

FocalTech



FocalTech Systems Co., Ltd.

2020

Corporate
Social
Responsibility
Report



Perseverance

FocalTech constantly refines its spirit of unswerving determination, its firm belief in integrity, and its unwavering commitment to innovation to fulfill its responsibility to society and its stakeholders and contribute to positive change.

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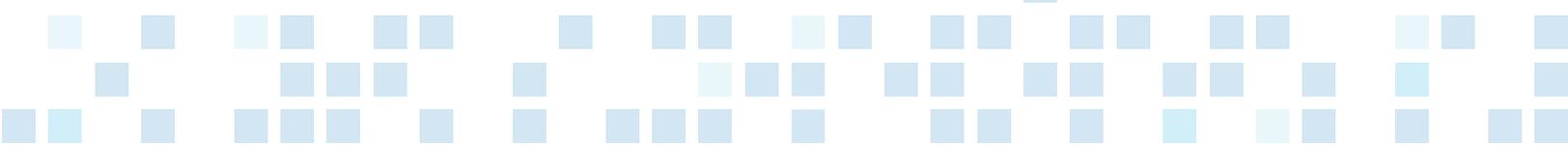
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FocalTech Chairman
Genda James Hu

Message from the Chairman

Over the 15 years since its inception, FocalTech Systems Co., Ltd. (hereinafter referred to as "FocalTech") has been unwaveringly committed to integrity, diligence, and innovation as its core principles. The company closely cooperates with its customers and suppliers in the field of innovation with the ultimate goal of providing the semiconductor industry with better quality products. FocalTech is fully aware of the fact that ongoing advances and improvements in all areas are a prerequisite for sound and sustainable operations.

This year, we will step up our efforts in the fields of corporate governance, environmental protection, and social concern and have decided to compile our first CSR Report on the foundation of the UN Sustainability Goals to demonstrate our steadfast support for global sustainability issues.

Corporate Governance – Business Performance

The ongoing Sino-US conflict which erupted in 2019 and the uncontained epidemic have not only generated serious impacts but have also created opportunities for transformation. Our long-term strategies and deployment plans which have been formulated in the past few years have finally borne fruit. Our revenues, profits, and market value hit a record high in 2020.

The consolidated revenues of the group reached NT\$ 13.8 billion, which represents an increase by 50% over the previous year. Gross margin and net operating income rose by 72% and 202%, respectively, while profit after tax amounted to NT\$ 980 million. EPS leaped from -0.63 to +3.97. The market value grew from NT\$ 7.1 billion in December 2019 to NT\$ 19.6 billion in December 2020. These achievements have generated more value for our shareholders.

Environment- Customers

We constantly pursue innovation and breakthroughs in the field of technology. As a result of these efforts, we are currently one of the few companies worldwide that possesses technologies spanning the fields of touch, display, and fingerprint identification.

The total output of our four production lines in 2020 amounted to 520 million chips. We also successfully developed products with superior energy usage efficiency for our customers such as a 2-in-1 chip with integrated touch and display controllers (Integrated Driver Controller (IDC) Touch and Display Driver Integration (TDDI), which was rolled out in 2017. TDDI allows the execution of touch and display functions, which required a two-chip layout in the past, through only one chip. The single-chip architecture supports a lighter and thinner in-cell flat touch panel, which results in greatly simplified panel module supply processes in addition to significantly reduced consumable, manpower, and transportation costs. The newly developed fingerprint chip represents another example of decreased resource consumption. This capacitive fingerprint chip has a lower power consumption in standby and operating mode than any other chip offered by FocalTech's competitors.

Other world-leading achievements

- 55nm-based Mux1: 6 LTPS COG IDC
- IDC products have entered mass production in the automotive supply chain
- Narrowest 2.3mm single-chip edge, capacitive fingerprint sensor IC (564 ppi)
- Development of FHD IDC for laptops

FocalTech has made an ongoing commitment to providing its customers with better performing, higher quality, and more eco-friendly products. Customer satisfaction therefore increased between 2019 and 2020.

Environment-Supply Chain

FocalTech is a chip design company without its own production plant. Its operations have a minimal impact on the environment. In fulfillment of its role as a member of society, the Company requires its suppliers to acquire the ISO 14001 Environmental Management System certification and comply with RoHS and REACH standards by leveraging its influence as a customer. A gradual transition from a globalized supply chain to localized procurement is also being considered to achieve the ultimate goal of carbon emission reduction. In 2020, localized procurement in Taiwan accounted for around 60%. However, in view of the fact that the Chinese market is one of FocalTech's key target markets, the ratio of local processing in China will be increased for products exported to this market in the future. The goal is to increase customer proximity and implement local processing and sales, which in turn boosts local industries and results in transportation cost and carbon emission savings, shortened supply chains, and enhanced supply chain tenacity.

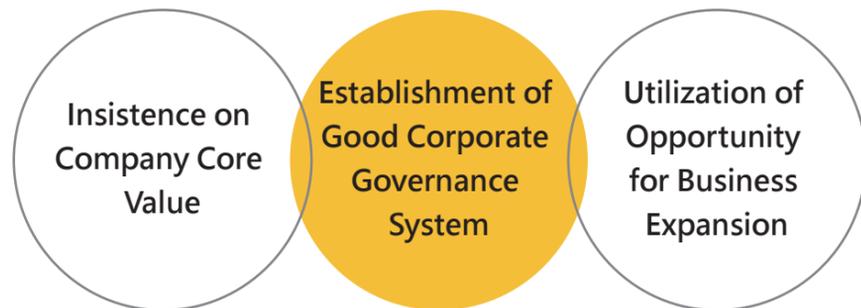
Society - Employees

Talent competitiveness is the key to the maintenance of sturdy growth and sustainability of the Company. FocalTech is deeply committed to forming a like-minded team and providing a healthy, active, and positive workplace environment. The Company strives to share the results and laurels of corporate growth with its employees through the establishment of a competitive compensation system which is directly linked to the operational performance of the Company. In addition to attractive bonuses, employees are also eligible for stock awards encompassing stock options, restricted stock, and an employee stock ownership committee. The goal is to increase the emotional attachment and sense of identification with the Company. FocalTech also places high emphasis on the mental and physical well-being of its employees. The Company spares no effort to create a blissful workplace environment for its employees through the organization of outpatient services by resident physicians, health checks, group competitions, staff trips, and birthday celebrations.

In 2020, total expenses for employee benefits including compensations and stock awards amounted to NT\$ 1.5 billion.

Looking Ahead

In the future, FocalTech will persist in its efforts to uphold its core values and seize opportunities for further business expansion on the foundation of a sound corporate governance system. The Company also aims to increase its influence in the semiconductor industry and maximize value for shareholders, customers, and employees, while placing equal emphasis on sustainable development in the dimensions of economy, environment, and society.



Sustainability Performance

50%

Revenues rose by 50% YoY, which represents a record high.

100%

100% adoption of RMI-certified smelters.

95.3%

Due to high emphasis on physical and mental well-being of employees, the regular health check completion rate reached 95.3%.

134%

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

(Note: Taiwan area)

176%

The market value increased by 176% YoY, another record high.

100%

All cooperating suppliers conform to RoHS and REACH standards.

8.78

In 2020, the customer satisfaction score reached 8.78 (maximum score of 10).

4 independent director seats

After the public listing in early 2013, FocalTech appointed four independent directors in excess of the prescribed quota.

(Note: FocalTech was listed under the ticker symbol 5280 in 2013)



Corporate Governance Framework

The election of the 7th Board of Directors was completed as scheduled in 2020. The Audit and Remuneration Committee elections were held in the same year. The Audit Committee is composed of all independent directors of the Company to reinforce independence in the field of corporate governance. The Remuneration Committee has been formed to perfect the Company's compensation system and ensure that this system is linked to the long- and short-term operating goals. A Corporate Governance and Sustainability Task Force has been established to facilitate the overall planning and implementation of corporate governance affairs and thereby make strides toward sustainability. Various organizational responsibilities are described below:



Board of Directors

A candidate nomination system has been adopted for the FocalTech Board of Directors. All directors who are elected by the shareholders' meeting are outstanding individuals in the field of industry or academics who conform to the gender diversity and professionalism policies of the Company, which ensures excellent business decisions and corporate governance quality. As of September 2021, the board of directors is composed of 7 members, four of whom are independent directors.

Title	Nationality	Name	Gender	Educational and professional background
Chairperson	US	Genda Hu	Male	-PhD in Electrical Engineering from Princeton University, USA -IEEE Fellow -Director of Electronics Institute, Taiwan Industrial Technology Research Institute -Secretary General of Taiwan Semiconductor Industry Association
Director	US	GWAA LLC Legal Representative: Chenming Hu	Male	-PhD in Electrical Engineering, University of California, Berkeley -Director of Inphi Inc. (IPHI) -Director of Ambarella, Inc. (AMBA) -Director of ACM Research, Inc. (ACMR) -Chief Technology Officer of Taiwan Semiconductor Manufacturing Co., Ltd.
Director	Taiwan	GWAA LLC Legal Representative: Hanping Shie	Male	-PhD in Department of Electrical and Computer Engineering Carnegie Mellon Univ., USA -Independent Director of Young Optics Inc. -IEEE/OSA/SID fellow -Vice President of Taiwan Union University System -Vice President of National Chiao Tung University
Independent Director	Taiwan	Chintay Shih	Male	-Ph.D. in Electrical Engineering, Princeton University, USA -Independent Director of Vanguard International Semiconductor Corporation -Chairman of Institute for Information Industry -Superintendent of Industrial Technology Research Institute -Dean College of Technology Management, Tsing Hua University -Chairman of Taiwan Semiconductor Association
Independent Director	Taiwan	Chanjane Lin	Female	-Ph.D. in Electrical Engineering, Accounting University of Maryland -Independent Director of Advantech Co., Ltd. -Professor of the Department of Accounting, National Taiwan University -Acting Dean, Vice Dean of the College of Management, National Taiwan University -Chair of the Department of Accounting, National Taiwan University
Independent Director	Taiwan	Chang Hsu	Male	-PhD in Industrial Engineering from Purdue University, USA -Supervisor of Mirle Automation Corporation. -Deputy Director of the Mechanical Industries Research Laboratories of the Industrial Technology Research Institute -Managing Supervisor of the Electronics Testing Center
Independent Director	Taiwan	Benison Hsu	Male	-National Chengchi University Institute of Business Management (Entrepreneur Management Research Class) -Master of Business Administration, Tulane University Business School -Chairman of Taiwan Express (Logistics) Co., Ltd. -Director of T3EX Global Holdings Corp. -Director of Genetics Generation Advancement Corp.

Note: The table above shows incumbent board members in September 2021 (the last board election was held on June 20, 2020).

Board diversity statistics

Broken down by gender, age, and education level			2018		2019		2020	
			Number	Percentage	Number	Percentage	Number	Percentage
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 dates of respective years.

Key corporate governance tasks

2018

- The board ratifies the Corporate Governance Best Practice Principles to promote and execute corporate governance tasks encompassing CSR, ethical corporate management, and corporate governance evaluations through formation of a task force.
- The board ratifies the Director Compensation Management Guidelines, which link director compensation to performance appraisals.
- Ranking in the top 6%~20% of the TWSE Corporate Governance Evaluation.

2019

- The board ratifies the Board Self- or Peer Evaluation Guidelines, which stipulate triennial board assessments by independent external bodies or panels of scholars and experts.
- Ranking in the top 6%~20% of the TWSE Corporate Governance Evaluation.

2020

- The board approves the appointment of a Chief Governance Officer, who assists the board in ensuring legal compliance and the performance of relevant duties.
- Ranking in the top 21%~35% of the TWSE Corporate Governance Evaluation.

2021

- The Taiwan Corporate Governance Association is commissioned for the first time to carry out a governance evaluation which is completed in May 2021.

Audit Committee

The Audit Committee, which is composed of the four independent directors, convenes at least every quarter

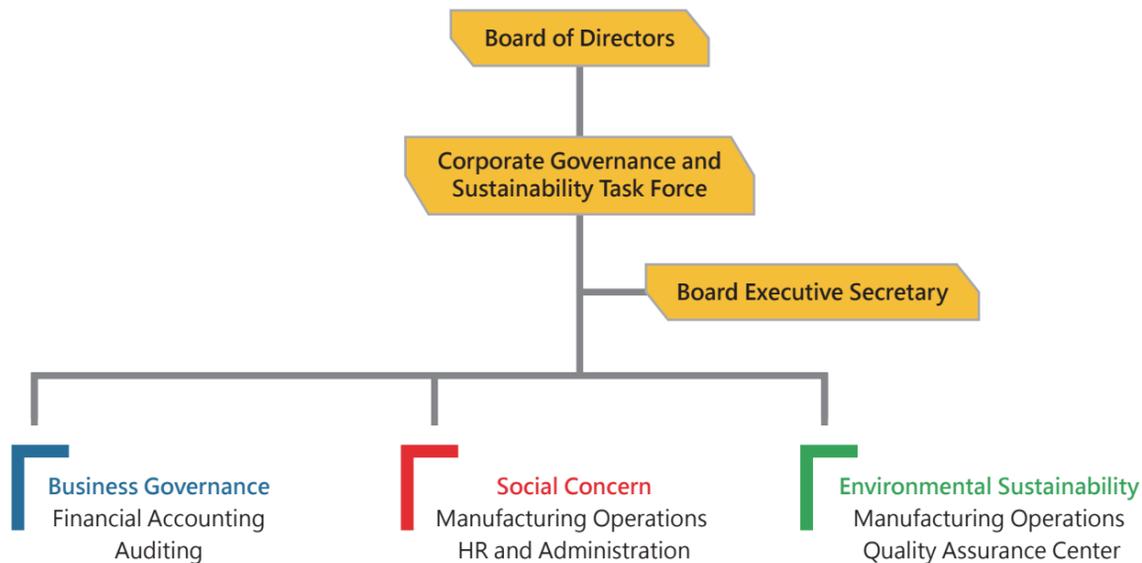
Its main functions include the coordination of external and internal audit operations, monitoring and review of the internal control system and financial reporting, and assessment and direction of internal audit operations. A total of four meetings were convened in 2020.

Remuneration Committee

The Remuneration Committee, which consists of two independent directors and one independent member, convenes at least twice a year

Its main functions include the assessment of director and manager remuneration policies and systems and the provision of recommendations to the board as a reference for decision making from a professional and objective perspective. A total of two meetings were convened in 2020.

Corporate Governance and Sustainability Organization



The FocalTech Board of Directors has formed a Corporate Governance and Sustainability Task Force to facilitate the promotion of CSR and ethical corporate management. Subsequently, the board established a Chief Governance Officer (CGO) position on November 6, 2020. This CGO serves as the convener of the Corporate Governance and Sustainability Task Force and is in charge of the overall planning of corporate governance and the aforementioned operations.

Task force functions include business governance, social concern, and environmental sustainability. The task force formulates and executes plans in cooperation with related units by relying on company resources. The first FocalTech CSR Report was prepared in 2021 and submitted to the board to ensure that all identified material topics are covered and social responsibility is fully implemented.

Auditing Office

The Auditing Office is directly subordinate to the board of directors and is primarily responsible for assisting the board of directors and managers of the Company in examinations and reviews of internal control system implementation and measurement of operational results and efficiency. It also provides recommendations for improvement with regard to audit findings and relevant procedures and processes of each unit as a reference for reviews of the internal control system to ensure its continued effectiveness.

Key items in recent years

- 1 It is recommended to adopt a working hour-based control and management model for human resources of IT units. The goal is to ensure optimal allocation of IT personnel/working hours to units requiring such services. This model is not only conducive to effective management but also facilitates a more accurate determination of relevant demands by such units and thereby ensures a more effective utilization of IT unit resources. This model was implemented in 2020.
- 2 Ongoing implementation of a risk management mechanism: Audit plans are formulated in line with risk assessment results. The goal is to direct the focus to high-risk or high-impact issues. As of 2018, risk assessments are implemented annually. In 2021, these assessment practices were converted into risk management policies and procedures.

The Auditing Office formulates annual audit plans based on risk assessment results. Audit operations are carried out in accordance with approved plans. Audit results and follow-up corrective action plans are reported to the Audit Committee and the Board of Directors. 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 upon conclusion of Audit Committee meetings when management level members are about to leave.

In 2020, no penalties were imposed against FocalTech by the competent authority for internal control violations.

