



FocalTech



2021

Environment
Social
Governance
Report

FocalTech Systems Co., Ltd.

Resilience

With its spirit of perseverance, beliefs in integrity, and a philosophy of innovation, FocalTech will fulfill its responsibilities to society and stakeholders, and together promote change for the better.

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About the Report

This is the 2021 ESG Report (hereinafter referred to as the Report) of FocalTech Systems Co., Ltd. (hereinafter referred to as FocalTech or the Company). Upholding the principles of openness, transparency, and integrity management, the Report faithfully presents the operational performance and specific actions of FocalTech in the economic, social, and environmental aspects in 2021 by fully disclosing the five aspects of corporate governance, environmental sustainability, employee care, product service, and social participation. The Report is published with the aim of illuminating FocalTech's efforts in fulfilling its commitment as well as the achievements in sustainable development for all stakeholders.

Reporting Scope and Boundary

The information revealed in the Report is dated between January 1, 2021 and December 31, 2021. The contents of the Report are mainly based on FocalTech and its companies located outside Taiwan, of which it holds 100% of shares. The data disclosed in the Report covers Taiwan and overseas regions (including Taiwan, the United States, Germany, and South Korea) as well as mainland China. The source of the financial data is consistent with the financial statements as certified by the CPAs. The Report covers specific practices and performance data in economic, governance, social and environmental aspects. Some of the performance data are backdated (to before 2018) and (or) extended to the most recent information available in 2021 with an aim to present a more complete performance of projects and activities; special circumstances are described in the respective chapters.

Report Basis

The Report is in compliance with the GRI Standards issued by the Global Reporting Initiative (GRI), and is written in accordance with the framework of the core option of the GRI Standards. In addition, the Report incorporates the principles of the UN Global Compact, the UN Sustainable Development Goals (SDGs), and the Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies.

Review and Validation

- The Report was reviewed and validated by AA1000 Assurance Standard V3 Type 1 Moderate Level in accordance with the GRI Sustainability Standards and the four principles of the AA1000 AccountAbility Principles (2018), namely, materiality, inclusivity, responsiveness, and impact. The report was validated to be in compliance with the core option of the GRI Standards related disclosures.

- In order to provide readers with reliable public information, an independent third-party institution, TUV NORD Taiwan, was appointed to conduct the review and validation of the Report. The Report was verified to be in compliance with the requirements of AA1000 Assurance Standard V3 Type 1 Moderate Level, and the verification statement is attached as an appendix to the Report.
- The financial statements have been audited and certified by Deloitte & Touche in accordance with International Financial Reporting Standards (IFRS).

Period of Publication

The CSR Report of FocalTech is issued annually and is available for download on the company website (<http://www.focaltech-electronics.com>).

This is the second ESG report issued by FocalTech; FocalTech will issue an ESG Report on an annual basis in the future.

The publication time of the previous ESG Report: September 2021

The publication time of this ESG Report: July 2022

The scheduled publication time for the next ESG Report: June 2023

Contact

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Message from the Chairman

Maintaining the resilience of response to risk

The COVID-19 outbreak, the tussle between the US and China, and the Russia-Ukraine war in recent years have given rise to various political, economic and market problems, which are examining the speed and resilience of all enterprises in responding to risks. Building resilience is costly, which requires not only flexible and multi-directional adjustments but also adequate resources to respond to unprecedented situations. In the short term, these measures may slow down the Company's growth. However, in the long term, they are able to reduce the external impacts on the Company and maintain the Company's sustainable development.

Innovation development

Since its establishment in 2005, FocalTech has been developing innovative products based on innovation R&D technology to provide customers with the best solutions. FocalTech's revenue reached a new high in 2021, with consolidated revenue reaching NT\$21.99 billion, up 59% from the previous year, and earnings per share of NT\$30.23.

1. Received the "Best Financially Managed Company" award from the Global Semiconductor Alliance (GSA) in 2021.
2. Invested more than NT\$2.4 billion in R&D in 2021, which has effectively enhanced the Company's core competitiveness and laid the foundation for sustainable management.
3. Achieved technological breakthroughs in all product lines in 2021. The IDC products were recognized by automotive customers, with over 4 million units shipped and had the largest market share; the AMOLED were applied in wearable devices and recognized and adopted by panel manufacturers.

Sustainable environment

In response to Taiwan's target of net zero emissions by 2050, and in line with the Financial Supervisory Commission's initiation of the "Roadmap for the Sustainable Development of Listed Companies" which plans to complete the greenhouse gas inventory in 2026 and the related validation in 2027, FocalTech aims to complete the greenhouse gas inventory ahead of

FocalTech aspires to attain sustainable development in the semiconductor industry, exert a positive influence, and achieve a sustainable future.

schedule in 2024. As a non-manufacturing IC design company, FocalTech is committed to developing green products in support of environmental protection; the Company's achievements in 2021 in reducing wafer size and developing low power consumption feature are described in the chapter "Technology Leadership."

Talent development

With domestic and foreign companies increasing their investment in Taiwan, technology talents are in short supply. As a result, FocalTech is tackling the issue in a more active manner.

1. With an aim to accommodate more talents and provide a more comfortable workplace environment for employees, FocalTech purchased an office building in 2021 for NT\$1.07 billion. The office building can house about 700 people. Additionally, it is equipped with innovative hardware and facilities, and rich environmental functions to facilitate organizational dynamics, teamwork and vitality.
2. Formulate training plans every year targeting new employees, professional skills, general knowledge of management, integrity management culture, and information security, etc. Taking effectiveness as the guide and efficiency as the guideline, the training plans are incorporated flexibly in the working situation of employees, which meet the purpose of training in an unnoticeable manner.
3. Systematically cultivates the successors and representatives of executives at all levels with an aim to pass on FocalTech's skills, experience and culture.
4. Establishes more diverse recruitment channels to attract more talents.

Future prospects

Deepening innovative applications and environmentally friendly products are specific actions towards implementing the concept of sustainable development. After completing the first edition of the Report in 2021, FocalTech started to compile its second edition of the ESG Report. The Company referred to some TCFD

and SASB standards in disclosing the corresponding information, while supporting the SDGs issued by the United Nations. The Report is expected to be verified by a third-party institution in the future.

FocalTech would like to express its gratitude to all partners and colleagues. With all their cooperation and perseverance, FocalTech is able to continuously make improvements and refinements in all aspects of its business, thereby fulfilling its commitment to society and the environment and driving change for the better.

FocalTech Chairman

Grand J. An



Sustainability Performance Highlights in 2021

59%

Revenue increased 59% from the previous year and reached a record high.

30.23

Earnings per share increased 6 times compared to the previous year, from 3.97 to 30.23.

32.7%

Average salary of full-time employees not holding executive positions increased 32.7% from the previous period (Market Observation Post System, MOPS)

77%

Employee benefit expenses increased \$1.1 billion, or 77%, from the previous year.

45%

The amount of green procurement increased \$1.03 million, or 45%, from the previous year.

100%

100% products procured from RMI certified smelters.

100%

All suppliers were in compliance with RoHS Directive and REACH Regulations.

GSA

Received the “Best Financially Managed Company” from the Global Semiconductor Alliance (GSA)




Sustainable Management Strategy






Stakeholder Identification and Communication Channels

Communication and interaction with stakeholders is an important part of a company's operations; a company is able to understand the needs of stakeholders through diverse and smooth communication channels and to respect them, thereby protecting their legitimate rights and interests. Through diverse channels of communication, FocalTech gets an in-depth understanding of the issues stakeholders are concerned about. Based on the importance and priority of each issue of concern to stakeholders, FocalTech incorporates the communication situation with each stakeholder into management meetings on a regular basis, and regards stakeholder feedback as a major reference for future CSR policies. In this regard, FocalTech attaches great importance to maintaining a good and smooth communication channel with stakeholders. By understanding the actual needs and expectations of stakeholders, FocalTech will be able to identify the potential risks and management opportunities it faces, and prioritize the maximization of rights and interests of stakeholders. Having earned the trust of all stakeholders, FocalTech will make continuous improvements so as to conform to the corporate philosophy of sustainable management.

FocalTech's Sustainability Development Team evaluated the five major factors including responsibility, influence, concern, multiple perspectives, and dependability in accordance with the five principles of the AA1000 Stakeholder Engagement Standards. After a discussion based on the feedback and analysis of the information, the Sustainability Development Team identified the key stakeholders for the 2021 ESG Report. The key stakeholders of the Report include (1) employees, (2) customers, (3) shareholders and investors, (4) suppliers, (5) competent authorities, and (6) the general public.

Through different communication channels, FocalTech listens to and understands the needs and expectations of its stakeholders, and responds to them in a timely and appropriate manner. Good two-way communication not only drives the development of FocalTech's sustainability policy, but also makes the best effort in leading FocalTech to move forward towards a better living environment.

| Stakeholder | Significance to FocalTech | Issues of concern | Communication channel / Communication frequency |
|--|---|--|--|
|  <p>Employees</p> | <p>Employees are the cornerstones of FocalTech, as well as the Company's most important asset. In addition to protecting the rights and interests of each employee and providing them with a better compensation and benefits than the industry, FocalTech also respects and cares for each and every employee.</p> | <ul style="list-style-type: none"> • Labor-management issues • Protection of human rights • Employee appointment and compensation management • Education & Training and career development • Occupational safety and health promotion • COVID-19 countermeasures | <ul style="list-style-type: none"> • Hold various activities occasionally • Submit the proposal for employee promotion on a regular or occasional basis every year • Organize internal and external education & training programs occasionally • Hold a birthday celebration event every two months • Employee Performance Appraisal (semi-annually) • New Employee Discussion Forum (New employee orientation) • Employee Welfare Committee Meeting (monthly on average) • Internal information announcement (real-time) • Employee feedback channel (real-time) • Labor-management meeting (quarterly) |

| Stakeholder | Significance to FocalTech | Issues of concern | Communication channel / Communication frequency |
|---|---|---|---|
|  <p>Customers</p> | <p>FocalTech listens attentively to customers' needs and focuses on yielding maximum benefits for customers. Assisting customers in realizing their success is the Company's ultimate goal.</p> | <ul style="list-style-type: none"> • Customer privacy and information security • Green products and innovation • Occupational safety and health • Product quality • Prohibited and restricted substances management • Waste management • Conflict minerals management • Energy management and greenhouse gas management | <ul style="list-style-type: none"> • Customer Satisfaction Survey (annually) • Business and skill assessment (occasionally) • Customer meeting (occasionally) • Customer audit (occasionally) |
|  <p>Shareholders and Investors</p> | <p>The management team of FocalTech regularly discloses the operational status to stakeholders concerning the sustainable development and operational performance of the Company so as to fulfill its management responsibilities.</p> | <ul style="list-style-type: none"> • Operational performance • Code of ethics and regulatory compliance • Corporate governance and risk control (including climate change) | <ul style="list-style-type: none"> • Shareholders' Meeting (annually) • Conference Call (quarterly) • Annual Report (annually) • Investor mailbox (occasionally) |
|  <p>Suppliers</p> | <p>The Company's products and services depend on both the stable supply of raw materials and good processing quality from various suppliers. Because of this, FocalTech continues to exert its influence as a customer over suppliers to focus on sustainable management, including the prevention of environmental pollution and human rights violations</p> | <ul style="list-style-type: none"> • Supplier management • Green procurement • Raw materials management | <ul style="list-style-type: none"> • Supplier assessment meeting (annually) • Procurement negotiation (occasionally) • Supplier audit (occasionally) |
|  <p>Competent authorities</p> | <p>FocalTech proactively and positively cooperates in government policies and is in compliance with the laws and regulations of the government and the competent authorities, in order to fulfill its obligations of good citizenship through a two-way communication.</p> | <ul style="list-style-type: none"> • Code of ethics and regulatory compliance • Waste management • Any behavior that may violate the rights and interests of shareholders • Reasonableness of the Company's profitability and tax contribution | <ul style="list-style-type: none"> • Forums and seminars (occasionally) • Correspondences with customers (occasionally) • Fire safety and environmental permit status check (on a regular or occasional basis) |
|  <p>General public</p> | <p>FocalTech believes that by combining the power of public welfare groups it can bring more love and care to make the society better and realize the concept of caring for the earth together.</p> | <ul style="list-style-type: none"> • Social responsibility performance | <ul style="list-style-type: none"> • Local event collaboration (occasionally) • External communication mailbox (occasionally) |

Major Issue Identification and Boundaries of Impact

In order to meet stakeholders' expectations for sustainable development, FocalTech conducts materiality analysis based on the steps of identification, collection, analysis, and confirmation in accordance with the GRI Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI). Additionally, it is also to ensure that the major issues meet the needs and expectations of each stakeholder.

The materiality analysis is based on two components: the intensity of stakeholders' concerns and the evaluation of operational impact of the issue. In order to understand the intensity of stakeholders' concern on the Company's sustainability issues, the Company, based on the results of the analysis adopting the GRI Sustainability Reporting Standards, takes into account its current sustainability management goals to define the boundaries of impact and the degree of involvement. From which, the Company has selected a total of 10 major issues to respond to, namely, Corporate Governance, Operational Performance, Product Quality, Sustainable Supply Chain, Greenhouse Gas Emissions and Energy Management, Talent Cultivation and Training, Employee Compensation and Benefits, Occupational Safety and Health, Climate Change, and Risk Control.

STEP1



Collect sustainability issues

Based on standards including the GRI Sustainability Reporting Standards, Responsible Business Alliance (RBA), the United Nation's Sustainable Development Goals (SDGs), Task Force on Climate-related Financial Disclosures (TCFD), and Sustainability Accounting Standards Board (SASB), and with reference to the analysis results of major issues in the past years, the internal and external members discussed the issues of concern to the domestic and international industry, as well as the feedback from stakeholders who are in frequent contact with the Company; on the basis of which a total of 35 sustainability issues were incorporated for FocalTech.

STEP2



Organize issues of concern to stakeholders

Members of the Corporate Sustainability Development Team investigated stakeholder interest in the 35 sustainability issues through questionnaires and telephone interviews. A total of 35 valid questionnaires were collected and over 70 telephone interviews were made. For each sustainability issue, stakeholders were asked to check four levels of concern: Highly concerned, Concerned, Slightly concerned, and Not concerned/Not interested. The sustainability issues were then ranked according to their scores and used as a reference in the next step of evaluation, where the members of the Sustainability Development Team and internal senior executives evaluated the operational impact of these sustainability issues on the Company.

STEP3



Classify issues of concern to stakeholders and evaluate impacts

Based on the analysis results in Step 2, the 35 sustainability issues were ranked. Subsequently, the importance of the individual major issue to each stakeholder was analyzed by the Sustainability Development Team through a combination of senior executive discussions, internal interviews, and external expert opinions. Additionally, the Team evaluated each sustainability issue based on internal operations and external economic, social and environmental impacts, and classified the impact level into three categories: High impact, Medium impact and Low impact. Eventually, 10 sustainability issues were selected as the major issues to be disclosed in the Report.

STEP4



Match the issues and establish management guidelines

The 10 major issues selected were matched to the GRI Standards accordingly and responded to with the relevant countermeasures. Furthermore, management guidelines and implementation methods were established according to each major issue, and an evaluation mechanism was established to ensure the effective implementation of the subsequent operations.

STEP5



Set up mid- and long-term goals and regularly review achievement of the goals

Major issues are the cornerstone of the Company's sustainable development. After establishing the relevant management guidelines and implementation methods, the Company has also established the relevant mid- and long-term goals as well as the effectiveness for the current stage, which will serve as the trajectory for reviewing the development of relevant major issues in each subsequent year.

| Major issues | Significance for FocalTech | Boundaries of impact | | | Mid- and Long-term goals | The matching topic-specific GRI Standards and the TCFD framework | Chapter in response to the issue |
|--|--|----------------------|-------------------------------------|---------------------------|---|--|---|
| | | Suppliers | Employees/ Shareholders/ Government | Customers/ General public | | | |
| Corporate governance | Sound corporate governance enables sustainable development of an enterprise and protects the rights and interests of all stakeholders. | | ✓ | ✓ | <ul style="list-style-type: none"> Establish a corporate culture with “sustainable development” as the core to enhance the Company’s image Enhance FocalTech’s regulatory compliance to reduce the cost of violation of laws and regulations. Protect the rights and interests of every FocalTech’s employee | - | 1.3 Operations of the Board of Directors |
| Operational performance | Continuous and stable growth is the driving force of corporate sustainability. FocalTech is committed to maximizing its operational efficiency in order to reward shareholders, investors and other stakeholders. | | ✓ | ✓ | Execute a sound operation strategy to facilitate the increase of revenue and profitability, in order to make FocalTech a trusted company for investors. | - | 1.2 Operational Performance |
| Product quality | Quality directly affects the overall operations of a company. FocalTech has been investing in product innovation and implementing quality management to ensure quality. | | | ✓ | <ul style="list-style-type: none"> Reduce the proportion of valid customer complaints year by year Increase the number of customer orders and product shipments | Customized key issues | 2. Innovation Value Breakthrough |
| Sustainable supply chain | Suppliers are important partners in FocalTech’s sustainable management. Maintaining a sound relationship with suppliers helps to reduce operational risks and improve the quality of products and services. | ✓ | ✓ | ✓ | <ul style="list-style-type: none"> Have 100% of raw materials procured from certified smelters Maintain 100% of suppliers obtaining ISO 9001 certification Have 90% of suppliers obtained ISO 45001 certification Have 80% of suppliers signed the Supplier Social Responsibility Commitment Conduct on-site audits on 90% of suppliers Set up supplier management information platform | GRI 204 GRI 308 GRI 414 | 3.2 Sustainable Supply Chain |
| Risk control | Establishing a comprehensive and rigorous risk management system and implementing risk management enables the Company to protect the rights and interests of all stakeholders and reduce operational risks. | | ✓ | ✓ | Develop a comprehensive risk management response plan and set up the Risk Management Team to conduct drills on and respond to possible impacts in order to reduce the impact on the Company when risks occur. | GRI 201 | 1.5 Risk Management |
| Greenhouse gas emissions and energy management | Effective energy management not only improves the efficiency of use, but also reduces greenhouse gas emissions. FocalTech is concerned about environmental issues and will continue to invest resources to protect the global environment in the future. | ✓ | ✓ | ✓ | Continuously conduct greenhouse gas emission inventories and management, actively promote greenhouse gas emissions reduction measures, and facilitate energy conservation programs. | GRI 302 GRI 303 GRI 305 GRI 306 | 4.2 Greenhouse Gas Emissions and Energy Management 4.3 Energy Usage and Waste Management |

| Major issues | Significance for FocalTech | Boundaries of impact | | | Mid- and Long-term goals | The matching topic-specific GRI Standards and the TCFD framework | Chapter in response to the issue |
|------------------------------------|--|----------------------|---|------------------------------|--|--|--|
| | | Suppliers | Employees/ Shareholders/ Government | Customers/ General public | | | |
| Climate change | Developing strategies to cope with the impacts of climate change. | | ✓ | | Based on the opportunities and threats that climate change may bring, consider the likelihood of each occurrence, and develop a response plan | TCFD framework | 4.1 Climate Change Risk and Countermeasures |
| Talent cultivation | The continuous growth and progress of employees has given impetus to the sustainable management of FocalTech. To address the needs of employees and their future career planning, FocalTech provides diversified and professional training so as to meet the expectations of the organization. | | ✓ | | <ul style="list-style-type: none"> Provide various education and training programs occasionally in order to reinforce employees' professional skills Establish a robust and transparent talent promotion pipeline | GRI 404 | 5.1 Talents as Cornerstones 5.8 Talent Cultivation |
| Compensation and employee benefits | To attract and retain outstanding talents, FocalTech provides a comprehensive and fair compensation and benefits system to ensure that its employees are treated better compared with the industry, and continue to enhance its market competitiveness. | ✓ | ✓ | | <ul style="list-style-type: none"> Uphold principles of fairness and non-discrimination, and provide equal employment opportunities for employees Establish a reasonable compensation and benefit system, provide reasonable treatment and rewards to employees, and carry out salary adjustments annually | GRI 401 GRI 402 GRI 404 GRI 405 | 5.2 Compensation and Benefits 5.3 Parental Leave 5.4 Retirement Plan |
| Occupational safety and health | It is the basic responsibility and obligation of FocalTech to ensure a safe workplace for employees. In addition, taking care of the physical and mental health of employees is also the most concerning issue for FocalTech, and as such, the Company is committed to creating a happy workplace for employees. | ✓ | ✓ | | Conforming to the policy of "Protecting Employees, Caring for Health, Preventing Hazards, and Reducing Workplace Injuries," FocalTech ensures the safety and health of employees and promotes various programs to perfect the safety management of the work environment, enabling employees to work safely at FocalTech. | GRI 403 | 5.5 Occupational Safety 5.6 Health Promotion |

• The explanation of the difference between the major issues in 2020 and 2021




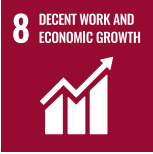
- Major issues in 2020 (five in total): Operational Performance / Supplier Management / Customer Service and Satisfaction / Employee Benefits and Communication / Talent Cultivation and Learning Development.
- Major issues in 2021 (six new issues added): Based on the thorough understanding of its business model and the related issues of concern to stakeholders, FocalTech evaluated the issues that have a significant impact on current and future operations, and added Corporate Governance / Product Quality / Risk Management / Greenhouse Gas Emissions and Energy Management / Climate Change / Occupational Safety and Health as major issues.
- In the Report, the issue of Customer Service and Satisfaction has been removed. Although customer satisfaction is one of the most important issues that customers attach importance to, when taking into consideration that FocalTech's customers attach greater importance to product quality, and that product quality directly affects customer satisfaction, the issue of customer satisfaction is thus changed to product quality.

Major issue matrix



Sustainable Development Goals (SDGs)

In response to and in support of the 17 Sustainable Development Goals (SDGs) of the United Nations, FocalTech has convened a corporate social responsibility promotion group to discuss and evaluate its current sustainable development policy and plan, with an aim of being aligned with eight SDGs. FocalTech will follow the UN SDGs and regard them as the direction for its future sustainable management. Furthermore, FocalTech hopes to employ everyone's collective wisdom to help solve social and environmental issues worldwide. The eight goals of sustainable development in 2021 are as follows:

| SDGs | Major issues related to FocalTech | Development highlights in 2021 and the corresponding chapter in the Report | Related Effectiveness |
|--|--|--|--|
|  <p>Good health and well-being</p> | <ul style="list-style-type: none"> • Compensation and Employee Benefits • Healthy and Safe Workplace | 4. Friendly Workplace | <ul style="list-style-type: none"> ✓ Subsidy amount: <ul style="list-style-type: none"> • The total amount of benefit subsidy given in Taiwan was NT\$17,845,707. • The total amount of benefit subsidy given in mainland China was NT\$9,223,476 (approximately RMB 2,305,869). ✓ Two hours of occupational safety and health education every year + occasional training for new employees + return training as required by law; there were no occupational injuries reported in 2021. |
|  <p>Quality education</p> | <ul style="list-style-type: none"> • Talent Cultivation | 4. Friendly Workplace | <p>Provided appropriate training for different targets, cultivated professional talents to strengthen the Company's competitiveness.</p> |
|  <p>Affordable and clean energy</p> | <ul style="list-style-type: none"> • Energy Management and Greenhouse Gas Emissions | 3. Safeguarding Green Environment | <ul style="list-style-type: none"> ✓ Replacement with energy-saving LED lamps in office areas saved the Company NT\$5,224 a year. ✓ Replacement of energy-saving air conditioning systems at the headquarters plant reduced the total electricity consumption by 15.64% between July and December. |
|  <p>Decent work and economic growth</p> | <ul style="list-style-type: none"> • Corporate Governance • Operational Performance • Risk Control Management | 1. Corporate Sustainability and Sound Governance | <ul style="list-style-type: none"> ✓ Revenue and profits in 2021 reached a record high at NT\$21.99 billion and NT\$6.1 billion respectively. ✓ Received the 2021 Best Financially Managed Company Award from the Global Semiconductor Alliance (GSA). ✓ Conducted real-time and comprehensive monitoring and analysis of abnormal incidents, established an abnormality notification mechanism based on their correlation and risk management to tackle abnormal incidents in advance. |

SDGs

Major issues related to FocalTech

Development highlights in 2021 and the
corresponding chapter in the Report

Related Effectiveness


Industry, innovation and
infrastructure

- Product Quality
- Innovation R&D

2. Innovation Value Breakthrough

- ✓ Collected statistics on customer satisfaction and held quality-control meetings. In 2021, FocalTech received an overall average customer satisfaction score of 8.65.
- ✓ Established advantages of differentiated products and a competitive technology threshold to maintain the Company's leading position in industrial technology. In 2021, the R&D expenses accounted for 10.96% of the total revenue.


Responsible consumption
and production

- Waste Management

3. Safeguarding Green Environment

- ✓ Metal wastes generated during the production process were recycled through effective management procedures, and the recycled scrap metal was sold to qualified scrap recyclers to reduce resource waste.



Climate action

- Energy Management and Greenhouse Gas Emissions
- Climate Change

3. Safeguarding Green Environment

- ✓ Set the air-conditioning system in working and office areas to 26–28°C , with a dedicated person assigned for turning the air conditioner on and off.
- ✓ Promoted environmental protection measures, such as energy-saving digitization practices, waste reduction, and resource recycling, and carried out training and awareness-raising campaigns related to energy conservation and carbon reduction.
- ✓ Conducted video/telephone conferencing to reduce carbon emissions generated from traveling to/from plants



Partnerships for the goals

- Supply Chain Management

2.2 Sustainable Supply Chain

- ✓ 100% of suppliers signed the “Integrity Commitment Agreement”
- ✓ 100% raw materials procured from Global Reporting Initiative (GRI)-certified smelters
- ✓ Maintained 100% of suppliers obtaining ISO 9001 certification
- ✓ Maintained 92% of suppliers obtaining ISO 14001 certification, with 100% of key suppliers obtaining the certification.
- ✓ Maintained 100% of suppliers being in compliance with RoHS Directive and REACH Regulations.
- ✓ Conducted system audits on 100% of suppliers

COVID-19 Pandemic Prevention Measures

Since the first outbreak of COVID-19 in Taiwan at the end of 2020, FocalTech has always believed that it is crucial for everyone to work together in combating the pandemic. FocalTech, as a corporate, has an unshirkable responsibility to ensure continuous provision of the safest service to customers by placing the health and safety of all employees at the top of the Company's priorities. FocalTech knows that it especially has to protect the health of employees and their family members. Therefore, since the beginning of the outbreak, the Company has actively taken measures to prevent and control the pandemic. In accordance with the relevant policies and plans of the Central Epidemic Command Center of the Ministry of Health and Welfare, the "Emergency Contingency Planning in Response to Notifiable Diseases" was activated immediately, with necessary safety and health measures taken to reduce the chance of employees being infected. Additionally, the Company also maintained close contact with employees and related health units to keep track of the pandemic's development, in order to formulate immediate countermeasures. In doing so, the Company would be able to ensure stable operations and allow its employees to work in a healthy and safe environment. With these measures taking place, FocalTech maintains the Company's competitiveness and reduces the operational risks and impacts brought about by the COVID-19.

In order to reduce the impact of the pandemic on the health of employees and operations, the Company has designated staff responsible for pandemic prevention and established a pandemic prevention and response unit, whose duties include pandemic prevention and promotion, mastering understanding of the pandemic's development, preparing pandemic prevention supplies, hygiene management and personnel health monitoring, confirmed case reporting, and preparation work for the Company's pandemic prevention response plan. The targets of the pandemic prevention measures include employees, contractors, customers, and the Company's personnel who are stationed outside Taiwan. The purpose of these measures is to restore the Company's capacity of major operations interrupted during the pandemic at the earliest and to develop a continuous operation plan, which include 12 pandemic prevention measures as follows:

1. Pandemic prevention knowledge:

Update the daily pandemic situation on the internal bulletin platform, conduct hygiene promotion according to the pandemic development (as shown below), publicize the correct hand washing procedures near the wet and dry sinks.

2. Pandemic prevention supplies:

Set up a non-contact, infrared thermometer at the entrance of each floor to help identify and prevent employees with fevers from entering the plants, as well as multiple wet and dry sinks for handwashing on each floor; provide employees whose masks are dirty with new masks, and Class D protective clothing and other equipment for employees on business trips.

3. Abnormality notification:

Publicize the information on notification windows and response methods for having contacts with (suspected) confirmed-case patients or receiving cell broadcasts on systems including the all-employee bulletin and announcements, the internal bulletin platform, body temperature reporting system, and emails to all employees.

4. Employee health management:

Report body temperature once entering the Company and encourage employees who develop symptoms to rest at home and perform health tracking.

5. Report to the Hsinchu Science Park Administration weekly with the pandemic situation survey.

6. Pandemic prevention plan formulation:

Emergency contingency plan for COVID-19, handbook on working from home for pandemic prevention.

7. Office staff take staggered work schedules:

In response to the nationwide Level 3 Pandemic Alert, the Company implemented alternate work-from-home shifts for employees between May 20 and August 8, 2021. Apart from that, a special shuttle service was arranged for colleagues commuting from high-risk counties and cities to the Company.

8. Guests/visitors:

Promote video conferencing to reduce human contact as much as possible, restrict the area of activities for guests/visitors in the plant, check the Health Declaration Card, and use the dedicated conference room.

9. Formulate the rules for conference room use.

10. Overseas business trips:

Cancel non-essential business trips, and provide equipment such as Class D protective clothing and N95 masks for employees.

