

• 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:

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|---|---|
| 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)

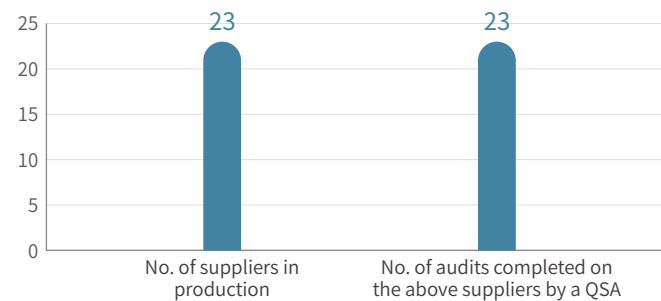
Certification acquisition percentage	No. of plants who have acquired certification	Economic		Environmental			Social			
		ISO9001	IATF16949	ISO14001	QC080000	SONY GP	ISO45001	RBA Social Responsibility Management, RBA	Integrity Commitment	Corporate Social Responsibility Commitment Agreement
COG packaging 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%

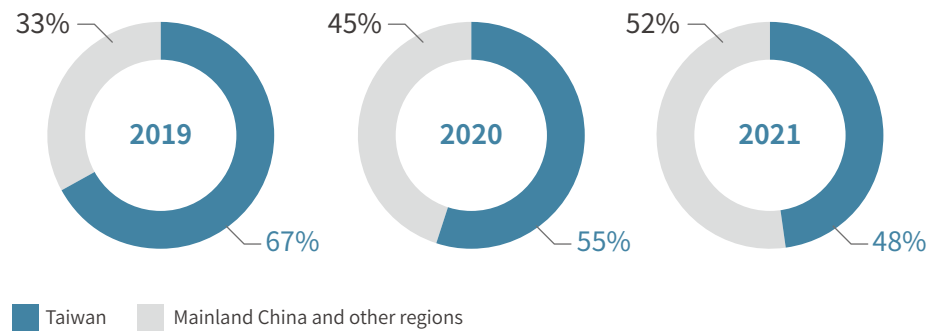
No. and percentage of audits completed by FocalTech on suppliers in 2021

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.



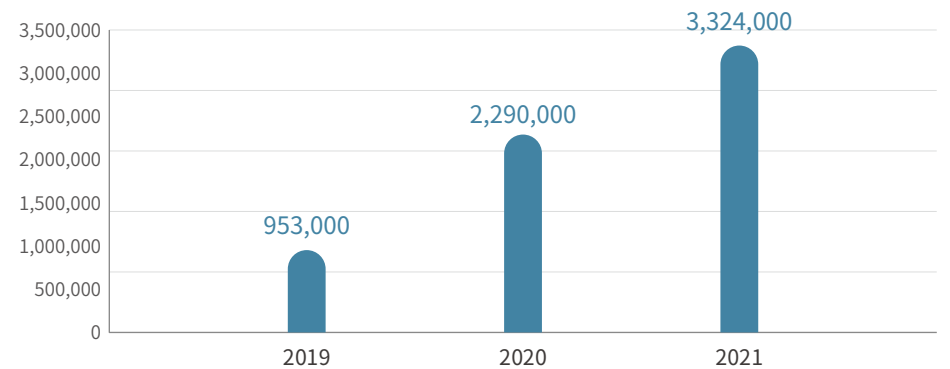
Region \ Year	2019	2020	2021
Taiwan	67%	55%	48%
Mainland China and other regions	33%	45%	52%

• 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:



Year	2019	2020	2021
Amount spent on green procurement (NT\$)	953,000	2,290,000	3,324,000

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