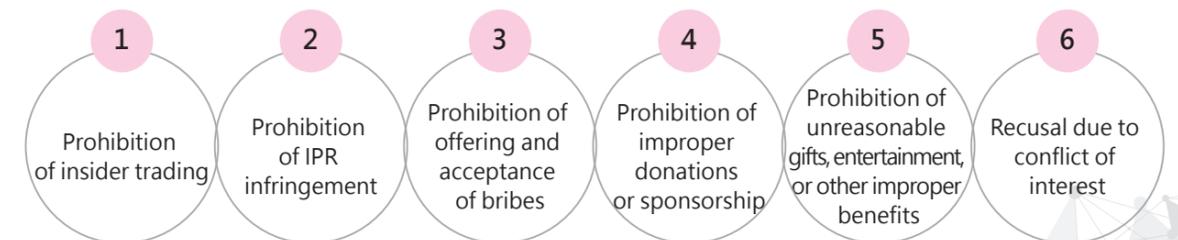
Core Values and Professional Ethics

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. 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.

The FocalTech Board of Directors ratified the Code of Business Conduct and Ethics on October 26, 2018. This code has been made public on the corporate website. Annual implementation plans are formulated to ensure proper enforcement.

Six principles of the Code of Business Conduct and Ethics



Self-evaluation based on the Code of Business Conduct and Ethics

- 1 Would the reputation of the Company be negatively impacted if such conduct were made public?
- 2 Would such conduct be interpreted as dishonest discharge of duties?

2020 Implementation Focus

- 1 Pursuant to the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, the top management level (top executives) is required to sign an integrity policy compliance declaration (achievement rate of 100%).
- 2 Scheduling of internal training courses delivered by the Investigation Bureau Director.
- 3 Education on relevant issues during the orientation training for new hires (achievement rate of 100%).
- 4 The contents of the educational course for incumbent directors and insiders on October 12, 2020 encompassed prohibition of short-swing trading, insider trading, description of stock transaction related laws, pre- and post-reporting procedures and penalties.



No confirmed violations of the Code of Business Conduct and Ethics were recorded in 2020

Reporting Channels and Whistleblower Protection



Whistleblowing System

whistleblower@focaltech-electronics.com

FocalTech officially adopted a Whistleblowing System and set up a dedicated mailbox (whistleblower@focaltech-electronics.com) on January 20, 2016. Internal and external stakeholders can report conduct in violation of professional ethics via this 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.

Planned items for 2021

- 1 Scheduling of an internal training course administered by the Investigation Bureau.
- 2 Education on the code of professional ethics during orientation training for new hires.
- 3 Education on insider trading related laws for directors and insiders.
- 4 Education on the Code of Business Conduct and Ethics and dissemination of information about the Whistleblowing System through questionnaires and e-mails sent to all staff members.

Stakeholder Engagement and Identification of Material Topics

With a view to ensuring sustainable operations, we pay close attention to stakeholder needs and expectations. We also conduct materiality analysis for CSR reports to ensure that the disclosed contents meet the needs of our stakeholders. Five material topics (business performance, supplier management, customer service and satisfaction, employee benefits and communication, talent cultivation and learning development) have been determined in 2020 through the following four steps: stakeholder identification, collection of issues of concern, identification of issue materiality, and response and analysis.

Identification Procedures

Identification of stakeholders

Identification of stakeholders who have a significant impact on company operations. The most relevant stakeholders who are confirmed in discussions with top executives represent the main target group of responses provided in this year's report.

Collection of issues of concern to stakeholders

Issues of potential concern to stakeholders are listed and compiled into questionnaires with reference to issues that are identified by competitors and frequently mentioned by stakeholders. This year's issues of primary concern to FocalTech have been selected through discussions by the Corporate Governance and Sustainability Task Force and relevant units.

Identification of issue materiality (e.g., Material Topic Matrix)

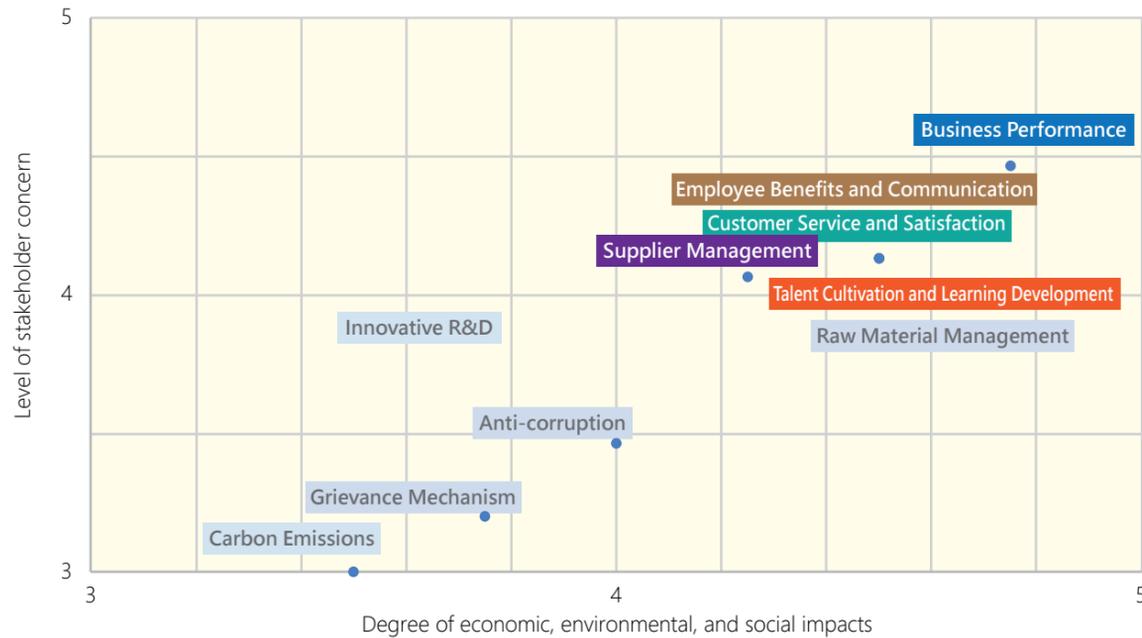
- Material topics are identified through internally conducted questionnaire surveys with stakeholders' level of concern and degree of impact on ESG (Note) as the main indicators.
- These questionnaires are distributed among internal units, representatives, and the most relevant stakeholders. Respondents are requested to rate the level of concern of the listed issues from their perspective on a scale from 1 to 5. Top executives rate the degree of economic, environmental, and social impacts of the listed issues on a scale from 1 to 5. On this 5-point scale, 1 and 5 represent the lowest and highest scores, respectively. Issues with scores of 4 and above are selected as material topics.

Response and analysis

Response to issues of concern by utilizing relevant communication channels.

Note: ESG stands for environmental protection (E: environment), social responsibility (S: social), and corporate governance (G: governance). This concept which was proposed for the first time by UN Global Compact in 2004 is regarded as an assessment indicator for business operations.

Material Topic Matrix



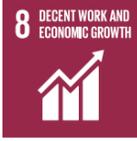
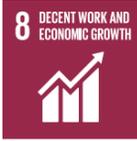
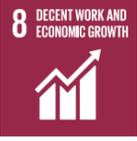
Material Topic Boundaries and Corresponding Indicators

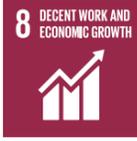
Dimension	Material topic ranking	Importance for the Company	Internal boundaries		External boundaries			Corresponding GRI Standards General Disclosure/ Topic-specific Indicators	Corresponding chapter in this report
			Organization	Subsidiaries	Suppliers	Customers	Shareholders		
Economic	Business Performance	This is one of the three core dimensions of CSR and a KPI of corporate sustainability	●	●		●	●	Economic Performance (201-1)	1.2 Business Performance
Environmental	Supplier Management	FocalTech is a world-leading chip design company. The chip production process requires close cooperation with all suppliers of the industry chain and formation of partnerships characterized by professional division of duties and mutual cooperation. FocalTech has made an ongoing commitment to seamless cooperation with suppliers with the goal of minimizing environmental and social risks.	●	●	●			Supplier Environmental Assessment (308-1, 308-2) Supplier Social Assessment (414-1, 414-2) Procurement Practices (204-1)	2.4 Supplier Sustainability Assessment P 2.5 Localized Procurement
Economic	Customer Service and Satisfaction	Realization of win-win outcomes for customers and partners/agents represents a core corporate value of the Company. Customer satisfaction has therefore been set as a key performance indicator and constant provision of top-quality customer service has been adopted as the guiding principle.	●					No corresponding GRI topics	Chapter 3 Customer Service
Social	Employee Benefits and Communication	FocalTech views its employees as its most important asset. In addition to organizing health management activities, the Company has established a diversified and comprehensive employee benefit system and labor-management communication channels. The goal is to fulfill the Company's responsibility to care for its employees and meet their needs and build a fair and friendly workplace environment to retain outstanding talent and jointly achieve brilliant results.	●					Labor/Management Relations (401-2)	4.2 Employee Benefits 4.3 Employee Communication
Social	Talent Training and Learning Development	FocalTech views its employees as its most important asset. In addition to the active recruitment of outstanding talent, the Company continues to cultivate its own talent to ensure sustainable operations and business growth. Through a multi-tiered training and development mechanism, the Company effectively enhances the competitiveness of its employees and supervisors.	●					Training and Education (404-3)	4.5 Performance Appraisal System

Issues and Status of Stakeholder Communication

Stakeholder category	Significance for the Company	Issues of concern	Main communication channels	Communication frequency
Suppliers	The products and services of the Company rely on a stable supply of raw materials and excellent processing quality of numerous suppliers. FocalTech therefore ensures that its suppliers place high emphasis on sustainability issues including a pollution-free environment and human rights violations by leveraging its influence as a customer.	·Supplier Management ·Carbon Emissions ·Raw Material Management	·Supplier Audits ·Scheduled or Non-Scheduled ·Meetings ·Phone Calls ·E-mails	·Monthly ·Quarterly ·Semiannually ·Non-scheduled
Customers	Our customers represent our main revenue source and a key stakeholder category. FocalTech therefore strives to meet customer expectations in the field of quality and services through the adoption of various procedures by embracing the spirit of customer service.	·Customer Service and Satisfaction ·Innovative R&D	·Regular Customer Meetings ·Sales Visits ·Phone Calls ·E-mails ·Written Documents	·Monthly ·Non-scheduled
Employees	Our employees are our most important asset since our operations rely on the combined efforts of all employees. Our business goals can only be achieved through dedicated contributions by all staff members. FocalTech is therefore firmly committed to creating a workplace environment that is conducive to the physical and mental well-being and diversified development of all employees.	·Employee Benefits and Communication ·Talent Cultivation and Learning Development	·E-mails ·Labor-Management Agreements ·Employee Exchange Platform ·Fan Page (FB) ·Phone Calls ·Grievance Channel ·Performance Appraisal	·Semiannually ·Annually ·Non-scheduled
Shareholders	Safeguarding of shareholder rights and interests and fair treatment of all shareholders represents our spirit of corporate governance. FocalTech therefore ensures that all shareholders have a full understanding of major company matters and guarantees their right to participate in decision-making processes.	·Business Performance ·Anti-corruption ·Grievance Mechanism	·Shareholders' Meeting ·Corporate Website ·Investor Section	·Annually ·Non-scheduled

Material Topics and Corresponding Sustainable Development Goals (SDGs)

Material Topics	SDG Targets	FocalTech Contributions
Economic Performance	 <p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p>	<p>1.Focus on the development of 2-in-1 chip with integrated touch and display controllers (Integrated Driver Controller (IDC); this industry-leading chip was rolled out and successfully put into mass production worldwide in 2017.</p> <p>2.Successful worldwide adoption of IDC products for mass production in the automotive sector in 2020.</p> <p>3.Organization of a “Real-Time Team Incentive” evaluation to encourage innovation, breakthroughs, and putting the corporate values and culture of the Company into practice by awarding certificates and monetary rewards.</p> <p>4.Strengthening of the R&D and innovation capabilities of the Company through industry-academia collaboration and signing of joint development and research agreements with different universities.</p>
Employee Benefits and Communication	 <p>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.</p> <p>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.</p>	<p>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.</p> <p>2.Active recruitment of outstanding talent, provision of a competitive compensation and training package, and sharing of the results of corporate growth to ensure even stronger.</p>
Talent Cultivation and Learning Development	 <p>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.</p>	<p>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.</p> <p>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).</p>
Supplier Management	 <p>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.</p> <p>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.</p>	<p>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).</p> <p>2.All FocalTech suppliers fully comply with RoHS and REACH standards and fulfill their social responsibility in the field of environmental protection.</p> <p>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.</p>

Material Topics	SDG Targets	FocalTech Contributions
	 <p>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.</p>	
	 <p>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.</p>	
Customer Service and Satisfaction	 <p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p>	<p>1.Establishment of a New Product Introduction Flow which ranges from the definition of the requirements of new product projects to the end of the product life cycle; relevant units perform their respective duties to ensure that customers are supplied with top-quality products that meet their needs and expectations; development process quality controls are also implemented through this system</p> <p>2.Products with applications in smartphones and electronic devices are sold to hundreds of customers all over the world; product technologies and relevant expertise are shared with customers through the provision of assistance in the design and integration into product modules.</p>
	 <p>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.</p>	

Risk Management

Risk category	Risk description	Response
 Operations	Failure to implement high-quality information security management results in data loss and theft	<ul style="list-style-type: none"> 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.
	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. <ol style="list-style-type: none"> 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. 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. 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.
 Finance	Failure to monitor and respond to interest and exchange rate fluctuations and inflation in a timely manner results in financial losses	Interest rate <ol style="list-style-type: none"> Regular assessments of bank deposit and lending rates are combined with acquisition of information on average market rates and negotiation of the most preferential rates through frequent contacting of banks the Company has financial dealings with. In the future, the Company will utilize financing channels to raise capital in an appropriate manner in accordance with actual operating conditions and capital needs.
		Exchange rate <ol style="list-style-type: none"> The Company maintains frequent contact with foreign exchange departments of financial institutions it has business dealings with to facilitate the collection of information on exchange rate fluctuations and gain a firm grasp of international exchange rate trends and developments, which in turn enables the Company to proactively respond to negative impacts caused by exchange rate fluctuations. A firm grasp of exchange rate trends serves as a reference for forward exchange transactions and foreign exchange settlements. The Finance Department issues internal assessment reports for hedging positions of net foreign currency assets (liabilities) on a monthly basis. These reports are submitted to management level as a reference for the determination of required hedging measures.
		Inflation <ol style="list-style-type: none"> The Company pays close attention to inflation trends and adjusts its product prices and raw material inventory levels in an adequate manner to minimize the impact of inflation on the Company's business operations.
 Employee Benefits and Communication	Uncompetitive benefits and poor communication result in the loss of key employees.	FocalTech is firmly committed to building a corporate culture characterized by excellent corporate values and offering challenging and delightful compensation packages that exceed industry standards to retain and cultivate 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, turn loss into profit in 2020, and ultimately reach an EPS of 3.97, which represents an outstanding achievement.
 Talent Cultivation and Learning Development	Lack of a sense of satisfaction derived from learning and growth results in the loss of key employees	<ol style="list-style-type: none"> Ongoing enhancement of employee compensation and sharing of the results of excellent business performance with employees; the compensation package includes base salary, different types of bonuses, surplus distribution, stock awards, insurance, health checks, and employee welfare committee benefits. 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. Talent reserve: To cope with normal employee turnover, the Company offers diverse training courses and participation in projects to constantly train talent that meets the needs of the Company.

Risk category	Risk description	Response
 Supply Chain Management	Insufficient or excessive production capacities 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. <ol style="list-style-type: none"> Close monitoring of market trends to gain a firm grasp of supply and demand changes. Internal sharing of market dynamics in a timely manner and implementation of a reporting mechanism in relevant meetings. Scheduled and non-scheduled supplier meetings and interactions for the discussion of the production capacities, product quality, and delivery times of both sides.
 Customer Service and Satisfaction	Epidemics or business relationships cause lack of timeliness of quality and services, which in turn affects customer satisfaction	FocalTech maintains regular dealings and interactions with its customers who it views as its key business partners. <ol style="list-style-type: none"> An internal customer service team which is composed of dedicated sales, product application engineering, and quality control specialists has been formed. 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.
 Climate Change	Unstable supply of water and electricity affects the Company's operations	Opportunities 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.
	Rising air temperatures result in increasing electricity and water consumption costs	Responses <ol style="list-style-type: none"> Regular statistical calculation of GHG emissions based on the understanding that GHG emissions can be calculated by converting water and electricity consumption and adoption of energy conservation, carbon and GHG reduction initiatives. Ongoing promotion of electronic approval procedures to reduce paper consumption and thereby indirectly decrease the consumption of global resources.
	Customers and investors require stricter green standards	Opportunities FocalTech makes an all-out effort to develop low energy consuming or lighter IC products to reduce the power consumption of end products and decrease the production of consumables. Responses <ol style="list-style-type: none"> Adoption of more rigorous standards for the determination of new product specifications. Firm commitment to technological breakthroughs to satisfy customer and investor demands and make an utmost effort to help slow down global warming.