11. Make adjustment to various activities such as clubs, gymnasiums, massage services, and birthday parties.

12. Make adjustments to regulations for staff cafeteria and dine-in service, as well as elevator usage.

Pandemic prevention advocacy in the plant during the outbreak

防疫期間 平時注意

| | |
|--|--|
|  勤洗手(七字訣) 手部不碰眼口鼻 |  工作區域-清潔消毒 至少1次/天 |
|  適時配戴口罩 少去人多場所 |  居家環境-勤開窗、定期消毒 |
|  營養均衡、適度運動、作息規律 |  返家儘快洗手及沐浴、清洗衣物 |
|  消毒隨身物品 如手機、鑰匙等 |  外套、鞋子放通風處，勤清洗 |





行政院 關心您

提升免疫力的方法

| | | | |
|--|---|--|---|
|  高品質睡眠 |  足夠飲水 30ml/kg |  適量運動 |  足夠的維生素和礦物質 |
|  益生菌 |  保證正常體溫 (避免體溫偏低) |  營養均衡 (我的餐盤6口訣) |  樂觀情緒 |

行政院 關心您

【新冠肺炎】秋冬防疫,請留意

| | |
|--|---|
|  勤洗手 | 1. 七字訣：內外夾弓大立腕 2. 手部不碰臉部器官 |
|  配戴口罩 | 1. 出入八大類場所 2. 無法保持社交距離 3. 進入會議室 |
|  健康狀況 | 1. 提升免疫力-飲食均衡、睡眠、運動、紓壓 2. 測量體溫：每日10:00AM前回報體溫 3. 如發燒請就醫,先暫緩進入公司 |
|  高風險接觸通報 | 自己或同住者曾與「居家隔離/居家檢疫/自主健康管理」等高風險人員接觸,請通知行政院 關心您 |

※ 八大類場所：醫療照護、大眾運輸、生活消費、教育學習、觀展觀賽、休閒娛樂、宗教、祭祀、洽公。

行政院 關心您

防疫心理健康5大招

| | |
|-----------|------------------------|
| 安全 | · 勤洗手 · 戴口罩 · 保持社交安全距離 |
| 平靜 | · 觀看疫情相關新聞不超過 30 分鐘 |
| 能力 | · 吸收防疫知識 · 運動提升抵抗力 |
| 聯繫 | · 聯繫親友互相鼓勵 |
| 希望 | · 全民配合指揮中心政策 · 戰勝疫情有希望 |

世界衛生組織提醒，在家隔離或居家工作者盡可能保持生活規律，或是可以藉此機會創造生活的新常規，如：固定作息、劃定工作與休息的時間、安排在家運動行程...等。

量量看心情溫度?



吸收「心」知識,自助助人



各縣市心理諮詢電話



衛福部 防疫心理健康
安心專線：1925

行政院 關心您

chapter

1

Corporate Sustainability
and Sound Governance

1.1 Company profile

1.2 Operational
Performance1.3 Operation of the
Board of Directors1.4 Integrity Management
Based on the Fundamentals

1.5 Risk Control

1.6 Information Security
Protection

1.1 Company profile











1.1.1 About FocalTech

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. As of 2021, the total workforce in Taiwan and other overseas locations including mainland China, the United States, South Korea and Germany amounted to 848. FocalTech supplies touch controller ICs, display driver ICs (DDIC), integrated driver controller (IDC), and fingerprint recognition ICs for various electronic devices. Its sales network spans the globe.

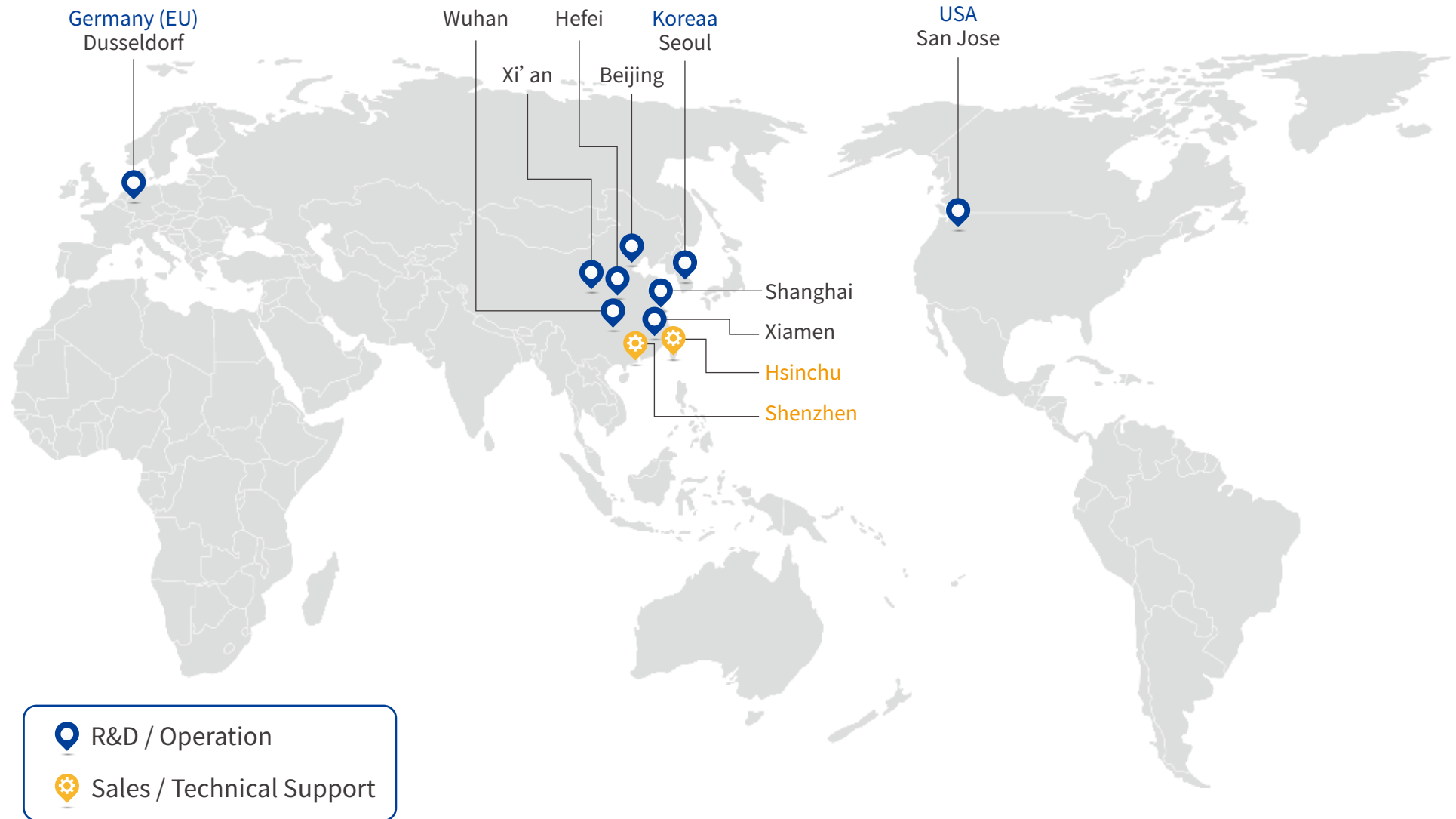
Product applications of these ICs include cell phones, tablets, notebooks, wearable devices, digital cameras, smart home appliances, automotive applications, and industrial control devices.

In 2015, the Company merged with Orise Technology Co., Ltd. (the surviving entity continuing under the ticker symbol 3545). FocalTech is the first company in the world to mass produce with super in-cell touch panel technology and Integrated Driver Controllers (IDC).

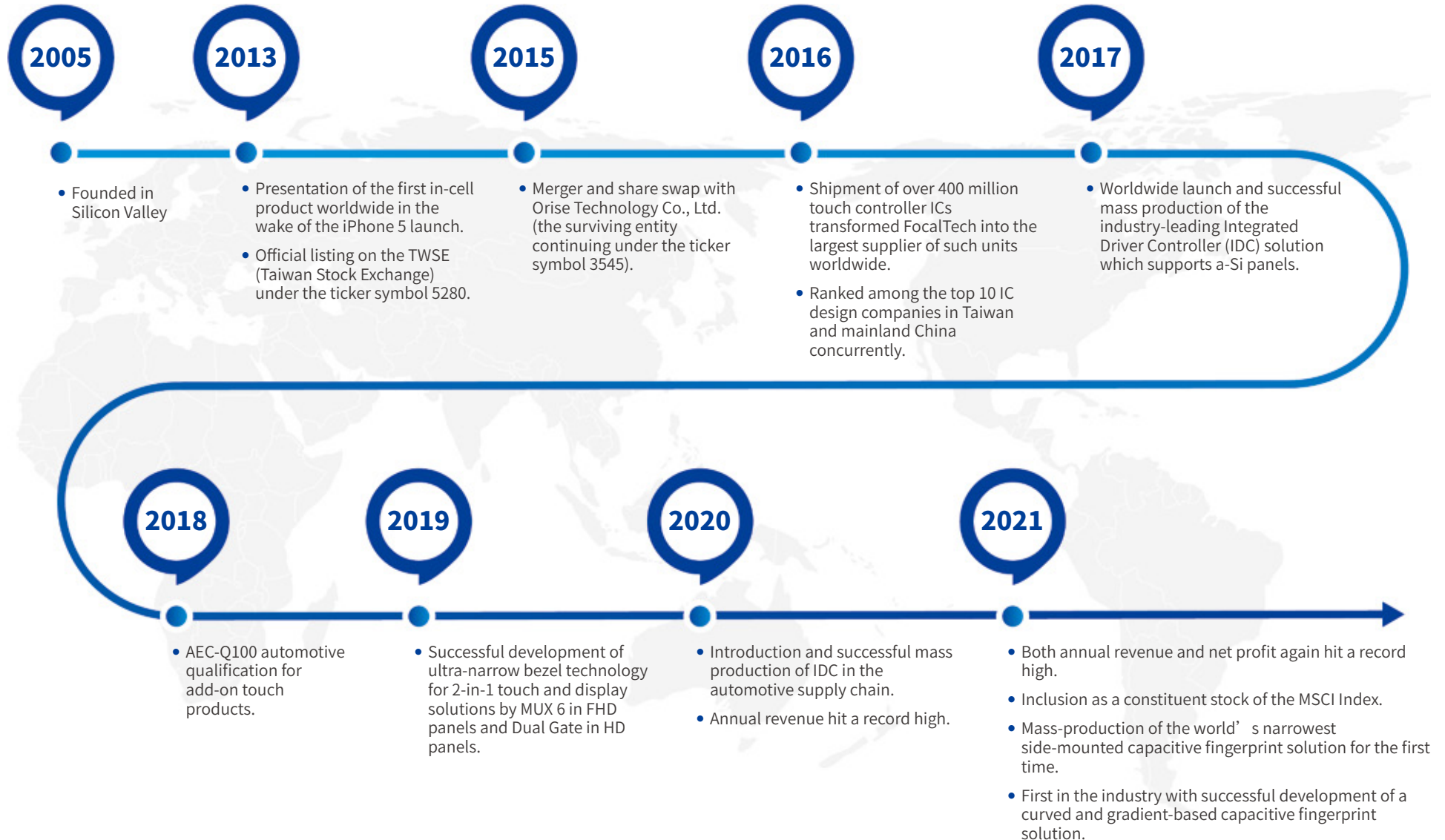
FocalTech embraces a customer-oriented approach and has been deeply committed to providing timely customer service through the establishment of technical support sites in its core service regions since its inception. Due to the constant expansion of its business operations, FocalTech has established 12 sales and technical service locations 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 thousands of customers worldwide.

| | | | | | |
|---|--|---|---|--|--|
|  | Company name | FocalTech Systems Co., Ltd. (stock code: 3545) |  | Main products and services | An IC design company specializing in human-machine interface innovation. FocalTech's products include touch controller ICs, display driver ICs, integrated driver controller (IDC), and fingerprint recognition ICs. |
|  | Founding date | October 12, 2005 |  | Operating locations (as of December 31, 2021) | Taiwan, mainland China, the United States, South Korea, and Germany. The mainland China locations are Shenzhen, Shanghai, Beijing, Xiamen, Hefei, Xi'an, and Wuhan. |
|  | Headquarter location | 4F., No.6, Dusing First Road, Hsinchu Science Park, Hsinchu, Taiwan |  | Revenue in 2021 | NT\$21,991,497,000 |
|  | Chairman | Genda Hu |  | Sales markets | End-use products are sold to all brands worldwide, with cellphones and automobiles mainly sold in Asia. |
|  | President | Genda Hu |  | Industries | Communication electronics, computer and peripheral equipment, automotive electronic components |
|  | Paid-in capital (as of December 31, 2021) | NT\$2,162,367,000 | | | |
|  | Total workforce (as of December 2021) | 848 employees | | | |

Operating locations



Company history



Product description



LCD IDCs

- All-around product features
- Supports a-Si/IGZO/FHD/FHD+/QHD+ resolution
- Meet the needs of smartphone products for slimmer and lighter modules as well as a higher screen-to-body ratio
- Mass production for various brand customers and high-quality and efficient technical service



Touch Controllers

- A complete capacitive touch controller solution to meet the need of human-machine interface of a wide range of products
- Highly efficient touch control circuit provides a comprehensive touch control solution for glass AMOLED and flexible AMOLED
- The world-leading fast touch response technology for smooth operation of gaming applications
- Comprehensive technical support team to assist customers from project launching to mass production



Display Drivers

- All-round product lines
- Supports LTPS/a-Si/AMOLED panels
- Supports panels from 1.5" up to 13.3", various resolutions/picture element assignments
- Unique technology for display optimization
- Rich in R&D and mass production experiences



Fingerprint Recognition

- Full-series solution: Coating, Cover, Optical
- Widely used in cellphones, tablets, computers, door locks and other industries;
- Leading capacitive technology to support smaller and narrower applications;
- Secure, stable and reliable; certified by Google, Microsoft and many other secure payment institutions.



AMOLED

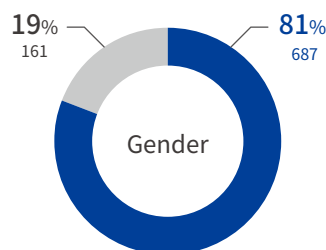
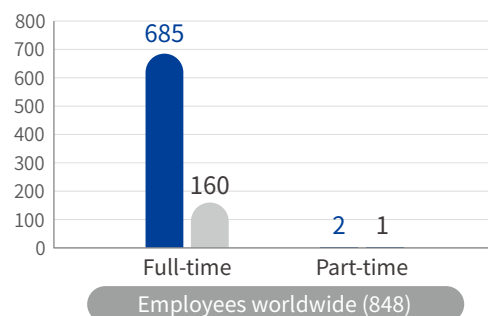
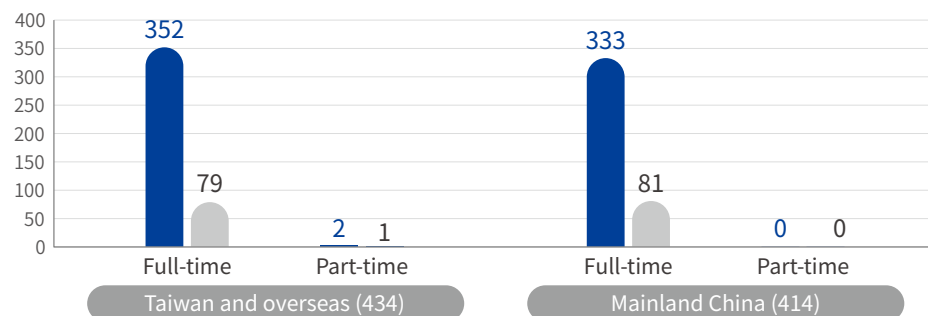
- Provides solutions for smart wearables and smartphones
- Provides customers with pure display DDIC solutions and touch and display driver integrated IDC solutions
- Provides solutions from mainstream specifications to high-end applications
- The outstanding product design and immediate service have been recognized by many customers



Touch Pads

- Provides comprehensive touchpad solutions
- Provide all-round solutions for regular specifications such as TouchPAD, SecurityPAD, NFC PAD, and Pen PAD.
- Mylar & glass cover, with a maximum thickness of 3mm
- Full series of Pass PTP HLK, supporting up to 210*140mm
- Comprehensive ForcePAD & Haptic solutions

Employee composition



Male Female

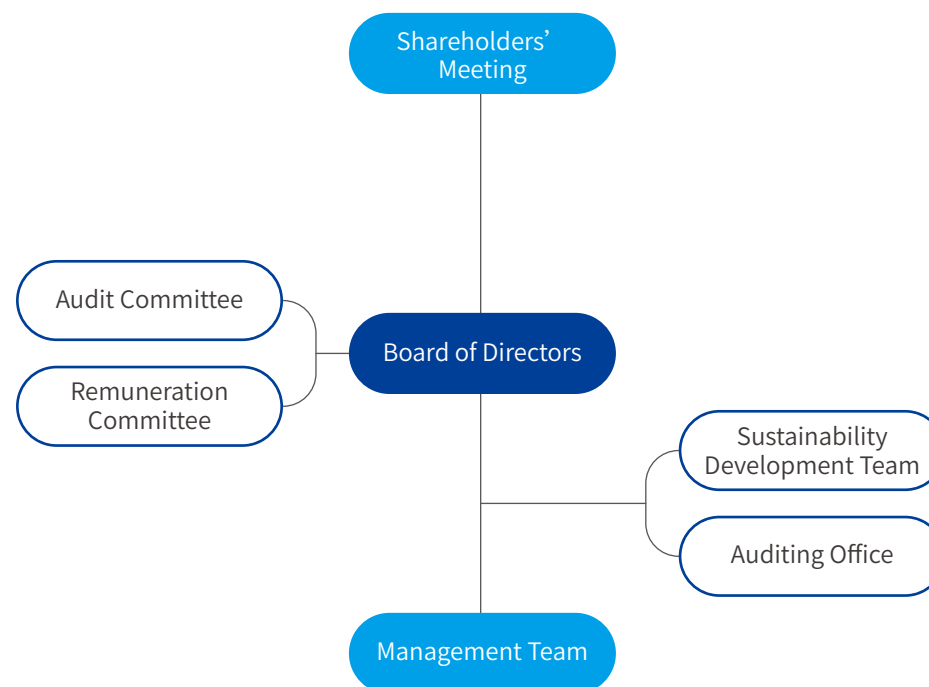
| Region | Male | | Sum | Female | | Sum | Total |
|---------------------|-----------|-----------|-----|-----------|-----------|-----|-------|
| | Full-time | Part-time | | Full-time | Part-time | | |
| Taiwan and overseas | 352 | 2 | 354 | 79 | 1 | 80 | 434 |
| Mainland China | 333 | 0 | 333 | 81 | 0 | 81 | 414 |
| Employees worldwide | 685 | 2 | 687 | 160 | 1 | 161 | 848 |

[Note] FocalTech has hired a consultant from Germany who is not included in the statistics of the number of employees in Taiwan and overseas.

1.1.2 FocalTech Organizational Chart

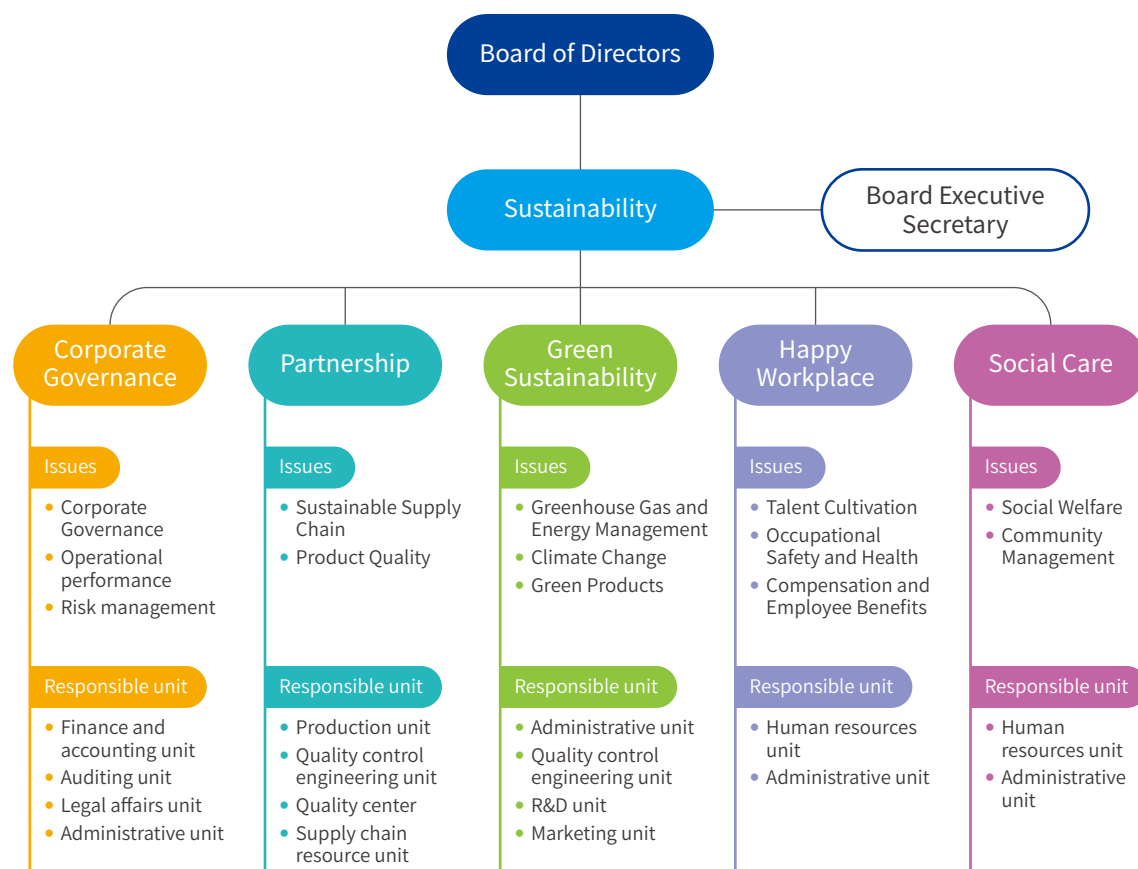
Corporate governance framework

In 2020, FocalTech completed the re-election of its 7th Session of Board of Directors, as well as the re-election of the Audit Committee and Remuneration Committee. The Audit Committee, which is composed of all independent directors, is tasked with strengthening the independence of corporate governance; the Remuneration Committee to improve the Company's compensation and remuneration mechanism and align the long-term and short-term operational goals; and the Sustainability Development Team to coordinate the planning and implementation of corporate governance-related affairs. The duties and responsibilities of each committee are described as follows:



Sustainability Development Team

The Board of Directors of FocalTech established the Sustainability Development Team to promote tasks of corporate social responsibility and integrity management. On November 6, 2020, the Board of Directors appointed a Corporate Governance Senior Officer as the Team's convener to coordinate corporate governance work and the aforementioned duties. The Team is responsible for business governance, social care and environmental sustainability, etc. To ensure that all major issues identified are covered and that social responsibility is fulfilled, the Team has prepared and submitted an annual CSR Report to the Report to the Board of Directors from 2021 onwards by combining the relevant units' and the Company's resources.



1.1.3 Participation in Societies and Associations

Participation in external societies and associations

| Association name | Membership |
|---|------------------|
| IEEE | Corporate member |
| Video Electronics Standards Association (VESA) | Member |
| Mobile Industry Processor Interface (MIPI) | Member |
| Universal Stylus Initiative (USI) | Member |
| Global Semiconductor Alliance (GSA) | Member |
| Society for Information Display (SID) | Member |
| Digitimes | Member |
| Taiwan Science Park Association of Science and Industry | Member |



External awards and recognition

| Year awarded | Awarding unit | Award |
|--------------|---|--|
| 2017 | Securities and Futures Bureau, Financial Supervisory Commission | Corporate Governance Evaluation – Best Progress Award |
| 2017 | Deloitte | 2017 Deloitte Technology Fast 500 |
| 2018 | China Center for Information Industry Development | 13th “China Core” Outstanding Technology and Innovative Product Award |
| 2018 | China Semiconductor Industry Association | 2017 China’s Top 10 IC Design Enterprises |
| 2019 | Bureau of Foreign Trade | 2018 Top 500 Outstanding Export/Import Business |
| 2019 | Health Promotion Administration, Ministry of Health and Welfare | Accreditation for Healthy Workplace-Badge of Accredited Health Promotion (January 1, 2020-December 31, 2022) |
| 2019 | Sports Administration, Ministry of Education | Exercise Enterprise Certification Award (2019-2022) |
| 2019 | TCL Communication Technology Holdings Limited | Solidarity Award |



▲ Corporate Governance Evaluation – Best Progress Award

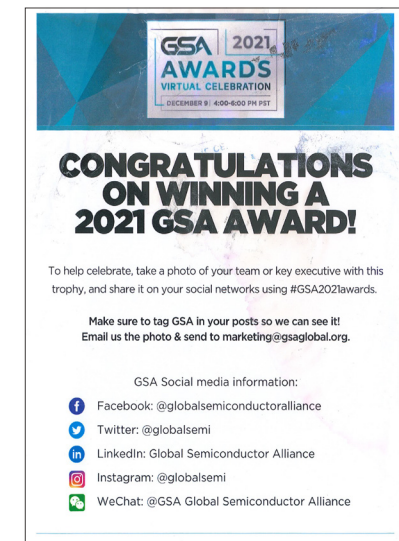


▲ 2017 Deloitte Technology Fast 500

| Year awarded | Awarding unit | Award |
|--------------|--|--|
| 2019 | Microsoft Corporation | 2019 Microsoft Intelligent Edge Partner |
| 2019 | Xiaomi Corporation | 2019 Core Supplier Conference-Outstanding Partner Award |
| 2020 | China Display Optoelectronics Technology Huizhou Company Limited | Best Technical Support Team |
| 2021 | Bureau of Foreign Trade | 2020 Top 500 Outstanding Export/Import Business |
| 2021 | Department of Science and Technology of Guangdong Province | FocalTech Engineering Experiment Center was awarded the qualification of “Guangdong Engineering Technology Research Center of Touch and Display Integrated Chip Core Technology” |
| 2021 | Global Semiconductor Alliance (GSA) | Best Financially Managed Company |



▲ Top 500 Outstanding Export/Import Business



▲ 2021 GSA AWARD

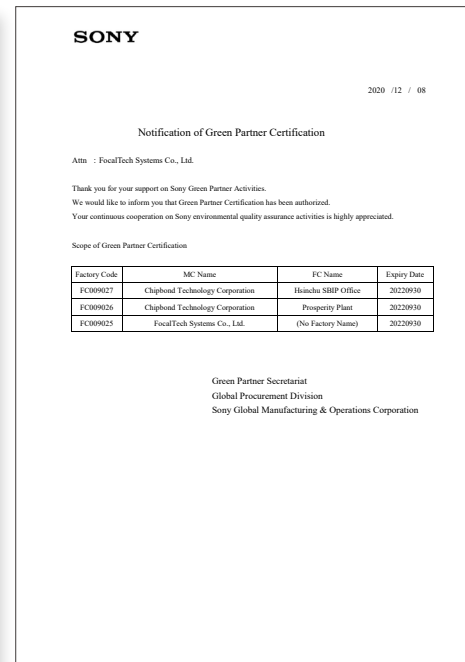
Acquired certificates

1. Conformity with environmental policies of RoHS Directive and REACH Regulations

2. 2021: Completion of the ISO 9001 certification process



3. 2019: Acquisition of SONY GP certification (2020-2022)



4. 2020: Completion of ISO 14001 certification process (2020-2023)



5. 2020: Completion of ISO 45001 certification process (2020-2023)



1.2 Operational Performance

| Management policy | |
|-------------------|---|
| Major issue | Operational performance |
| Policy directions | FocalTech is committed to achieving the Company's operational goals, adhering to its core values as a leading human-machine interface solution provider. The Company continues to accumulate technology and intellectual property resources, establish advantages of differentiated products and competitive technology thresholds, in order to maintain its leading position in industrial technology, and fulfill its commitment to sustainable operations. |
| Core goals | <p>Short-term:</p> <ol style="list-style-type: none"> 1. Consolidate the existing production capacity and strengthen strategic partnerships with outsourcing companies such as foundries, packaging plants, and testing plants to achieve stable and sufficient production capacity and technical services. 2. Develop new foundries and add new process cooperation projects with existing foundries to generate new production capacity. Additionally, sign cooperation contracts to increase the source and flexibility of wafer supply. 3. Strengthen existing customer service and business, and maintain long-term strategic partnership with customers. <p>Mid- and long-term:</p> <ol style="list-style-type: none"> 1. Reinforce the leading technology and product R&D. 2. Share the risk with supply chain manufacturers in the development of new processes and technologies 3. Integrate related technologies to expand the breadth of product lines and depth of technology levels. 4. Integrate industry supply chain to strengthen communication and cooperation between brand owners and panel manufacturers, and to expand economic scale. |
| Achievements | <p>In 2021, FocalTech's IDC shipment exceeded 210 million units, a record year for both revenue and profitability compared to 2020.</p> <p>FocalTech's gross margin reached 48.79% in 2021, up 23.94 percentage points from 2020, and boosted net profit margin to NT\$6.097 billion for the year, hitting a record high. Based on the weighted average cost of capital, the earnings per share was NT\$30.23.</p> <p>Market capitalization exceeded NT\$37 billion, a significant increase of 90% from 2020.</p> |
| Action plans | <ul style="list-style-type: none"> • Expand the number of foundry partners and working with partners to adjust the process and yield rate so as to meet the needs of brand customers with high quality products. • With its leading technology in human-machine interface IC touch controller products, FocalTech has become a key supplier for global mainstream panel manufacturers and doubled its shipments in 2021; the technology has been successfully introduced to non-mobile applications. |

| How to manage | |
|----------------------|---|
| Devoting resource | <ul style="list-style-type: none"> • Increase sales of high margin products • Strengthen supplier management mechanism • Accelerate the time to market for new products |
| Feedback mechanism | <ul style="list-style-type: none"> • Regular and occasional business meetings / operations management meetings / interdepartmental meetings • Financial reports audited by CPAs |
| Evaluation mechanism | <ul style="list-style-type: none"> • Market size evaluation indicators • Annual planning and budget review meetings • KPI achievement rate of each department |
| Future plans | |
| Goals for 2022 | FocalTech will maintain its core values as a leading human-machine interface solution provider, continue to accumulate technology and intellectual property resources so as to maintain its leading position in the industry, and accelerate the development and launch of ICs for non-cellular applications such as automotive and industrial control. |

Having experienced the socio-economic chaos caused by COVID-19, all employees continue to strive to improve operational performance to face the fierce competition in the industry by controlling the costs of raw materials, continuously optimizing production processes, and actively devoting resources in innovative R&D. FocalTech sets a revenue target and a net profit target every year, and holds regular departmental meetings to track its operational status and target achievement rates. Additionally, the Company reviews and makes appropriate adjustments to address lagging performance so as to ensure that the management team effectively controls its operational outcomes and to protect shareholders' rights and interests.

The Company's revenue has been growing every year, with a 60% increase compared to the previous year. This impressive operational performance not only proves that the current product strategy has been recognized by both domestic and international customers, but also gives FocalTech the impetus to grow and continue to improve in different aspects. Additionally, FocalTech continues to adjust and promote various investment projects so to increase the proportion of high value-added services and industrial applications. Each year, the Company sets annual revenue and net profit targets, and each month, a meeting is convened with each business unit to report on the actual operational status as well as the achievement rate of the budget. Furthermore, the Company adjusts the future operations direction and strategy in a timely manner in response to the market and customer conditions, enabling the management team to fully grasp the operations, market dynamics and budget to achieve the operational goals.

