified risks and available resources in the respective year to ensure ongoing strengthening of information security. · In 2020, information security expenditures amounted to NT$ 7.9 million, which represents an increase by 134% over the previous year. These expenses included the installation of additional workstations, system upgrades, and expanded backup and storage space, which served the purpose of increasing system performance and mitigating potential risks.
Business Secrets Failure to properly protect business secrets which has a negative impact on the Company's leading technology position and customer confidence levels	**In addition to the aforementioned information and communication security measures, a protective mechanism has been adopted based on the internal control system.** 1. Employees are required to sign a written confidentiality agreement pursuant to relevant regulations before they assume their duties or resign from the Company. They are further required and constantly reminded to comply with their confidentiality obligations with regard to confidential information of the Company. 2. The Company's Patent Application Management and Incentive Guidelines stipulate the formation of a Patent Review Committee, which is composed of a minimum of three top executives. This Committee convenes regularly for patent reviews, discussions, and proposal of recommendations. 3. In 2020, the Inspection Bureau Director was enlisted to deliver a course on the topic of "Protection of Business Secrets" with the goal of raising employee awareness in this area.

134% Information security expenses amounted to NT$ 7.9 million, which represents an increase by 134%.