01

chapter

Operations

- 1.1 Company Profile
- 1.2 Business Performance
- 1.3 Participation in Societies and Associations and External Recognition

1.1 Company Profile

1.1.1 About FocalTech

HQ Location	4F, No. 6, Dusing First Road, Hsinchu Science Park, Hsinchu, Taiwan
Registered capital(Unit: 1000 NTD)	2,103,532
Current Annual Revenue(Unit: 1000 NTD)	13,800,348
Total Workforce	Taiwan : 385 Overseas Subsidiaries : 417
Output Volume(Unit: 1000 pcs)	523,862
Shareholder Information	Please refer to p. 40 of the 2020 Annual Report
Management Team	Please refer to pp. 11-13 of the 2020 Annual Report

FocalTech was founded in Silicon Valley, USA in 2005. The Company, which was publicly listed in Taiwan in 2013, specializes in innovative IC design for human-machine interfaces. At the end of 2020, the total workforce amounted to 802. FocalTech supplies touch controller chips, display driver chips, Integrated Driver Controller (IDC) ICs with integrated touch & display controllers, and fingerprint identification chips for various electronic devices. Its sales network spans the globe.



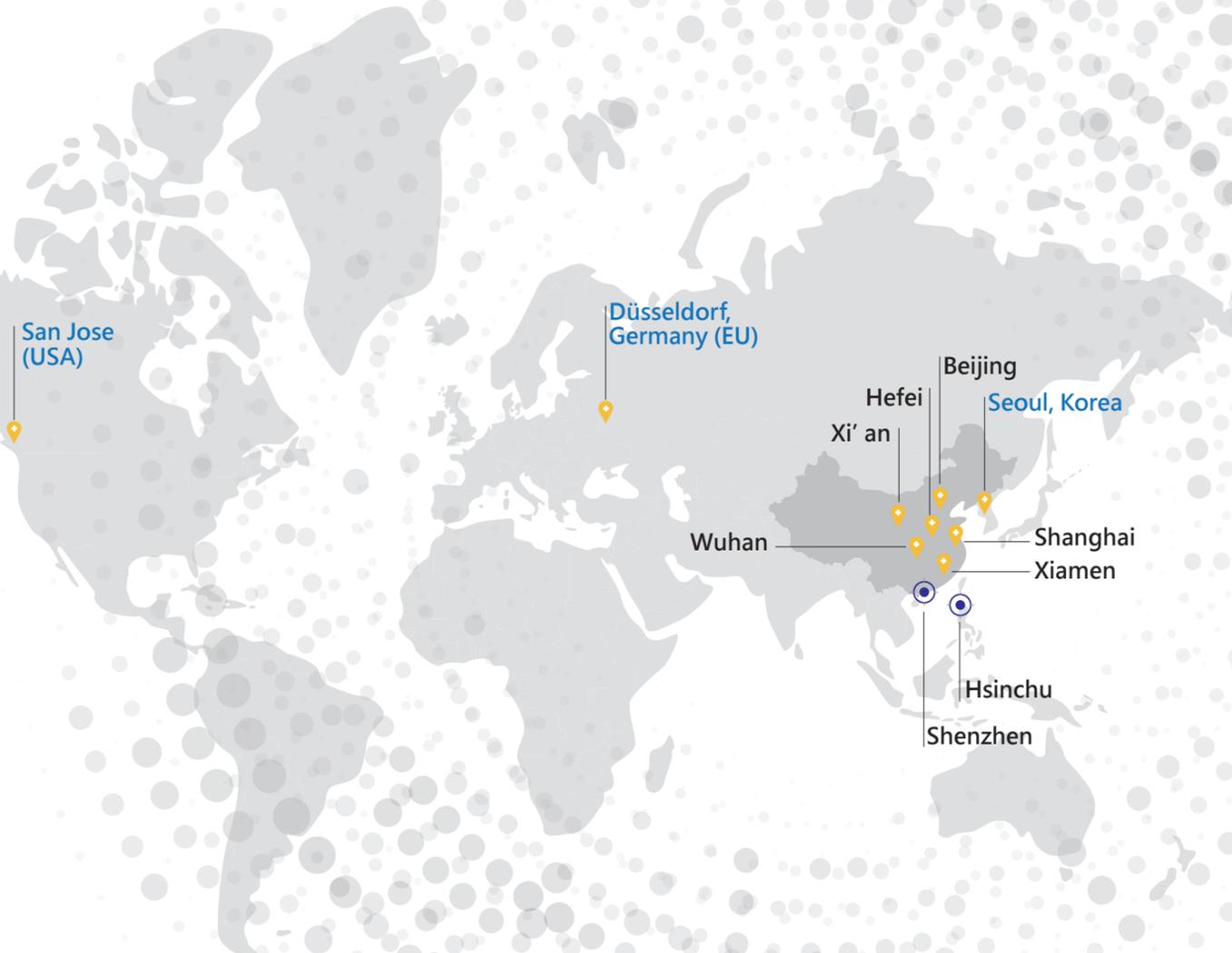
Product applications of these chips include smartphones, tablets, laptops, wearable devices, digital cameras, smart home appliances, automotive applications, and industrial control devices.

In 2015, the Company merged with Orise Technology Co., Ltd (the ticker symbol of the surviving entity is 3545). FocalTech is the first company worldwide to mass produce Full In-Cell touch panel technology and Integrated Driver Controllers (IDC).

The Company embraces a customer-oriented approach and has been deeply committed to providing timely customer service through the establishment of technical support sites in its core service regions since its inception. Due to the constant expansion of its business operations, FocalTech has established 11 sales and technical service locations to gain the ability to provide domestic and overseas customers with localized technical support services in a more convenient, rapid, and efficient manner. The ultimate goal is to offer the best technical support possible for over 5.2 billion devices and thousands of customers worldwide.

Operating sites

R&D/Operations Sales/Technical Support



Memorabilia

2005

Inception in Silicon Valley

2013

- Presentation of the first In-cell product worldwide in the wake of the launch of iPhone 5
- Official listing on TWSE (Taiwan Stock Exchange) under the ticker symbol 5280

2015

Merger and share swap with Orise Technology Co., Ltd. (ticker symbol of the surviving entity is 3545)

2016

- Shipment of over 400 million touch controller IC turns FocalTech into the largest supplier of such units worldwide
- Ranking among the top 10 IC design companies in Taiwan and Mainland China

2017

Worldwide launch and successful mass production of the industry-leading Integrated Driver Controller (IDC) solution which supports a-Si panels

2020

- Adoption and successful mass production of IDC in the automotive supply chain
- Annual revenues hit a record high

2021

Inclusion as a constituent stock of the MSCI Index

1.1.2 Product Description

Display Drivers

Support LTPS LCD / α -Si LCD / AMOLED SOCS& Source / Gate Driver IC & TOCN Wearables / Smart Phones / Tablets / NB

Display Driver

Touch Controller

Touch Controllers

Mutual- & Self- Capacitive types Support 1.1" ~15" panels

IDC (TDDI) Products

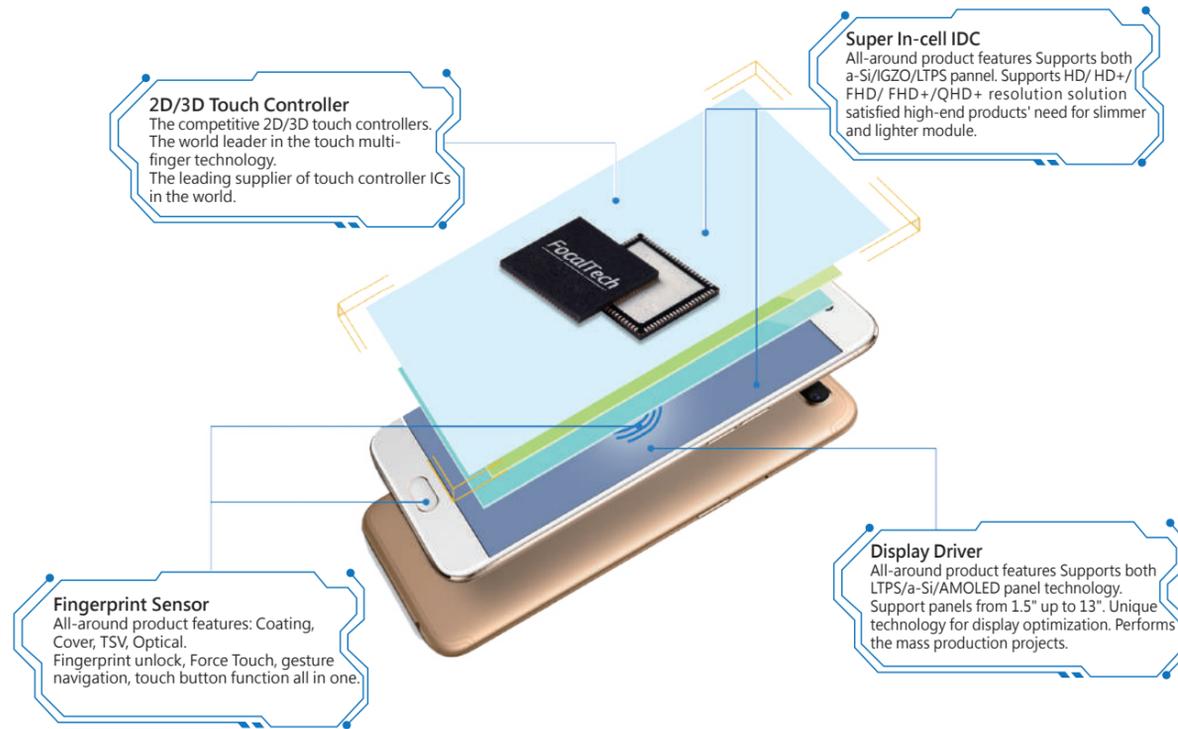
Highly integrated display & touch solution Support LTPS & α -Si LCD / AMOLED panels from 1.1" to 15" in size

IDC (TDDI)

Fingerprint Sensor

Fingerprint Sensors

Capacitive area and slim types In MP Optical Lens and collimator types -mass production trial



1.2 Business Performance

27.8%

The output volume and market share of the Company's IDC(TDDI) products have increased by 120% and 27.8%, respectively, over the previous year.

24.85%

Gross Profit Margin has risen from 3.09% to 24.85%.

70%

The number of awarded patents has gone up by 70% over the previous year.

13.8 billion

Revenues hit a new high of NT\$ 13.8 billion.

5%

R&D investments have increased by 5% over the previous year.

Material Topic: Business Performance

	Significance	One of the three core dimensions of CSR and a KPI of corporate sustainability.
	Policy/Commitment	FocalTech is firmly committed to achieving its operating goals and upholding its core values as a leading provider of human-machine interface solutions. The Company continues to build up its capabilities in the field of technology and IPR. It maintains its leadership position in industrial technology by building a competitive edge through product diversification and competitive technology thresholds with the ultimate goal of honoring its sustainability commitment.

	Short-, mid-, and long-term goals	<p>Short-term:</p> <ol style="list-style-type: none"> 1.Strengthening of existing customer services and operations and maintenance of long-term strategic partnerships with customers. 2.Consolidation of existing production capacities and intensification of strategic cooperation with subcontractors including wafer fabs and packaging and testing plants to ensure stable and sufficient production capacities and technical services. 3.Stepped-up development of new wafer suppliers or production processes to increase production capacities and signing of cooperation agreements to achieve greater flexibility through added wafer supply sources. <p>Mid- and long-term goals:</p> <ol style="list-style-type: none"> 1.Integration of industry supply chains and intensified communication and cooperation with branded businesses and tablet manufacturers to expand the Company's business scope. 2.Sharing of risks associated with the development of new processes and technologies with other supply chain members 3.Consolidation of technological leadership and strengthening of R&D capabilities. 4.Integration of technologies and expanded breadth and depth in the field of production lines and technologies.
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	Responsibility	Management level
	Resources	Business performance achievements rely on the joint efforts and contributions of all staff members. Operational achievements encompass development operations of the R&D units of all production lines, promotion and sales operations of sales and marketing units, manufacturing of high-quality products by manufacturing units, and financial planning and support by financial units.

	Communication Channel	Investor Relations Department – Mr. Xie Tel.: 886-3-6661660 E-mail: ir@focaltech-electronics.com
	Assessment Mechanism	Board of Directors, Shareholders' Meeting

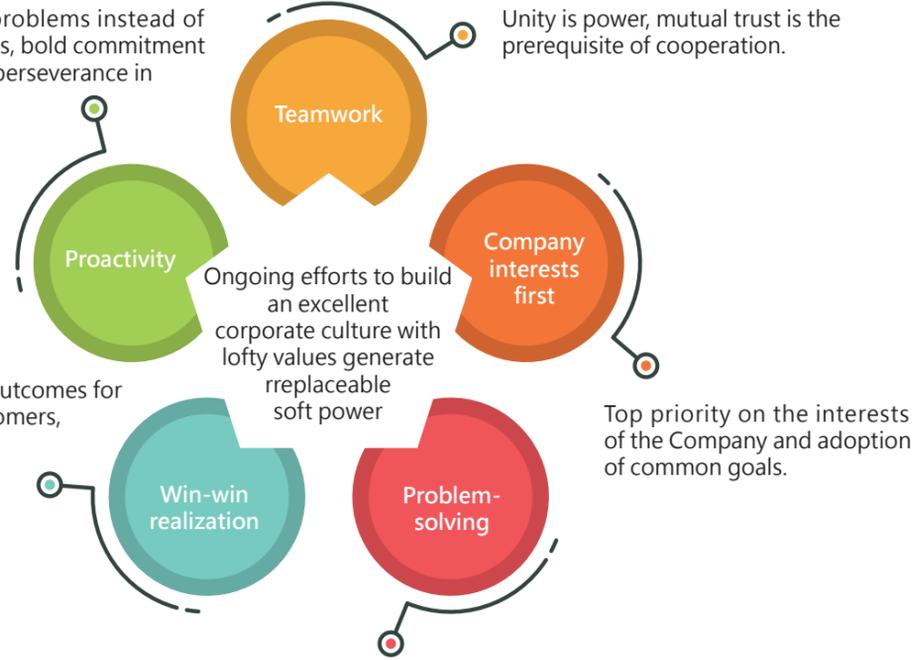
	Concrete Achievements	<ol style="list-style-type: none"> 1.The output volume and market share of the Company's IDC(TDDI) products have increased by 120% and 27.8%, respectively, over the previous year. 2.Revenues hit a new high of NT\$ 13.8 billion. 3.Gross Profit Margin has risen from 3.09% to 24.85%. 4.R&D investments have increased by 5% over the previous year. 5.The number of awarded patents has gone up by 70% over the previous year.
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	SDG Target	
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1.1.3 Corporate Culture and Values

Direct confrontation of problems instead of dodging or avoiding issues, bold commitment and facing of challenges, perseverance in the pursuit of goals.

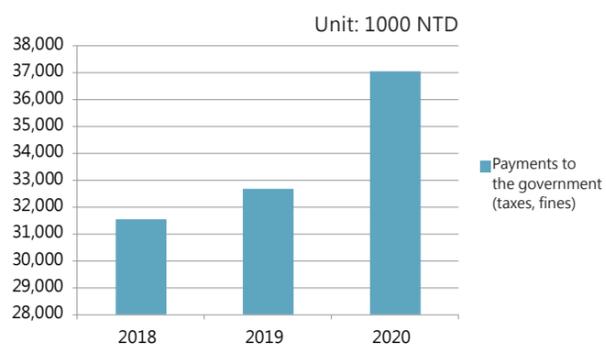
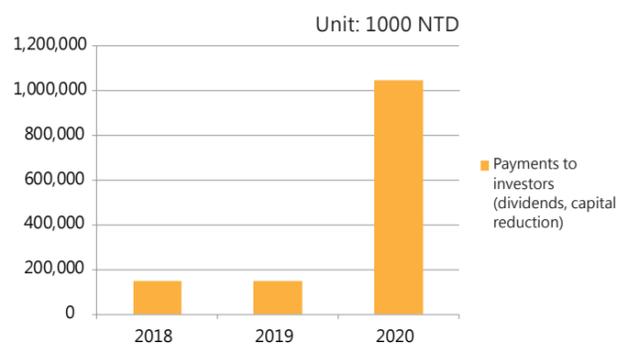
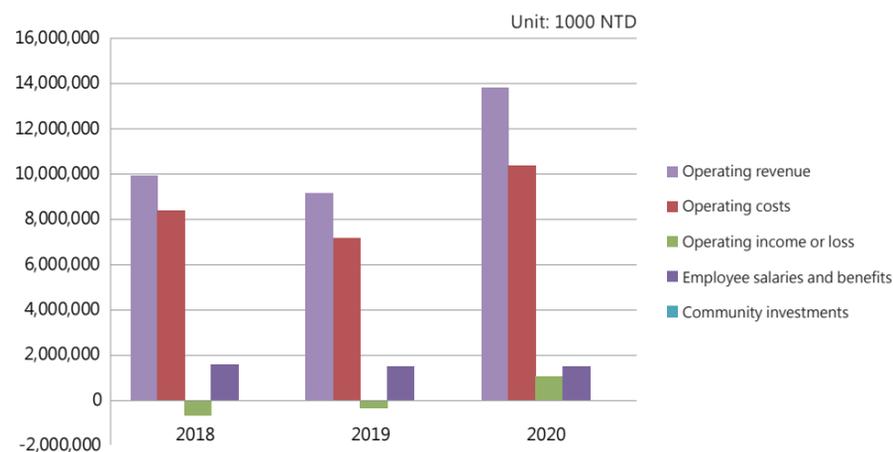
Unity is power, mutual trust is the prerequisite of cooperation.