Unit: NT\$ thousand

| Project | Item | 2019 | 2020 | 2021 |
|----------------------------------|---|-----------|------------|------------|
| Direct economic value generated | Operating revenue (Note 1) | 9,160,261 | 13,800,348 | 22,174,769 |
| | Operating cost (Note 2) | 7,167,061 | 10,371,572 | 11,262,098 |
| Economic value allocated | Employee compensation and benefits (Note 3) | 1,470,147 | 1,491,909 | 2,643,342 |
| | Payments to contributors (Note 4) | 150,000 | 1,044,530 | 700,000 |
| | Payments to government (Note 5) | 32,695 | 37,053 | 81,702 |
| | Community investment (Note 6) | - | - | 900 |
| Economic value retained (Note 7) | | 1,810,505 | 2,347,193 | 10,130,069 |
| Earnings per share | | (0.63) | 3.97 | 30.23 |
| Dividend per share distributed | | 0.50 | 3.32 | 15.71 |

Note 1: Operating revenue includes the net sales plus income from financial investments and asset sold.

Note 2: Operating costs refers to cost of goods sold, excluding operating expenses.

Note 3: Employees compensation (including employees' salaries and payments to the government on behalf of employees) + total employee benefits (excluding education and training programs, protective equipment costs, or other costs directly related to employees' job duties).

Note 4: Cash dividends and interest payments.

Note 5: Refers to the tax revenue paid to the government.

Note 6: The actual amount expended during the reporting period, not the amount the Company has had committed to pay. Such payments may include:

- Donations to charitable organizations, non-governmental organizations, research units (not related to the Company's own commercial research and development).
- Funds to support community infrastructure, e.g., recreational facilities.
- Direct costs of social activities, including arts and education activities.

Note 7: "Direct economic value generated" minus the "Economic value allocated." Employee compensation and benefits are usually included in the calculation of operating costs, therefore, the economic value retained is excluded from the calculation of employee compensation and benefits to avoid double counting.

In view of the situations of the past and the foreseeable future, the supply and demand of wafer production capacity will continue to be unmatched. As a result, FocalTech continues to strengthen its relationship with suppliers in order to grasp the status of supply and demand changes in wafer production capacity and respond flexibly in a timely manner, while pursuing technology development and gross margin growth. A strong R&D foundation will improve the gross margin of the Company's products, thereby achieving the goal of sustainable operation.

The risk management team performs risk assessments in accordance with the Risk Management Policies and Procedures approved by the Board of Directors on July 29, 2021. The Team defined the risk factors after discussing with the management team and further formulated improvement measures, which were then carried out by the responsible units.

The management team sets targets each year in accordance with the operations strategy, and regularly tracks the achievement progress of mid- and long-term strategies and short-term goals. When discrepancies occur between the achievement progress and the actual operations, the team identifies reasons for the discrepancy and continues to make improvements accordingly to ensure the achievement of the operational goals and to consolidate and increase the market share of its products. In addition, these results will serve as a reference for the operational goals and the operations plan for the following year.



1.3 Operation of the Board of Directors

| Management policy | |
|-------------------|--|
| Major issue | Corporate governance |
| Policy directions | Strictly adhering to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and related regulations to protect the rights and interests of shareholders and strengthen the operation of the Board of Directors |
| Core goals | <ul style="list-style-type: none"> Strengthen corporate governance and enhance the transparency of information Continue to improve the corporate governance evaluation |
| Achievements | <ol style="list-style-type: none"> 100% attendance rate for Board Meeting in 2021 The Board of Directors approved the Risk Management Policies and Procedures in 2021 No incident of corruption or bribery recorded in 2021. |
| Action plans | <ol style="list-style-type: none"> Report regularly to the Board of Directors on the performance of corporate governance and communication with various stakeholders. Make arrangement for senior executives to participate in corporate governance related courses to strengthen their governance capabilities. Establish a remuneration committee to formulate the remuneration and compensation policy and mechanism for directors and managers of the Company, and to conduct regular performance evaluation. |

| How to manage | |
|----------------------|---|
| Devoting resource | Establish committees for different functional purposes to ensure effective supervision of each unit's duties and responsibilities. |
| Feedback mechanism | <ol style="list-style-type: none"> Spokesperson mailbox Shareholders' Meeting Conference Call |
| Evaluation mechanism | <ol style="list-style-type: none"> Conduct a board performance evaluation once a year and a board performance evaluation by an external organization once every three years in accordance with the Board Performance Evaluation Regulations Participate in external corporate governance evaluations Evaluate the reasonableness of the Company's operating procedures through the internal control system |

| Future plans | |
|----------------|---|
| Goals for 2022 | <ul style="list-style-type: none"> Maintain a corporate governance evaluation rating of 20% or higher No occurrence of corruption or bribery of any kind. |

FocalTech believes that the key factor for an enterprise to operate in a sustainable manner is to maintain a sound governance system by its board of directors. Therefore, FocalTech is committed to building a sound and effective corporate governance framework, continuously improving the quality of corporate governance, and practicing the spirit of corporate governance, in order to ensure that the management team and colleagues in each unit comply with laws and regulations and ethical standards. All of these measures enable the Company to strengthen its overall operations, protect the rights and interests of stakeholders, and fulfill its corporate social responsibility.

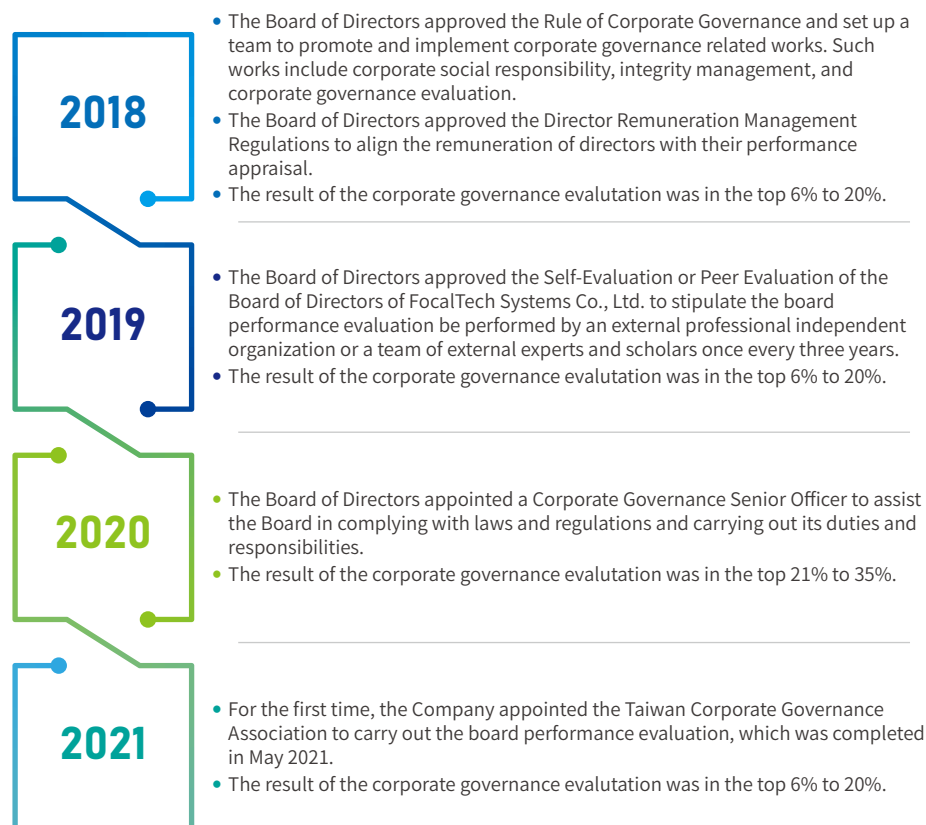
The Company has established the Sustainability Development Team as a dedicated unit in charge of corporate governance. The responsibilities of corporate governance include furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with regulatory compliance, handling matters related to board meetings and shareholders' meetings in accordance with the law, and managing company registration and changes in registration.



1.3.1 Directors

With a transparent and sound framework of the Board of Directors, the nomination and election of board members are carried out in compliance with laws and regulations. The Company has seven directors (including four independent directors), 57% of whom are independent directors, one under the age of 60 and six over the age of 60. Each member has management expertise in the practical, financial or R&D fields, and possesses an international market insight as well as leadership and decision-making abilities. The future board of directors will continue to be based on the current structure of the Board of Directors in terms of their experience and background. The Company has sufficient contacts and will be able to hire suitable external personnel to take over the position in a timely manner. In addition, independent directors are required by law to have working experience in business, R&D, legal affairs, finance and accounting, or as required by the business of the company, thus future succession of directors will be those professionals of various fields. In principle, board meetings are held quarterly, and in case of emergency, the chairman of the board may convene an extraordinary board meeting. In 2021, a total of five Board Meetings were held, with an attendance rate of 100%.

The Company has established the Board Performance Evaluation Regulations to evaluate the performance of the Board of Directors at the end of each year. The scope of evaluation covers the Board of Directors, functional committees and individual board members. The evaluation results are quantified based on the evaluation indicators and submitted to the following Board Meeting. The evaluation criteria are divided into five levels (i.e., Excellent, Great, Good, Fair, and To be strengthened). The overall performance evaluation in 2021 was rated as excellent.



Evaluation items for the overall Board of Directors' performance

- Involvement in the Company's business operations
- Enhancement of the quality of Board decisions
- Composition and structure of the Board of Directors
- Election and continuing education of directors
- Internal control

Evaluation items for functional committees

- Involvement in the Company's business operations
- Awareness of the committee's duties and responsibilities
- Enhancement of the quality of committee members' decisions
- Composition and structure of the committee
- Internal control

Evaluation items for the performance of individual director

- Mastery of the Company's goals and tasks
- Awareness of the director's duties and responsibilities
- Involvement in the Company's business operations
- Internal relationship management and communication
- Professional and continuing education of the director
- Internal control

| Title | Name | Continuing education course date | Organizer | Course name | Course hours |
|-----------------------------------|----------------|----------------------------------|--|--|--------------|
| Director | Genda Hu | November 9, 2021 | Securities & Futures Institute | Examining Corporate Governance from the Perspective of Inspection and Investigation III | 3 |
| | | November 15, 2021 | Securities & Futures Institute | Sharing on Corporate Mergers and Acquisitions Practice – Based on Hostile Mergers and Acquisitions | 3 |
| Corporate director representative | Han-ping Hsieh | July 16, 2021 | Securities & Futures Institute | Analysis and Case Studies of Director – Supervisor Related Party Transactions | 3 |
| | | July 16, 2021 | Securities & Futures Institute | Climate Change Mitigation and Adaptation to Promote Sustainable Competitiveness | 3 |
| Corporate director representative | Chenming Hu | November 12, 2021 | Taiwan Corporate Governance Association | Crisis Management Strategies on Corporate Operation and Public Opinion Reports | 3 |
| | | December 24, 2021 | Taiwan Corporate Governance Association | Case Studies on Fraudulent Corporate Financial Statement | 3 |
| Independent director | Chin-tay Shih | October 19, 2021 | Taiwan Corporate Governance Association | Trends and Challenges in Information Security Governance (I) | 3 |
| | | October 19, 2021 | Taiwan Corporate Governance Association | Trends and Challenges in Information Security Governance (II) | 3 |
| | | September 6, 2021 | Accounting Research and Development Foundation | Analysis on the Positive Impact of ESG on Companies and the Creation of New Low-carbon Green Value Models | 3 |
| Independent director | Chan-jane Lin | May 7, 2021 | Taiwan Corporate Governance Association | Sharing on Advanced Audit Committee Practices – Merger and Acquisition Review and Director Responsibility | 3 |
| | | 110/09/16 September 16, 2021 | Taiwan Corporate Governance Association | Case Analysis of Hostile Mergers and Acquisitions, Contests for Corporate Control, and Countermeasures for Companies | 3 |
| Independent director | Chang Hsu | October 8, 2021 | Taiwan Corporate Governance Association | Board of Directors' Response to and Application of Corporate Governance Evaluation | 3 |
| | | September 1, 2021 | Financial Supervisory Commission | 13th Taipei Corporate Governance Forum – Afternoon Session | 3 |
| Independent director | Benison Hsu | September 1, 2021 | Financial Supervisory Commission | 13th Taipei Corporate Governance Forum – Morning Session | 3 |
| | | September 1, 2021 | Financial Supervisory Commission | 13th Taipei Corporate Governance Forum – Afternoon Session | 3 |

Diversity of the Board of Directors

Article 20 (Competencies of the Board of Directors as a whole) of the Corporate Governance Best Practice Principles stipulates that the composition of the Board of Directors shall take into consideration gender equality, and the board members shall generally have the knowledge, skills and competencies necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

- Diversified professional background of board members

| Title | Director name | Business management | Leadership decision | Industrial knowledge | International market insights | Crisis management | Finance and accounting |
|----------------------|---|---------------------|---------------------|----------------------|-------------------------------|-------------------|------------------------|
| Director | Genda Hu | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Director | GWAALLC designated representative: Han-ping Hsieh | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Director | GWAALLC designated representative: Chenming Hu | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Independent director | Chin-tay Shih | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Independent director | Chan-jane Lin | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Independent director | Chang Hsu | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Independent director | Benison Hsu | ✓ | ✓ | ✓ | ✓ | ✓ | |

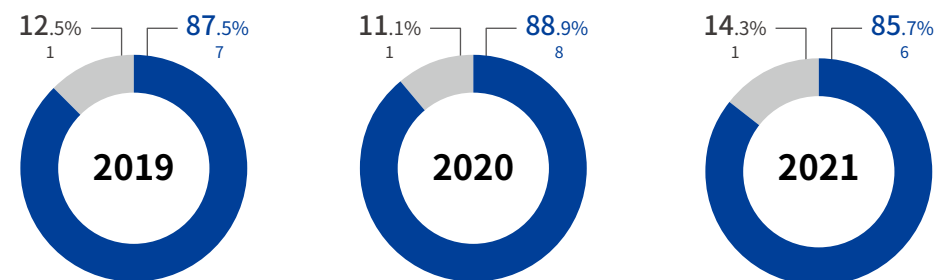
- A total of five Board Meetings were held in 2021, and the attendance of directors was as follows:

| Title | Name | Number of meeting attended | Actual attendance rate |
|----------------------|---|----------------------------|------------------------|
| Chairman | Genda Hu | 5 | 100% |
| Director | GWAALLC designated representative: Han-ping Hsieh | 5 | 100% |
| Director | GWAALLC designated representative: Chenming Hu | 5 | 100% |
| Independent director | Chin-tay Shih | 5 | 100% |
| Independent director | Chan-jane Lin | 5 | 100% |
| Independent director | Chang Hsu | 5 | 100% |
| Independent director | Benison Hsu | 5 | 100% |

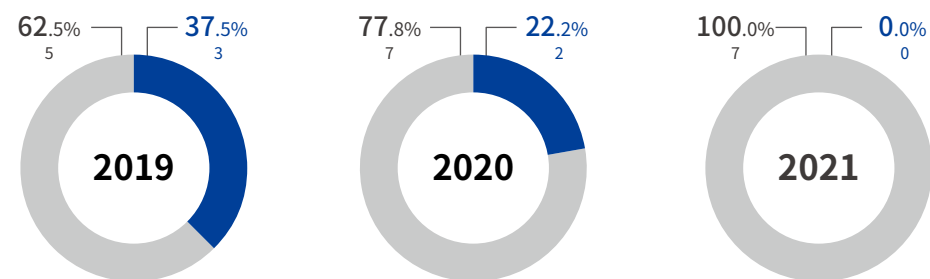


• Board diversity statistics

| By gender, age and education level | | 2019 | | 2020 | | 2021 | |
|------------------------------------|-----------|------------------|------------|------------------|------------|------------------|------------|
| | | Number of people | Percentage | Number of people | Percentage | Number of people | Percentage |
| Board members | Gender | | | | | | |
| | Male | 7 | 87.5% | 8 | 88.9% | 6 | 85.7% |
| | Female | 1 | 12.5% | 1 | 11.1% | 1 | 14.3% |
| | Age | | | | | | |
| | Below 50 | 3 | 37.5% | 2 | 22.2% | 0 | 0% |
| | Above 50 | 5 | 62.5% | 7 | 77.8% | 7 | 100% |
| Education level | | | | | | | |
| | MA/MS/PHD | 8 | 100.0% | 9 | 100.0% | 7 | 100% |
| Total number of board members | | 8 | 100.0% | 9 | 100.0% | 7 | 100.0% |



■ Male ■ Female



■ Below 50 ■ Above 50

1.3.2 Functional Committees

• Audit Committee

The Audit Committee consists of four independent directors and convenes at least every quarter. The Committee mainly coordinates external and internal audit works, oversees and examines internal controls, financial reporting, and evaluates and guides the Company's audit work. A total of four meetings were held in 2021, with an 100% attendance rate.

• Remuneration Committee

The Remuneration Committee consists of two independent directors and one independent member, and convenes at least twice a year. The Committee mainly evaluates the remuneration and compensation policies and mechanism of directors and managers from a professional and objective position, and makes recommendations to the Board of Directors as a reference for decision making. A total of three meetings were held in 2021, with an 100% attendance rate.

• Auditing Office

The Auditing Office comes under the purview of the Board of Directors, and its main responsibilities are to assist the Board of Directors and managers in examining and reviewing the implementation of the internal control system and measuring the effectiveness and efficiency of operations. Additionally, the Office provides timely suggestions for improvement based on the audit findings or processes of each unit, with an aim to ensure that the internal control system continues to be effective. These suggestions will also serve as a basis for the review of internal control system.

The Auditing Office formulates an annual audit plan based on the risk assessment results. Every year, the Office conducts various audit works in accordance with the approved plan, and reports the audit results and subsequent improvement plans to the Audit Committee and the Board of Directors. In addition, the Audit Senior Officer reports the audit work to the Audit Committee on a regular basis.

• Internal Control Mechanism

The Company's Audit Office is established with the purpose of assisting the Board of Directors and the managers to examine and review the deficiencies of the internal control system of each unit as well as the subsidiaries of the Company and to measure the effectiveness and efficiency of operations. Additionally, the Office provides timely suggestions for improvement to ensure the continuous and effective implementation of the internal control system, which will serve as a basis for reviewing and revising the internal control system. The internal auditors uphold a spirit of independence and objectivity and are a dedicated independent unit that comes under the purview of the Board of Directors. These auditors are responsible for internal audit works and handling of related reports; they faithfully perform their duties in an objective and impartial manner, and exercise due professional care. Apart from regularly reporting to the supervisors on the audit works, the Audit Senior Officer also attends the Board Meeting as a non-voting member to deliver a report.

- Execution of the auditing procedures:

1. Discuss the focus and direction of the audit work within the auditing unit
2. Issue audit notification and communicate with the audited unit
3. Conduct audit works
4. Make internal audit recommendations in writing
5. Explain the audit findings or recommendations to the audited unit
6. Submit an audit report
7. Sign and approve the audit report; the audited unit proposes the deadline for making improvements
8. Submit and report to the Audit Committee and the Board of Directors

- Regular communication between the independent directors and the Audit Senior Officer:

The audit report is completed monthly and submitted to the Chairman. Subsequently, the report is submitted to each independent director for review. The audit status is reported to the Audit Committee and the Board of Directors on a quarterly basis. After each Audit Committee meeting, independent directors communicate with the Audit Committee individually after the management team leaves the meeting.

FocalTech did not violate the internal control system and thus was not penalized by the competent authorities in 2021.



1.4 Integrity Management Based on the Fundamentals

1.4.1 Integrity Management

In order to build a corporate culture of integrity management as well as to perfect its development to further realize the concept of sustainable management, FocalTech advocates and promotes behavioral integrity, and treats any kind of conduct that may constitute a violation of honesty, integrity and professional ethics in a strict manner by adhering to principles of justice and non-condonation. In addition, the Company regularly conducts education and training on integrity management. For new employees, internal and external laws and regulations related to professional ethics and integrity principles are incorporated in their pre-employment training course so as to reinforce the education and training in ethical management. Apart from that, the Company has also established the Code of Ethics for Honest Management and Practice in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, which requires employees to act in compliance with ethical standards based on the corporate philosophy of integrity, transparency and accountability. FocalTech strictly requires managers and employees at all levels to refrain from offering, promising, requesting or accepting any improper benefits, directly or indirectly, or committing any other dishonest behaviors that violate integrity, laws or breach of fiduciary duties in the course of conducting business.

The Company has formed the Sustainability Development Team, which is responsible for the formulation of the integrity management policy. The Audit Office is responsible for supervising the operations of each unit. In addition, the Company has stipulated the Reporting Policies and Procedures to encourage internal and external personnel to report any illegal, unethical, or any other behavior that violates the Code of Ethics for Honest Management and Practice. The Reporting Policies and Procedures are disclosed on the corporate website. The Sustainability Development Team reports on the overall implementation of the ethical management duties in the first quarter of each year at the Board Meeting.

FocalTech requires 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. In support of the ethical culture of openness and transparency, FocalTech encourages its employees and external parties to report any suspected illegal conduct via the reporting system.

FocalTech's Code of Ethics for Honest Management and Practice approved by the Board of Directors on October 26, 2018 is publicly disclosed on the company website. Other than that, an implementation plan is also formulated every year.

Six Principles of the Code of Ethics for Honest Management and Practice

- Prohibition on Insider Trading
- Prohibition on Intellectual Property Infringement
- Prohibition on Offering and Acceptance of Bribes
- Prohibition on Improper Donations or Sponsorships
- Prohibition on Unreasonable Gifts, Entertainment, or Other Improper Benefits
- Recusal Due to Conflict of Interest

Code of Ethics for Honest Management and Practice Self-inspection

- Whether disclosure of the conduct would have a negative impact on the Company's reputation
- Whether the conduct would be construed as an unjust performance of duty

Implementation Highlights in 2021:

- ✓ Top management including first-level executives and functional executives of specific units (including those who were newly appointed) signed "Ethical Management Policy Compliance Declaration" in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. The Ethical Management Policy Compliance Declaration was formulated based on the Company's Code of Ethics for Honest Management and Practice.
- ✓ Promoted related issues during the new employee orientation training.
- ✓ Educated current directors and insiders on information including the prohibition of short-swing trading and insider trading, explanation of stock trading-related laws and regulations, pre-reporting and post-reporting procedures, and penalties.

Ethical Management Reporting Channels

- In accordance with the Reporting Policies and Procedures established by FocalTech, a dedicated mailbox whistleblower@focaltech-electronics.com is available for all internal and external stakeholders to reflect their relevant opinions. These opinions will be directed to both the convener of the Audit Committee (an independent director) and Audit Senior Officer. Adhering to the principle of identity protection of the whistleblower, FocalTech conducts investigations in a strictly confidential manner, and forms an investigation task force when deemed necessary. The task force handles received reports and subsequent investigations in a confidential and rigorous manner.
- According to the Work Rules, employees can file a complaint to Human Resources and Administrative Unit by filling out the "FocalTech Employee Complaint Form." Based on the reported content, the Human Resources and Administration Unit will assess whether to convene the relevant units or form a committee to handle the matter in stages according to the Work Rules, and will take disciplinary actions depending on the severity of the situation.

No substantiated allegation of corruption was recorded in 2021. The Company will continue to strengthen its internal control mechanism and implement the concept of integrity management in the future.

FocalTech requires all employees, executives at all levels and directors to refrain from offering, promising, requesting or accepting, directly or indirectly, any improper benefits, or committing any other dishonest behaviors that violate integrity, laws or breach of fiduciary duties. In the Code of Ethics for Honest Management and Practice, FocalTech clearly stipulates the prohibition of offering and accepting bribes, making illegal political contributions, improper charitable donations or sponsorships, offering or accepting unreasonable gifts, entertainment or other improper benefits, infringing on intellectual property rights and trade secrets, engaging in unfair competition, and prejudicing the rights and interests, health and safety of stakeholders, with intentions to protect the rights and interests of customers, avoid business losses, penalties and damage to the business reputation. In 2021, training courses (0.5 hours/class) regarding integrity management offered by FocalTech had a total of 168 participants, with 84 training hours accumulated.

1.4.2 Regulatory Compliance

In order to implement the company's core values, FocalTech requires its employees to strictly comply with its professional ethics and standards in the course of their daily business and work to avoid violating domestic and international laws and regulations that may prejudice the rights and interests of customers, suppliers and other stakeholders. The management team of FocalTech continues to closely monitor the formulation and development of any laws and regulations that may affect the Company and further establish relevant regulations and procedures, while planning education and training programs to strengthen employees' awareness of current laws and regulations. In 2021, the Company acted in accordance with the law and was not subject to any monetary penalties or other non-monetary penalties regarding the social, economic, or environmental aspects. The Company has always remained politically neutral and has never been involved in political contributions.

1.4.3 Tax Governance

Tax governance and control

The Company's Chief Financial Officer (CFO), the ultimate tax administrator of the Group, stays informed about the tax policies regarding the operations in all locations. The Accounting Senior Officer of each region regularly reports to the Chief Financial Officer to ensure compliance with local tax regulations and tax practices. Furthermore, the professional services of external tax consulting organizations are adopted to formulate the measures in response to changes in tax laws. The day-to-day tax administration and enforcement falls under the responsibility of the accounting unit, the performance of which is regularly supervised and managed by the Accounting Senior Officer so as to fulfill the Company's tax obligations. In addition, the staff members of the accounting unit also attend relevant tax courses on an ongoing basis to enhance their professional knowledge.

The Company's Board of Directors has tasked the Audit Committee with overseeing the quality and integrity of the Company's accounting, auditing, financial reporting processes and financial controls, and has also appointed a professional accounting firm to conduct reviews of these practices to ensure compliance with relevant regulations.



Tax risk management

The Company has operating locations in Taiwan and mainland China, and follows the tax laws of each country in which it operates. Changes in tax-related regulations may result in a tax increase for the Company and may even adversely affect the Company's profitability. With an aim to effectively manage tax risks and reduce the tax impact, the Company follows internal control procedures to identify, evaluate and manage tax risks arising from regulatory changes and related business activities so as to properly measure, handle and control the risks.

Tax risks are also incorporated into the Company's Risk Management Policies and Procedures. The Risk Management Team is in charge of the capture and evaluation of risks, and reporting to the management meeting on the results. Subsequently, countermeasures are proposed and regular follow-ups are carried out to reduce the related tax impacts.

1. All operations are conducted in accordance with local tax laws and regulations.
2. Financial reports are disclosed transparently; tax disclosures are made in accordance with relevant laws and regulations.
3. Tax risks evaluation by analyzing the operating environments and applying management mechanisms.
4. Active participation in seminars on major issues in relation to tax scheme in different countries to keep abreast of the latest information.

1.5 Risk Control

Management policy

| | |
|-------------------|---|
| Major issue | Risk control |
| Policy directions | Early preparation for and addressing of possible significant risks in the future to reduce the impact on the Company or to obtain priority business opportunities |
| Core goals | Perform annually and regularly to identify significant risks |
| Achievements | In addition to employment and environmental sustainability risks, there were also significant risks of corporate governance identified such as human resources, information security, and political and economic market changes. The management meeting formulated specific measures to address these risks, including the completion of at least ten talent retention and recruitment activities from the end of 2021 to 2022. |
| Action plans | <ol style="list-style-type: none"> 1. Issue a risk factor survey form for each representative member to reply on the risk factor, the weight of the factor, and the suggestions for improvement 2. The Risk Management Team holds a discussion meeting to screen and select significant risks and submit them to the management meeting for discussion. The responsible unit proposes improvements or countermeasures. 3. The Chairman's office submits the results to the Board of Directors. |

How to manage

| | |
|----------------------|--|
| Devoting resource | Risk Management Team members and management meeting members |
| Feedback mechanism | <ol style="list-style-type: none"> 1. Each unit assigns its personnel to join the Risk Management Team to provide feedback on risk assessment and suggestions for improvement. 2. The management meeting and the Board of Directors also provide feedback and suggestions for improvement and refinement every year. |
| Evaluation mechanism | <ol style="list-style-type: none"> 1. The degree of implementation of improvement measures. 2. The assessment of the level of the same risk should be reduced in the following year compared with the previous year |

Future plans

| | |
|----------------|---|
| Goals for 2022 | Identify the more precise risk factors. In 2022, the identification of risk factors will increase or be additionally categorized into three directions, namely environmental protection, information security, and human resources, in order to highlight the different types of risks. |
|----------------|---|

In order to protect the best interests of stakeholders, FocalTech has developed various risk response methods to identify environmental, health and safety, and labor practice risks related to its operations. Additionally, the Company also determines the level of each risk and implements appropriate procedures and substantial controls to ensure regulatory compliance and controls over identified risks. Each responsible unit proposes the risk items and countermeasures for the department.

1.5.1 Risk Identification

The Company has implemented annual risk assessment and reported to the Board of Directors since 2018, and the Risk Management Policies and Procedures was established with the approval of the Board of Directors in 2021. The Risk Management Team gathers representatives from functional units to evaluate, screen and select significant risks each year, compile and analyze the statistical results and report them to the management meeting. The unit responsible for the risk will report the countermeasures for discussion. Countermeasures approved by the management meeting will then be reported to the Board of Directors by the Chairman Office. The scope of risk identification includes strategic planning, operational management, information technology, human resources, financial operations, and other issues. From 2022 onward, separate assessments will be conducted on the issues of information security, environmental sustainability, climate risk, and human resources with an aim to discuss the respective response and optimization measures.

• Identified risks and response measures in 2021:

1. Human resources risks:

In response to the competition for talents from technology companies, the Company has taken more proactive measures since 2021, including salary adjustment, increases to the bonus ratio, employee benefits (meals, activities, health and stress relief, etc.), and increased industry-academia cooperation with universities to jointly develop projects and an internship system, and to offer scholarships.

2. Market risks:

Due to international political factors and changes in wafer supply and demand, the supply and demand of wafer will become increasingly unstable. In this regard, the Company intends to strengthen its relationship with customers and the supply chain.

3. Information system risks:

Such as response to major issues of information security.

4. Environmental protection:

To comply with the SDGs, the Company will strengthen product specifications and technological breakthroughs in order to develop ICs with lower power consumption and smaller wafer size so as to reduce the impact on the environment.

Sound operations and sustainable development are set as long-term goals of the Company. The first step in building a sound risk management mechanism is to consider the various risks that FocalTech and its subsidiaries may face in the business environment. Subsequently, establish a robust risk management organization structure and management mechanism for each risk based on the Company's business strategy and goals while taking into account the business growth, risk, and remuneration and compensation. In addition, the Risk Management Team regularly reviews the risk management policies and guiding principles and makes adjustments to the structure according to the international situation in a timely manner. FocalTech's risk management procedures includes identification, measurement, monitoring and reporting of risks through qualitative or quantitative management methods. These procedures are with an aim to keep the various risks the Company may face in operation activities within the tolerable range so as to achieve the goal of balancing risk and remuneration and compensation.

