


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
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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

1. Major issues in 2020 (five in total): Operational Performance / Supplier Management / Customer Service and Satisfaction / Employee Benefits and Communication / Talent Cultivation and Learning Development.
2. 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.
3. 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.



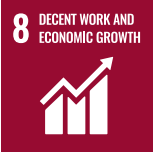
Major issue matrix



■ Economic (GRI200)
 ■ Environmental (GRI300)
 ■ Social (GRI400)
 ■ Other or customized issues

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>3 GOOD HEALTH AND WELL-BEING</p> <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>4 QUALITY EDUCATION</p> <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>7 AFFORDABLE AND CLEAN ENERGY</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>8 DECENT WORK AND ECONOMIC GROWTH</p> <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
 <p>Industry, innovation and infrastructure</p>	<ul style="list-style-type: none"> Product Quality Innovation R&D 	<p>2. Innovation Value Breakthrough</p>	<ul style="list-style-type: none"> ✓ 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.
 <p>Responsible consumption and production</p>	<ul style="list-style-type: none"> Waste Management 	<p>3. Safeguarding Green Environment</p>	<ul style="list-style-type: none"> ✓ 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.
 <p>Climate action</p>	<ul style="list-style-type: none"> Energy Management and Greenhouse Gas Emissions Climate Change 	<p>3. Safeguarding Green Environment</p>	<ul style="list-style-type: none"> ✓ 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
 <p>Partnerships for the goals</p>	<ul style="list-style-type: none"> Supply Chain Management 	<p>2.2 Sustainable Supply Chain</p>	<ul style="list-style-type: none"> ✓ 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