Shift from mere talk to concrete action, outcome orientation, and facing problems head on based on the conviction that problem solution is the first step of innovation.

Unit: 1000 NTD

Item	2018	2019	2020
Operating revenue	9,919,368	9,160,261	13,800,348
Operating costs	8,357,068	7,167,061	10,371,572
Operating income or loss	-675,056	-340,656	1,030,737
EPS (in NTD)	-8.66	-0.63	3.97
Employee salaries and benefits	1,557,793	1,470,147	1,491,909
Shareholder payments	150,000	150,000	1,044,530
Tax and fine payments	31,542	32,695	37,053
Community investments	0	0	0



On occasion of the first anniversary of the COVID-19 pandemic, CommonWealth Magazine conducted a special survey titled "200 Most Resilient Enterprises." FocalTech's annual revenue growth rating was ranked 24th among all TWSE/TPEX-listed companies surveyed by the magazine.

The management team sets annual goals in accordance with operating strategies and implements regular tracking of the achievement status of mid- and long-term strategies and short-term goals. In case of discrepancies with actual operating results, root causes are identified, and corrective actions are implemented on an ongoing basis to ensure achievement of operating goals, effective consolidation, and increase of product market shares according to plan. This information serves as a key reference for the formulation of operating goals and business plans for the following year.

Supply and demand imbalances in the field of wafer production represent an endemic phenomenon in the past and foreseeable future. FocalTech has made a long-term commitment to strengthening its relations with its suppliers to maintain a firm grasp of wafer supply conditions and gain the ability to respond to supply fluctuations in a timely and flexible manner. The Company strives to build a solid R&D foundation through a constant pursuit of profound technological advancements and gross margin growth with the ultimate goal of increasing gross profits derived from its products and realizing the goal of sustainable operations.

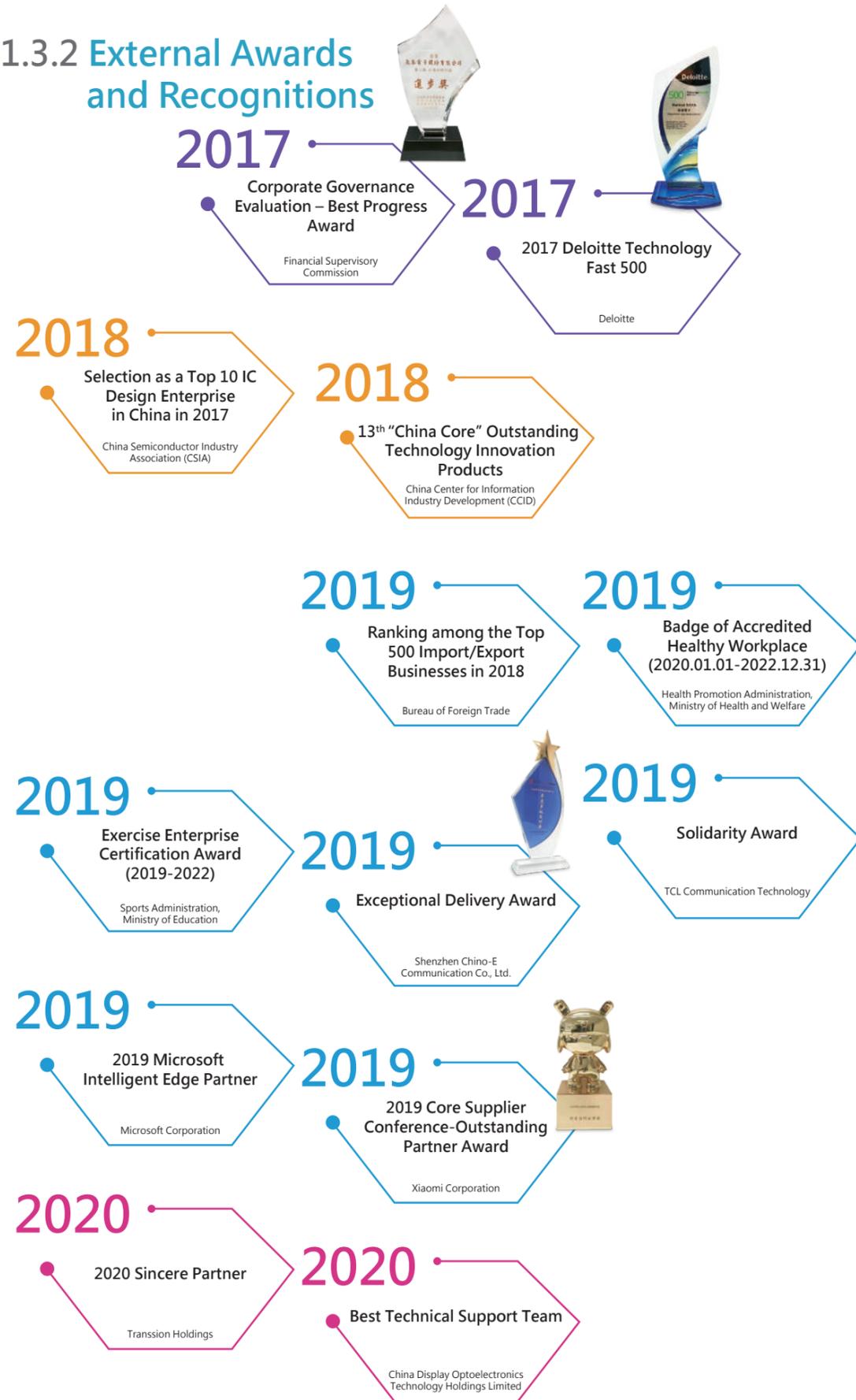
The Corporate Governance and Sustainability Task Force conducts risk assessments for the group. Risk management measures are implemented by competent units upon discussion of identified risk factors with the management level and confirmation of corrective actions.

1.3 Participation in Societies and Associations and External Recognition

1.3.1 Participation in Societies and Associations

Association name	Member status
Science Park Industry Association	Ordinary member
Digitimes	Ordinary member
Video Electronics Standards Association (VESA)	Ordinary member
Mobile Industry Processor Interface (MIPI)	Ordinary member
Society for Information Display (SID)	Ordinary member
Universal Stylus Initiative (USI)	Ordinary member
Global Semiconductor Alliance (GSA)	Ordinary member

1.3.2 External Awards and Recognitions



1.3.3 Acquired Certificates



ISO 14001

ISO 45001

ISO 9001

Sony GP

Factory Code	MC Name	FC Name	Expiry Date
FC00927	Chiplead Technology Corporation	Hsinchu SHIP Office	2022/09/30
FC00926	Chiplead Technology Corporation	Poogoo Plant	2022/09/30
FC00925	FocalTech Systems Co., Ltd.	(No Factory Name)	2022/09/30

Green Partner Secretariat
Procurement Division
Sony Global Manufacturing & Operations Corporation



02

chapter

Supplier Management

- 2.1 Manufacturing Process
- 2.2 Supply Chain Management Strategy
- 2.3 Supply Chain Management Procedures
- 2.4 Supplier Sustainability Assessment Procedures

02

chapter

Supplier Management

Material Topics and Management Approaches

Importance of material topics for FocalTech

FocalTech is a world-leading developer of capacitive multi-touch technologies. The Company specializes in chip design with a focus on the design and layout of touch control circuit products and touch display IC products. Upon completion of the design process, professional OEM manufacturers produce the wafers which are then handed over to professional packaging and testing plants for back-end dicing, testing, and packaging. During the wafer production process, close cooperation must be maintained with all supply chain members with the goal of forming partnerships characterized by professional division of duties and mutual cooperation. FocalTech has made an ongoing commitment to seamless cooperation with suppliers coupled with the minimization of environmental and social risks.

Policies/Commitment

FocalTech strives to build stable partnerships characterized by mutual cooperation with all its suppliers. The goal lies in joint maintenance of growth paired with the development of sustainability-based supply chain relations. Environmental standards (acquisition of ISO 14001 and conformity with HSF(Hazardous substance free) green product requirements) and social standards (acquisition of ISO 45001 OHSMS (Occupational Health and Safety Management System) certifications, adoption of RBA (Responsible Business Alliance) Code of Conduct, written advocacy of CSR, and listing as an RMI (Responsible Minerals Initiative)-certified smelter (conflict minerals) serve as the key sustainability evaluation criteria and requirements for suppliers. These evaluations ensure that suppliers have established and implemented relevant management systems. All suppliers are further required to undergo regular on-site and written audits and improvement meetings scheduled by FocalTech on an annual basis.

2021 Short-term goals

1. Signing of the Supplier Integrity Commitment by 100% of all cooperating suppliers
2. 100% procurement of raw materials from smelters that have been approved by a Global Sustainability Initiative certified smelter organization.
3. Maintenance of ISO 9001 certificate acquisition by 100% of all suppliers.
4. Acquisition of ISO 14001 certificates by 96% of all suppliers.
5. Maintenance of 100% conformity with RoHS and REACH standards.
6. 80% completion of supplier system audits.

Post-2025 Long-term goals

1. Development of a sustainability and CSR-oriented supply chain in cooperation with all supply chain members.
2. Acquisition of ISO 45001 certificates by 100% of all suppliers.
3. Signing of Supplier Social Responsibility Commitment by 100% of all suppliers.



2022~2024 Mid-term goals

1. Maintenance of 100% procurement of raw materials from qualified smelters.
2. Maintenance of ISO 9001 certificate acquisition by 100% of all suppliers.
3. Acquisition of ISO 45001 certificates by 90% of all suppliers.
4. Signing of Supplier Social Responsibility Commitment by 80% of all suppliers.
5. 90% completion of supplier on-site audits.
6. Establishment of a supplier management information platform.



Responsibility Competent unit: Manufacturing unit.

Resources Audit manpower, product testing and analysis system.

Communication Channels Supplier evaluations and surveys, supplier meetings, phone calls, e-mails.

Evaluation mechanisms Supplier QSA (Quality System Assessment) mechanism, on-site audits, system audits, conflict mineral surveys.

Concrete Achievements

- (1) Supplier environmental assessments: Acquisition of ISO 14001 Environmental Management System certifications by 96% of all suppliers and conformity with RoHS and REACH standards by 100% of all suppliers in 2020.
- (2) Supplier social assessments: 100% procurement of raw materials from RMI-certified smelters and acquisition of ISO 45001 OHSMS certifications by 52% of the existing mass production supply chain in 2020.
- (3) Localized procurement: Localized procurement of raw materials (incl. general procurements) accounted for 62% in 2020.

Corresponding SDGs

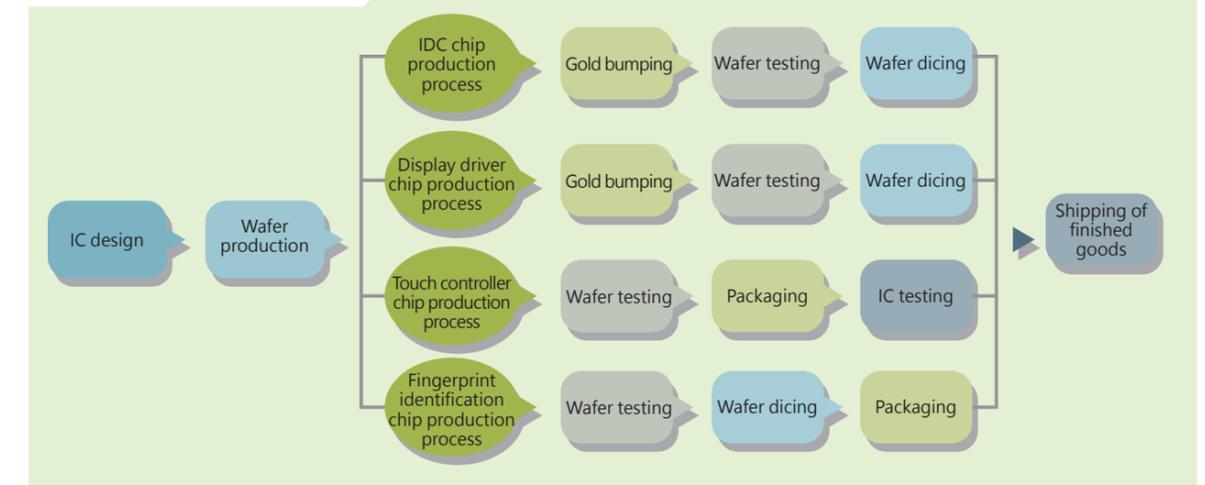


2.1 Manufacturing Process

The semiconductor supply chain is characterized by fine division of labor. As a professional chip design company, FocalTech is responsible for the design and layout of circuits for TDDI (Touch and Display Driver Integration) and Touch Controller products. Upon completion of the design process, professional OEM manufacturers produce the wafers which are then handed over to professional packaging and testing plants for back-end dicing, packaging, and testing.

During the wafer production process, close cooperation must be maintained with all supply chain members with the goal of forming a highly intertwined semiconductor production and supply chain. All cooperating suppliers possess top-of-the-line quality and process capabilities and meet the expectations and development needs of FocalTech in the field of supply amounts and cooperativeness.

Manufacturing process



2.2 Supply Chain Management Strategy

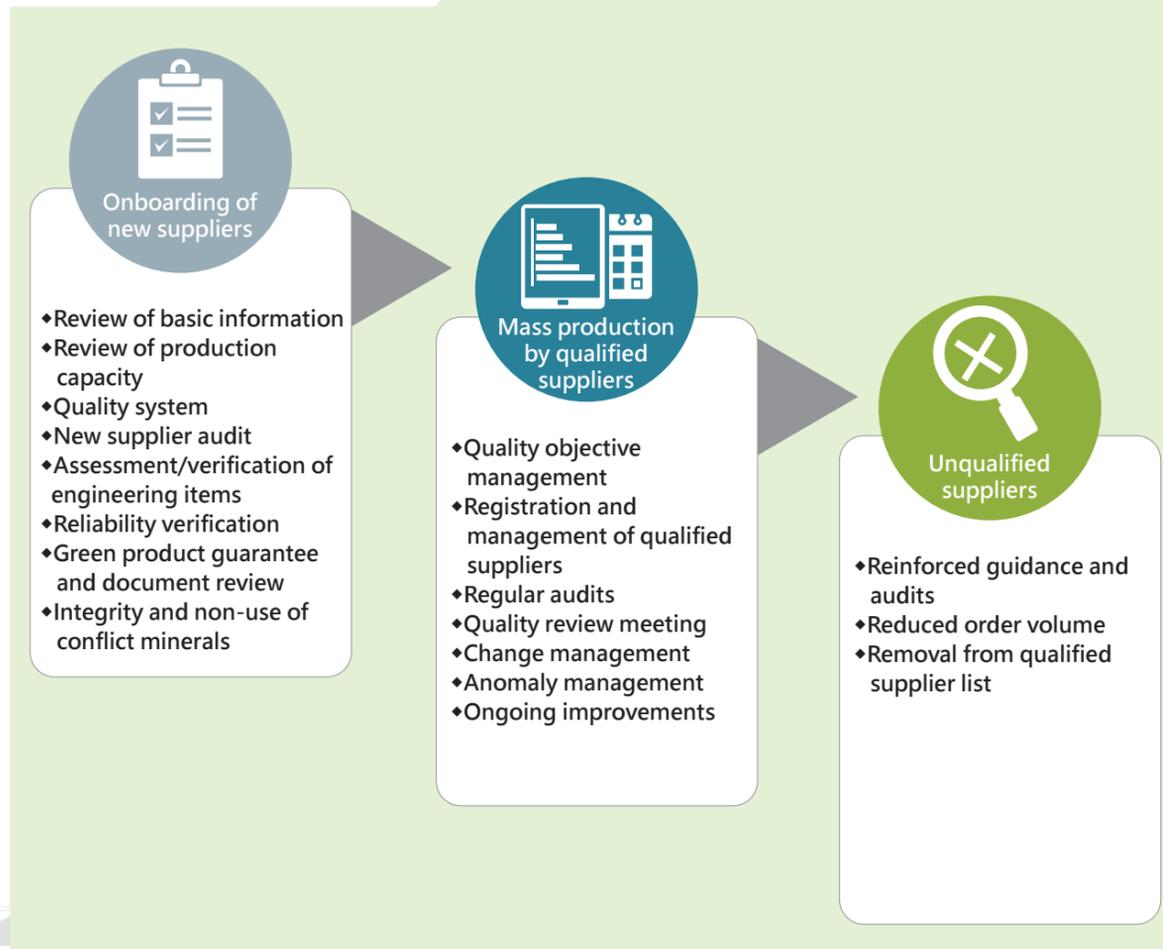
FocalTech is fully devoted to creating a positive cycle between chip design and supply chain manufacturing and fostering cooperative relationships with its suppliers. In addition to partnering with its suppliers in the creation of high-quality and high-value products, the Company places strong emphasis on CSR issues such as ISO 14001& ISO 45001 certifications, conformity with HSF green product requirements, and compliance with conflict mineral requirements. FocalTech has therefore adopted a four-pronged strategy of supplier evaluations, new product adoption, regular management, and ongoing improvements with regard to its supply chain. Active development of feasible and concrete methods is paired with the requirement that suppliers fulfill their social responsibility and ongoing efforts in the field of sustainable development.