FocalTech integrates the risk management framework and the three lines of defense management of each unit of the Company to implement comprehensive risk control. For the procedures including risk identification, measurement, response, monitoring and reporting, the Company formulates relevant risk indicators, risk monitoring points and early warning mechanisms to assist the Board of Directors in overseeing the management of the company's existing or potential risks.



First line of defense consists of each functional unit in relation to R&D/business/management

Responsible for ensuring compliance with risk management regulations and implementation of daily risk control in the execution of daily work

The second line of defense consists of the Risk Management Team and management meetings

Responsible for formulating the risk management system and monitoring the implementation, and the effectiveness of the mechanism carried out by the first line of defense



The third line of defense consists of the auditing unit

Responsible for checking the compliance and implementation of risk regulations and mechanisms

1.5.2 Risk Type

| Risk type | Risk description | Countermeasures |
|---|---|---|
| Operations | Failure to properly manage information security will result in data loss and theft. | The Information Security Policy has been established along with the relevant operation regulations. In addition to monitoring and management in accordance with policies and procedures on a regular basis, the information unit has increased the number of improvement projects of the current year based on risks and resources since 2018 to continuously strengthen the information security environment. |
| | Failure to properly protect trade secrets will affect the company's leading position in technology and customer trust. | <p>Apart from the above measures on information security, the protection mechanism is implemented in accordance with the Company's internal control system.</p> <ol style="list-style-type: none"> 1. New employees are required to sign a written document of confidentiality obligations when they come on board and when employees leave the Company. The document requests and reminds employees to comply with the duty of confidentiality of the Company's confidential information. 2. The Patent Application Management and Incentive Regulations has been established and a Patent Review Committee has been formed. The Committee consists of at least three first-level executives as representatives. Regular meetings are held to review patents, and discuss and provide suggestions. |
| Finance | Failure to monitor and respond to changes in interest rates, exchange rates and inflation in a timely manner will result in financial losses for the Company. | <p>Interest rates</p> <ol style="list-style-type: none"> 1. FocalTech regularly evaluates bank deposit/borrowing rates, obtains average market rates, and closely liaises with banks to strive to get the most favorable deposit/borrowing rates. 2. In the future, the Company will employ various fundraising channels to raise capital in a timely manner depending on the operational status and capital requirements. <p>Exchange rates</p> <ol style="list-style-type: none"> 1. Maintain close contact with the foreign exchange departments of financial institutions to collect information on exchange rate changes at any time and fully grasp international exchange rate trends and changes, in order to actively respond to the negative impact arising from exchange rate fluctuations. The Company grasps the trend of exchange rate changes and uses it as a reference basis for forward exchange transactions and foreign exchange settlements. 2. The Finance Department regularly submits monthly internal assessment reports on the hedgeable risks of net foreign currency assets (liabilities) to the Company's management team for determining the hedging measures to be taken. <p>Inflation</p> <ol style="list-style-type: none"> 1. Pay close attention to the inflation situation and adjust the selling price of products and material inventory appropriately to reduce the impact of inflation on FocalTech. |
| Employee benefits and communication | Poor benefits and communication will result in the loss of key employees. | FocalTech is committed to building a company culture of good corporate values, providing challenges, fun, and better compensation than the industry for employees, retaining and cultivating its employees. FocalTech sees talents as important assets, and the concerted efforts of its employees have led the Company's revenue to hit a record high consecutively in both 2020 and 2021. In the same period, the average salary of non-executive full-time employees increased by 32% in 2020 compared to 2019 and 33% in 2021 compared to 2020. |
| Talent cultivation and learning development | The lack of satisfaction in learning and growth will result in the loss of key employees. | <ol style="list-style-type: none"> 1. Continuous improvement of employee treatment: Share the Company's operational performance with employees. Employee benefits include basic salary, various bonuses, earnings distribution, stock bonuses, insurance, health examinations, welfare committee benefits, etc. 2. Establishing a variety of communication channels: In addition to regular management meetings, interdepartmental functional meetings, internal departmental meetings, and project meetings, soft activities such as birthday celebrations, FB fan groups, Valentine's Day activities, etc. are also held. 3. Talent reserve: In response to the normal turnover of staff, the Company provides various kinds of education and training programs, participates in project work, and is ready to cultivate suitable talents. |

| Risk type | Risk description | Countermeasures |
|--|---|--|
| Supply chain management | Insufficient or excess production capacity will result in the inability to ship goods or create inventory, which will further increase costs. | <p>FocalTech sees suppliers as important business partners, and thus maintains interactions with them.</p> <ol style="list-style-type: none"> 1. Keep an eye on the market trends and grasp the changes in supply and demand. 2. Timely sharing of market dynamics internally; the reporting mechanism is implemented in relevant meetings. 3. Hold meetings and interact with suppliers on a regular and occasional basis to communicate on production capacity, product quality, delivery time, etc. |
| Customer service and customer satisfaction | Poor product quality and service due to the pandemic or operations will affect customer satisfaction. | <p>FocalTech sees customers as important business partners, thus maintaining interaction with them.</p> <ol style="list-style-type: none"> 1. A customer service team has been established internally, with dedicated sales, product application engineering, and quality assurance colleagues to provide services for customers. 2. A customer complaint management platform has been established internally. The dedicated team will jointly analyze and solve customer problems or needs, and the quality center will close cases to ensure customer satisfaction. |
| Climate change | Unstable supply of water and electricity will affect the Company's operations. | <p>Opportunities</p> <p>FocalTech is a non-manufacturing IC design company, therefore it is less dependent on electricity and water. The daily reduction of electricity and water consumption is promoted internally with an aim to save costs on electricity and water expenses and reduce the degree of instability.</p> <p>Countermeasures</p> <ol style="list-style-type: none"> 1. As greenhouse gases emissions are calculated from the conversion of electricity and water consumption, the Company regularly performs greenhouse gas calculations and formulates plans for energy conservation and carbon reduction, as well as greenhouse gas reduction. 2. Continuously promote electronic signature operations to reduce paper consumption and indirectly reduce the consumption of global resources. |
| | Rising temperatures will increase the cost of electricity and water for the Company. | |
| | In response to climate change, international trends and legal requirements, the Company is facing a transitional risk. | <p>Opportunities</p> <p>In this way, FocalTech is focusing on developing IC products with lower power consumption or slimmer and lighter modules so as to reduce power consumption as well as consumables for the production of end products.</p> <p>Countermeasures</p> <ol style="list-style-type: none"> 1. Set more stringent standards when formulating new product specifications. 2. Strive for technological breakthroughs to not only meet the requirements of customers and investors but also to contribute to global warming reduction. |

1.6 Information Security Protection

1.6.1 Information Security Policy

In view of the increasing popularity of computer and network applications in recent years, and to ensure the security of the Company and information security-related data, information systems, equipment and networks, the Company has established the Information Security Policy. The top executive of the information department serves as the convener to review the information security governance policies of each subsidiary and to oversee their operations. The Policy is regarded as the guidelines for the division of organizational authority and responsibility, personnel training, computer hardware and software, network and physical environment management for information security management of the Company. Additionally, the Top Executive reports regularly to the Board of Directors on the implementation of information security risk management.

1. Scope and Goals:

To ensure FocalTech Group's information security for its employees to perform their daily duties, confidentiality, integrity and availability are set as the three main goals.

2. Responsible units and detection procedures:

The top executive of the information unit is the responsible person. Each year, the information unit will identify significant risk factors internally based on risk assessment. In addition to arranging for improvements in the information unit's promotion plan to reduce information security risks, the information unit will periodically compile the risks for the corporate governance team, coordinate other risks, and then report to the Board of Directors according to the significance of the risks.

3. Information security promotion

- (1) Arrange the information security operation plan for the following year, each year.
- (2) Execute the project according to the proposed plan or instruction, and review and leave records after execution for future improvement and experience transmission.

4. Policies and regulations

| Policy | Description/Purpose | Regulatory Basis |
|---|--|--|
|  Password/Passphrase Protection | Set password changing rules in the stipulated system to prevent unauthorized operations and avoid leakage of information. | Internet and Electronic Media Operation Management Regulations |
|  Acceptable Use | Protect company data by specifying acceptable and unacceptable behaviors while using the Company's information and hardware resources. | Personal Computer and Software Management Regulations |
|  Email Security | Specify rules for e-mail use to avoid passive or active data loss. | Internet and Electronic Media Operation Management Regulations |
|  Access Control | Prevent any unauthorized access or damage to the system. Establish controls over information access and information processing facilities and procedures in accordance with information security requirements. | Internet and Electronic Media Operation Management Regulations |
|  Incident Response | Establish the operational procedures and rehearsal requirements for incident response to reduce the damage caused by accidental information security incidents, and test them from time to time. | Information System Emergency Response Procedures |
|  Personal Device Security | Specify the principles and operations of BYOD (Bring your own device), including network usage regulations. | Internet and Electronic Media Operation Management Regulations |
|  Server Room and Hardware Security | Specify the safety management for access to the server room and uninterruptible power supply. | Internet and Electronic Media Operation Management Regulations |

5. Awareness raising on information security

- (1) Regularly review, formulate, approve, and publish the Information Security Policy and awareness promotion by the management team.
- (2) Enhance the information security awareness of employees through new employee orientation, E-learning, information security awareness promotion, and social engineering.

1.6.2 Information Security Operations

| Operation item | Description |
|---|---|
| Awareness-raising on Information Security | A total of 9 information security awareness-raising sessions were conducted in 2021. |
| Information Security Related Education and Training Program | A total of 4 information security education training sessions were conducted in 2021. |
| Syslog Server Import | Strengthen the storage of various logs in the NG Firewall and centralized Server (AD&VPN account access, DHCP, DNS, DB, and other logs) and network device logs. |
| Vulnerability Scanning and Evaluation | Evaluate the existence of known vulnerabilities by scanning various network devices and system servers in the Company's network environment through vulnerability scanning, and analyze and fix the vulnerabilities for effective and feasible improvement solutions to achieve the purpose of reducing information security risks. |
| Firewall Protection | Examine the firewall to set connection rules so as to ensure that malicious attacks are blocked. Additional application is required for special connection needs. |
| User Access Control System | Control user internet behavior with an automated website protection system. Automatically filter users' access to websites that may contain Trojan horses, ransomware or malware. |

| Operation item | Description |
|---------------------------------|--|
| Data Loss Protection (DLP) | Conduct daily data access and loss protection control using DLP. |
| Data monitoring and protection | Conduct weekly monitoring measures for USB data copying, cloud uploading, shared slot data access and Web data uploading. If abnormal usage records are found, the Company will notify the departmental senior officer or those holding a higher ranking according to the relevant information. |
| Anti-virus software | Adopt anti-virus software and update virus patterns automatically to reduce the chance of virus infections. |
| Operating System Updates | The operating system is updated automatically. If the system is not updated for any reason, the Information Management Department will assist in updating it. |
| Mail Security Control | There is automatic mail scanning threat protection to prevent unsafe attachments, phishing mail, and spam before users receive mail, with the protection extended against malicious links. The anti-virus software scans personal computers for unsafe attachments after receiving emails. |
| Data backup mechanism | Perform daily backups on the important data system database. |
| Critical File Server Management | Store important files from all departments within the Company on servers and perform backups by the information unit. |



chapter

2

Innovation Value
Breakthrough

2.1 Technology Leadership

2.2 Intellectual Property Security

2.1 Technology Leadership

FocalTech attaches great importance to innovative R&D. With the core value of being a leading human-machine interface solution provider, FocalTech continues to accumulate technology and intellectual property resources to establish advantages of differentiated products and competitive technology thresholds to maintain its leading position in industrial technology, and fulfill its commitment to sustainable operations. Therefore, FocalTech's investment in innovation R&D is the key engine in driving revenue growth. Apart from that, in order to cultivate more excellent R&D talents to join FocalTech, it also cooperates with a number of universities in Taiwan and mainland China to jointly research and develop specific technologies or implement talent cultivation programs; works with universities in mainland China to train interns, offers scholarships and sponsors various activities on campus; recruits R&D alternative civilian servicemen, and proposes plans to apply to join the Defense Industry Reserve Duty System (DIRDS); and develop an intellectual property management system to encourage innovation, with an aim of nurturing talents in multiple ways.

Furthermore, FocalTech has built a good corporate culture and values, which has become its irreplaceable soft power. In the future, FocalTech will continue to uphold the spirit of pursuing excellence and innovative R&D, and to expand into other product areas while upholding the business philosophy of "Being proactive; United and cooperative; Prioritizing the interests of the Company; Solving problems; and Achieving win-win situations," with the goal of creating the greatest benefits for shareholders, employees and customers.

1.

Being proactive

Take the initiative to solve the problems the Company faces, rather than dodging or ignoring them; have the courage to make commitments and take challenges, without giving up easily before achieving the Company's goals.

2.

United and cooperative

Unity is strength, and with it, the Company will build mutual trust and cooperation.

3.

Prioritizing the interests
of the Company

Take all the interests of the Company as a priority to establish a common goal.

4.

Solving problems

Stop idle talking and take action. Be result-oriented, as solving problems is the first step to innovation.

5.

Achieving win-win
situations

Create win-win situations between the Company and customers, the Company and employees, the Company and suppliers, and the Company and partners/agents.

Key achievements in 2021

| Product line | Technical achievements |
|---|--|
| Touch and Display Driver Integration (IDC/TDDI/AMOLED) | <ol style="list-style-type: none"> 1. Successful mass production of cellphone Tablet High Frame Rate ICs. 2. Successful development of ultra-narrow bezel COG ICs for A-Si HD on cellphones and sent for sampling. 3. Successful development of IDC ICs for active stylus pens used on tablets and sent for sampling. |
| Display Driver ICs (LTPS LCD / α -Si LCD/AMOLED) | <ol style="list-style-type: none"> 1. FT2308 ESD 3.6KV met the industry standard of 3KV, which took the lead in the industry 2. The power consumption of FT2308 is 3.2mW (AOD), with an optimization of energy saving and to be aligned with the first-class level in the industry. |
| Touch controller ICs (Self-capacitance / Mutual capacitance / AMOLED) | <ol style="list-style-type: none"> 1. Overcame the technical bottleneck of display interference and computing speed to successfully mass-produce touch controller ICs for 360Hz multi-touch technology used on high-end AMOLED gaming phones, through which the Company has become the world's largest supplier of rigid AMOLED touch controller ICs. 2. Overcame the technical bottleneck of display interference and heavy load to successfully mass-produce flexible AMOLED cellphone touch controller ICs. |
| Fingerprint readers (Capacitive/Optical) | The optical in-display ICs integrating optical components and algorithms marked a technological breakthrough and went into mass production. |

FocalTech was the first to identify and act on the market trend in the fast-growing industry. In April 2014, FocalTech announced its merger with the world's 5th largest LCD driver IC supplier, Orise Tech, ahead of other competitors, and launched its IDC/TDDI integrated IC in 2016, which led to a significant increase in revenue in 2017. It was not until 2021 that IDC product applications expanded from cellphones to tablets, wearable devices, home intelligence, automobiles and other end-user products. The Company's market share of major applications are as follows:

| | 2021 |
|-------------|------|
| Cellphones | 21% |
| Tablets | 32% |
| Automobiles | 48% |

Touch and Display Driver Integration (TDDI)

The Touch and Display Driver Integration (TDDI) has been successfully adopted by tier one companies in the projects of Lamborghini, Maserati, VOLVO, TOYOTA, NISSAN, HYUNDAI, SAIC, GEELY, BYD, DONGFENG, GREAT WALL, CHANG' AN and other well-known domestic and overseas automotive companies. The Company has undertaken more than 100 projects up to the present and has developed a variety of smart cockpit display solutions for customers to choose from, such as central control, dash, rear view, and multimedia for entertainment. Currently, there are more than 100 automotive projects and the accumulated shipment has exceeded 5 million units.



Touch and Display Driver Integration - Flexible LTPO AMOLED



In November 2021, FocalTech launched a new AMOLED wearable IDC, the model FT2389.

The launch of the FT2389 immediately captured the interest of major panel manufacturers and end-users. Within six months, it quickly passed the certifications of panel manufacturers and end-users, and was mass produced in April 2022.

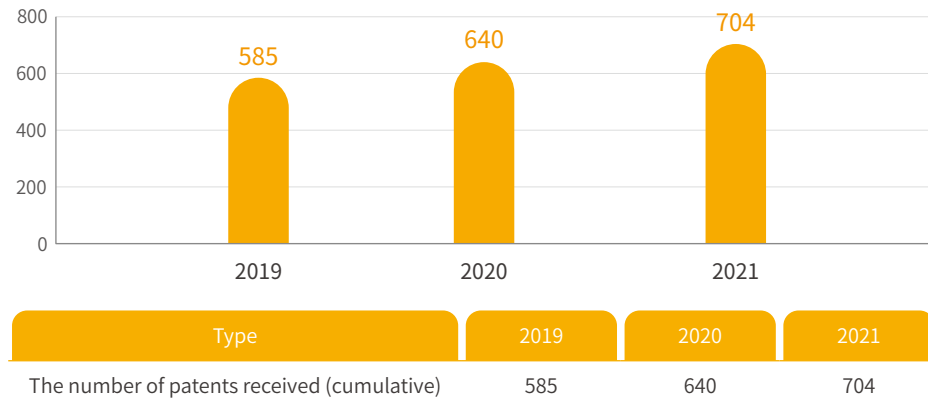
AMOLED screen technology provides the means for meeting the demand for a higher screen-to-body ratio. Compared to large-screen driver ICs used in devices such as TVs, driver ICs used in smart watches, smart bracelets and other smart wearable

devices are more concerned about power consumption and the number and volume of peripheral components. The FT2389 provides features such as ultra-low power consumption, strong anti-ESD capability, and fewer peripheral components. Furthermore, it integrates driver display and touch functions to lower the number of FPC used to one piece compared to a two-IC solution, which not only lessens the number of FPC layers and shrinks the machine size, but also reduces costs.

The FT2389 is the first product in FocalTech's AMOLED IDC series that can be used for both AMOLED INCELL and ONCELL. It supports LTPO technology, uses a 55nm process, and enlarges the display effect by integrating RTC, CGM, WA and other algorithms.

The FT2389 has up to 48 touch channels. Based on 15 cumulative years of experience in touch self-capacitance technology, FocalTech has greatly improved the performance of the touch function on smart wearable products in addition to their linearity and accuracy. It performs well even in thick cover plate, gloves, or waterproof applications. Other than that, the FT2389 also supports both I2C/SPI slots and non-flash functions. To put it another way, the touch firmware can be stored and set on the application server, and downloaded into the FT2389 through the I2C/SPI slots without an on-cell flash component, which allows customers to make their products smaller in size and less costly.

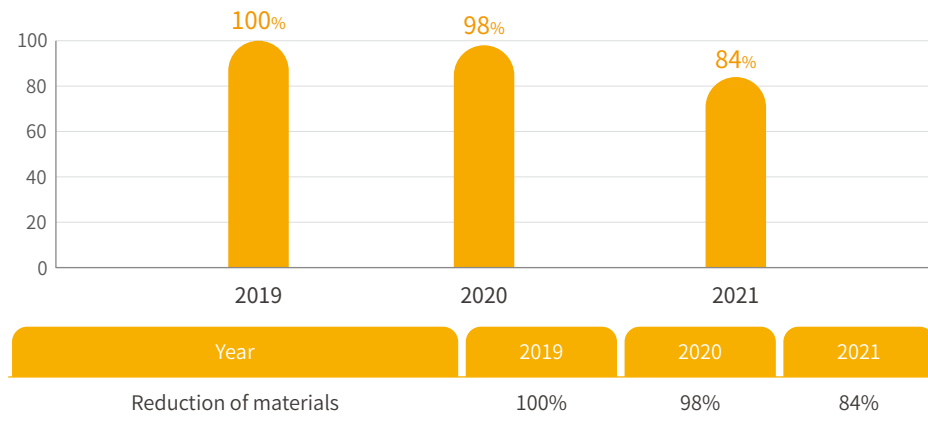
Group patents



Green design

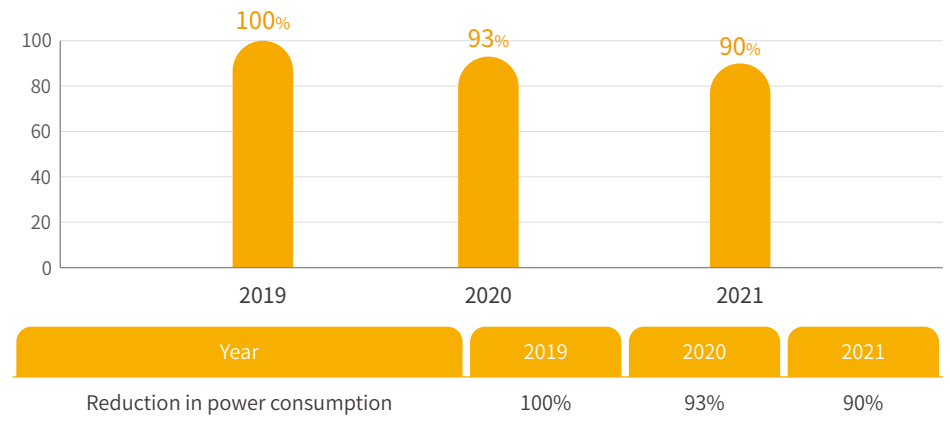
By reducing electricity consumption, wafer size, material and overall power consumption, the Company is able to respond to the impact of climate change and provide customers with products of a better quality.

Comparison of wafer material consumption in the past three years for LCD HD display driver ICs, a main product sold in 2021



Note: The size of the wafer was reduced; thus, more wafers were produced by per piece of material.

Comparison of power consumption in the past three years for LCD HD display driver IC, a main product sold in 2021



Note: The combination of ICs with panels consumed less power and less electricity.

2.2 Intellectual Property Security

In order to encourage employees to innovate, protect R&D achievements, and continuously strengthen competitiveness, the Company has established the “Intellectual Property Management Plan” that is integrated with its operational goals and drafted the Patent Application Management and Incentive Regulations. They were also established with the purposes of achieving technological leadership in important areas, providing quality products and services to customers around the world, and continuously pursuing industry leadership by adopting an attitude of sustainable development.

Patent management measures

1. The patent panel shall arrange to establish a Patent Review Committee, which shall consist of at least three first-level executives. The Committee shall examine the information of the relevant units and decide to file patent applications or to classify them as trade secrets, and to decide the type and portfolio of patent, etc. The intellectual property unit shall match the planning of patent applications with the product and adopt the divisional application approach to improve the quality of patent applications and to make the portfolio more closely related to the products.
2. The intellectual property unit shall maintain innovation and patent-related systems, including statistics on information of innovation proposals, statistics and analysis, patent application and management, and patent portfolios.
3. The company has established an appropriate patent incentive system to encourage employees to actively file patent applications, and to raise employees’ awareness of professional technology and patent protection through occasional educational training related to patent technology.

Trade secret protection and information security management

1. When new employees come onboard, they are required to sign an employment contract which includes confidentiality, non-compete agreement, intellectual property and invention agreement. The training course for new employees includes trade secret protection and intellectual property knowledge to strengthen their awareness on trade secrets, which enables them to abide by the Company’s and customers’ confidential information confidentiality obligations, and prevent the breach of trade secrets.
2. Access permit and network segment are set to protect confidential data in the work environment.
3. The Company’s computer equipment is identified by employees’ personal accounts and passwords. Additionally, employees are required to change their passwords regularly.
4. The Company’s employees are equipped with magnetic access cards and are given permission to enter and exit the areas according to their departmental affiliation; non-employees must be accompanied by the Company’s employees during their visit.

Implementation status

The Company regularly reports to the Board of Directors every year on the management of intellectual property, which is integrated with corporate governance operations.

Patents acquired:

As of 2021, a total of 704 patents were acquired worldwide.

Training record:

In 2021, a total of 168 new employees attended training related to trade secrets and intellectual property.

Enforcement procedure:

The Patent Application Management and Incentive Regulations established in 2006 was last revised in 2015.

The Code of Ethics for Honest Management and Practice was established in 2018.

The Information Security Policy was established in 2020.

The Internet and Electronic Media Operation Management Regulations was revised to include information security prevention measures.

chapter

3

Sustainable Coexistence
with Partners

3.1 Firm Foundation

3.2 Sustainable Supply Chain

3.1 Firm Foundation

| Management policy | |
|----------------------|--|
| Major issue | Product quality |
| Policy directions | Continuous improvement and pursuit of perfection |
| Core goals | <ul style="list-style-type: none"> Short-term goal: Total customer satisfaction score of 8.8 or above Mid-term goal: Total customer satisfaction score of 9.0 or above Long-term goal: Top customer satisfaction rating for FocalTech quality |
| Achievements | Produced statistics on customer satisfaction and conducted meetings on quality, with an overall average customer satisfaction score of 8.65 in 2021. |
| Action plans | <p>The Quality Center is responsible for monitoring and measuring customer complaints and information on the return and exchange of products. When a customer complaint occurs, the Quality Center will coordinate internal resources to effectively resolve the complaint and prevent the recurrence of such incidents. In addition, the Quality Center will conduct meetings on quality routinely to:</p> <ul style="list-style-type: none"> Compile monthly information on the number and percentage of valid customer complaints and return and exchanges of products, and request the responsible units to propose improvement and prevention measures for major customer complaint cases and close the case based on the Chairman's decision. Accumulate quarterly data and review the progress of improvement and effectiveness of major customer complaint cases. Compile the whole year's data and compare it with the previous year's data to review the overall efficiency of improvement and countermeasures. |
| How to manage | |
| Devoting resource | <ul style="list-style-type: none"> Human Resources: Quality Center and responsible units (R&D, AE/F&E, Sales/MKT/CS, Production, etc.) Information platform: EF/CCR project launching list |
| Feedback mechanism | Customers can send their feedback by contacting FocalTech's Business & F&E, Quality Center, etc., via email or phone, or through FocalTech's official website zones of "Stakeholders" or "Contact Us." After receiving a response from customers, the relevant unit internally adopts a divisional arrangement approach to effectively provide feedback for customers. The communications for the annual summary are executed based on the customer satisfaction survey initiated by FocalTech's Quality Center. |
| Evaluation mechanism | <ul style="list-style-type: none"> Proactive: Customer Satisfaction Survey Passive: Customer Complaint Management |
| Future plans | |
| Goals for 2022 | Increase the overall average score of customer satisfaction compared to the previous year. |

With the purposes of implementing the corporate value of a “Strict Quality System” to provide customers with stable product quality, and ensuring the quality of customer service and enhancing customer satisfaction, FocalTech regards agents and customers as important strategic partners and takes the initiative to conduct customer service satisfaction surveys every year to strengthen cooperation with customers. Additionally, the Customer Service and Complaint Management Procedures, including communication, complaint handling and customer satisfaction surveys, have been established to ensure that the handling of customer service by the relevant internal units of product R&D, design support, product marketing and sales, and mass production support has a basis to follow. Furthermore, it is implemented with an aim to continuously improve the Company’s image in the market, create more business opportunities and achieve higher profitability.

In 2021, the Company held two large-scale activities on quality, one in mainland China and one in Taiwan, with creative and fun activities to deepen employees’ awareness of quality. A total of 212 person-times participated in the activities, with a satisfaction rate of 99% received. Apart from that, a total of four posters were also used to promote quality responsibility in 2021.

The work of the semiconductor supply chain is finely divided. As a professional IC design company, FocalTech is responsible for the circuit design and layout of touch and display integrated/touch products. The completed IC designs are passed on and manufactured by a professional foundry, then sent to a professional packaging and testing plant for the final process of dicing, packaging and testing. The production process of IC products requires close cooperation with various suppliers, thus forming a dense supply chain link for semiconductor production. Suppliers cooperating with FocalTech are highly qualified in terms of quality and processing capability. Furthermore, they can effectively meet the Company’s quality requirements to manufacture and supply products that meet the expectations of FocalTech customers. In addition, their supply capacity and cooperation level also fulfil the Company’s expectations and development.



• Customer satisfaction

Customer satisfaction is the key to a company's sustainability, thus customer satisfaction is a very important source of feedback. In regard to this, FocalTech conducts a customer satisfaction survey every year. Interviews focusing on quality, sales service (customer service and product delivery), product R&D engineering service, and other issues of customer concerns are conducted. Subsequently, the Company reviews, analyzes and proposes countermeasures based on customer feedback, then incorporates them into internal management review meetings as a basis to effectively implement the P-D-C-A continuous improvement cycle mode. In doing so, FocalTech hopes to maintain good relationships with its customers, improve its image in the market, create more business opportunities and achieve higher profitability.

FocalTech's customer satisfaction survey is divided into five major components: Quality, Delivery, Service, Technology and Overall rating. In 2021, FocalTech received an overall average customer satisfaction score of 8.65 out of 10; although maintaining a high rating for three consecutive years, FocalTech is in pursuit of ever better quality. For this reason, FocalTech will continue to optimize its management, make continuous improvements, and communicate closely with customers to strengthen cooperation and tacit understanding. Additionally, the Company hopes that the cooperation will bring more benefits to both parties and achieve a win-win situation in the future.

| Type | 2019 | 2020 | 2021 |
|-------------------------------|------|------|------|
| Customer satisfaction (score) | 8.76 | 8.78 | 8.65 |

Each customer satisfaction questionnaire is conducted through actual interviews in order to collect positive and negative feedback from customers. FocalTech takes those positive feedback as its future expectations and encouragement. As for negative feedbacks, FocalTech sees them as a reminder to continuously improve its quality management. After reviewing the negative feedback from customers, FocalTech has always been able to propose corresponding improvement measures. The Company's continuous and effective improvement has gained the affirmation and support of customers; the recognition of its customers was reflected in its revenue, which increased by more than 50% in each of the last two years.