2.3 Supply Chain Management Procedures

- 1 FocalTech conducts supplier evaluations and questionnaire surveys pursuant to the ISO 9001 Subcontractor Management Guidelines to determine the impact and significance of suppliers on the Company's products. A graded management approach has been adopted.
- 2 Contracts are concluded with suppliers in due time and clearly formulated quality, environmental, health, and safety norms and standards serve as key criteria for supplier risk control.
- 3 **Onboarding of new suppliers**
Prior to the listing as qualified suppliers, key items including quality management systems, engineering technology capabilities and management of production quality and environmental requirements are evaluated. An auditing task force which is composed of quality control/engineering/procurement and other personnel is formed and on-site audits encompassing green product and HSF management are carried out. Suppliers are further required to offer suggestions for corrective action with regard to detected deficiencies. The goal of these measures is to ensure conformity of new suppliers with FocalTech standards and requirements in the quality, environmental, and social dimensions.
- 4 Mass production by qualified suppliers: After completion of relevant verifications to ensure that suppliers meet all requirements, suppliers are listed as qualified and mass production is initiated.
- 5 Unqualified suppliers: Where suppliers fail to satisfy the requirement of FocalTech and major complaints are lodged for two consecutive years, their names are removed from the list of qualified suppliers upon review. In 2020, no suppliers were removed from said list and no violations of the environmental and social criteria for supplier evaluations occurred.

Supplier Management Process

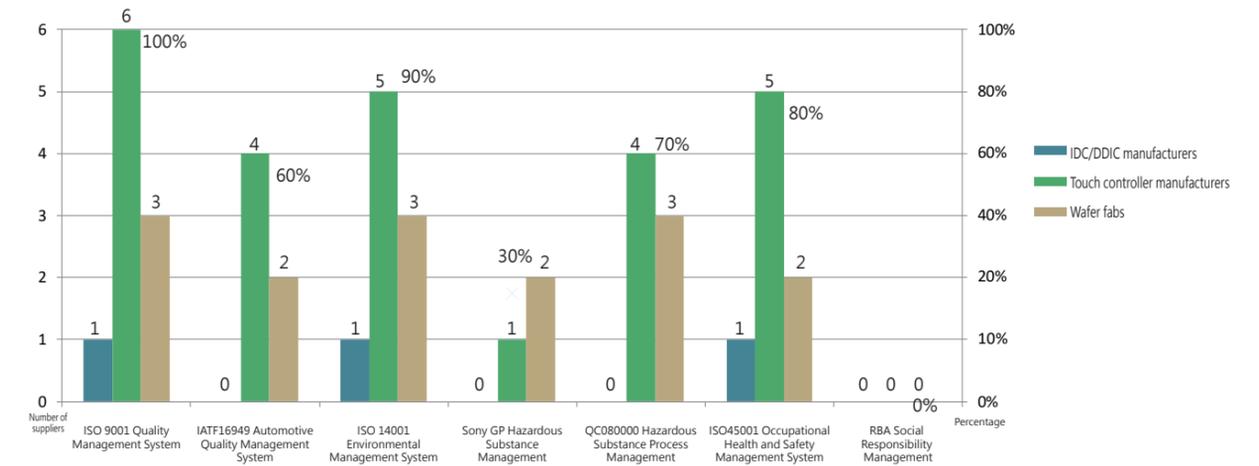


2.4 Supplier Sustainability Assessment Procedures



FocalTech conducts regular annual audits and reviews of new and existing suppliers to ensure conformity with relevant requirements in the fields of quality, cost, delivery time, and corporate social responsibility. 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).

Performance in the field of new supplier evaluations (2020)



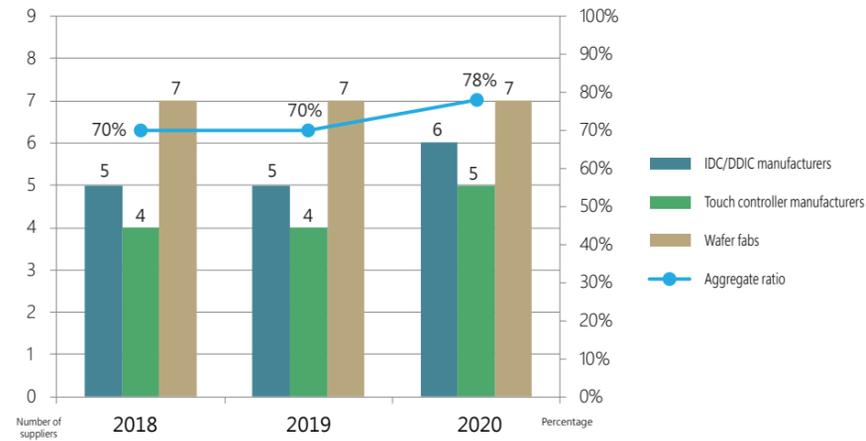
Note: Assessment subjects are new suppliers onboarded in 2020.

Assessment performance of the supplier management system (2018~2020)



Assessment performance of the supplier management system (2018~2020)

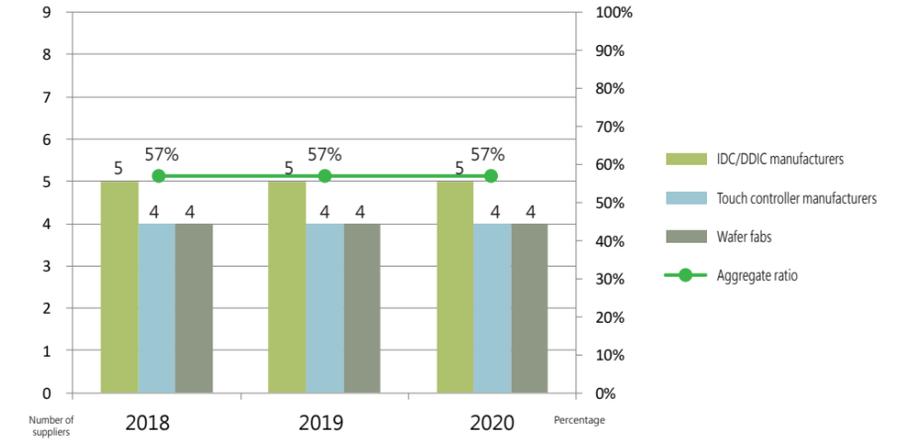
IATF16949 Automotive Quality Management System assessment results



Note: Assessment subjects are suppliers with which FocalTech had a cooperative relationship in the period from 2018 to 2020.

Performance in supplier environmental assessments (2018~2020)

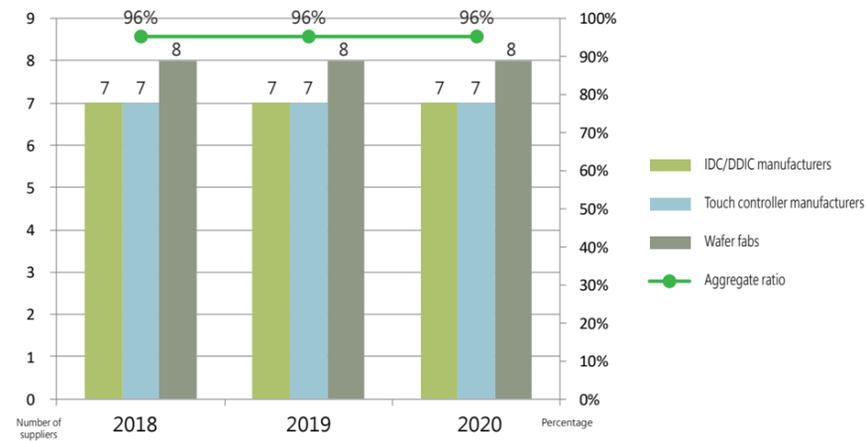
QC080000 Hazardous Substance Process Management assessment results



Note: Assessment subjects are suppliers with which FocalTech had a cooperative relationship in the period from 2018 to 2020.

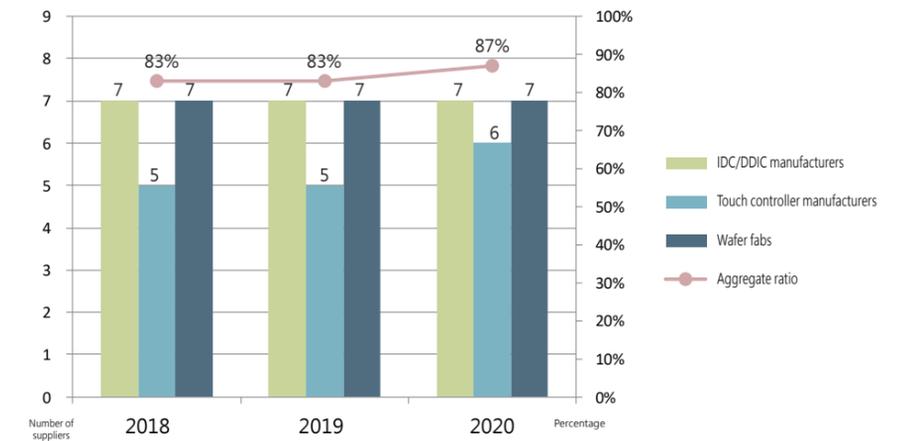
Performance in supplier environmental assessments (2018~2020)

ISO14001 Environmental Management System assessment results

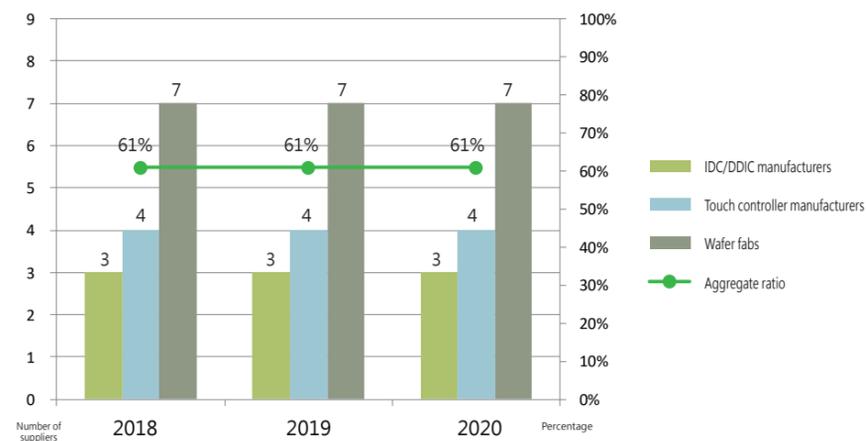


Performance in supplier social assessments (2018~2020)

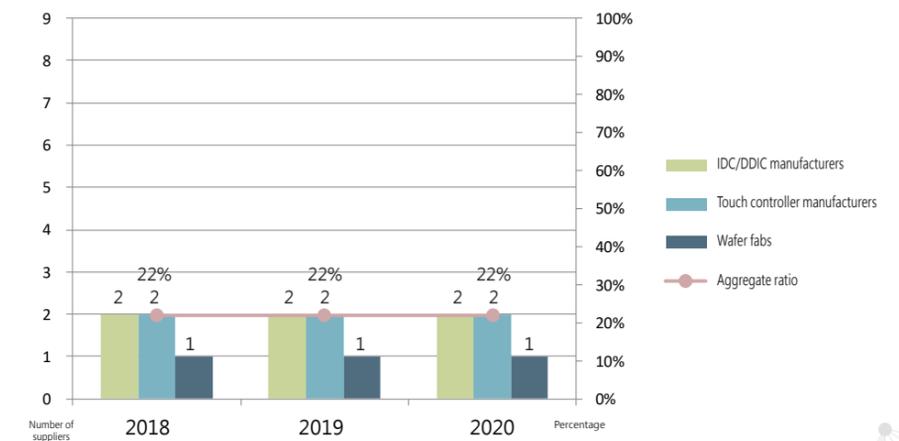
ISO 45001 Occupational Health and Safety Management System assessment results



Sony GP Hazardous Substance Management assessment results



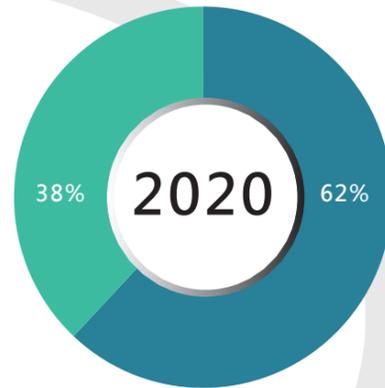
RBA Social Responsibility Management assessment results



Note: Assessment subjects are suppliers with which FocalTech had a cooperative relationship in the period from 2018 to 2020.

2.5 Localized Procurement

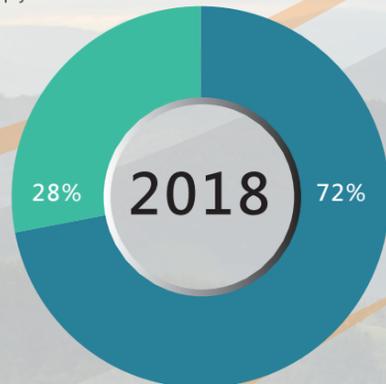
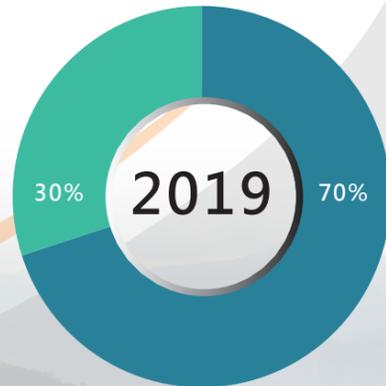
FocalTech embraces the principle of localized procurement with a view to reserving employment opportunities for local citizens and women reentering the job market, while minimizing carbon emissions generated in the transportation of materials. Over 60% of all procurement orders, accounting for the lion's share of raw material and general procurements, are placed with businesses located in Taiwan. FocalTech has fully implemented its localized procurement policy.



2018~2020 Local procurement rate in %

- Taiwan
- overseas areas

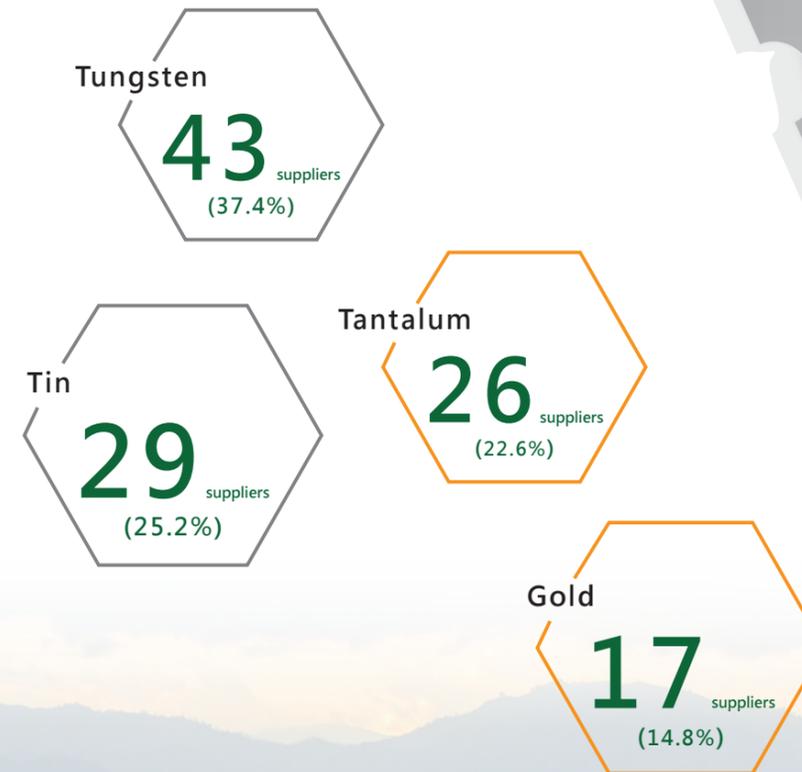
Note: The COVID-19 pandemic caused inconveniences in the field of shipment and transportation in 2020. The overseas procurement rate was therefore increased to ensure a stable supply of materials.



2.6 Conflict Mineral Management

FocalTech requires all its suppliers to issue a Conflict Minerals Statement guaranteeing non-use of materials from conflict areas pursuant to the requirements of the Conflict-Free Smelter Program (CFSP). The goal is to implement the Company's conflict mineral procurement policy by ensuring that all raw materials for FocalTech products are supplied by RMI (Responsible Minerals Initiative)-certified smelters and by proving that metals (Tantalum, Tin, Tungsten, and Gold, commonly referred to as 3TG) contained in raw materials provided by suppliers do not originate from a conflict mineral zone.

All of which are RMI-certified



In 2020, minerals utilized by the supply chain were provided by a total of 115 smelters, all of which are RMI-certified.



03

chapter

Customer Service

- 3.1 Customer Service Strategy
- 3.2 Quality Management System Operations
- 3.3 Product Development Project Management
- 3.4 Customer Service Satisfaction Survey Procedures
- 3.5 Customer Feedback and Suggestions for Improvement
- 3.6 Customer Property Protection and Management

03

chapter

Customer Service

Material Topics and Management Approaches

- 1 Importance of material topics for FocalTech**
 The realization of win-win outcomes for customers and partners/agents represents a core corporate value of the Company. We have set customer satisfaction as a key performance indicator and have made an unwavering commitment to the constant provision of top-quality customer service as our guiding principle.
- 2 Policies /Commitment**
 Customer First is a key component of the FocalTech quality policy. We have therefore formulated Customer Service and Complaint Management Procedures to standardize service offerings for customers and agents. This includes communication, handling of complaints, and regular customer satisfaction surveys conducted annually to provide a reference basis for relevant internal units. The ultimate goal lies in the continuing enhancement of the Company's image on the market and the creation of more business opportunities and profits.
- 3 Short-, mid-, and long-term goals**



Goal for 2021: Customer satisfaction rating of 8.8 or above.

Mid-term goal: Customer satisfaction rating of 9.0 or above.

Long-term goal: Quality and customer satisfaction first.
- 4 Responsibility**
 Sales and FAE, Quality Center, engineering & manufacturing units.
- 5 Resources**
 Manpower: Sales and FAE, Quality Center, engineering & manufacturing units.
 Information platform: FocalTech corporate website.
- 6 Communication Channels**
 Customers can communicate with the Company by e-mail or phone via the contact persons of FocalTech sales and FAE and the Quality Center or via the "Stakeholders" or "Contact Us" sections of the corporate website. Annual customer satisfaction surveys represent a condensed communication tool.
- 7 Evaluation mechanisms**
 Active: Customer satisfaction surveys.
 Passive: Customer complaint management.
- 8 Concrete Achievements**
 1. Overall customer satisfaction rating of 8.78 in 2020.
 2. IDC (TDDI) shipments increased by 1.2 times with market share increased to 27.8%.
- 9 Corresponding SDGs**

8 DECENT WORK AND ECONOMIC GROWTH



17 PARTNERSHIPS FOR THE GOALS



3.1 Customer Service Strategy

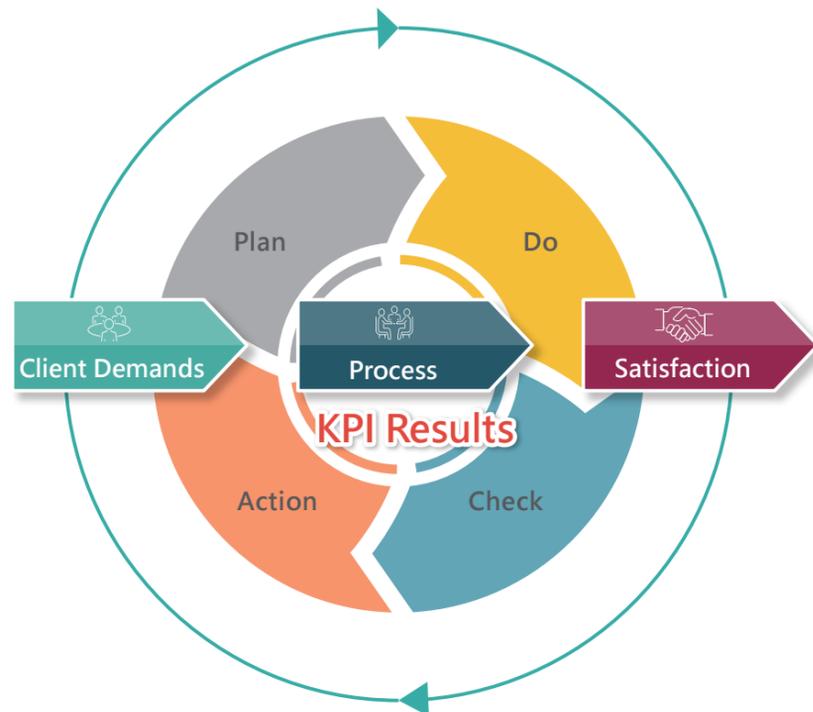
FocalTech espouses the corporate value of win-win outcomes and the guiding principle of ISO 9001 customer orientation. The Company views its agents and customers as key strategic partners and has therefore formulated Customer Service and Complaint Management Procedures to satisfy the demands and expectations of these partners in the fields of product quality and provided services. These procedures encompass communication, complaint handling, and customer satisfaction surveys to guarantee high-quality customer service processes. They provide relevant internal units with a reference basis in the fields of product development, design support, sales and marketing, and mass production support to facilitate the continuing enhancement of the Company's image on the market and the creation of more business opportunities and profits.



3.2 Quality Management System Operations

FocalTech has established a quality management system in compliance with ISO 9001 requirements on the foundation of customer and process orientation principles. Risk and Opportunity Assessment and Management is also taken into consideration and high emphasis is placed on process performance assessment. In addition to the execution of annual customer satisfaction surveys, positive and negative feedback of strategic partners is solicited as a reference for ongoing improvements through communication channels. Finally, reports are submitted to the top executive level in the context of management review meetings to guarantee the effectiveness and adequacy of the quality management system.

Risk and opportunity assessment



3.3 Product Development Project Management Procedures

FocalTech has established a New Product Introduction Flow which ranges from the definition of the requirements of new product projects to the end of the product life cycle. Relevant units perform their respective duties to ensure that customers are supplied with top-quality products that meet their needs and expectations. Ongoing optimization of the IT system guarantees the preservation of detailed information for each stage of new development projects. Confidentiality levels have been defined in accordance with relevant management procedures to facilitate the configuration of internal and external networks and the protection of key business secrets and confidential information. Furthermore, employee training is implemented to safeguard stakeholder interests.

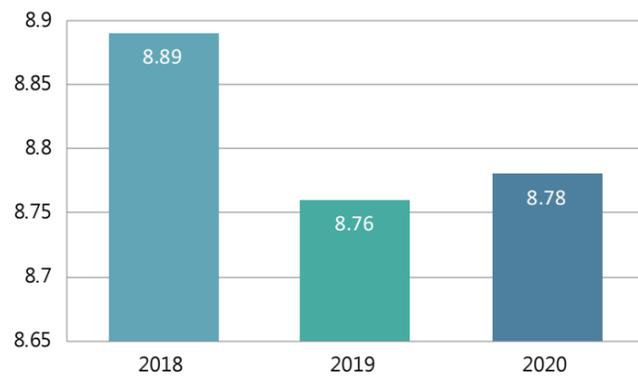


3.4 Customer Service Satisfaction Survey Procedures

Customer Service and Complaint Management Procedures have been adopted to ensure that all strategic partners are fully satisfied with the quality of the products and services provided by FocalTech. The Company highly values the opinions of its strategic partners which serve as a key reference for the effective implementation of the P-D-C-A management cycle. Customer satisfaction is therefore reviewed and assessed, and corrective action plans are proposed on an annual basis. These items are incorporated into the agenda of management review meetings upon internal discussions and analysis. In 2019, the customer satisfaction score reached 8.76, which represents a slight drop from the score of 8.89 in 2018. It has been determined upon analysis that this discrepancy can mainly be attributed to lower satisfaction levels in the fields of development progress and R&D personnel support. FocalTech is therefore firmly committed to ongoing management optimization and corrective actions as well as intensification of customer communication and reinforcement of mutual cooperation and understanding with the goal of maximizing mutual benefits and realizing win-win outcomes. In 2020, the impact of the COVID-19 pandemic posed arduous challenges for the supply chain in the fields of delivery times, shipping quantities, and costs. FocalTech therefore actively engages in intensive discussions and consultations with its supply chain partners and customers to minimize the impact of the pandemic.

Overall satisfaction rating

2018~2020 Overall customer satisfaction rating



3.5 Customer Feedback and Suggestions for Improvement

FocalTech embraces customer orientation and realization of win-win outcomes as core principles and values. Every customer satisfaction questionnaire collects positive and negative customer feedback through an actual interview process. FocalTech views positive feedback as anticipation and encouragement and negative feedback as a reminder to maintain its efforts in the field of quality management. Upon review of negative feedback, FocalTech always adopts corresponding improvements and corrective action. The Company earns the and support of its customers through ongoing highly effective improvements. Statistics from "Operation Performance" chapter indicate that IDC (TDDI) shipments has increased by 1.2 times with market share increased to 27.8%. This indicates that customer satisfaction has increased dramatically.

「 Truly Understand 」 Customer Wants and Needs

In addition, it was detected in the interview process that the current satisfaction questionnaire design does not accurately reflect the voice of the customer. With a view to creating more precise criteria for future ratings and measurements and gaining a genuine understanding of customer wants and needs, the Company has set about to optimize its satisfaction survey questionnaire and update its interview principles.

Item	Issues (As Was)	Improvement (To Be)
Categorization	Responses to questions cannot be provided by corresponding points of contact of the customer in a precise and accurate manner due to the fact that the questionnaire categorization framework is inconsistent.	Reclassification of questions in accordance with different organizational systems of the Company.
Items with low satisfaction scores	Contents of customer comments and complaints: 1. Not reflected in items with low scores. 2. Not covered by questionnaire items.	1. Amendment and addition of questionnaire items (with regard to parts that couldn't reflect customer opinions and feedback in 2019 and 2020). 2. Expansion of questionnaire breadth and depth and improved accuracy.

3.6 Customer Property Protection and Management

Technical documents involving intellectual property are identified as documents of external origin, classified according to their confidentiality level as stipulated in the Document and Data Control Procedures, and handled in accordance with the corresponding control methods and requirements. Management of other customer assets such as hardware equipment (panels or modules) provided by customers for the analysis and resolution of anomalies is the exclusive responsibility of units responsible for such operations. The ultimate goal is to ensure compliance with property protection requirements and confidentiality agreements concluded with customers.



04

chapter

Employee Care

- 4.1 Sound Talent Pool
- 4.2 Employee Benefits and Communication
- 4.3 Employee Communication
- 4.4 Talent Cultivation and Learning Development
- 4.5 Performance Appraisal System

04

chapter

Employee Care

4.1 Sound Talent Pool

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. The goal is to entice talent to join our team. As of the end of 2020, FocalTech had a total workforce of 385 employees. Through the provision of an excellent work environment, the Company creates a workplace climate conducive to cooperation and personal growth, innovation and product development, and maximization of personal value in pursuit of sustainability.

4.1.1 Talent Structure

Due to unique characteristics of the technology industry and job market factors, male employees account for 82% of the total workforce. A majority of our employees are in the “prime of life” age bracket of 30~50, which ensures the maintenance of corporate vitality and innovation potential in a highly competitive industry environment.

Employee diversification statistics

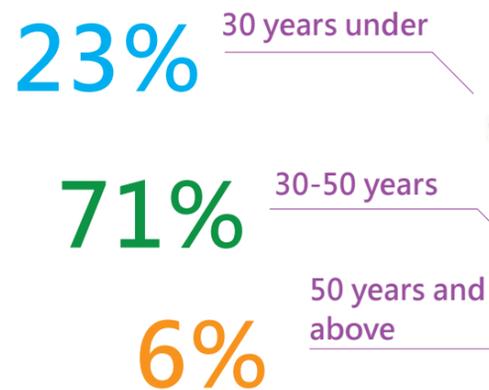
Broken down by gender, age, and education level				2018		2019		2020	
				Number	Percentage	Number	Percentage	Number	Percentage
Employees	Rank and file	Gender	Male	245	61.1%	228	59.2%	221	57.4%
			Female	50	12.5%	52	13.5%	56	14.5%
		Age	Below 30	45	11.2%	62	16.1%	88	22.9%
			30~50	244	60.8%	213	55.3%	184	47.8%
			Above 50	6	1.5%	5	1.3%	5	1.3%
		Education	MA/MS/PhD	212	52.9%	204	53.0%	193	50.1%
	Bachelor's degree		83	20.7%	76	19.7%	84	21.8%	
	High School		0	0.0%	0	0.0%	0	0.0%	
	Supervisors	Gender	Male	94	23.4%	95	24.7%	96	24.9%
			Female	12	3.0%	10	2.6%	12	3.1%
		Age	Below 30	0	0.0%	0	0.0%	0	0.0%
			30~50	90	22.4%	89	23.1%	91	23.6%
Above 50			16	4.0%	16	4.2%	17	4.4%	
Education		MA/MS/PhD	70	17.5%	72	18.7%	77	20.0%	
	Bachelor's degree	36	9.0%	33	8.6%	31	8.1%		
		High School	0	0.0%	0	0.0%	0	0.0%	
Total staff				401	100%	385	100%	385	100%

FocalTech reaches and attracts outstanding talent through diversified recruitment channels. In addition to job banks and recruitment activities, the Company relies on high referral bonuses to motivate staff members to refer highly qualified candidates. Successful candidates are selected in a transparent and fair recruitment process. Personal information of job applicants is duly protected.

Year		2018		2019		2020	
Total staff		401		385		385	
Employment contract (Note 1)		Non-fixed	Fixed	Non-fixed	Fixed	Non-fixed	Fixed
Gender	Male	339	0	323	0	317	0
	Female	62	0	62	0	68	0
區域	Taiwan	401	0	385	0	385	0
Employment type (Note 2)		Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Gender	Male	339	0	323	0	317	0
	Female	62	0	62	0	68	0

Note 1: Employment contracts are divided into the following two categories: Non-fixed term (permanent) and fixed term (temporary, short-term, seasonal, dispatch, foreign worker, apprentice, intern).

Note 2: Full-time (working hours per week as defined according to national legislation) and part-time (working hours per week are less than 'full-time' as defined above; e.g., work-study students and hourly workers) represent the two types of employment.



4.1.2 Employee Recruitment Channels

We view talent as one of our most valuable assets and therefore rely on diversified recruitment channels, competitive and fair compensation packages, and various benefits and activities to entice outstanding talent to join our team. We are actively committed to expanding our talent recruitment approaches. Manpower plans are formulated based on annual business strategies. In addition to job banks, participation in large-scale recruitment activities on university campuses (NTU, NCTU, NTHU, NCKU), and employee referrals, the Company takes the initiative in organizing industry-academia collaboration projects and summer internship programs to recruit outstanding talent. In 2020, FocalTech hired 75 employees, most of whom are in the age bracket of 30 and below, to maintain a youthful workforce.

In 2020, FocalTech created a Fan Page on a social media platform to provide more information on the Company, recent and upcoming events, and recruitment activities. We rely on interactions between employees and external individuals to increase the Company's visibility. With a view to optimizing our manpower structure and maintaining our competitive edge in the attraction of outstanding talent, we not only constantly monitor staff turnover indicators but also place high emphasis on talent development and retention through care for newcomers and exit interviews.

4.2 Employee Benefits and Communication

Material Topic: Employee Benefits and Communication



Importance of material topics for FocalTech

FocalTech provides diversified and comprehensive employee benefit packages, health management activities, and labor-management communication channels to fulfill its responsibility in the field of employee care, satisfy employee needs, and build an equitable and friendly workplace environment to retain outstanding talent and facilitate the joint achievement of brilliant business results.