3.2 Sustainable Supply Chain

| Management policy | |
|-------------------|--|
| Major issue | Sustainable supply chain management |
| Policy directions | Establishing a trustful and stable partnership with suppliers for sustainable growth, thereby building sustainable supply chain relationships. |
| Core goals | <ul style="list-style-type: none"> • Have 100% of new suppliers sign the "Integrity Commitment" • Have 100% of new suppliers sign the "Corporate Social Responsibility Agreement" • Have 100% of new suppliers obtain ISO 9001 certification • Have 96% of suppliers obtain ISO 14001 certification • Maintain 100% of suppliers conforming with RoHS Directive and REACH Regulations • Have 100% raw materials procured from Global Reporting Initiative (GRI) certified smelters • Have system audits conducted on 80% of suppliers |
| Achievements | <ul style="list-style-type: none"> • 100% of new suppliers signed the "Integrity Commitment" • 100% of new suppliers signed the "Corporate Social Responsibility Agreement" • 100% of suppliers obtained ISO 9001 certification • 89% of suppliers obtained ISO 14001 certification, with 100% of key suppliers obtaining the certification. • Maintained 100% of suppliers conforming with RoHS Directive and REACH Regulations • 100% raw materials procured from Global Reporting Initiative (GRI) certified smelters • System audits conducted on 100% of suppliers |
| Action plans | <ul style="list-style-type: none"> • Issue RBA SAQs for awareness-raising purposes and request responses • Increase audit frequency • Conduct weekly and monthly review meetings |

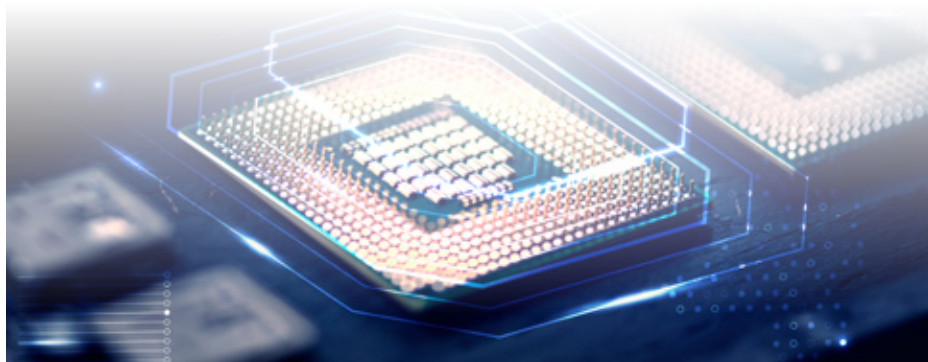
How to manage

| | |
|----------------------|---|
| Devoting resource | Auditing personnel |
| Feedback mechanism | Supplier evaluation surveys, supplier meetings, phone calls, mailings |
| Evaluation mechanism | Produce statistics on supplier responses and verify certificates |

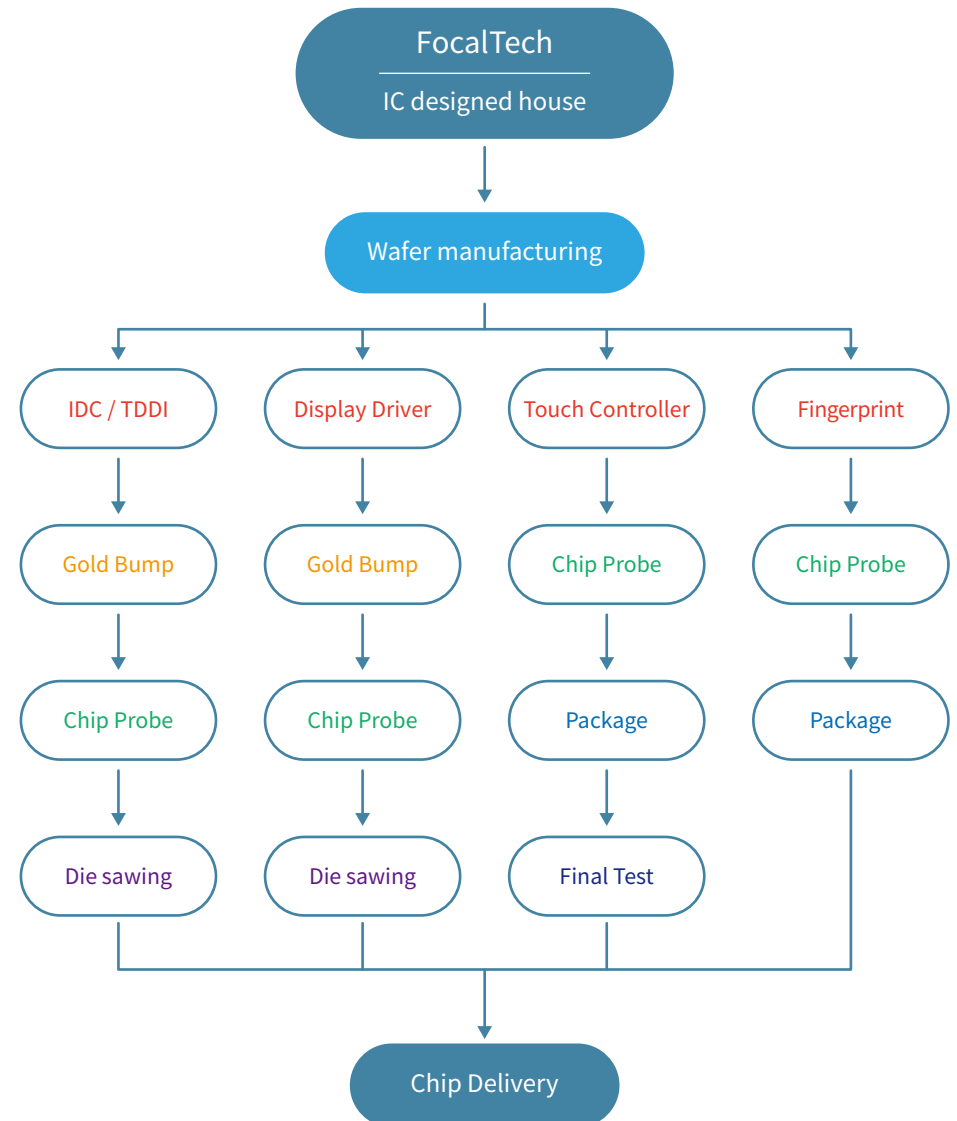
Future plans

- Goals for 2022
- Have 100% of key suppliers complete the greenhouse gas inventory
 - Formulate the “Corporate Social Responsibility Commitment Agreement” and have 100% suppliers sign the Agreement

The work of the semiconductor supply chain is finely divided. As a professional IC design company, FocalTech is responsible for the circuit design and layout of touch and display integrated/touch products. The completed IC designs are passed on to a professional foundry for wafer production, then sent to a professional packaging and testing plant for the final process of dicing, packaging and testing. The production process of IC products requires close cooperation with various suppliers, thus forming a dense supply chain link for semiconductor production. Suppliers cooperating with FocalTech are highly qualified in terms of quality and processing capability. Furthermore, they can effectively meet the Company’s quality requirements to manufacture and supply products that meet its customers’ expectations. In addition, their supply capacity and cooperation level also fulfils the Company’s expectations and development.



Product Manufacturing Flow



- Supply chain management strategies

FocalTech is committed to the positive cycle of IC design and supply chain manufacturing, thus establishing a cooperative relationship with its suppliers to jointly produce high quality and high value products. Other than that, the Company also attaches great importance to CSR issues such as its acquisition of ISO 14001 & ISO 45001 certifications, and compliance with HSF green product requirements, as well as conflict minerals requirements. As a result, FocalTech has adopted four strategies, namely “Supplier Evaluation,” “New Product Adoption,” “Regular Management” and “Continuous Improvement,” in order to execute the supply chain management procedures. By actively setting up feasible and specific methods, the Company requires suppliers to fulfill their social responsibility so as to continue to work towards sustainable development. In this regard, FocalTech’s suppliers agree and strive to move towards the goal of sustainable development. In 2021, there was no significant change in the supply chain in relation to the violation of relevant laws and regulations.

- Supply chain management procedures

- (1) New supplier introduction: Before being listed as qualified suppliers, new suppliers will be evaluated for their quality system management, engineering and technical capabilities, production quality management, environmental requirements management and other related key items. An audit team (whose members include QC/Engineering/Purchasing and other related personnel) will be formed to conduct on-site audits (including Green product HSF management) and request suppliers to propose improvement measures. These measures are taken to ensure that the new suppliers meet FocalTech’s quality, environmental and social standards.
- (2) Signs contracts with suppliers in a timely manner and specifies quality, environmental, safety and health regulations to be adhered to, and be used as a guideline for supplier risk control.
- (3) FocalTech carries out supplier evaluations in accordance with the outsourcing management standards specified in ISO 9001. Questionnaire surveys are conducted based on suppliers’ impact and importance on products. Furthermore, FocalTech also manages its suppliers in groups depending on their rating.
- (4) Qualified suppliers for mass production: Suppliers who meet FocalTech’s requirements after relevant verification will be listed as qualified suppliers for mass production.
- (5) Unqualified suppliers: Suppliers who fail to meet FocalTech’s requirements and have received customer complaints on their products for 2 consecutive years will be removed from the Qualified Supplier List after review and examination. In 2021, there were no suppliers removed from the Qualified Supplier List and no suppliers that violated the Company’s environmental and social evaluation criteria.

Supplier Management Flow



New supplier introduction

- Basic information review
- Production capacity review
- Quality system
- New supplier audit
- Engineering item evaluation/validation
- Reliability review
- Green product assurance and document review
- Integrity and non-use of conflict minerals

Qualified suppliers for mass production

- Quality management by objectives
- Qualified supplier registration management
- Periodic audit
- Quality review meetings
- Change management
- Abnormality management
- Continuous improvement

Unqualified suppliers

- Increase in supplier counseling and auditing
- Reduction in orders
- Removal from the Qualified Supplier List

The Company has established the Supplier Evaluation Control Procedures, in which suppliers are required to fill out a quality system evaluation form prior to a transaction. Additionally, actual evaluation on whether the supplier meets the Company's requirements on environmental hygiene, occupational safety and environmental protection, etc. will also be conducted. Apart from that, the supplier's past records of environmental and social impacts on society is also regarded as an important evaluation indicator. The key points of implementation procedures are as follows:

- Initial on-site evaluation of suppliers

After the Supplier Evaluation Application Form submitted by the responsible department has been approved, an evaluation team will be assembled from relevant units to conduct an on-site evaluation. Based on the items listed in the "Supplier Evaluation Report Card," the Team evaluates the supplier's production capability, quality management capability, whether the product can meet the requirements of substances stipulated for environmental management, and the degree of compliance with corporate social responsibility.

- Qualified suppliers are required to provide the following information:

- (1) The responsible department shall request the suppliers who passed the evaluation as qualified suppliers to provide business license, bank account information, and sign the "Procurement Contract," "Integrity Commitment," "Supplier's Guarantee against the Use of Environmental Hazardous Substances," "Confidentiality Agreement," "FocalTech Quality Contract," and "Corporate Social Responsibility Commitment Agreement."
- (2) All key suppliers are required to obtain ISO 9001 certification; those who have not been certified should submit a certification application plan, or the purchasing department shall supervise the supplier over its acquisition of an ISO 9001 certification.

- Regular evaluation of qualified suppliers

An annual evaluation is conducted on each supplier who has had transactions with the Company and has undergone incoming inspection. In addition, the Company has set an improvement target (≤ 30 days) for the deficient items it listed during supplier audits. In 2021, the Company completed system audits on 23 suppliers in production. The main deficiencies are environmental and social related certifications. In this regard, FocalTech will continue to request that its suppliers make improvements.

- Removal from the list of qualified suppliers

For those suppliers who violate major laws and regulations, such as RoHS Directive, labor or ethics-related laws and regulations, have a major quality failure occur, or whose quarterly evaluation fails to meet the Company's standards for two consecutive quarters, the purchasing department may make an official request to the local president of the Company to remove the supplier from the list of qualified suppliers. After a supplier is removed from the list for not fulfilling the requirements, the Company will look for a new supplier for replacement. In addition, the following criteria are taken into consideration when the Company is selecting suppliers:

- | | |
|---|---|
| 1. Ensure quality and safety to meet the requirements | 5. Compliance with laws and regulations and social norms |
| 2. Competitive prices | 6. Consideration of human rights and labor safety and health, etc. |
| 3. Compliance with specified delivery dates | 7. Prohibition of procurement from areas where social conflicts arise |
| 4. Consideration of environmental protection | |

In accordance with the requirements of the RBA, FocalTech has formulated a Corporate Social Responsibility Commitment Agreement and requested that suppliers sign the Agreement. In addition to announcing the Company's efforts to build a social responsibility management system that is friendly to the workplace, attentive to employee health and safety, and in compliance with labor and ethical standards, the document also requires the Company's supplier partners to jointly care for and implement CSR standards such as a friendly workplace environment, occupational health and safety, environmental protection, labor rights protection, and ethical management. In 2021, 100% of new suppliers signed the Corporate Social Responsibility Commitment Agreement.

- Conflict Minerals Management

In accordance with the Conflict-free Smelter Program (CFSP), FocalTech requires suppliers to submit a Conflict-free Minerals Commitment Agreement to ensure that raw materials used in FocalTech products are from smelters certified by the Responsible Minerals Initiative (RMI). Furthermore, the Conflict Minerals Reporting Template (CMRT) issued by the Conflict-Free Sourcing Initiative (CFSI) is used as a survey form to request that suppliers assure that the metals (including Tantalum, Tin, Tungsten, and Gold; these four metals are abbreviated as 3TG) used in the raw materials provided to the Company are not from conflict mineral zones, with an aim to implement FocalTech's policy on conflict minerals procurement. FocalTech guarantees that all metals contained in any products sold to customers are "DRC Conflict-free."

FocalTech has established its Management Regulation for Environment-related Banned Substances and the Company's products are in compliance with the applicable laws and regulations on hazardous substances, such as EU regulations (RoHS and WEEE directives) as well as the requirements of customers. Regarding the raw materials, semi-finished products, finished products, packaging materials, auxiliary materials, consumables and outsourced products used in the products designed and manufactured by the Company or their uses that are not specified in the Regulation but which are restricted by FocalTech's customers or laws and regulations, FocalTech will procure them in accordance with the customers' requirements as well as the relevant laws and regulations. FocalTech has conducted product substance surveys on suppliers' existing trading materials, and requires all third-party suppliers to cooperate in providing a report on the substance contained in the materials provided to the Company. Such a report is regarded as an essential basis for FocalTech personnel to select suppliers and materials.

- Supplier Audit

Audits and reviews of new suppliers and existing suppliers are conducted regularly every year to meet quality, cost, delivery and corporate social responsibility requirements. The audit items include a quality management system, environmental screening criteria (including compliance with green product management requirements and ISO 14001 environmental management system certification), and social screening criteria (the ISO 45001 occupational safety and health management system certification and the RBA social responsibility management).

Percentage of FocalTech's Suppliers Obtaining Relevant Certification

| | Certification | Total suppliers: 27 | | Key suppliers: 8 | | New suppliers in 2021: 3 | |
|--------------------|--|--|------------|--|------------|--|------------|
| | | No. of suppliers who have acquired certification | Percentage | No. of suppliers who have acquired certification | Percentage | No. of suppliers who have acquired certification | Percentage |
| Economic | ISO9001 | 27 | 100% | 8 | 100% | 3 | 100% |
| | IATF16949 | 21 | 78% | 8 | 100% | 1 | 33% |
| Environmental | ISO14001 | 24 | 89% | 8 | 100% | 1 | 33% |
| | QC080000 | 16 | 59% | 7 | 88% | 0 | 0% |
| | SONY GP | 10 | 37% | 4 | 50% | 0 | 0% |
| Social | ISO45001 | 22 | 81% | 8 | 100% | 1 | 33% |
| | Social Responsibility Management, RBA | 5 | 19% | 2 | 25% | 0 | 0% |
| Commitment Signing | Integrity Commitment | 27 | 100% | 8 | 100% | 3 | 100% |
| | Corporate Social Responsibility Commitment Agreement | 27 | 100% | 8 | 100% | 3 | 100% |

Percentage of FocalTech's Suppliers Obtaining Relevant Certification

(differentiated between COG packaging and testing plants and traditional packaging and testing plants)

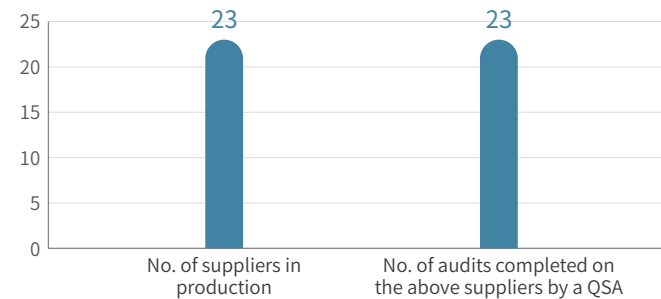
| Certification acquisition percentage | No. of plants who have acquired certification | Economic | | Environmental | | | Social | | | |
|--|---|----------|-----------|---------------|----------|---------|----------|---|----------------------|--|
| | | ISO9001 | IATF16949 | ISO14001 | QC080000 | SONY GP | ISO45001 | RBA Social Responsibility Management, RBA | Integrity Commitment | Corporate Social Responsibility Commitment Agreement |
| COG packaging and testing plants | 9 | 100% | 67% | 89% | 56% | 33% | 89% | 22% | 100% | 100% |
| Traditional packaging and testing plants | 18 | 100% | 83% | 89% | 61% | 39% | 78% | 17% | 100% | 100% |
| Total percentage | 27 | 100% | 78% | 89% | 59% | 37% | 81% | 19% | 100% | 100% |

Percentage of FocalTech's New Suppliers Obtaining Relevant Certification in 2021

| Certification acquisition percentage | No. of suppliers who have acquired certification | Economic | | Environmental | | | Social | | | |
|--------------------------------------|--|----------|-----------|---------------|----------|---------|----------|---|----------------------|--|
| | | ISO9001 | IATF16949 | ISO14001 | QC080000 | SONY GP | ISO45001 | RBA Social Responsibility Management, RBA | Integrity Commitment | Corporate Social Responsibility Commitment Agreement |
| New suppliers in 2021 | 3 | 100% | 0% | 0% | 0% | 0% | 100% | 0% | 100% | 100% |

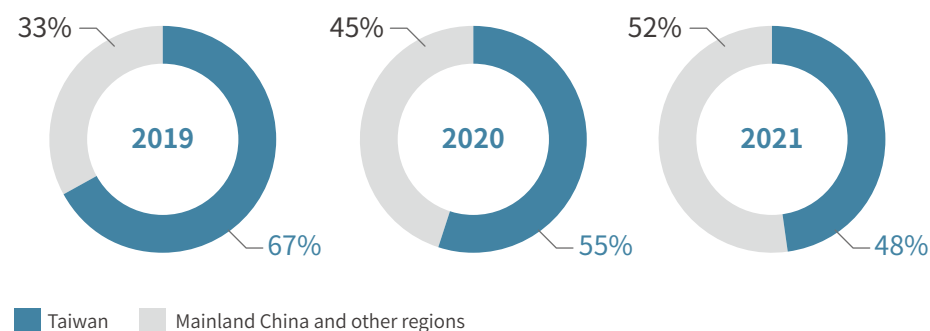
No. and percentage of audits completed by FocalTech on suppliers in 2021

| | |
|---|------|
| No. of suppliers in production | 23 |
| No. of audits completed on the above suppliers by a QSA | 23 |
| Audit completion percentage | 100% |



Local Procurement for suppliers

With the principle of local procurement, FocalTech is in the hopes of retaining job opportunities for local residents and women returning after a career break, while reducing the carbon emissions generated from transporting materials. Since the Company's products are mainly sold to mainland China and other regions, FocalTech increases the proportion of procurement from mainland China and other regions by 10% on average every year to fully implement its local procurement policy.



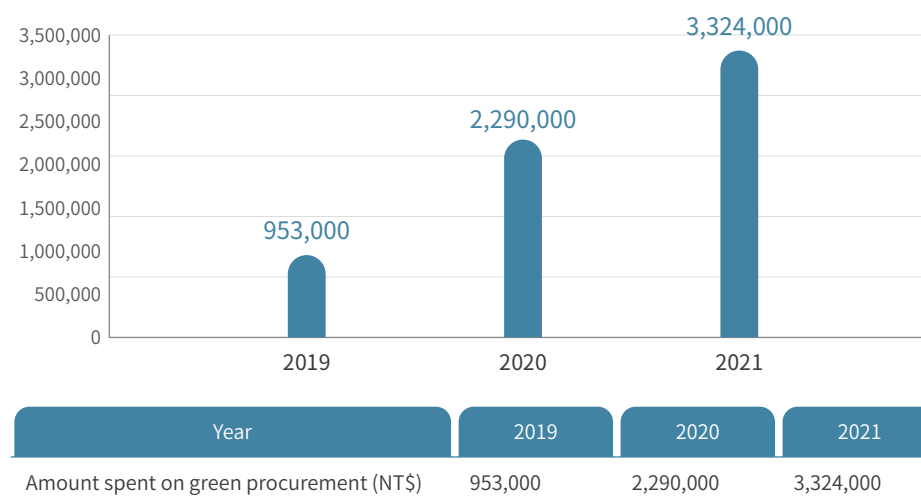
| Region \ Year | 2019 | 2020 | 2021 |
|----------------------------------|------|------|------|
| Taiwan | 67% | 55% | 48% |
| Mainland China and other regions | 33% | 45% | 52% |

Green Procurement

FocalTech is committed to supporting the concept of green procurement so as to achieve sustainable development of the earth and reduce the consumption of non-essential resources. With an aim to realize the spirit of sustainable procurement, FocalTech has been actively replacing old and energy-consuming equipment in offices and plants in recent years with equipment obtaining the Energy Conservation Label such as air conditioners, air compressors, refrigerators, desktop computers, laptop and notebook computers, and LCD monitors. Apart from these, all light fixtures are also gradually replaced with LED energy-saving light bulbs.

In response to green procurement and in order to become a low-carbon enterprise, in the future, FocalTech will formulate a green procurement policy. Furthermore, FocalTech will prioritize products with environmental labels (i.e., Green Mark) recognized by government agencies during the procurement stage, and will take energy-saving, environmentally friendly, and low-pollution products into consideration for business activities, such as multifunction printers, printing supplies, and electrical appliances. Besides, FocalTech will also strengthen its employees' awareness on classifying essential items and avoiding over-purchasing, and request them to minimize the purchase of disposable or one-time-use products and consider reusable or durable items instead, thereby ensuring the realization of energy conservation and carbon reduction.

Amount spent on green procurement in the past three years:



Note: This data shows the performance of the Taiwan plant.

chapter

4

Safeguarding Green Environment

4.1 Climate Change Risk and Countermeasures

4.2 Greenhouse Gas Emissions and Energy Management

4.1 Climate Change Risk and Countermeasures

Global climate change is intensifying, which has affected the living space and habitat of all species. According to the list of “most likely” global risks published by the World Economic Forum in the Global Risks Report 2021, “extreme weather” ranked first for the fifth consecutive year, and “climate change” ranked second for the third consecutive year. Climate change has certainly had a significant impact on the global environment, including global warming, increasing frequency of extreme weather, typhoon disasters, and soaring global agricultural prices, all of which have seriously affected the operation of various industries, thereby causing significant fluctuations in the global economy.





FocalTech sees climate change as a major issue for its sustainable management and has been implementing low-carbon management and environmental protection actions in recent years. Therefore, in addition to a friendly work environment, FocalTech has been actively responding to the environmental impact by adopting the goal of a green workplace realizing energy conservation and carbon reduction. Furthermore, FocalTech has started to explore the financial aspects of climate related issues in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) issued by the Financial Stability Board (FSB).

- Governance




The Sustainable Development Team is responsible for promoting specific climate change projects, which are reported to the Board of Directors by the Chairman Office.



• Climate Change Risk Response and Countermeasures

| Major Risks of Climate Change | | Potential Operational and Financial Impacts | FocalTech Future Strategic Directions in Response to the Risk |
|---|--|---|--|
|  | Technical risk Customers require process improvement and have the carbon reduction target set. Failures to meet customers' requirements will affect the Company's operational performance. | <ul style="list-style-type: none"> Increased operational cost Increased R&D expenses | Devote in green process R&D and choose suppliers that meet the concept of sustainability to accelerate the Company's progress toward green manufacturing. |
|  | Market risk Consumers' awareness of environmental protection is on the rise and the pursuit of green products requires additional product R&D costs and production costs. | <ul style="list-style-type: none"> The changing market demand | Proactively pay attention to market trends, conduct market research, and continue to develop products with smaller size and low power consumption features to meet the concept of sustainability. |
|  | Policy and legal risks National policy gradually restricts greenhouse gas emissions, and regulations require major power plants to use a certain percentage of renewable energy. | <ul style="list-style-type: none"> Increased operational cost | <ol style="list-style-type: none"> Actively cooperate with government policies and set greenhouse gas emission reduction target each year. Understand the current renewable energy plan in Taiwan, formulate an energy transformation plan, and look for green energy solutions to gradually increase the use of green energy. |
|  | Extreme weather disasters <ol style="list-style-type: none"> The Company will fail to operate normally in case of electricity shortage, which will affect the production and increase operational costs. Typhoons, rainstorms, flooding, and other disasters caused by climate change will affect the delivery of raw materials or cause damage to the Company, resulting in the Company's failure to operate normally and an increase in operational costs. | <ul style="list-style-type: none"> Reduced operational performance Increased operational cost Decrease in customer satisfaction Employee safety issue | <ol style="list-style-type: none"> Decentralize sources of raw material to reduce risk. Establish disaster prevention and control management measures as preventive measures. Strengthen environmental safety and health education and training. |

• Climate Change Opportunity Response and Countermeasures

| Major Opportunities of Climate Change | | Challenges and Opportunities | FocalTech Strategic Directions in Response to the Opportunity |
|---|---|--|--|
|  | Market change opportunities Customers have a high demand for products with low energy consumption and low environmental impact features. As a result, the Company will develop low carbon products to meet the market demand. | <ul style="list-style-type: none"> Increased revenue Product innovation | Active investment in R&D for low-carbon products. |
|  | Policy and legal changes The government promotes the use of alternative energy sources with incentive measures. | <ul style="list-style-type: none"> Reduced operational costs Product innovation | Participate in government green energy policy incentive programs. |
|  | Resource efficiency Replace old equipment to improve resource efficiency and reduce environmental impact. | <ul style="list-style-type: none"> Reduced product cost Corporate image building | <ol style="list-style-type: none"> Monitor and control equipment energy consumption and develop a replacement plan Develop/execute power saving plan |

- Risk management procedure



Initiate climate related risk and opportunity identification process

Task Force on Climate-Related Financial Disclosures (TCFD) is an internationally credible indicator for climate change risks reporting. The Company regularly refers to the data published in the Disclosures as an indicator to identify climate related risks and in order to formulate corresponding action plans to be followed by various departments.

Identify and measure climate related risk and opportunity

Evaluate the likelihood and impact/impact level of climate-related risks and opportunities through data simulation, and identify climate-related risks and opportunities that should be addressed in the course of business operations and business activities.

Identify climate related risks and opportunities and formulate countermeasures

Develop countermeasures or control mechanisms based on the above identification results to address such risks and opportunities related to climate change.

Disclose climate related risks and opportunities and countermeasures

Disclose the identified climate change risks/opportunities and countermeasures or control mechanisms in the Company's ESG Report.

- The climate change risks increase operational costs or R&D expenses:

1. Electricity costs for business operation: As the situations of earth's environment and climate warming intensify, the unpredictable bad weather also affects people living in this land from time to time. Climate change has put Taiwan in a constant state of power stress. In order to fulfill its responsibility, FocalTech has formulated a long-term plan to increase the proportion of green energy use. If the Company does not properly and gradually switch to green energy, it is estimated that the electricity cost for business operation will increase by 30% in case of continuous power shortage in the future.
2. Increase in wafer material cost/production cost: The European Union (EU) will impose a "carbon border tax" from 2023 onwards, taking full effect in 2026, which will be followed by other countries. The cost pass-through may also occur for products sold worldwide by FocalTech and its supply chain partners, leading to an increase in overall production costs or wafer material costs. The semiconductor manufacturing industry is an industry that consumes high amounts of electricity and water, if the green energy provided by the Company's suppliers is insufficient or indirect materials used are not green products, FocalTech will have to absorb the increased production costs. With reference to the estimates [Note 1] of other enterprises in the industry, the production cost of FocalTech will be impacted by approximately 3%.
3. In view of the possible increase in electricity costs for the Company's operations, FocalTech has been tracking the supply of green energy in the market. Currently, the supply of green energy is considered extremely low. However, FocalTech is prepared to switch to green energy as soon as it is available.
4. FocalTech will continue to monitor the possible increase in production costs and work with suppliers on energy conservation.

[Note 1] The semiconductor-related industry revealed its risk assessment, quantifying the top three risks, including net zero emissions trend, drought and reputation, and estimating the impact of these top three risk factors on annual revenue to be within 5.4%.

- Target and Goal

With the goal of achieving net zero emissions by 2050, FocalTech expects to complete the 14064-1 GHG inventory and verification in 2024 proactively.

4.2 Greenhouse Gas Emissions and Energy Management

| Management Policy | |
|----------------------|---|
| Major issue | Greenhouse gas emissions and energy management |
| Policy direction | To become a green enterprise through energy control by improving environmental policy and purchasing energy-saving equipment. |
| Core goals | Review the operational performance each year to reduce the Company's operational costs and environmental burden to achieve the goal of sustainable development |
| Achievements | <ol style="list-style-type: none"> 1. LED lamps: Replacement of lighting saved a total of NT\$5,224 on electricity a year. 2. Replacement of energy-saving air-conditioning system reduced the total electricity consumption by 15.64% between July and December 2021. |
| Action plans | <ol style="list-style-type: none"> 1. Purchase of equipment such as multifunctional printers, printing supplies, and electrical appliances with low-carbon emissions. 2. Replacement of LED lamps and energy-saving air-conditioning-related equipment. |
| How to manage | |
| Devoting resources | 33,240,000 |
| Feedback mechanism | Reduce energy consumption each year |
| Evaluation mechanism | Produce annual statistics on related energy efficiency performance |
| Future plans | |
| Goals for 2022 | <ol style="list-style-type: none"> 1. The Company expects to adopt the ISO 14064-1: 2018 Greenhouse Gas Inventory in 2023, with an aim to identify energy saving possibilities and improvement directions. 2. Gradually replace office lighting and air compressor equipment, improve the efficiency of company vehicles, and update information equipment. |

To ensure the effectiveness of environmental management, FocalTech introduces an environmental management system, sets environmental policies and guidelines, and reviews operational performance each year, with an aim to reduce its operational costs and environmental burdens. In addition, FocalTech also improves the environmental awareness and law-abiding behavior of its employees to realize the concept of sustainable management. Upholding the belief of “placing the green environment on top of everything” and the spirit of “protecting the health of employees”, FocalTech comprehensively considers the impact on the environment and safety in the production and operation of its products. With the idea of prevention and continuous improvement, FocalTech implements the following environmental policies and guidelines:

- Environmental Policy
 1. Adopt new technologies:
Employ environmentally friendly materials and adopt new production processes to reduce the environmental impact and the risks of hazards generated during the production process.
 2. Implement hazard prevention:
Regularly identify environmental factors and major hazards, thereby formulating management plans to monitor their implementation.
 3. Comply with laws and regulations:
Comply with national, local and industry related laws and regulations, and be a law-abiding enterprise.
 4. Commitment to continuous improvement:
Continuously improve the situation of environmental pollution and health hazards to enhance environmental and health and safety performance.
 5. Implement environmental safety training:
Implement environmental safety education and training and safety management to improve environmental protection and health and safety awareness.