Policies/Commitment

FocalTech offers generous compensation and benefit packages to its employees based on the conviction that salaries guaranteeing a decent life are a key prerequisite for the pursuit of dreams. Diversified internal communication mechanisms ensure that employee opinions are fully expressed and prompt rapid responses from competent units. The goal is to build a positive culture of unobstructed communications and create an open-minded work climate.



Short-, mid-, and long-term goals

Short-term: 100% Care for new hires.

Mid-, long-term: Positive, diversified communication mechanism
Culture of unobstructed communications.



Responsible Unit

HR Department, Employee Welfare Committee.



Resources

HR Department is responsible for employee care, coordination, and communication, the Employee Welfare Committee is in charge of the organization of activities and welfare items.



Communication Channels

Labor-management meetings, welfare committee meetings, newcomer care and employee exchange platform.



Evaluation mechanisms

HR grievance channel.

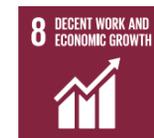


Concrete Achievements

Zero labor-management disputes in 2020.



Corresponding SDGs



The Company's high emphasis on talent is fully reflected in its workplace environment and welfare system. FocalTech embraces a human-centered business philosophy and manifests its foundation of integrity in all its work operations. In addition to the provision of attractive salaries and benefits and the planning of diversified welfare items with palpable effects, extensive discussions and communication are conducted via diverse channels to gain a clear understanding of the needs and opinions of our employees with the ultimate goal of retaining talent and realizing sustainable development.

4.2.1 Employee Welfare

FocalTech offers salaries and benefits and organizes diverse welfare activities to provide all-around care for its employees. The Company has also established an Employee Welfare Committee, which is composed of representatives dispatched by each department. This Committee is responsible for the planning and organization of various welfare activities. The goal is to create an excellent work environment with outstanding working conditions for all employees and thereby realize the ultimate goal of work-life balance. FocalTech is also committed to attracting and retaining talent and enabling its employees to accumulate wealth and savings. The Company motivates its employees and strives to enhance cohesion by encouraging them to increase their shareholdings and by sharing its business achievements with all staff members and generating benefits for both sides.

Employee benefits and welfare items	Full-time employees
	Taiwan
Group accident assurance, labor insurance/health insurance	Group accident assurance, labor insurance/health insurance.
Annual leave	Pursuant to relevant provisions set forth in the Labor Standards Act, workers who have worked continually for a certain period of time are granted a specified number of annual leave days based on their service time (such leaves can be used in advance).
Maternity and parental leaves	The Company grants maternity and parental leaves pursuant to relevant provisions set forth in the Labor Standards Act.
Wedding/funeral allowances	Employees are entitled to allowances for weddings. White envelop subsidy is offered upon funeral or burial.
Retirement system	The Company contributes 6% of employee salaries to individual pension accounts according to the new pension scheme starting from the onboarding date.
Festival bonuses	After three months of service, employees are eligible for gift certificates for the three major festivals, Labor Day, and their birthday.
Year-end bonus	Employees receive a year-end bonus equal to two months' salary based on actual business conditions.
Regula health checks	Health checks are administered annually for all staff members.
Staff trips	Domestic/overseas staff trips are organized annually.
Club activities	Various club activities and gym.
Celebration activities	Moon Festival BBQ and Family Days.
Dinner party subsidies	The Company grants subsidies for two dinner parties per year to each department.
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 which are deposited in employee accounts. The Company matches this contribution.

4.2.2 Environmental Safety and Health Promotion

FocalTech places top priority on workplace safety. We have 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. Ongoing improvements and corrective actions are implemented to prevent continuous pollution and achieve the goal of zero occupational accidents as well as the ESH performance goals set by the Company. All staff members are educated on their responsibilities. Relevant management systems have been established in the Hsinchu Science Park area and the Company has acquired ISO 14001 and ISO 45001 certificates issued by TUV NORD in 2020 upon completion of all required certification procedures for the benefit of all employees in Taiwan. The effectiveness of management system operations is reviewed on this basis.



FocalTech has formed an Occupational Safety and Health Committee consisting of 13 members pursuant to Article 23 of the Occupational Safety and Health Act. The committee convenes every quarter to deliberate occupational safety issues. FocalTech is an IC design company which is not engaged in any production operations. Despite the fact that none of our employees are engaged in high-risk operations, we strictly abide by our environmental and occupational safety and health policies to ensure conformity with relevant regulations set forth in the Environmental, Health and Safety Policy. Ongoing improvements of the occupational safety and health management system are implemented to realize the goal of zero occupational accidents and create a workplace that conforms to ESH regulations.

Health Management and Risk Identification

The Company administers annual health checks for all employees and collects information on employee age, work tasks, daily routines, operating environment characteristics, and health check results. The correlation between health risks and work tasks is analyzed in an organized manner. Where it is determined that employees belong to high-risk groups, visiting physicians provide professional healthcare services, health assessments, and professional advice every two months. The Company also actively engages in abnormal workload assessments, maternal health protection, ergonomic hazard prevention programs, and communicable disease prevention counseling. Nursing personnel stationed in manufacturing plants carry out regular tracking and provide professional care to reduce the danger of triggering critical illnesses and evaluate the potential risk of occupational diseases. Individual health guidance and education for employees with abnormal health check results is provided by visiting physicians. Assistance in the scheduling of medical care is provided if deemed necessary.

With a view to providing our employees with the best care possible, we have formed an outstanding healthcare team for the administration of health checks through a rigorous selection process. Annual health checks exceeding legal requirements are conducted based on the concept of early detection and treatment. All employees who have accumulated at least three months of service are entitled to such health checks (annual check-up rates exceed 95%). The goal is to safeguard the physical well-being of our employees and prevent diseases through regular physical exams.



2018	2019	2020
97.0%	98.1%	95.3%



A COVID-19 emergency response plan has been adopted in line with nationwide epidemic prevention initiatives. We fully comply with CDC epidemic prevention measures which are adjusted on a rolling basis to safeguard the physical health of our employees and maintain our operations to the maximum extent possible. For instance, the current state of the epidemic is announced on a daily basis as of January 2, 2020, the purchase of a quantity of surgical masks for our staff members equivalent to around nine times the total workforce was completed in the first quarter, high-risk contacts are reported and tracked, all staff members are required to report their body temperatures on a daily basis to prevent exposure to co-workers with elevated temperatures, unnecessary business trips abroad are avoided (employees who embark on business trips are required to wear COVID-19 protective gear including N 95 respirator masks and Level D protective coveralls), access controls for visitors and manufacturers are implemented, dedicated meeting rooms for visitors have been designated, crowd control in staff canteens and education on dining concepts is carried out, and restrictions applying to club gyms and birthday parties are imposed and adjusted in a flexible manner. In addition, employees are educated on accurate epidemic prevention concepts via different platforms such as electronic and physical bulletin boards, employee exchange platforms, and notices on proper hand washing and mask wearing procedures and immunity enhancement methods displayed next to hand washing and sanitizing equipment. Temperature check stations have been set up in all office areas to allow constant monitoring of body temperatures during working hours.

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Health Promotion

The Company has been presented with the Badge of Accredited Healthy Workplace by the Health Promotion Administration of the Ministry of Health and Welfare (Validity January 2020 ~ December 2022) and the Exercise Enterprise Certification Award by the Sports Administration of the Ministry of Education. Health promotion activity themes (e.g. healthy weight loss activities, walking step counting competitions, eyesight care activities, and screenings for four cancers) are determined based on analyses of the results of annual health checks.

We also fully support and encourage our employees to participate in club activities. In addition to signing up for one of the eleven clubs (yoga, basketball, badminton, light aerobic, dance, softball, cycling & road running, Qi Gong, guitar, photography, and meridian (Chinese medicine), employees may use the free gym at their convenience. The goal is to provide different ways for employees to achieve physical, mental, and spiritual balance during off-work hours.



Healthy Workplace Badge



Exercise Enterprise Certification Award

4.2.3 Staff Trips

Staff trips which are organized on an annual basis are the most highly anticipated activities. Every year, the Employee Welfare Committee also offers a wide range of domestic and overseas itineraries which can be freely selected by our employees. On top of that, the Company and the Employee Welfare Committee subsidize travel expenses based on the total service time of employees. The goal is to provide co-workers with an extra budget that they may utilize to take their family members with them. Group trips also serve the purpose of building and intensifying friendships between co-workers.



November 2020 Staff trip to Promised Land Resort in Hualien



October 2020 Staff trip to Sun Moon Lake



October 2020 Staff trip to Yilan



November 2020 Staff trip to Sun Moon Lake

4.2.4 Club Activities

Numerous club activities are organized on the Company premises to help employees achieve work-life balance. The yoga, aerobic, and MV dance club activities boast the highest participation rates because they can be most easily integrated into daily office routines. These activities calm and relax the nerves almost instantly and allow employees to achieve physical and mental balance and stress release through a simple exercise routine during breaks. They also ensure that employees gain more space for diversified and flexible creativity outside of purely rational work requirements.



Light body yoga course held every Thursday evening (2020)



Yoga course held every Tuesday during lunch break (2020)



MV dance club activity held every Monday evening (2020)

4.2.5 Festival Celebrations

The Moon Festival is a time of family reunions. The Company organized a Moon Festival party on occasion of this special day of full moon and reunions. Employees and their families were invited to gather for a joint celebration of the Moon Festival. They got a chance to taste culinary delicacies and experience the joy of reunion. While watching their co-workers play games on stage, they all hoped to win one of the big prizes in the highly anticipated prize draw activity. This time of shared joy dissipated the fatigue of a whole day and relaxed the tense minds and bodies of all participants.

Festival celebration

Moon Festival BBQ in September



4.3 Employee Communication

FocalTech is firmly convinced that its human resources are one of its key assets for corporate sustainability. The Company highly values the unique traits, views, and opinions of each employee and strives to build harmonious labor-management relations. The FocalTech family conducts ample discussions and communication via diversified channels such as labor-management meetings, Employee Welfare Committee meetings, newcomer care and an employee exchange platform, and "soft" activities for intensified interactions and affection such as birthday parties, Facebook Fan Page, and Valentine's Day group activities with the ultimate goal of creating a harmonious work environment and work climate.



March birthday party



FocalTech FB Opening Event

Labor-management meetings are convened every quarter. Extraordinary meetings are scheduled if crucial labor-management issues are encountered. Labor representatives can offer recommendations for labor-related issues such as labor-management relations, labor conditions, and labor welfare and speak their mind freely on this platform. Labor representatives can engage in communication with management representatives and participate in labor rights related decision-making processes in the context of such meetings. All employees are protected through labor-management agreements and are entitled to express their opinions. Relevant records are created to track the implementation status of such agreements and the adoption of corrective action for problems. Diversified and open communication channels guarantee labor-management relations characterized by mutual trust and harmony. As a result, no labor-management disputes occurred between 2018 and 2020.

In the future, FocalTech will maintain its consistent approach in this area. In addition to full compliance with labor-related laws and strengthening of welfare measures, labor representatives will be invited to participate in discussions and deliberations on major changes in labor conditions and matters of crucial importance for labor rights and interests to draw on collective wisdom, further harmonious relations between labor and management, and prevent unnecessary disputes. The ultimate goal is to promote excellent communication modes for all staff members through comprehensive and diversified communication measures.

- Quarterly Labor-management meetings**
Labor-management meetings provide a forum for active communication between both sides, which fosters mutual cooperation, reduces conflicts, facilitates consensus building, and enhances work efficiency.
- Non-scheduled Employee Welfare Committee meetings**
Essential welfare measures and activities which aim to raise the morale of employees and strengthen cooperative relationships between labor and management are financed through joint contributions by FocalTech management and labor representatives to the employee welfare fund.
- Quarterly Care for newcomers**
The HR Department schedules interviews with newcomers who have completed three months of service and passed their performance appraisals to gain a better understanding of how they have adapted to their work environment and respond to their questions on administrative measures of the Company in a prompt manner. Care for new hires fosters mutual understanding, creates opportunities for communication, and boosts active exchanges.
- Non-scheduled Employee exchange platform**
This platform allows FocalTech employees to share information and resources anytime and anywhere and provides a valuable channel for mutual communication between employees.

4.4 Talent Cultivation and Learning Development

Material topic: Talent cultivation and learning development

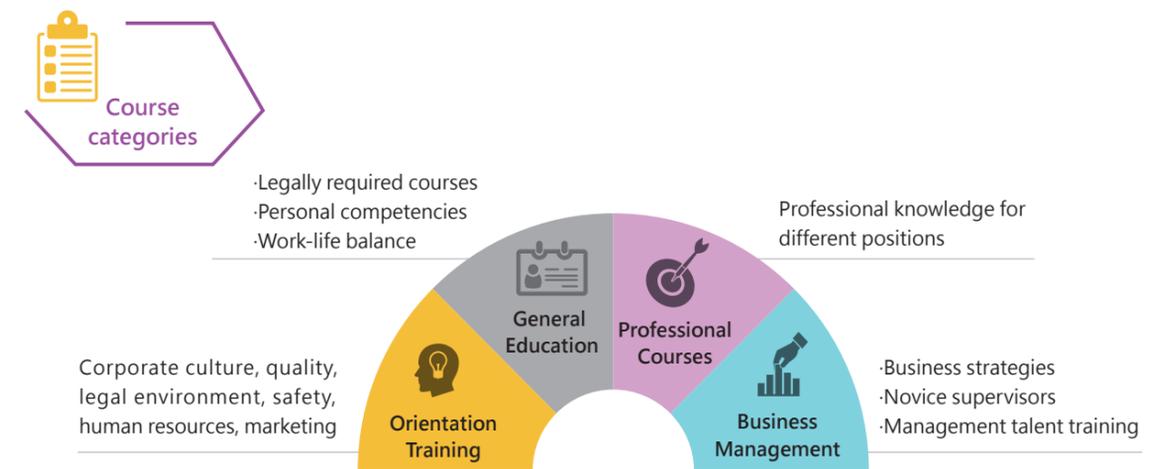
Importance of material topics for FocalTech	In addition to the active recruitment of outstanding external talent, the Company is firmly committed to ongoing development of internal talent as a key prerequisite for sustainability and growth. The competitiveness of employees and supervisors is effectively enhanced through a multi-layered training and development mechanism.
Policies/Commitment	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.
Short-, mid-, and long-term goals	<p>Short-term:</p> <ul style="list-style-type: none"> ● Strengthening of supervisor management competency requirements in response to challenges facing the Company. ● Development of learning development blueprints for all departments to effectively enhance professional competencies. ● Promotion of training platforms for basic internal training to improve employee learning conditions and outcomes. <p>Mid- and long-term goals:</p> <ul style="list-style-type: none"> ● Enhancement of supervisor management capabilities at all levels through management competency training programs. ● Offering of a course series on industry trends and professionalism to foster innovative thinking and competitiveness of employees. ● Strengthening of the training system and creation of an internal knowledge base to ensure passing on of experiences.
Responsibility	HR training unit.
Resources	The Company allocates annual budgets for training and development.
Communication Channels	Online learning platforms, feedback through e-mails, course satisfaction surveys.
Evaluation mechanisms	Pre-training needs assessment, course satisfaction survey.
Concrete Achievements	Average score of 4.3 in post-course satisfaction surveys (Maximum possible score of 5).
Corresponding SDGs	

4.4.1 Talent Cultivation Program



The training objectives are closely linked to the Company's core values and strategic development needs. A training framework has been devised for top-, mid-, and entry-level management and rank & file employees, respectively. Training blueprints have been designed in line with the needs of each unit and comprehensive training programs in the fields of professional and managerial abilities are available for all employees.

FocalTech places ultimate emphasis on training and development and is deeply committed to creating a diversified and extensive learning environment. The Company allocates annual budgets for training and development and the HR Department devises annual plans in accordance with the development and learning goals of the respective year.





Supervisor leadership development

Management courses are designed on an annual basis in accordance with different organizational issues and needs to improve leadership thinking on the part of supervisors. Course contents are presented by professional instructors in form of theme-based workshops during which supervisors are encouraged to share their experiences. The ability of supervisors to deliberate and resolve different issues is enhanced through different guidance methods. Management courses in 2020 were centered around subordinate development and instruction- and coaching based leadership.



Professional competency training

FocalTech places high emphasis on talent training and development. Upon determination of short-, mid-, and long-term course contents in accordance with the tasks of departments employees belong to, training blueprints are developed for each department. These blueprints are revised in a prompt manner in accordance with requirements of internal and external environments.