4.2.1 Energy Management

- Management performance

1. Energy conservation and carbon reduction (electricity)

Plan name

Replacement of LED Lamps

Description of measures

Implementation status explanation: The list of activities is carried out as scheduled.

1. The damaged lamp and abnormal ballast are directly replaced with LED fixtures whenever found.
2. Office illumination is also further improved.

Devoting resources

- In 2019, NT\$50,000 was spent on purchasing LED lamps.

Energy conservation performance

After replacement:

- LED: 18W x 36pcs=1,296*14H*240 days=2,177KW, total cost saving: NT\$5,224 a year



2. Energy conservation and carbon reduction (electricity) – Air-conditioning system

Plan name

Monthly energy saving of 10% in the headquarter office

Description of measures

Increase the temperature of the IT server room on the 4th floor of the headquarter office (18°C→ 20°C). The adjustments are as follows:

1. Increase the load of chilled water for server in headquarter office (20 → 15.6°C)
2. Increase the temperature of the IT server room (18 → 20°C)
3. Reduce the operation of air-cooled air conditioning

Devoting resources

No cost incurred

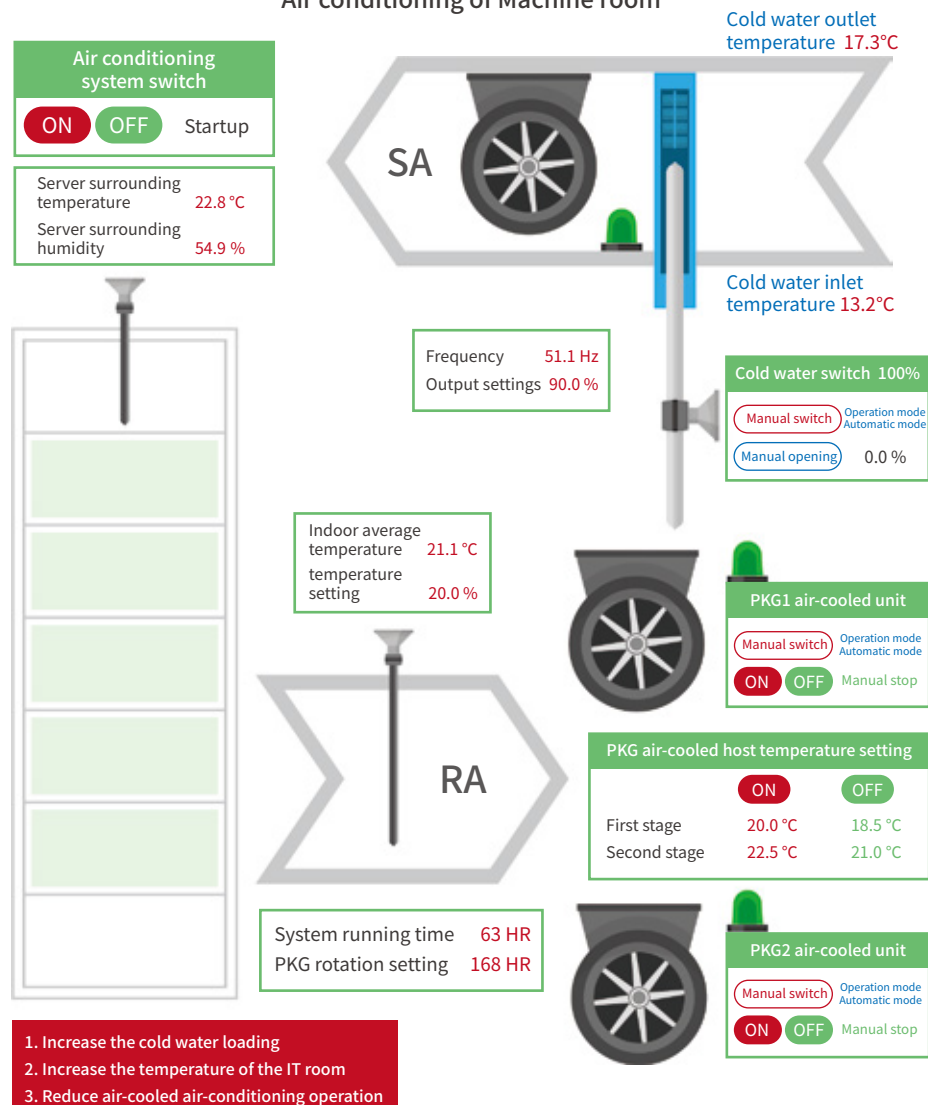
Energy conservation performance

- Replacement of energy-saving air-conditioning system reduced the total electricity consumption between July and December 2021 (by 15.64%, from 241,645 to 203,841 kWh)








Electricity saving structure

Air conditioning of Machine room



- Future energy conservation and carbon reduction related action plans

| Plan | Practices |
|---|--|
|  Energy conservation and carbon reduction in office | <ul style="list-style-type: none"> Set the air-conditioning system in working and office areas at 26~28°C , with a dedicated person assigned for turning on and off the air conditioner. Promote environmental protection measures, such as energy-saving digitization, waste reduction, and resource recycling, and carry out training and awareness-raising campaigns related to energy conservation and carbon reduction. Conduct video/telephone teleconferencing to reduce carbon emissions generated from traveling to/from plants. |
|  Lighting equipment | <ul style="list-style-type: none"> Lighting switches are controlled according to zones, and the lighting in common areas is managed by time controlled switches. All lighting fixtures in the plant have been replaced with LED fixtures to reduce electricity wastage. |
|  Air compressor equipment | <ul style="list-style-type: none"> Conduct regularly checks for leaking tubes and repair them in time to avoid increasing the load on air compressor due to air leaks, thereby saving electricity consumption for the air compressor. Replace the old air compressor with variable frequency compressor. |
|  Company vehicles use | <ul style="list-style-type: none"> Optimize the amount of fuel used by company vehicles, and make advance arrangements for carpool plans. |
|  Information/software and hardware equipment | <ul style="list-style-type: none"> Purchase hardware equipment with the energy-saving label Service virtualization Implement energy conservation management policy on end-user-side computers |

4.2.2 Water Consumption Management

• Water Consumption Statistics

The main water source of FocalTech is 100% from Taiwan Water Corporation, and no other water sources such as groundwater, surface water and rainwater are used, thus not creating any negative impact on the surrounding environment and water quality. The water is only consumed for employees' domestic use (including drinking, washing, and environmental cleaning), and domestic waste water is discharged, in accordance with the laws and regulations, through the sanitary sewer. In 2021, no incident of illegal pollution occurred and there was no significant impact on environmental water sources.

| Year | Average number of people | Water | |
|------|--------------------------|------------------------------|------------------------------|
| | | Total water consumption (ml) | Sewage discharge volume (ml) |
| 2019 | 350 | 7.6 | 0.001 |
| 2020 | 395 | 8.5 | 0.002 |
| 2021 | 434 | 7.6 | 0.001 |

[Note] The water consumption statistics above only includes the Taiwan plant.



4.2.3 Greenhouse Gas Emissions

In response to the impact of climate change, carbon reduction and reduction of energy consumption and greenhouse gas emissions have become issues of concern for enterprises today who are in pursuit of sustainable operations. The energy of FocalTech is mainly consumed for the production and the use of office equipment in the plant areas; the energy is mainly sourced from an external company. In order to reduce greenhouse gas emissions, the Company has set up relevant carbon reduction targets to take more action in mitigating climate change. FocalTech is a professional IC design company, its manufacturing, packaging and testing of products are performed by external professional vendors. In this regard, FocalTech is an enterprise that consumes relatively low energy. The main energy source of FocalTech is from an external company (Taiwan Power Corporation), with 633.42GJ of energy consumed in 2021. Therefore, FocalTech focuses on the promotion of innovative green product design and green office, and continues to raise employees' green awareness and promote specific plans. Apart from the greenhouse gas emissions, FocalTech also takes into consideration the introduction of various energy-saving technologies, such as improvement of equipment efficiency, replacement of old equipment, and reduction of energy consumption through production management optimization. In addition, FocalTech also promotes energy conservation and carbon reduction measures in its plants and offices with education and advocacy campaigns and policies and regulations, with an intention to encourage employees to proactively start doing energy conservation and carbon reduction activities and to contribute to the global environment.

Greenhouse gas emissions in the past three years

| Year | Average number of people | Electricity | | Energy Indirect GHG Emissions (Scope 2) per capita (tCO ₂ eq/yr-person) |
|------|--------------------------|--|--|--|
| | | Total electricity consumption (KWh/yr) | Energy Indirect GHG Emissions (Scope 2) (tCO ₂ eq/yr) | |
| 2019 | 350 | 1,365,360 | 694.9682 | 1.9856 |
| 2020 | 395 | 1,747,281 | 877.1350 | 2.2206 |
| 2021 | 434 | 1,759,492 | 883.2650 | 2.0352 |

Note 1. The inventory is mainly based on the external source of energy of the FocalTech plant in Hsinchu, Taiwan (Scope 2 Energy Indirect Emissions).

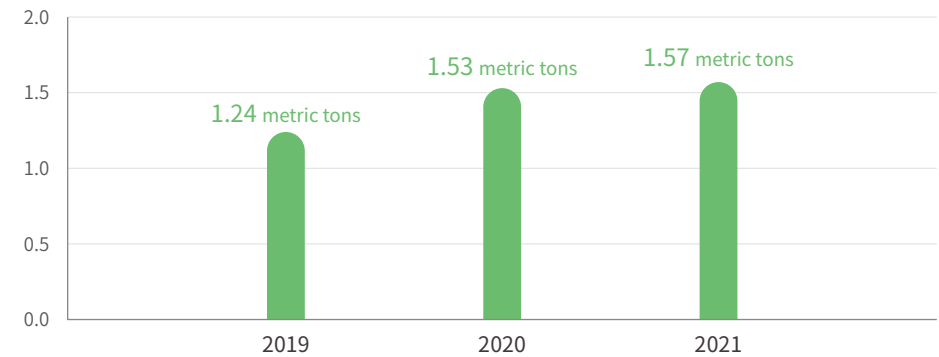
Note 2. The complete 16064-1 GHG inventory is expected to be completed in 2023.

4.2.4 Waste Management

FocalTech actively reduces waste and production cost. To reduce waste generation, FocalTech not only improves the process and operation management, but it also develops and selects non-polluting and low-polluting design processes. Furthermore, the metal wastes generated during the production process are recycled through effective management procedures and the recycled metal wastes are sold to certified waste recyclers to reduce the waste of resources. The wastes are mainly office waste, which is declared by certified vendors as general business waste. The Company has not generated hazardous waste.

| Item | 2019 | 2020 | 2021 |
|--------------------|------------------|------------------|------------------|
| Total waste volume | 1.24 metric tons | 1.53 metric tons | 1.57 metric tons |

[Note] Total waste statistics include only the data of the Taiwan plant.



chapter

5

Friendly Workplace

- | | |
|-------------------------------|----------------------------|
| 5.1 Talents as Cornerstones | 5.6 Health Promotion |
| 5.2 Compensation and Benefits | 5.7 Employee Communication |
| 5.3 Parental Leave | 5.8 Talent Cultivation |
| 5.4 Retirement Plan | 5.9 Performance Evaluation |
| 5.5 Occupational Safety | |

5.1 Talents as Cornerstones

FocalTech values its employees and considers them to be the most important assets of the Company by upholding the “people-oriented” concept. FocalTech is committed to creating a friendly and comfortable office environment, building a comprehensive human resource management system, a sound compensation and benefit system, and providing rich and diversified educational resources for the cultivation and development of talents, thereby enabling employees to continuously improve their strength and competitiveness. Additionally, FocalTech also attaches importance to employee rights and interests, labor-management relations, and establishing a good and transparent communication channel to listen to employees’ voices. In terms of workplace safety and employee health, the plant nurses and related staffs regularly organize educational training and health promotion activities to ensure a healthy and safe workplace environment for FocalTech employees. FocalTech will continue to fulfill its commitment to a happy workplace and create a better work life for its employees. By providing a good working environment, FocalTech will enable the Company’s talents to cooperate and grow together, innovate and develop products, and bring their personal value into play, thereby achieving the goal of sustainable management.

Talent is an important asset of a company. Therefore, FocalTech provides competitive and fair compensation, and numerous benefit programs and activities to attract talented personnel to join through multiple recruitment channels. In 2021, a total of 219 employees were recruited by maintaining a diverse workforce consisting of different age groups and genders. Furthermore, FocalTech actively expands its talent recruitment methods and formulates manpower plans in accordance with its annual operational strategy. Other than recruiting talents through human resource website, participating in large scale recruitment activities in various universities, and employee referrals, FocalTech actively cooperates with key schools in industry-academia collaboration and summer internship programs. Additionally, FocalTech also created a fan page on social media platform in 2021 to include the company introduction, news, and recruitment activities, with an aim to increase the exposure of the Company by the interaction between employees and external talents. To optimize the human resources structure, FocalTech not only pays attention to the indicators on new hires and resigned employees, but also values the development and retention of talents through newcomer care and employee resignation interviews, in the hope of continuously attracting outstanding talents in the talent market.

- Commitment and implementation

FocalTech is committed to providing a friendly and equal environment for employees to learn, work and grow, and to protecting them from unequal discrimination or treatment in the workplace. In response to this, FocalTech has established strict regulations such as “Diversity of Employment and Non-Discrimination”, “Regulations on the Prevention and Control of Sexual Harassment”, “Prohibition of Child Labor”, and “Regulations on the Management of Recruitment Operations” to protect the rights and interests of each employee working at FocalTech.

FocalTech attaches great importance to labor rights and interests by recognizing and supporting the standards disclosed in the international human rights conventions such as the International Labor Organization Convention, the United Nations Global Compact, and the United Nations Universal Declaration of Human Rights, with reference to which FocalTech formulates relevant labor policies. Additionally, FocalTech holds labor-management meetings and Employee Welfare Committee meetings on a regular basis. Through such good communication channels, FocalTech communicates and exchanges opinions with each other to coordinate and improve the deficiencies of the policies, promote labor-management cooperation, make the labor conditions better, and plan the related welfares. In the event of significant operational changes affecting employees' rights and interests, the Company will give advance notice in accordance with labor-related laws and regulations, and provide explanation to employees in a timely manner.

- Employee structure

FocalTech has a stable manpower structure. In 2021, FocalTech had a total of 848 employees (including fixed-term), with 352 male employees, 79 female employees, and 3 contract employees in Taiwan and overseas regions; 333 male employees and 81 female employees in mainland China. In regards to the characteristics of the technology industry and the employment market, although most of the FocalTech employees are male, 100% of the regular employees are directly hired by the Company, while the non-regular employees are dispatched workers. The recruitment of talent is conducted in line with the principle of meritocracy and thus there was no situation where gender affects the Company's hiring decisions.

- Statistics on the number of FocalTech employees in 2021

| By gender, age and education level | | | | Taiwan and overseas | | Mainland China | |
|------------------------------------|---------------|-----------------|--------------------|---------------------|------------|------------------|------------|
| | | | | Number of People | Percentage | Number of People | Percentage |
| Employee | General staff | Gender | Male | 250 | 58% | 270 | 65% |
| | | | Female | 67 | 15% | 68 | 16% |
| | | Age | Below 30 years old | 82 | 19% | 99 | 24% |
| | | | 30~50 years old | 225 | 52% | 235 | 57% |
| | | | Above 50 years old | 10 | 2% | 4 | 1% |
| | | Education level | MA/MS/PHD | 234 | 54% | 65 | 16% |
| | | | Bachelor | 81 | 19% | 267 | 64% |
| | | | Senior High School | 2 | 0% | 5 | 1% |
| | Executive | Gender | Male | 104 | 24% | 63 | 15% |
| | | | Female | 13 | 3% | 13 | 3% |
| | | Age | Below 30 years old | 1 | 0% | 0 | 0% |
| | | | 30~50 years old | 98 | 23% | 71 | 17% |
| | | | Above 50 years old | 18 | 4% | 5 | 1% |
| | | Education level | MA/MS/PHD | 81 | 19% | 19 | 5% |
| | | | Bachelor | 36 | 8% | 56 | 14% |
| | | | Senior High School | 0 | 0% | 1 | 0% |
| Total number of employees | | | | 434 | 100% | 414 | 100% |

- Statistics on the number of full-time and part-time employees in 2021

| Year | | Taiwan and overseas | | Mainland China | |
|------------------------------|--------|---------------------|------------|----------------|------------|
| Total number of employees | | 434 | | 414 | |
| Employment contract (Note 1) | | Non-fixed term | Fixed term | Non-fixed term | Fixed term |
| Gender | Male | 352 | 2 | 333 | 0 |
| | Female | 79 | 1 | 81 | 0 |

Note 1: Employment contract is divided into non-fixed-term employees (full-time positions) and fixed-term employees (temporary, short-term, seasonal, dispatched, foreign workers, technical students, and interns).

• New hires and resigned employees

In 2021, FocalTech recruited a total of 219 new employees (including 128 in Taiwan and overseas regions and 91 in mainland China), in the hope that by recruiting new employees and professional talents they will bring in new energy for the Company. In 2021, 133 employees resigned (including 88 employees in Taiwan and overseas regions and 45 employees in mainland China). In order to provide a better workplace environment in the future, each department head will first understand the reasons for the employees' resignation, which is followed by a resignation interview with each resigned employee. Such an interview is conducted by recruiting personnel to further understand their resignation reasons. These data will be analyzed and used as a basis for talent retention improvement.

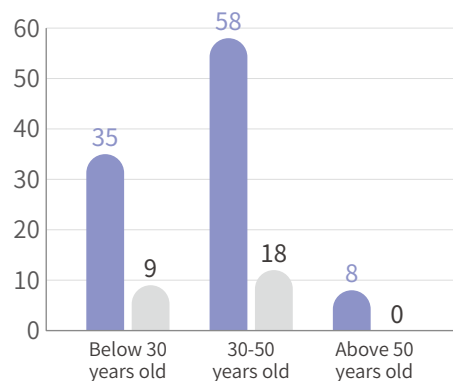
Statistics on new hires and resigned employees in 2021

As of December 31, 2021

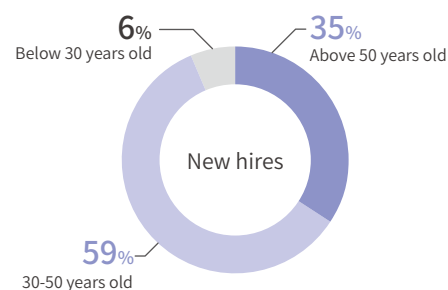
Taiwan and overseas

Mainland China

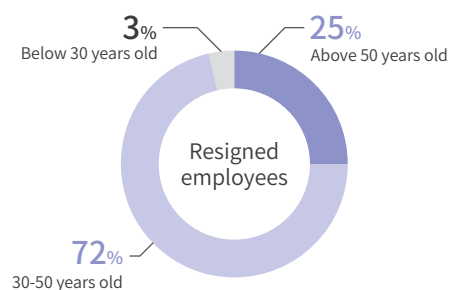
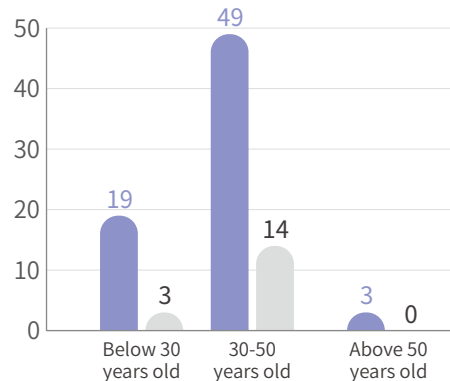
New hires



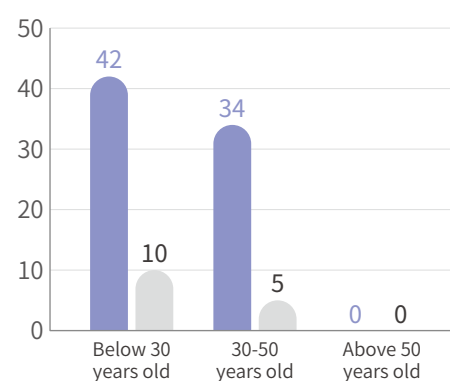
■ Male ■ Female



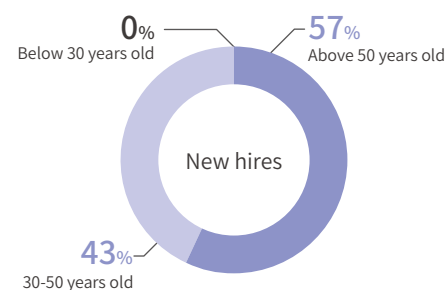
Resigned employees



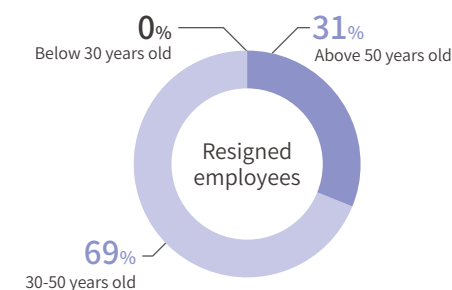
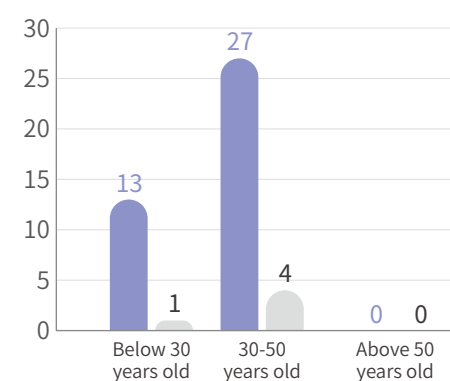
New hires



■ Male ■ Female



Resigned employees



Note: The percentages in the above table are based on the denominator of the total number of new hires and the total number of resigned employees, and the percentages are calculated by age, gender, and region respectively.

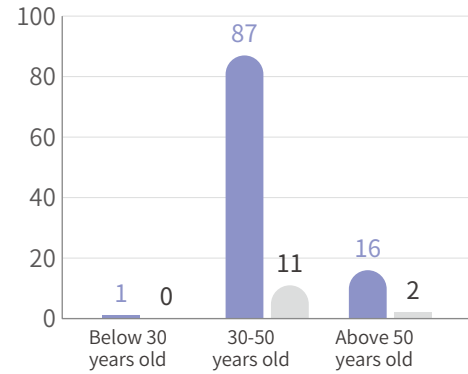
Statistics on management level and general employees in 2021

As of December 31, 2021

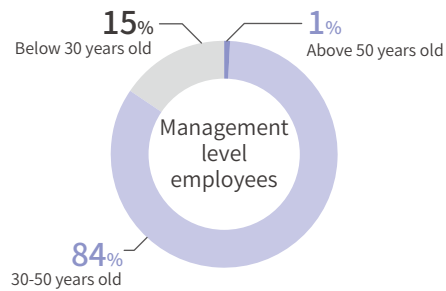
Taiwan and overseas

Mainland China

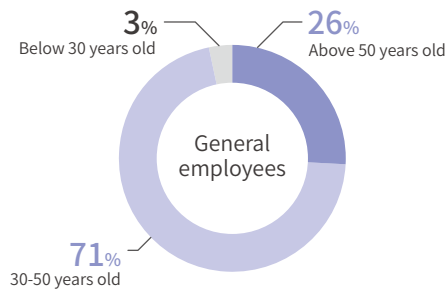
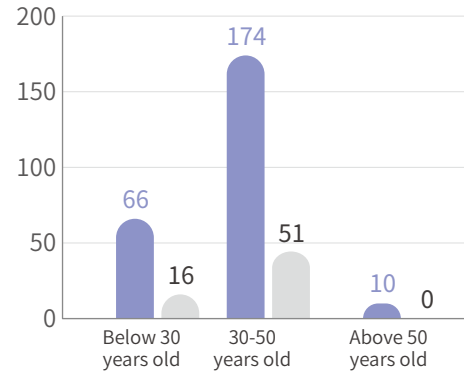
Management level employees



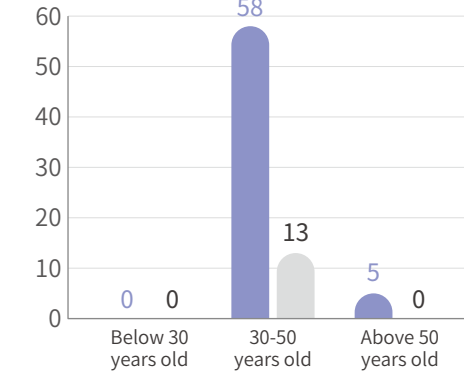
Male Female



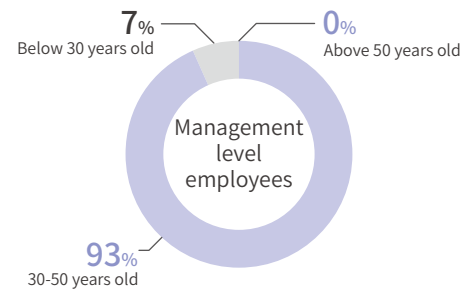
General employees



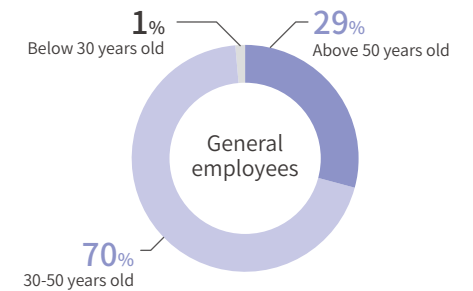
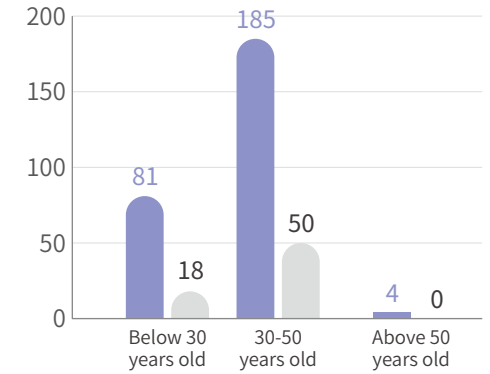
Management level employees



Male Female



General employees



[Note] The calculation for the Taiwan region is based on the number of insured people, and those who are not insured under FocalTech (e.g., dispatched employees, consultant, employees stationed outside Taiwan) are not included.

- Percentage of local residents serving as senior executives in 2021

Percentage of senior executives to employees in the respective region

| Region | Number of senior executives | Total number of employees | Percentage |
|---------------------|-----------------------------|---------------------------|------------|
| Taiwan and overseas | 7 | 434 | 1.6% |
| Mainland China | 3 | 410 | 0.7% |

Percentage of local residents serving as senior executives

| Region | Number of senior executives in the respective region | Total number of senior executives | Percentage |
|---------------------|--|-----------------------------------|------------|
| Taiwan and overseas | 7 | 7 | 100% |
| Mainland China | 3 | 3 | 100% |

[Note] Definition of senior executive: Vice President or those who hold a higher ranked position (including Executive Assistant and Chief Financial Officer)

- Human Rights Policy

In order to fulfill the Company's corporate social responsibility and to comply with international conventions as its utmost principle, FocalTech has formulated the FocalTech CSR Policy with reference to international human rights conventions to protect the basic human rights of all its employees, customers and stakeholders. Furthermore, FocalTech respects the basic human rights that are internationally recognized by following the principles disclosed in international conventions such as the United Nations Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization Convention, and the United Nations Global Compact. Apart from that, FocalTech has also implemented the principle of non-discrimination, non-employment of child labor, and non-forced labor; no incidents of discrimination, child labor, or forced labor occurred in 2021, with no related complaints made or occurrence of major incidents. In addition to the employee suggestion box and complaint hotline for employees to voice their opinions on human rights-related issues, FocalTech also takes the initiative to conduct hazard identification and risk assessment related to human rights issues every year. Also, Social Responsibility Management Review Meetings are held regularly in the hope of identifying major risk items early through regular reviews and take immediate measures to reduce the risk that may cause serious damage to the Company. In the review meetings, higher risk items and specific control strategies and measures are reported to senior executives, enabling them to monitor the risks related to social responsibility and adjust the practices in a timely manner to fulfill the corporate responsibility.

5.2 Compensation and Benefits

Management Policy

| | |
|------------------|---|
| Major issue | Compensation and employee benefits |
| Policy direction | FocalTech sees its employees as the Company's assets and provides them with a stable working environment as well as good compensation and benefits, enabling them to enjoy their work and enjoy the benefits at Focaltech. |
| Core goals | FocalTech is committed to providing its employees with good quality working conditions and competitive compensation, benefits and welfare measures to attract and retain its talents. |
| Achievements | <p>Welfare subsidies and activities of the Employee Welfare Committee:</p> <ul style="list-style-type: none"> Welfare subsidy (marriage, childbirth, hospitalization and funeral expenses), birthday gift, festive cash gift, travel subsidy, club activities Company activities, appointed store cooperation Subsidy amount: <ul style="list-style-type: none"> ✓ The total amount of welfare subsidies in Taiwan was NT\$17,845,707 (including wedding and funeral subsidies, club expenses, lunch or dinner gathering, and festive events) ✓ The total amount of welfare subsidies in mainland China was NT\$9,223,476 (approximately RMB 2,305,869) |
| Action plans | <ul style="list-style-type: none"> Remuneration and compensation policy Group insurance / Labor health checkups Subsidies and activities of Employee Welfare Committee |

How to manage

| | |
|----------------------|---|
| Devoting resources | Employee Welfare Committee and all employees |
| Feedback mechanism | Employee Demand Survey, Industrial Employee Compensation Survey |
| Evaluation mechanism | Satisfaction survey |

Future plans

| | |
|----------------|--|
| Goals for 2022 | FocalTech will continue to conduct employee-related welfare activities to enable employees to feel the care of the Company, with the satisfaction survey scoring above 70% continuously. |
|----------------|--|

• Salary structure ratio

The importance that FocalTech attaches to talents is fully reflected in the workplace environment and various welfare systems provided. FocalTech upholds a people-oriented management philosophy, which is demonstrated through the foundation of integrity management in the workplace. In addition to high salary and benefits and the diversified and meaningful welfare programs planned, the Company also fully discusses and communicates with its employees through multiple channels to understand their needs and opinions in actual, with the aim to retain talents and realize sustainable development of the Company. With the intention to attract and retain outstanding talents, the FocalTech team rewards employees for their continuous performance. Furthermore, the Company measures the salary level and structure of other enterprises in the industry through the industry salary survey every year, and closely monitors the local economic development and price index for appropriate adjustments. Additionally, the percentage of fixed salary in its annual salary structure is strategically adjusted to attract and retain relevant talents by making it more competitive. FocalTech offers a minimum wage that is higher than the amount stipulated by local laws and regulations, which is 1.35 times higher in Taiwan and 2.84 times higher in mainland China. The Company's compensation and benefits are measured in accordance with local laws and regulations by maintaining a fair and objective attitude, without regard to gender, age, religion, race, marriage, or political orientation. All FocalTech employees are hired appropriately with the principle of "right person in the right place" and are treated equally.

• Ratio of minimum wage plus compensation between female and male employees in 2021

| Rank | Taiwan | | Mainland China | |
|----------------------------|--------|--------|----------------|--------|
| | Male | Female | Male | Female |
| Management level employees | 1 | 0.69 | 1 | 0.83 |
| General employees | 1 | 0.76 | 1 | 0.85 |

The differences are explained as follows:

1. The calculation is based on the statistics of male employees.
2. The statistics in Taiwan do not include the local employees in the United States, Germany and Korea.
3. FocalTech is an IC design company, thus its employees are mainly R&D staff members with a science and technology background, and most of them who have a science and technology background are men.

- Full-time non-executive employee salary information in 2021

| Unit: NT\$ thousand | |
|--|---------------|
| Item | Taiwan |
| Number of full-time non-executive employees (Unit: person) | 362 |
| Annual salary of full-time non-executive employees (Unit: NT\$ thousand) | Average 2,679 |
| | Median 1,963 |

[Note] The statistics in Taiwan do not include the local employees in the United States, Germany and Korea; the statistics are consistent with the statistics of the Taiwan region disclosed on the Market Observation Post System (MOPS).





- Employee benefits

Other than the pursuit of sustainable economic development, another issue that FocalTech attaches great importance to is whether its employees can achieve a balance between work and life and develop in all aspects. In response to this, FocalTech provides employees with both a happy and friendly working environment and cares for their physical and mental health and quality of life. Furthermore, FocalTech offers salary and benefits and plans a wide range of welfare programs to provide comprehensive care to employees. The FocalTech's Employee Welfare Committee, which is composed of representatives from each department, is tasked with coordinating, planning and implementing the Company's various welfare benefit programs. In addition to high salary and benefits and the diversified and meaningful welfare programs planned, the Company also fully discusses and communicates with its employees through multiple channels to understand their needs and opinions in actual, with the aim to retain talents and realize sustainable development of the Company. In accordance with the Employee Welfare Fund Act, FocalTech has established an Employee Welfare Committee, which holds regular meetings to discuss on the methods of improving the Company's welfare measures to further enhance the benefits of its employees. The welfare measures coordinated and managed by the FocalTech's Employee Welfare Committee, Administration Department and Human Resources Department are as follows:

| Welfare type | Welfare programs (Taiwan and mainland China) | Supplementary notes |
|---|---|---|
| Statutory welfare | Labor Insurance and National Health Insurance (Five social insurances and one housing fund) | Employees are insured on the day they come on board as required by law. |
| | Pension contribution | All employees are required to contribute 6% of their monthly wages to their pension account from the day they come on board. |
| | Annual leave (extra annual leave) | In accordance with the Labor Standards Act, those who have served the Company for a certain period of time are entitled to a specific number of annual paid leaves, which can be used in advance. The number of annual paid leaves granted to the employees in mainland China are in accordance with the Regulation on Paid Annual Leave for Employees. |
| | Parental leave and maternity leave | The number of leaves is in accordance with local laws and regulations. |
| | Pregnancy checkup leave, pregnancy checkup accompaniment leave, and paternity leave | The number of leaves is in accordance with local laws and regulations. |
| | Regular health checkup | A company-wide employee health checkup is held annually. |
| Company benefit (including those from Employee Welfare Committee) | Bridge holiday (Taiwan) | Additional leaves provided by the Company in addition to statutory leaves. |
| | Year-end bonus | The Company provides employees with a year-end bonus for two months depending on the operating condition. |
| | Festive gift certificate | Employees who have served the Company for at least three months receive gift certificates for Lunar New Year, Labor Day, Dragon Boat Festival and Mid-Autumn Festival. |
| | Wedding, celebration, funeral and hospitalization subsidies | Include childbirth gift money, wedding gift money, funeral subsidy, hospitalization fund, and birthday gift certificate. |
| | Company trip | A company trip to a domestic/overseas location annually. |
| | Club activities | Various club activities and the gym for use. |
| | Festive activities | Festive events (e.g., Mid-Autumn Festival barbecue, Engineer's Day, and Family Day) are held in accordance with the annual planning. |
| | Lunch or dinner gathering subsidy | Two lunch or dinner gatherings per year to enhance the relationship and the exchange between colleagues within the department. |
| | Employee stock ownership | Employees who have served the Company for at least three months are allowed to purchase the Company's stock with a fixed percentage of their salary, and the Company will also allocate the same amount as the employees to their respective account for the additional purchase of stock. |
| | Group insurance | Group insurance includes term life insurance / accident insurance / critical illness insurance |




5.3 Parental Leave

At FocalTech, employees who have the need to take care of their children are free to apply for parental leave, which enables employees to work with no worry and achieve a balance between work and life. In 2021, fifteen employees (12 males and 3 females) were eligible for unpaid parental leave for raising children, and the actual number of employees applying for such parental leave was 3 (3 females). Two employees reinstated in 2021, with a reinstatement rate of 67%. The retention rate of employees applying for such parental leave was 50% in 2021.

| Item | Gender | 2021 |
|--|--------|------|
|  Number of employees eligible for unpaid parental leave for raising children | Male | 12 |
| | Female | 3 |
| | Total | 15 |
|  Actual number of employees applying for unpaid parental leave for raising children | Male | 0 |
| | Female | 3 |
| | Total | 3 |
|  Number of employees supposed to reinstate | Male | 0 |
| | Female | 3 |
| | Total | 3 |
|  Actual number of employees who reinstate | Male | 0 |
| | Female | 2 |
| | Total | 2 |

Statistics on family care-related leaves for employees in Taiwan in 2021

| Item | Family Care Leave/person-times | Maternity (Paternity) Leave/person-times | Menstruation leave/person-times |
|--------|--------------------------------|--|---------------------------------|
| Male | 4 | 19 | 0 |
| Female | 0 | 3 | 7 |

| Item | Gender | 2021 |
|--|--------|------|
|  Reinstatement rate | Male | - |
| | Female | 67% |
| | Total | 67% |
|  Number of employees who have reinstated and worked for a year as of the current year | Male | 0 |
| | Female | 1 |
| | Total | 1 |
|  Retention rate | Male | - |
| | Female | 50% |
| | Total | 50% |

[Note] There is no leave related to children raising in mainland China, so the statistics only include employees in Taiwan. The reason that the employees did not reinstate and continue to work at FocalTech is due to personal career planning.

Statistics on family care-related leaves for employees in mainland China in 2021

| Item | Family Care Leave/person-times | Maternity (Paternity) Leave/person-times | Menstruation leave/person-times |
|--------|--------------------------------|--|---------------------------------|
| Male | - | 17 | - |
| Female | - | 3 | - |

5.4 Retirement Plan

• Retirement system and implementation status

FocalTech has a comprehensive pension system for its employees, including a benefit plan in accordance with the Labor Standards Act and a contribution plan in accordance with the newly enacted Labor Pension Act on July 1, 2005. In addition to the pension contribution as required by law, FocalTech also performs actuarial calculations annually on the pension reserve by appointing professional actuarial consultants, in order to protect the rights and interests of its employees to claim their pensions in the future and to ensure an accurate calculation of the pension contribution. The calculation criteria can be distinguished as follows:

1. In accordance with the Labor Standards Act, FocalTech formulated the retirement plan for its employees, stipulating that monthly contributions will be deducted based on the total amount of their salary and made to a special account.
2. The Labor Pension Act stipulates that for the employee subject to the Act, the Company shall, every month, contribute 6% of their reported contribution amount to their individual pension accounts established by the Bureau of Labor Insurance.
3. The Company retains the original insurance seniority of its employees. Upon employees attaining the eligibility for retirement, their pensions are calculated based on their old and new insurance seniority.

5.5 Occupational Safety

Management Policy

| | |
|------------------|---|
| Major issue | Occupational safety and health |
| Policy direction | A happy enterprise with no occupational accident. |
| Core goals | Actively and continuously strive to create a safe and secure working environment for all workers. |
| Achievements | <ol style="list-style-type: none"> 1. Annual occupational safety training hours: 2 hours of occupational safety and health education training every year + occasional training for new employees + refresher training according to the laws and regulations. 2. The number of occupational injury incidents in 2021 was 0, SR=0, FR=0 |

Management Policy

| | |
|--------------|--|
| Action plans | 1. Continue to maintain the ISO 45001 management system. |
| | 2. Implement the occupational safety and health management system. |
| | 3. Conduct risk assessment for hazard identification within the plant. |
| | 4. Develop operational control standards. |
| | 5. Formulate a target plan on occupational safety and health. |

How to manage

| | |
|----------------------|---|
| Devoting resources | <ol style="list-style-type: none"> 1. Internal and external audits are regularly conducted every year to achieve systematic and effective management. 2. 13 members of the Occupational Safety and Health Committee (5 ex-officio members and 8 labor representatives). |
| Feedback mechanism | <ol style="list-style-type: none"> 1. Provide channels for worker consultation and participation, such as physical suggestion boxes and e-mail complaint on the Company's internal website. 2. Hold quarterly Occupational Safety and Health Committee meetings. |
| Evaluation mechanism | <ol style="list-style-type: none"> 1. Form an internal audit team to perform self-assessment on ISO 45001. 2. Commission an independent third-party unit to conduct ISO 45001 audits. |

Future plans

| | |
|----------------|--|
| Goals for 2022 | 1. Fully implement the items stipulated in the laws and regulations. |
| | 2. Strengthen various emergency response drills to enhance employees' response ability. |
| | 3. Increase the number of health promotion seminars to maintain the physical and mental health of employees. |
| | 4. Strengthen on-site environmental management to maintain zero occupational accident. |
| | 5. Increase the number of people/times receiving service of occupational physicians on site. |
| | 6. Increase the proportion of health checkups. |

FocalTech attaches great importance to workplace safety and has established Environmental and Occupational Safety and Health Policy. In addition, FocalTech is committed to meeting and complying with government and related regulatory requirements, making continuous improvements to prevent consecutive pollution incidents and achieving the goal of zero occupational accident, in order to meet the environmental safety and health performance set out by the Company. Furthermore, the Company regularly identifies the occupational safety and health risks of its employees, commissions a third-party verification organization to conduct on-site audits, and provides audit reports to its customers in a transparent manner. The Company's plant in the Hsinchu Science Park established a management system and obtained the ISO 45001 certification through TUV NORD Taiwan in 2020. External audits are also carried out annually, benefiting 100% of employees and outsourced contract workers in Taiwan to review the effectiveness of the Company's management system.

With the purpose of creating a safe workplace environment, FocalTech has been putting their efforts into occupational safety and health related issues. Embracing a belief that safety and health are equally important issues as economic development in order to sustain the vitality of a company, FocalTech has established a professional and dedicated unit to implement its safety and health management with an institutionalized, systematic, and top-down safety and health management mechanism. FocalTech conducts annual health checkups (which are better than those stipulated by the laws and regulations) for all employees. The information on employees' age, work and living habits, and operating environment characteristics are collected. Additionally, the information is further compiled together with employees' health checkup results to analyze the correlation between their health risks and work. Regarding employees who are identified as high-risk group, healthcare practitioners will visit the plant every two months to conduct health assessments on them, offer advices, and provide counseling on abnormal workload, maternity health protection, ergonomic hazard prevention program, and communicable disease control, and unlawful infringement, etc. The company employs full-time and dedicated plant nursing staff to regularly follow up and care for employees to reduce the risk of employees developing major diseases and to assess the potential risk of occupational diseases. Besides, occupational practitioners are also arranged on site to provide individual guidance and health education for employees with abnormal health checkup results. Occupational practitioners will provide assistance in arranging medical treatment for employees when deemed necessary.

In accordance with Article 23 of the Occupational Safety and Health Act, FocalTech has established an Occupational Safety and Health Committee consisting of 13 members to regularly review occupational safety issues on a quarterly basis. FocalTech is an IC design company with no manufacturing operations, although none of the Company's employees is engaged in high-risk operations, still FocalTech follows the Company's Environment and Occupational Safety and Health Policy to actively build a safe environment and workplace by complying with the relevant provisions of the Occupational Safety and Health Act. Apart from that, FocalTech also makes continuous improvement on the occupational safety and health management system to achieve the goal of zero occupational accident.

- The gradual improving occupational safety and health program

| | |
|--|---|
| Occupational safety and health policies | Make continuous improvement, involve participation of all employees, and comply with laws and regulations, with employee safety and health as the core. |
| Occupational safety and health practices | <ol style="list-style-type: none"> 1. A commitment to providing safe and healthy working conditions to prevent work-related injuries and ill health; such a commitment shall be appropriate to the purpose, size, and context of the organization, and to the specific nature of the organization's occupational safety and health risks and opportunities. 2. Provide a framework for the formulation of occupational safety and health goals. 3. A commitment to meet regulatory and other requirements. 4. Eliminate risks and reduce occupational safety and health risks. 5. A commitment to make continuous improvement of the occupational safety and health management system. 6. A commitment to consultation and participation of workers and worker representatives. |
| Occupational Safety and Health Committee | FocalTech has established an Occupational Safety and Health Committee which is responsible for planning and coordinating occupational safety and health related matters, as well as reviewing and deciding on the implementation status of occupational safety and health in the plant. The Committee holds meetings regularly every year to discuss various safety and health issues such as safety and health management, education and training implementation plans, environmental monitoring, health management, occupational disease prevention and health promotion. Additionally, employees can give feedback to labor representatives on relevant occupational safety and health issues or suggestions, or attend the committee meetings for communication. Furthermore, a good communication channel is provided at FocalTech to enable employees to report, at any time, any emergency incidents they encounter as well as potential risks and abnormalities they discover. FocalTech ensures that no employee will suffer retaliation or punishment for making a complaint or appeal. |
| Occupational hazard identification | In order to eliminate potential hazards in the workplace, FocalTech regularly implements hazard identification and risk assessment activities. This activity is conducted by training qualified personnel to identify possible safety and health risks in the Company, weighting them according to hazard factors, and finally determining their risk levels. After the assessment, the medium and high hazard risks are included as the control items, and measures for target improvement are formulated and managed with regular tracking. |

Occupational safety and health policies

Make continuous improvement, involve participation of all employees, and comply with laws and regulations, with employee safety and health as the core.

In accordance with the Occupational Safety and Health Education and Training Rules and related regulations, FocalTech provides occupational safety and health education and training to new employees when they are hired, with an aim to make them understand the occupational safety rules and regulations of the Company as well as the countermeasures in case of accidents. In addition, the Company also regularly holds related safety and health education training courses, fire drills, first aid courses, etc. FocalTech enhances employees' awareness of safety and health through safety and health education training, hoping to reduce the chance of workplace accidents to zero hour of occupational disaster.

| Training type | Number of classes | Number of participants | Training hours | Total training hours |
|---------------------------------------|-------------------|------------------------|----------------|----------------------|
| Safety and Health Training | 3 | 3 | 54 | 162 |
| Safety and Health On-the-job Training | 4 | 4 | 18 | 72 |



Education and training



Occupational accident statistics

- In 2021, there was 0 FocalTech employee injured at work. In case of an emergency, the incident investigation process will be activated.

5.6 Health Promotion

• Promotion plan

The Company has acquired the Badge of Accredited Healthy Workplace from the Health Promotion Administration of the Ministry of Health and Welfare (valid from January 2020 to December 2022) and the Taiwan I Sports certification (valid from 2020 to 2022) from the Sports Administration of the Ministry of Education. Health promotion activities are themed according to the analysis on employees' annual health checkup. These activities include healthy weight loss activities, walking and pedometer competitions, vision care activities, and four cancer screenings.

In addition, the Company also provides practical support and encourages employees to participate in various club activities. There are eight sports clubs, including yoga club, basketball club, badminton club, light aerobics club, pop dance club, soft ball club, bicycle & road running club, and qigong club, as well as guitar club, photography club, and meridian club. Also, a gymnasium is available for employees to use freely. These different choices are provided for employees to choose from in order to help them achieve physical and mental balance after work.



▲ Badge of Accredited Healthy Workplace



▲ Taiwan I Sports Certification

• Smoking prevention campaign

Smoking prevention: Smoking is prohibited in all indoor workplaces; no-smoking signs are posted at all entrances; ashtrays and other smoking-related items are not provided inside the Company; a booklet regarding quit smoking is provided by the Administration Department for free collection; and the smoking regulations are specified in the newcomer orientation manual.

• Health Promotion Activities – Practice “MyPlate”

1. Health promotion seminar: Eat Healthy with “MyPlate”!
2. Announcement of “MyPlate” health education series activities.
3. Self-assessment using “Eating Behavior Evaluation Questionnaire”, with suggestions provided.
4. 228 employees from the Taiwan plant participated in the contest with prize, with a participation rate of 56.4%.
 - (1) 93% of the colleagues answered the dietary knowledge correctly.
 - (2) 99.6% of colleagues agreed to try to practice the “MyPlate” principle in their daily lives.
 - (3) 96.1% of employees answered the Company’s healthy eating-out resources correctly.



- Stress Relief Seminar: Soft Skills at Work - Workplace Stress Relief Alchemy

- [Stress Relief through Handicraft] Meet Forever Dried Flowers with Glass Vase DIY.
- [Stress Relief through Exercise] A type of yoga that all office workers should learn.
- [Stress Relief through Exercise] How to quickly and effectively eliminate stress: A health secrets seminar
- [Stress Relief through Handicraft] Stroke by Stroke: The heart entwined with the painting
- [Experiencing Stress Relief] Head and meridian massage with therapy oil for relaxation



- Onsite healthcare practitioner: Provide health consultation service every two months, with altogether 26 person-times of services provided in 2021. In addition, they inspect the plant every December and offer advice to employees as well as on-site guidance on ergonomic hazard prevention.
- An inspection on the operating environment is conducted every six months, the figures on CO2 and illumination of the Company are within the normal range; office temperature can be adjusted according to the area.

- Related club activities

In order to enable employees to achieve a balance between work and life, a number of club activities are held in the Company, among which yoga, aerobics and MV pop dance are the activities easiest to take place indoors. For that reason, these activities have become the most popular sports club activities for employees in many companies. These activities can relax the doers in a short period of time, and allow them to achieve physical and mental balance and release stress through simple exercise during their break time at work. As a result, employees are able to experience a more diversified and creative living space in addition to the rational work requirements of the Company.



▲ Yoga classes are held every Thursday night



▲ Light aerobics classes are held every Tuesday afternoon



▲ MV Pop Dance Club activities are held every Monday night

5.7 Employee Communication

| Management Policy | |
|----------------------|---|
| Major issue | Employee communication |
| Policy direction | Establish good labor relations and allow employees to express their opinions in a friendly environment without suffering retaliation. |
| Core goals | Goal: Establish a good culture of organizational communication, enabling employees' opinions to be effectively heard and handled in a timely manner, with no occurrence of labor disputes or re-appeal cases. Target: Four labor-management meetings and communication meetings with the Chairman every year. |
| Achievements | Held four labor-management meetings and five meetings with the Chairman annually. |
| Action plans | Hold communication meetings with the Chairman, labor-management meetings, gender equality meetings, and interdepartmental communication meetings, and address colleagues' concerns in a fair, confidential, and prompt manner, regardless of whether the feedbacks are named or made anonymous. |
| How to manage | |
| Devoting resources | All employees |
| Feedback mechanism | Employee grievance channels, employee suggestion boxes, labor-management meetings |
| Evaluation mechanism | Number of meetings, completion rate of feedback surveys |
| Future plans | |
| Goals for 2022 | <ol style="list-style-type: none"> 1. Hold labor-management meetings regularly. 2. The Chairman informs employees of the Company's recent development and financial reports through birthday celebrations, so as to eliminate the concern of employees on the Company's operation and welfare development. 3. Set up a Chairman's mailbox and assign a dedicated personnel to gather colleagues' questions every week, as well as a dedicated personnel to conduct preliminary communication within one week upon receiving the questions. |

- Labor-management dialogue

FocalTech believes that every employee is an important asset of the Company, and therefore, it values every employee's viewpoint and opinion; FocalTech hopes that every employee's voice is heard and valued. In order to create a harmonious relationship between employers and management, the FocalTech family fully discusses and communicates with each other through multiple channels, such as labor-management meetings, Employee Welfare Committee meetings, newcomers' care and Life Exchange channel to create the possibility and space for a dialogue between the two sides. Hence, FocalTech holds a labor-management meeting quarterly. Furthermore, an extraordinary meeting is held when deemed necessary, in which labor representatives can put forward proposals on topics such as labor-management relations, labor conditions, and labor welfare. Labor-management meetings are considered a platform where labor representatives can fully express their opinions on the relevant topics. In the labor-management meetings, labor representatives can communicate with management representatives and participate in the resolution of labor rights issues. All employees are protected by the labor-management meeting agreement to express their opinions, and records are kept to track the implementation and improvement of the labor-management agreement. Under the environment of a diversified and smooth communication, the labor-management relations of FocalTech are trustful and harmonious, with no occurrence of labor disputes in recent years.

- Minimum notice period for operational changes

In the future, FocalTech will continue to uphold the attitude of fully complying with labor laws and regulations and strengthening welfare measures. Additionally, labor representatives will be invited for discussions on important changes in labor conditions and matters related to employees' rights and interests. Together they will jointly discuss solutions to address the rights and interests of both parties, so as to enhance mutual trust and form a good culture of communication based on mutual trust. Apart from that, both parties will also communicate and coordinate to improve the deficiencies of the Company's employee policies and on the promotion of labor-management cooperation, labor-management relations coordination, labor condition improvement, and labor welfare planning issues.

FocalTech is in compliance with local labor laws and regulations. When major operational changes occur that affect employees' rights and interests, FocalTech will give advance notice in accordance with labor-related laws and regulations, and provide timely explanation to employees. In the event that the labor rights of employees are affected or their employment conditions are changed, FocalTech will certainly follow the Labor Standards Act and the Act for Worker Protection of Mass Redundancy in giving advance notice before terminating the employment contract. To enable employees to fully express the issues they encountered at the Company and their work, as well as any grievances and undesirable circumstances they may experience, the Company provides multiple channels of communication and grievances, and ensures the protection of their personal information.

5.8 Talent Cultivation

| Management Policy | |
|-------------------|--|
| Major issue | Talent cultivation and training |
| Policy direction | Provide appropriate training for different target groups to nurture professional talents and strengthen the Company's competitiveness. |
| Core goals | An average of 10 training hours per person. |
| Achievements | <p>Taiwan and overseas:</p> <ol style="list-style-type: none"> Due to the pandemic, some courses were cancelled, thus only 33.48% of the employees had attained more than 10 hours of training. Four training sessions were held for junior executives, with 151 participants in total. One training session was held for middle-level and senior executives, with 31 participants in total. <p>Mainland China:</p> <ol style="list-style-type: none"> Although there were less person-times trained than that of 2020 due to the pandemic, the total number of training sessions did not decrease and the number of training hours per person reached 11.35. Two team building activities were held for middle-level and senior executives to promote consensus building on company values and corporate culture, as well as to build trust and cohesion. Innovation was demonstrated in the training outcome; a post-training retrospective meeting was held after the course to improve the conversion of training effectiveness. |
| Action plans | <ol style="list-style-type: none"> The 2021 annual education and training plan is compiled and produced based on the questionnaire survey of employees and the needs of unit executives. The training units conduct course planning, make arrangement, and invite employees to participate in learning to improve the knowledge and skills related to their works. Conduct annual education and training for executives (junior, middle-level and senior executive training). Improve the construction of training system from multi-dimensional aspects such as level management, course management and instructor management. |

| How to manage | |
|----------------------|---|
| Devoting resources | All employees, education and training platform, introduction of external training resources |
| Feedback mechanism | Education and training opinion survey and interview with executives |
| Evaluation mechanism | Produce statistics and calculate personnel training hours / executive training acceptance testing / online system acceptance testing |
| Future plans | |
| Goals for 2022 | In order to increase the training hours of employees, FocalTech will enhance the training platform to enable employees to learn proactively regardless of location and time. It is expected that each person will attain 10 hours of training on average. |

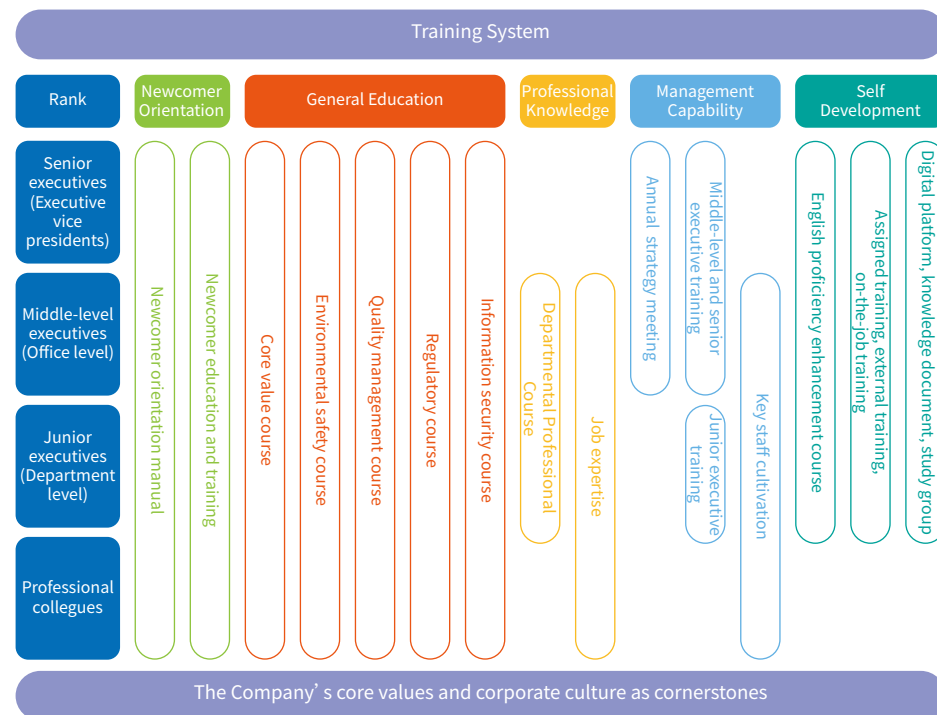
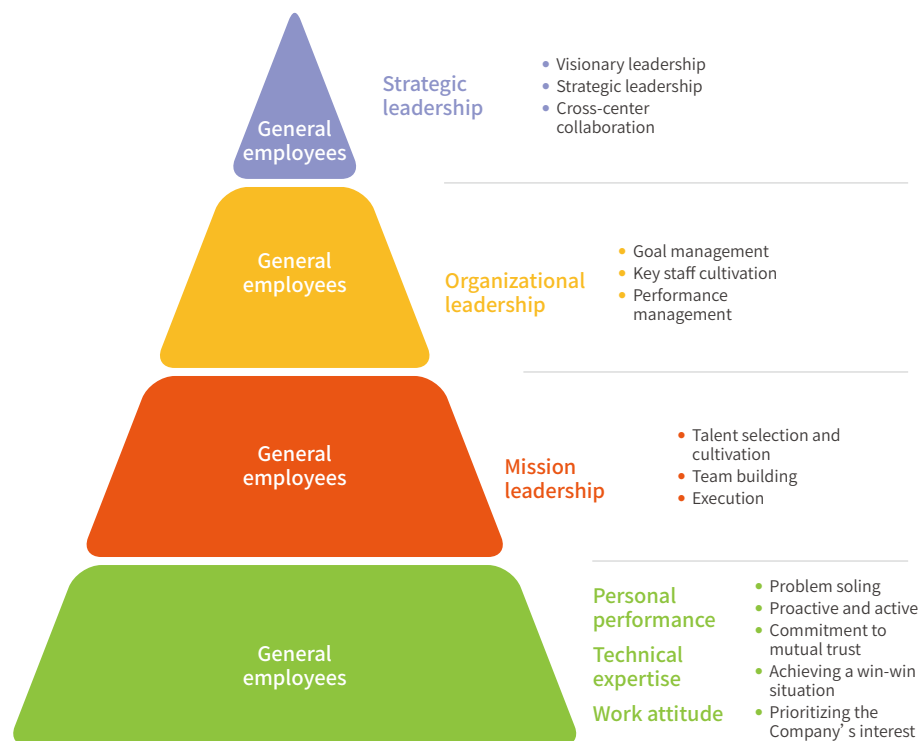
• Taiwan and Overseas Talent Cultivation and Training Actions

FocalTech has spared no effort in the cultivation and development of talents, and is committed to providing an open and diversified learning environment for employees. A comprehensive training system for new employees and existing employees is planned to continuously enhance their professional capability and maximize their satisfaction. Additionally, employees get to continuously challenge themselves to grow upward by attending internal/external training, obtaining professional guidance from executives/colleagues, or proactively borrowing company books to stimulate their minds every month. The training framework is designed to meet the core values and strategic development needs of the Company, which is divided into training for senior management, middle-level management, junior management and general employees. Furthermore, the training blueprint is designed according to the characteristics of each unit to provide complete training programs targeting professional competencies and management capability. The training of different capabilities not only shortens the time needed for new employees to get familiarized with the work content and become integrated into the corporate culture, but it also enhances the cohesion among employees. Apart from that, it is also necessary for the Company's senior employees to pass on practical experience to the next-generation of new employees. Also, FocalTech encourages senior employees to step out of their comfort zone and learn new skills to enhance their competitiveness, so that the experience can be passed on from generation to generation.