Online learning platform

In 2019, FocalTech established an online learning platform which allows all staff members to freely select courses in the four categories of orientation training, general education, business management, and professional knowledge. Physical courses of the Company are recorded and converted to a virtual format to facilitate acquisition of new knowledge by employees anytime and anywhere without temporal or spatial constraints. In 2020, the Company began to establish a training system which is scheduled for completion in 2021 to ensure a better understanding on the part of employees and realize systematic management of learning processes and records. The goal is to provide employees with more comprehensive on-the-job training programs and resources. This platform allows the transmission of information and knowledge in a real-time manner, facilitates the transfer of knowledge inside the Company, and serves as a channel for instant discussions or cooperation across departments.

4.4.2 Course Satisfaction Surveys

With a view to gaining a clear understanding of employee opinions on training programs and meeting the training needs of the organization and all staff members, the Company not only carries out interviews and surveys to determine training needs but also conducts post-course satisfaction surveys. These surveys encompass course scheduling, teaching contents, training equipment and materials, administrative measures, and training feedback. Questionnaires are filled out in a non-anonymous manner and serve as a reference for the organization of training courses and improvements in teaching approaches.

Number of internal training course sessions in 2020

Training item	Content	Number of sessions	Satisfaction survey score (Maximum possible score 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

4.5 Performance Appraisal System

The FocalTech HR Department defines and assesses performance goals and conducts performance interviews and assessments in accordance with the Company's Performance Management Guidelines to help employees achieve optimal performance and thereby enhance organizational and individual performance. Employee Performance Improvement Programs are implemented if unsatisfactory performance warrants improvement. Performance appraisal results are communicated by supervisors to give employees a clear understanding of performance shortcomings and determine improvement goals and methods with the goal of assisting them in enhancing their work abilities and performance.

Performance appraisal system

The mid-year achievement status of project goals set at the beginning of the year is reviewed and evaluated and work programs and goals for the second half of the year are adjusted or initiated based on one-on-one talks.

Mid-year evaluation

Year-end evaluation

In the process of one-on-one interviews and evaluations of employee performance in the respective year, employees receive feedback on their performance, competitive advantages, and opportunities for continued development with a view to achieving the goal of individual performance enhancement and attainment of organizational objectives.

Percentage of employees whose performance and career development is regularly reviewed

Employees reviewed in 2020		Number of reviewed employees	Total number	Percentage
Gender	Male	301	301	100%
	Female	66	66	100%
Category	Rank and file	272	272	100%
	Supervisors	95	95	100%

Note 1: Data provided in the table above are based on the number of employees who underwent performance appraisals in September
 Note 2: 37 employees still on probation are excluded.

Employee salaries and benefits are adjusted in a timely manner based on the performance appraisal system. 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-management positions (Unit: 1000 NTD)	Mean	1,622	1,534	2,018	31.55%
	Median	-	1,360	1,740	27.94%



About this Report

This 2020 Corporate Social Responsibility Report (CSR Report) is the first report of its kind released by FocalTech Systems Co., Ltd. (hereinafter referred to as "FocalTech"). The report contents have been compiled in a spirit of integrity and pragmatism, which also represents the core philosophy of the Company. The goal is to give stakeholders a clear understanding of FocalTech and its commitment, achievements, management approaches, and strategies in the field of CSR. The preparation of this report also gave the Company an opportunity to review its CSR implementation results and identify areas of improvement with the ultimate goal of making a positive contribution to a better society and serving as a catalyst for social progress.

Report Scope

Except for Chapter 4, which focuses on employee care in the Taiwan area, the scope of the report encompasses the whole FocalTech Group. This report presents the Company's performance and achievements in the economic, environmental, and social dimensions of corporate governance, business performance, supplier management, customer service and satisfaction, employee benefits and communication, talent cultivation and learning development.

Reporting Period

The disclosures in this report cover the year 2020 (Jan 1, 2020~ Dec 31, 2020).

Report Publication

FocalTech is committed to releasing CSR reports on an annual basis and making them publicly available for perusal and download on its corporate website (<http://www.focaltech-electronics.com>)
 Publication date of the first issue: September 30, 2021
 Publication date of the next issue: September 30, 2022

Report Compilation Principles

This report was prepared and written pursuant to the Core Options of the GRI Standards released by Global Sustainability Standards Board (GSSB).
 The disclosed data has been compiled and organized by competent units of FocalTech. Financial reporting data is provided in NT dollars and has been attested by a CPA. All information provided in this report is consistent with relevant disclosures in annual reports and other publicly available information.

Report Audits and Verification

With a view to ensuring the provision of reliable information to our readers, we have commissioned GREAT Certification, an independent third-person accreditation body, to verify that this report conforms to the Type 1 moderate level of assurance of the AA1000 AS:2008 assurance standards. The assurance statement is attached to this report.

Comments and Feedback

FocalTech is sincerely committed to maintaining excellent communication with all stakeholders and welcomes comments and feedback which may be submitted as follows
 Contact person: Pei-Xin Wu Executive Secretary to the Chairperson
 Add.: 4F, No. 6, Dusing First Road, Hsinchu Science Park, Hsinchu 300096, Taiwan
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 Corporate website: <http://www.focaltech-electronics.com>

Topic	Disclosure	Description	Remark (Omission)	Page	External assurance	Remark (Omission)
Organizational profile	102-1	Name of the organization	1.1 Company Profile	18		
	102-2	Activities, brands, products, and services	1.1 Company Profile	18		
	102-3	Location of headquarters	1.1 Company Profile	18		
	102-4	Location of operations	1.1 Company Profile	18		
	102-5	Ownership and legal form	1.1 Company Profile	18		
	102-6	Markets served	1.1 Company Profile	18		
	102-7	Scale of the organization	1.1 Company Profile	18		
	102-8	Information on employees and other workers	4.1.1 Talent Structure	44		
	102-9	Supply chain	2.1 Manufacturing Process	30		
	102-10	Significant changes to the organization and its supply chain	Nil	-		No significant changes occurred
	102-11	Precautionary Principle or approach	Risk Management	15		
	102-12	External initiatives	Nil	-		No participation in external initiatives
	102-13	Membership of associations	1.3 Participation in Societies and Associations and External Recognition	24		
Strategy	102-14	Statement from senior decision-maker	Message from the Chairman	2		
	102-15	Key impacts, risks, and opportunities	Risk Management	15		
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	Integrity	8		
	102-17	Mechanisms for advice and concerns about ethics	Reporting	9		
Governance	102-18	Governance structure	Corporate Governance Framework	4		
	102-19	Delegating authority	Corporate Governance and Sustainability Organization	7		
	102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance and Sustainability Organization	7		
Stakeholder engagement	102-40	List of stakeholder groups	Stakeholder Engagement and Identification of Material Topics	10		
	102-41	Collective bargaining agreements	Nil	-		
	102-42	Identifying and selecting stakeholders	Stakeholder Engagement and Identification of Material Topics	10		
	102-43	Approach to stakeholder engagement	Issues and Status of Stakeholder Communication	11		
	102-44	Key topics and concerns raised	Stakeholder Engagement and Identification of Material Topics	10		
Reporting practice	102-45	Entities included in the consolidated financial statements	About this Report	57		
	102-46	Deining report content and topic boundaries	Stakeholder Engagement and Identification of Material Topics	10		
	102-47	List of material topics	Stakeholder Engagement and Identification of Material Topics	10		
	102-48	Restatements of information	About this Report	57		
	102-49	Changes in reporting	About this Report	57		
	102-50	Reporting period	About this Report	57		
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	102-53	Contact point for questions regarding the report	About this Report	57		
	102-54	Claims of reporting in accordance with the GRI Standards	About this Report	57		
	102-55	GRI content index	About this Report	57		
	102-56	External assurance	About this Report	57		



Topic	Disclosure	Description	Remark (Omission)	Page	External assurance	Remark (Omission)
Economic						
★Economic Performance						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Material Topic Boundaries and Corresponding Indicators	12		
	103-2	The management approach and its components	1.2 Business Performance	22		
	103-3	Evaluation of the management approach	1.2 Business Performance	22		
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	1.2 Business Performance	22		
★Procurement Practices						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	Material Topic Boundaries and Corresponding Indicators	12		
	103-2	The management approach and its components	2.5 Localized Procurement	35		
	103-3	Evaluation of the management approach	2.5 Localized Procurement	35		
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	2.5 Localized Procurement	35		
★Supplier Environmental Assessment						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	Material Topic Boundaries and Corresponding Indicators	12		
	103-2	The management approach and its components	2.4 Supplier Sustainability Assessment Procedures	32		
	103-3	Evaluation of the management approach	2.4 Supplier Sustainability Assessment Procedures	32		
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	2.4 Supplier Sustainability Assessment Procedures	32		
	308-2	Negative environmental impacts in the supply chain and actions taken	2.4 Supplier Sustainability Assessment Procedures	32		No negative environmental impacts in the supply chain were recorded in 2020
Society						
★ Labor/Management Relations						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	Material Topic Boundaries and Corresponding Indicators	12		
	103-2	The management approach and its components	4.2 Employee Benefits 4.3 Employee Communication	46 52		
	103-3	Evaluation of the management approach	4.2 Employee Benefits 4.3 Employee Communication	46 52		
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.2.1 Employee Welfare	47		
	Salary	The company shall disclose information on the number of its full time employees in non-management positions, the average and median salaries of the full time employees in non-management positions, and the differences between these 3 figures and the figures of the preceding fiscal year.	4.5 Performance Appraisal System	56		
Occupational Health and Safety						
GRI 403: Occupational Health and Safety 2018	403-8	Workers covered by an occupational health and safety management system	4.2.2 Environmental Safety and Health Promotion	48		
	403-10	Occupational diseases	4.2.2 Environmental Safety and Health Promotion	48		
★ Training and Education						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	Material Topic Boundaries and Corresponding Indicators	12		
	103-2	The management approach and its components	4.4 Talent Cultivation and Learning Development	53		
	103-3	Evaluation of the management approach	4.4 Talent Cultivation and Learning Development	53		
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	4.5 Performance Appraisal System	56		
Diversity and Equal Opportunity						
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Board of Directors 4.1.1 Talent Structure	5 44		
★ Supplier Social Assessment						
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundaries	Material Topic Boundaries and Corresponding Indicators	12		
	103-2	The management approach and its components	2.4 Supplier Sustainability Assessment Procedures	32		
	103-3	Evaluation of the management approach	2.4 Supplier Sustainability Assessment Procedures	32		
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	2.4 Supplier Sustainability Assessment Procedures	32		
	414-2	Negative social impacts in the supply chain and actions taken	2.4 Supplier Sustainability Assessment Procedures	32		



Independent Assurance Statement

Statement No.: 2107001

GREAT International Certification Co., Ltd.'s Independent Assurance Statement on FocalTech Systems Co., Ltd.'s Corporate Social Responsibility Report of 2020

GREAT International Certification Co., Ltd. (hereinafter referred to as GREAT) and FocalTech Systems Co., Ltd. (hereinafter referred to as FocalTech) are mutually independent companies and organizations. In addition to the assessment and verification of FocalTech's 2020 annual corporate social responsibility (hereinafter referred to as CSR) report, GREAT has no financial relationship with FocalTech.

The purpose of this Independence Assurance Statement (hereinafter referred to as Statement) is only to conclude that the relevant issues within the scope of the FocalTech's CSR Report are guaranteed, but not for other purposes. Except for this Statement on the verified facts, for any use of other purposes, or any person who read this Statement, GREAT is not responsible or liable for any legal or other responsibility.

This Statement is based on the conclusions made from the verification of the relevant information provided GREAT by FocalTech. Therefore, the scope of the verification is based on and confined to the content of these provided information, and GREAT shall consider that the contents of the information are complete and accurate.

All concerning and questions about the contents or the relevant issues contained in this statement shall be answered by the FocalTech.

The Scope of Assurance

The agreed scope of assurance by FocalTech and GREAT includes the following:

- The contents of the entire CSR report and all operating performance of FocalTech from January 1st, 2020 to December 31st, 2020.
- According to the type 1 of application of the AA1000 Assurance Standard (2008), the assessed nature and degree of the FocalTech's compliance with the AA1000 Accountability Principles (2018) but excluding the verification of the reliability of the information or data disclosed in the CSR report.
- This statement has been prepared in English and has been translated into Chinese for reference.

GREAT's Opinion

We summarize the contents of FocalTech's CSR Report and provide a fair opinion of FocalTech's relevant operations and performance. We believe that the issues such as economic, social, and environmental performance of 2020 are presented correctly. The performance index disclosed in the report demonstrate FocalTech's efforts to identify and meet stakeholder expectations.

Our verification work is carried out by a group of teams with verification capabilities according to the AA1000 assurance standard (2008), as well as planning and execution of this part of the work to obtain the necessary information data and instructions.



We believe that the sufficient evidence provided by FocalTech indicates that it complies with the AA1000 assurance standard (2008) and its 2018 appendix reporting methods and self-declaration of compliance with the core options of the GRI sustainability reporting standard is fair.

Verification Method

In order to collect evidences related to conclusions, we implemented the following tasks:

- Implement the high-level management review for topics from external groups related to FocalTech's policy to confirm the appropriateness of the report in this statement;
- Discussions about stakeholder's engagement with the managers of FocalTech, however, we have no direct contact with external stakeholders;
- Interviews with employees related to CSR management, report preparation and information provision;
- Review the critical developments related to organizations;
- Review the scope and maturity of systems related to financial and non-financial reports;
- Review the supporting evidences declared in the report, and
- Review the process management described in the company report and its related AA1000 Accountability Principles (2018) regarding the principles of inclusivity, materiality, responsiveness, and impact.

Conclusion

- The detailed review results of the AA1000 Accountability Principle (2018) for inclusivity, materiality, responsiveness, impact and GRI sustainability reporting standards are as follows:
 - **The inclusivity**
The CSR Report of 2020 reflects that FocalTech has continued to seek stakeholder participation, including internal and external multiple communication mechanisms and stakeholder activities, and five issues of major sustainability themes to develop and achieve responsibility for corporate social responsibility and a strategic response has established. This report has just disclosed economic, social, and environmental information, which is sufficient to support FocalTech sustainable business plan and goal setting. In terms of our professional opinions, this report covers the inclusivity issues of FocalTech, including the continuous demonstration of the vision and strategy of social responsibility in practice supported by the highest management, which has been implemented at the organizational level.
 - **The materiality**
FocalTech announces major themes that will have a substantial impact and impact on the assessment, decision-making, actions, and performance of the organization and its stakeholders. Sustainability information disclosure helps stakeholders to judge the company's management and performance. In terms of our professional opinions, this report appropriately covers the major issues of FocalTech.
 - **Responsiveness**
FocalTech implements responses from stakeholder requests and opinions. Implementation methods include customer satisfaction surveys and numerous internal and external stakeholder communication mechanisms as an opportunity to provide further responses to stakeholders and to respond to issues of concern to stakeholders in a timely manner. In terms of our professional opinions, this report covers the responsive issues of FocalTech.



- **Impact**
FocalTech has identified and justly displayed its impact in a balanced and effective way of measurement and disclosure. FocalTech has established processes for monitoring, measuring, evaluating, and managing impacts, which will help achieve more effective decision-making and results management within the organization. In terms of our professional opinions, this report covers the impact of FocalTech.
- **GRI Guidelines**
FocalTech provides declaration in accordance with the GRI Standards and relevant information equivalent to "core options". Based on the results of the review, we confirm that the report refers to the GRI Standards for social responsibility and sustainability disclosure items have been revealed, partially disclosed, or omitted. In terms of our professional opinions, this declaration covers the social responsibility and sustainability topics of FocalTech.

Assurance Level

According to the AA1000 guarantee standard (2008) and its 2018 appendix, we verify that this statement is of a moderate guarantee level, as described in this statement.

Responsibility

The responsibility of this CSR report, as stated in this statement, is owned by the person in charge of FocalTech. The responsibility of GREAT is to provide professional opinions based on the described scope and method, and to provide an independent assurance statement for the stakeholders.

Ability and Independence

GREAT is composed of experts in a various field of management systems. The verification team is composed of members in the professional backgrounds with the qualifications of lead auditor trained in sustainable development, environmental and social management standards such as AA1000AS, ISO 9001, ISO 14001, and ISO 45001.
This independent assurance statement is based on the GREAT's fair-trading guidelines.

On behalf of the assurance team
July 30th, 2021
GREAT International Certification Co., Ltd.
Taiwan, Republic of China
 Signed by

David Liu
General Manager



FocalTech



The logo for FocalTech, featuring the company name in a stylized, italicized font. The letters 'F', 'o', 'c', 'a', 'l', 'T', 'e', 'c', 'h' are in a golden-yellow color. Below the text are three horizontal lines: a red line under 'F', a green line under 'o', and a blue line under 'l'.

FocalTech

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