The Company has established the Education and Training Management Procedures for the arrangement of annual education and training. Additionally, four major types of training courses are planned according to the functions and skills of employees required for the development of the Company, which are described as follows:

The talent cultivation system is shown in the figure below:

Talent Cultivation and Development Framework



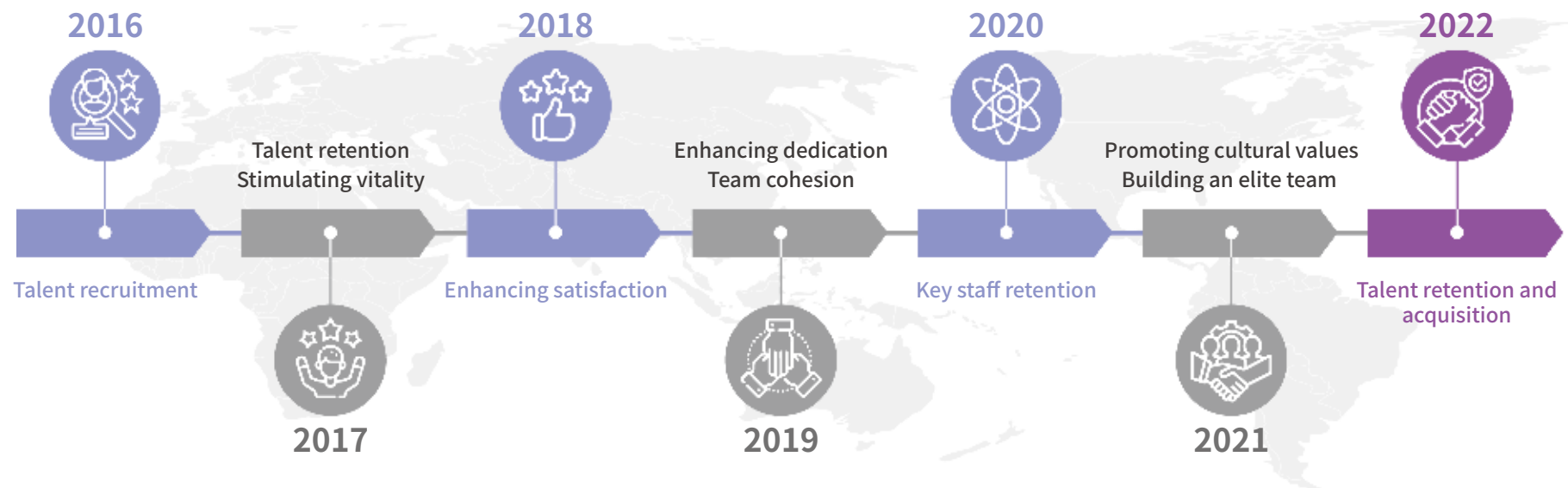
Through the [Online Learning Platform], all FocalTech employees can choose courses from the options of “Newcomer Training”, “General Education”, “Operations Management”, and “Professional Knowledge”. In addition, the Company also recorded physical courses and made them into online courses to allow employees to learn new knowledge anytime and anywhere, regardless of time and location. The platform is established to enable employees to better understand and systematically manage all their learning process and records, with an aim to provide them with more complete on-the-job training and resources. With a complete training platform, all kinds of information and knowledge can be transferred in real time, which can help knowledge transfer within the Company and provide a channel for instant interdepartmental discussion or cooperation. The above courses keep pace with the times, which not only enhance the professional knowledge and competencies of employees and improve their overall quality, but also expect to make a breakthrough in the business performance of FocalTech by implementing talent cultivation.

- Training hours of personnel at all levels in Taiwan and overseas in 2021





| Rank | Number of male participants | Hours | Average number of hours | Number of female participants | Hours | Average number of hours |
|-------------------|-----------------------------|--------|-------------------------|-------------------------------|-------|-------------------------|
| Senior executives | 13 | 183 | 14.07 | 0 | 0 | 0 |
| Middle executives | 85 | 659.5 | 7.75 | 4 | 40 | 10 |
| Junior executives | 171 | 1238 | 7.23 | 27 | 230 | 8.51 |
| Professionals | 505 | 4048 | 8.01 | 125 | 1250 | 10 |
| Total | 774 | 6128.5 | 7.92 | 156 | 1520 | 9.74 |

Mainland China Talent Cultivation and Training Actions

- Highlights of HR duties over the years



The strategy of the Human Resources Department in mainland China for 2021 was “Promoting cultural values and building an elite team”. The strategy was employed as the Company’s guidelines for the Human Resources work in four aspects:

| Talent cultivation guidelines | Corresponding actions |
|--|--|
|  <p>Talent recruitment</p> | <ol style="list-style-type: none"> 1. Through the campus talent recruitment program, FocalTech recruits graduating senior / master’s degree and PhD students for a one-year internship program at the Company before they graduate. The internship program provides more outstanding talents with the opportunity to secure their position at the workplace at an earlier time. 2. Campus cooperation projects: Including the FocalTech Scholarship Project and FocalTech Cup University Master and Doctorate Thesis Competition Project. 3. Strengthen the promotion of internal talent recommendation system. 4. Select outstanding key staff for succession training project in each operating unit. |
|  <p>Talent cultivation and training</p> | <ol style="list-style-type: none"> 1. Fresh graduate: One-to-one mentorship system. 2. New employees: Training SOP, keep track of the entire process of training and counseling of new employees within three months of starting work. 3. Junior and middle-level executives: MTP (Management Training Project): The whole project lasts for 9 months, with 85 participants, 6 training sessions and 6 activities taking place. 4. Senior executives: Team building and consensus training workshop. 5. All employees: Ten internal staff training sessions based on “FocalTech Forum”, including product knowledge, professional skills, psychological counseling, teamwork, and the improvement of overall individual’s capabilities. 6. Key staff: Personalized support for training resources. 7. Employees with special needs: Special job certification training. |
|  <p>Motivating employee</p> | <ol style="list-style-type: none"> 1. Key Staff Individual Development Plan (IDP): Cooperate with executives for the selection of key staff, including screening, auxiliary interview, assisting in the formulation of development plan and follow-up, and offering training and development support. 2. Closed-loop management of performance: Follow up on goal setting, coaching feedback, evaluating interviews and training development throughout the process. 3. Implement individual and organizational outstanding talent projects related to corporate values and corporate culture (2021 Outstanding FocalTech Employee Award) |
|  <p>Strengthening relationships</p> | <ol style="list-style-type: none"> 1. Human Resources Department develops improvement programs and plans for specific directions and assists in the implementation of the improvement plans. 2. Employee Welfare Committee organizes contentful and diversified activities for employees. 3. Repeatedly reinforce and promote corporate culture and corporate values. |

- Training hours of the training activities of all categories in Mainland China in 2021

| Categories | | |
|----------------------------------|--------------|------|
| New employee training | Person-times | 87 |
| | Hours | 7 |
| | Sum | 609 |
| Professional skill training | Person-times | 409 |
| | Hours | 3 |
| | Sum | 1227 |
| Regulatory training | Person-times | 87 |
| | Hours | 1 |
| | Sum | 87 |
| Promotion to executives training | Person-times | 232 |
| | Hours | 8 |
| | Sum | 1856 |

- Training hours of personnel at all levels in mainland China in 2021

| Rank | Number of male participants | Hours | Average number of hours | Number of female participants | Hours | Average number of hours |
|-------------------------|-----------------------------|-------|-------------------------|-------------------------------|-------|-------------------------|
| Senior executives | 3 | 108 | 36 | 0 | 0 | 0 |
| Middle-level executives | 36 | 1069 | 29.69 | 6 | 216 | 36 |
| Junior executives | 50 | 636 | 12.72 | 12 | 170 | 14.17 |
| Professionals | 165 | 1769 | 10.72 | 36 | 386 | 10.72 |

5.9 Performance Evaluation

FocalTech provides a stage for employees to showcase their talents, and expects the team to bring its professional competencies into full play while implementing the Company's strategies and goals. FocalTech's Human Resources Department, in accordance with the Performance Management Regulations, regularly reviews the degree of employee performance achievement every year through setting performance targets and evaluation, in addition to performance interviews and evaluations. In doing so, FocalTech is able to assess the individual performance of employees and assist them in enhancing their personal career development, and to further improve organizational and their individual performance. Additionally, an Employee Performance Improvement Plan will be carried out for employees who fail to meet the performance requirements. The plan includes a communication between the executive and the employees based on the performance evaluation results, in order to enable them to understand their poorly performed parts of work. Furthermore, improvement targets and methods will be formulated to help them improve their work capability and performance.

The performance evaluation of FocalTech is performed in accordance with the Performance Management Regulations by upholding the transparent and fair principle in treating all employees, without regard to gender, age, religion, and other non-work performance factors. The evaluation mechanism not only enables employees and executives at all levels fully understand their own work goals and the Company's future development blueprint, but it also ensures that every employee is treated fairly and everyone has equal opportunities for promotion.

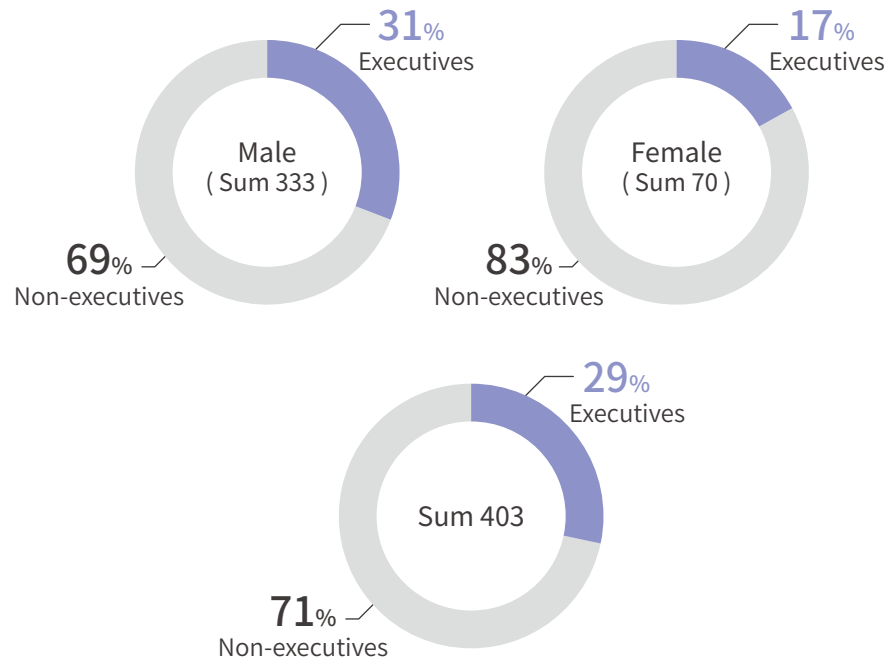
At FocalTech, the evaluation is divided into a mid-year evaluation (to review whether the progress made in the first half of the year is consistent with the project goals set at the beginning of the year) and a year-end evaluation (to evaluate the annual work performance of colleagues). In 2021, 100% of FocalTech employees received a regular evaluation on their performance and career development. Employees who serve the Company for less than three months are not qualified for the performance evaluation and thus do not participate in such evaluation.

- Performance evaluation mechanism

| Mid-year Evaluation | Year-end Evaluation |
|---|---|
| Review and evaluate the completion progress made in the first half of the year based on the project completion goals set at the beginning of the year, and adjust or start the work plan and formulate goals for the second half of the year through one-to-one communications. | Conduct one-to-one feedback on the current year's work performance and evaluate the colleague performance. During the process, feedbacks are given on their performance, strengths and opportunities for continuous development, in order to achieve the goal of improving individual performance and organizational goals. |

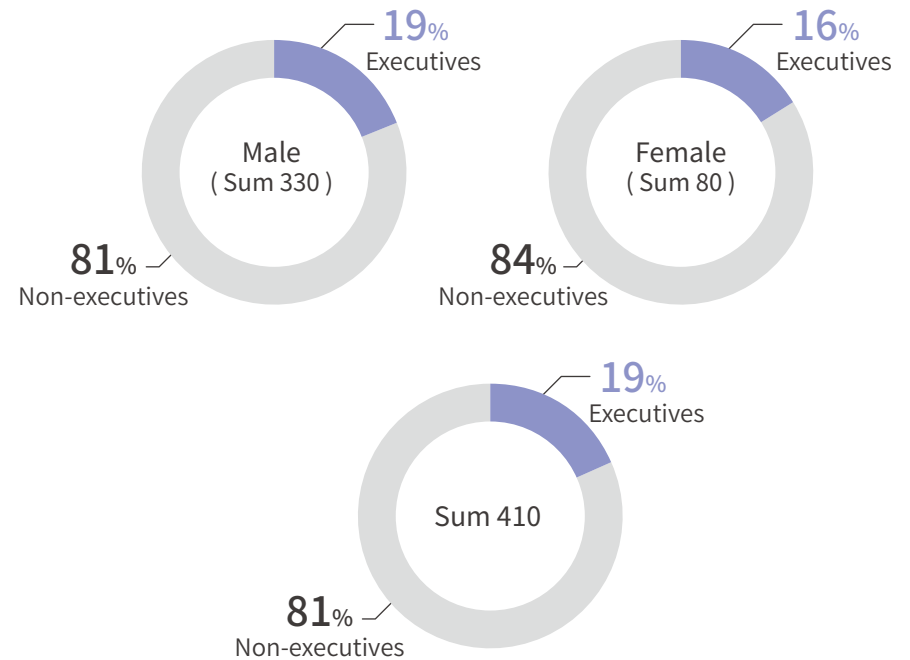
- Percentage of employees receiving regular performance and career development evaluation in Taiwan

| Item | Male | | Female | | Total | |
|----------------|---|------------|---|------------|---|------------|
| | Number of people receiving the evaluation | Percentage | Number of people receiving the evaluation | Percentage | Number of people receiving the evaluation | Percentage |
| Executives | 103 | 31% | 12 | 17% | 115 | 29% |
| Non-executives | 230 | 69% | 58 | 83% | 288 | 71% |
| Sum | 333 | 100% | 70 | 100% | 403 | 100% |



- Percentage of employees receiving regular performance and career development evaluation in mainland China

| Item | Male | | Female | | Total | |
|----------------|---|------------|---|------------|---|------------|
| | Number of people receiving the evaluation | Percentage | Number of people receiving the evaluation | Percentage | Number of people receiving the evaluation | Percentage |
| Executives | 63 | 19% | 13 | 16% | 76 | 19% |
| Non-executives | 267 | 81% | 67 | 84% | 334 | 81% |
| Sum | 330 | 100% | 80 | 100% | 410 | 100% |



Note:

- The calculation is based on the total number of employees as of December 31, 2021.
- A total of 405 employees received the evaluation this time, and the total number of employees who were not required to receive the performance evaluation was 29 (including those who serves the Company for less than three months, those with fixed contracts, and those who expected to leave).

chapter

6

Taken from Society, Give
Back to SocietySocial care and public welfare
participation

Social care and public welfare participation

In order to fulfill its commitment to corporate social responsibility, FocalTech actively contributes to social welfare. Upholding the concept of “Taken from Society, Give Back to Society”, FocalTech cares about the disadvantaged groups in the local community, exerts positive influence on the society, and participates in local public affairs. Additionally, by exerting its social influence through corporate power FocalTech promotes the concept of “sharing society”. Every year, FocalTech calls on its colleagues to jointly participate in the donation of money and goods to help the neediest groups, and to work towards a sustainable and better society in the future. The most important feature is that FocalTech donate to different organizations every year in the name of its outstanding employees elected by vote.

- 2021 Love & Fun Gifting: Sending Warmth Christmas Project

The Employee Welfare Committee launched a charity donation “Fun & Love Gifting: Sending Warmth Christmas Project”, calling on colleagues to care for the “slow flying angels (those who are diagnosed with developmental delay)” who are trying hard to live independently in the society. On the Christmas Day, FocalTech participated in activities sending warmth to the Saint Joseph Social Welfare Foundation and the Ai-heng Special Needs Center. A donation, an invoice, and second-hand goods all turned the financial support a powerful act. The activity was enthusiastically supported by the executives and colleagues, with a total of NT\$155,000 and related supplies collected. The goal was to collect 250 gifts initially; however, the colleagues learned of the supplies needed by the Saint Joseph Social Welfare Foundation the day before the donation was to deliver, they immediately added kitchen appliances including heat preservation pots, ladles and mops into the donation list, which demonstrated their enthusiastic participation. Altogether, 288 colleagues participated in this donation activity to help FocalTech spread more love to the society.





Appendix - GRI Standards Comparison Chart

| GRI Standards Disclosure Index Comparison Chart | | | | |
|---|--|--|------|---------|
| Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
| 102-1 | Name of the organization | 1.1 Company Profile | 14 | |
| 102-2 | Activities, brands, products, and services | 1.1 Company Profile | 14 | |
| 102-3 | Location of headquarters | 1.1 Company Profile | 14 | |
| 102-4 | Location of operations | 1.1 Company Profile | 14 | |
| 102-5 | Ownership and legal form | 1.1 Company Profile | 14 | |
| 102-6 | Markets served | 1.1 Company Profile | 14 | |
| 102-7 | Scale of the organization | 1.1 Company Profile | 14 | |
| 102-8 | Information on employees and other workers | 5.1 Talents as Cornerstones | 60 | |
| 102-9 | Supply chain | 3.2 Sustainable Supply Chain | 45 | |
| 102-10 | Significant changes to the organization and its supply chain | No significant changes in supply chain in 2021 | - | |
| 102-11 | Precautionary Principle or approach | 1.5 Risk Control | 32 | |
| 102-12 | External initiatives | No relevant external initiative or agreement signed | - | |
| 102-13 | Membership of associations | 1.1.3 Participation in Societies and Associations | 19 | |
| 102-14 | Statement from senior decision-maker | Message from the Chairman | 2 | |
| 102-16 | Values, principles, standards, and norms of behaviors | 1.4 Integrity Management Based on the Fundamentals | 29 | |
| 102-18 | Governance structure | 1.3 Operation of the Board of Directors | 24 | |
| 102-40 | List of stakeholder groups | Stakeholders Identification and Communication Channels | 04 | |
| 102-41 | Collective bargaining agreements | No collective bargaining agreement | - | |
| 102-42 | Identifying and selecting stakeholders | Stakeholders Identification and Communication Channels | 04 | |
| 102-43 | Approach to stakeholder engagement | | 04 | |
| 102-44 | Key topics and concerns raised | | 04 | |

| GRI Standards Disclosure Index Comparison Chart | | | | |
|---|--|---|------|---|
| Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
| 102-45 | Entities included in the consolidated financial statements | About the Report | 01 | |
| 102-46 | Defining report content and topic Boundaries | About the Report | 01 | |
| 102-47 | List of material topics | Major Issue Identification and Boundaries of Impact | 06 | |
| 102-48 | Restatements of information | No restatement of information | - | |
| 102-49 | Changes in reporting | Major Issue Identification and Boundaries of Impact | 06 | |
| 102-50 | Reporting period | About the Report | 01 | |
| 102-51 | Date of most recent report | About the Report | 01 | |
| 102-52 | Reporting cycle | About the Report | 01 | |
| 102-53 | Contact point for questions regarding the report | About the Report | 01 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About the Report | 01 | |
| 102-55 | GRI content index | Appendix-GRI Standards Comparison Chart | 82 | |
| 102-56 | External assurance | About the Report | 01 | |
| GRI 103 Management Approach | | | | |
| 103-1 | Explanation of the material topic and its Boundary | Major issue management | | Corresponding to each major issue chapter |
| 103-2 | The management approach and its components | | | |
| 103-3 | Evaluation of the management approach | | | |

GRI Standards Disclosure Index Comparison Chart

| Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|--------------------------------------|--|---|------|---------|
| GRI 200 Economic | | | | |
| • GRI 201: Economic Performance 2016 | | | | |
| 201-1 | Direct economic value generated and distributed | 1.2 Operational Performance | 22 | |
| 201-2 | Financial implications and other risks and opportunities due to climate change | 4.1 Climate Change Risk and Countermeasures | 52 | |
| • 202: Market Presence 2016 | | | | |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 5.2 Compensation and Benefits | 65 | |
| 202-2 | Proportion of senior management hired from the local community | 5.1 Talents as Cornerstones | 60 | |
| • 204: Procurement Practices 2016 | | | | |
| 204-1 | Proportion of spending on local suppliers | 3.2 Sustainable Supply Chain | 45 | |
| • 205: Anti-corruption 2016 | | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | 1.4.1 Integrity Management | 29 | |
| GRI 300 Environmental | | | | |
| • 302: Energy 2016 | | | | |
| 302-1 | Energy consumption within the organization | 4.2.1 Energy Management | 56 | |
| 302-4 | Reduction of energy consumption | 4.2.1 Energy Management | 56 | |
| • 303: Water and Effluents 2018 | | | | |
| 303-1 | Interactions with water as a shared resource | 4.2.2 Water Consumption Management | 58 | |
| 303-5 | Water consumption | 4.2.2 Water Consumption Management | 58 | |
| • 305: Emissions 2016 | | | | |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 4.2.3 Greenhouse Gas Emissions | 58 | |
| • 306: Waste 2020 | | | | |
| 306-4 | Waste diverted from disposal | 4.2.4 Waste Management | 59 | |

GRI Standards Disclosure Index Comparison Chart

| Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|---|--|-------------------------------|------|---------|
| GRI 400 Social | | | | |
| • 401: Employment 2016 | | | | |
| 401-1 | New employee hires and employee turnover | 5.1 Talents as Cornerstones | 60 | |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | 5.2 Compensation and Benefits | 65 | |
| 401-3 | Parental leave | 5.3 Parental Leave | 67 | |
| • 402: Labor/Management Relations 2016 | | | | |
| 402-1 | Minimum notice periods regarding operational changes | 5.7 Employee Communication | 73 | |
| • 403: Occupational Health and Safety 2018 | | | | |
| 403-1 | Occupational health and safety management system | 5.5 Occupational Safety | 68 | |
| 403-3 | Occupational health services | 5.6 Health Promotion | 71 | |
| 403-5 | Worker training on occupational health and safety | 5.5 Occupational Safety | 68 | |
| 403-6 | Promotion of worker health | 5.6 Health Promotion | 71 | |
| • 404: Training and Education 2016 | | | | |
| 404-1 | Average hours of training per year per employee | 5.8 Talent Cultivation | 74 | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | 5.9 Performance Evaluation | 78 | |
| • 405: Diversity and Equal Opportunity 2016 | | | | |
| 405-1 | Diversity of governance bodies and employees | 5.1 Talents as Cornerstones | 60 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | 5.2 Compensation and Benefits | 65 | |
| • 414: Supplier Social Assessment 2016 | | | | |
| 414-1 | New suppliers that were screened using social criteria | 3.2 Sustainable Supply Chain | 45 | |

Appendix - SASB Standards Comparison Chart

| Disclosure Topic: Energy Management | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--------------------------|---|--|--|------|--------------------------|-------------|--|--|--|--|------|-----|-----------|----------|--------|------|-----|-----------|----------|--------|------|-----|-----------|----------|--------|
| Code | | Corresponding information | | | | | | | | | | | | | | | | | | | | | | | | |
| Greenhouse Gas Emissions | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TC-SC-110a.1 | | (1) There was no data on Scope 1 GHG emissions for FocalTech in 2021. | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Gross global Scope 1 emissions | | (2) This indicator is not applicable to FocalTech. | | | | | | | | | | | | | | | | | | | | | | | | |
| (2) Amount of total emissions from perfluorinated compounds | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Greenhouse Gas Emissions | | Energy conservation and carbon reduction related action plan | | | | | | | | | | | | | | | | | | | | | | | | |
| TC-SC-110a.2 | | (1) Air compressor equipment: Replace the old air compressor with variable frequency compressor | | | | | | | | | | | | | | | | | | | | | | | | |
| Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets | | (2) Company vehicles use: Optimize the amount of fuel used by company vehicles, and make advance arrangements for carpool plans. | | | | | | | | | | | | | | | | | | | | | | | | |
| | | (1) Total consumption of energy | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <table> <tr> <th rowspan="2">Year</th><th rowspan="2">Average number of people</th><th colspan="2">Electricity</th><th rowspan="2">Energy Indirect GHG Emissions (Scope 2) per capita (tCO₂eq/yr-person)</th></tr> <tr> <th>Total electricity consumption (KWh/yr)</th><th>Energy Indirect GHG Emissions (Scope 2) (tCO₂eq/yr)</th></tr> <tr> <td>2019</td><td>350</td><td>1,365,360</td><td>694.9682</td><td>1.9856</td></tr> <tr> <td>2020</td><td>395</td><td>1,747,281</td><td>877.1350</td><td>2.2206</td></tr> <tr> <td>2021</td><td>434</td><td>1,759,492</td><td>883.2650</td><td>2.0352</td></tr> </table> | | | Year | Average number of people | Electricity | | Energy Indirect GHG Emissions (Scope 2) per capita (tCO ₂ eq/yr-person) | Total electricity consumption (KWh/yr) | Energy Indirect GHG Emissions (Scope 2) (tCO ₂ eq/yr) | 2019 | 350 | 1,365,360 | 694.9682 | 1.9856 | 2020 | 395 | 1,747,281 | 877.1350 | 2.2206 | 2021 | 434 | 1,759,492 | 883.2650 | 2.0352 |
| Year | Average number of people | Electricity | | Energy Indirect GHG Emissions (Scope 2) per capita (tCO ₂ eq/yr-person) | | | | | | | | | | | | | | | | | | | | | | |
| | | Total electricity consumption (KWh/yr) | Energy Indirect GHG Emissions (Scope 2) (tCO ₂ eq/yr) | | | | | | | | | | | | | | | | | | | | | | | |
| 2019 | 350 | 1,365,360 | 694.9682 | 1.9856 | | | | | | | | | | | | | | | | | | | | | | |
| 2020 | 395 | 1,747,281 | 877.1350 | 2.2206 | | | | | | | | | | | | | | | | | | | | | | |
| 2021 | 434 | 1,759,492 | 883.2650 | 2.0352 | | | | | | | | | | | | | | | | | | | | | | |
| Energy Management | | [Note] The statistics include only the data of the Taiwan plant. | | | | | | | | | | | | | | | | | | | | | | | | |
| TC-SC-130a.1 | | (2) The energy of FocalTech is sourced from an external company, which accounts for 100% of the electricity consumed. | | | | | | | | | | | | | | | | | | | | | | | | |
| (1) Total energy consumed | | (3) Not yet using renewable energy | | | | | | | | | | | | | | | | | | | | | | | | |
| (2) Percentage grid electricity | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (3) Percentage renewable energy | | | | | | | | | | | | | | | | | | | | | | | | | | |

Disclosure Topic: Energy Management

Code

Corresponding information

Water management

TC-SC-140a.1

(1) Total water withdrawn

(2) Total water consumed, percentage of each in regions with high or extremely high baseline water stress

Year

Average number of people

Water

Total water consumption (ml)

Sewage discharge volume (ml)

2019

350

7.61

0.02

2020

395

8.47

0.02

2021

434

8.75

0.02

[Note] The main water source of FocalTech is 100% from Taiwan Water Corporation, and no other water sources such as groundwater, surface water and rainwater are used.

Disclosure Topic: Waste Management

Code

Corresponding information

Waste management

TC-SC-150a.1

Amount of hazardous waste from manufacturing, percentage recycled

FocalTech actively reduces waste and production cost. To reduce waste generation, FocalTech not only improves the process and operation management, but it also develops and selects non-polluting and low-polluting design processes. Furthermore, the metal wastes generated during the production process are recycled through effective management procedures and the recycled metal wastes are sold to certified waste recyclers to reduce the waste of resources.

Item

2021

Total waste volume

1.57 metric tons

[Note] The statistics include only the data of the Taiwan plant.

| Disclosure Topic: Employee Health and Safety | |
|---|--|
| Code | Corresponding information |
| <p>Employee health and safety</p> <p>TC-SC-320a.1</p> <p>Description of efforts to assess, monitor and reduce exposure of employees to human health hazards</p> | <p>(1) Adopt the ISO 45001 management system</p> <p>(2) Implement the occupational safety and health management system</p> <p>(3) Conduct risk assessment for hazard identification within the plant</p> <p>(4) Develop operational control standards</p> <p>(5) Formulate a target plan on occupational safety and health</p> |
| <p>Employee health and safety</p> <p>TC-SC-320a.2</p> <p>Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations</p> | <p>There were no incidents of violation against the relevant laws and regulations in 2021, thus the total amount of related financial losses was 0.</p> |

| Disclosure Topic: Talent Recruitment | | | | | | | | |
|---|---------------------------|-----------|-----------|-----|-----------|-----------|-----|-------|
| Code | Corresponding information | | | | | | | |
| Recruiting and managing a global and skilled workforce TC-SC-330a.1 Percentage of employees that are (1) foreign nationals and (2) located offshore | Gender and type | | Male | | | Female | | Total |
| | Region | Full-time | Part-time | Sum | Full-time | Part-time | Sum | |
| | Taiwan and overseas | 352 | 2 | 354 | 79 | 1 | 80 | 434 |
| | Mainland China | 333 | 0 | 333 | 81 | 0 | 81 | 414 |
| | Employees worldwide | 685 | 2 | 687 | 160 | 1 | 161 | 848 |
| [Note] FocalTech has hired a consultant from Germany, who is not included in the statistics of the number of employees in Taiwan and overseas. | | | | | | | | |

Disclosure Topic: Hazardous Substance Management

| Code | Corresponding information |
|---|--|
| <p>Product life-cycle management</p> <p>TC-SC-410a.1</p> <p>Percentage of products by revenue that contain IEC 62474 declarable substances</p> | <p>Based on the calculation of total product sales, the percentage of non-compliance with IEC 62474 is 0%. FocalTech is in full compliance with the requirements of the international regulations listed in IEC 62474 Material Declaration Standard.</p> |
| <p>Product life-cycle management</p> <p>TC-SC-410a.2</p> <p>Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops</p> | <p>FocalTech is not an end product manufacturer and thus no corresponding content is applicable.</p> |

Disclosure Topic: Supply Chain Management

| Code | Corresponding information |
|--|--|
| <p>Material sourcing</p> <p>TC-SC-440a.1</p> <p>Description of the management of risks associated with the use of critical materials</p> | <p>FocalTech does not use significant amounts of conflict minerals in the manufacturing of its products and conducts conflict minerals due diligence along its supply chain to ensure that 100% of its suppliers' products are free of minerals from conflict areas.</p> |

Disclosure Topic: Integrity Management

| Code | Corresponding information |
|---|---|
| <p>Intellectual property protection</p> <p>TC-SC-520a.1</p> <p>Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations</p> | <p>There were no incidents of violation against the relevant laws and regulations in 2021, thus the total amount of related financial losses was 0.</p> |

Disclosure Topic: Other activities

Code

Corresponding information

Activity metric

TC-SC-000.A

Total production

An IC design company specializing in human-machine interface innovation. FocalTech's products include touch controller ICs, display driver ICs, integrated driver controller (IDC), and fingerprint recognition ICs. The revenue in 2021 reached NT\$22,174,769 thousand.

Activity metric

TC-SC-000.B

Percentage of production from owned facilities

All production of FocalTech in 2021 was from the outsourced processing facilities.

Appendix - Assurance Statement

