FocalTech

2022
ESG INSIGHT
REPORT

FocalTech Systems Co., Ltd.

FocalTech is an IC design company specializing in human-machine interface innovation. The company's products include touch chips, display driver chips, integrated touch and display chips (IDC), and fingerprint recognition chips.

The 2022 sustainability report has been prepared in accordance with the significant, inclusive, responsive, and impactful principles of the GRI General Reporting Guidelines 2021 edition and the AA1000 Accountability Principles 2018 edition. The report references SASB standards and TCFD framework.

ENVIRONMENTAL

Goal: net zero emissions by 2050
FocalTech expects to complete the 14064-1 GHG inventory and verification in 2024.

Certifications

Certification - Taiwan		Accreditation Body	Validity
ISO 9001	Quality Management System	TUV NORD	2021-2024
ISO 14001	Environmental Management System	TUV NORD	2023-2026
ISO 45001	Occupational Health and Safety	TUV NORD	2020-2023

Climate Change

In 2022, Focal Tech began adopting TCFD framework to address climate-related risks and opportunities and uses the tools provided by TCCIP (Climate Change Integration Service Platform) for assessing climate change physical risk scenarios. The company adopts the 2DS / RCP2.6 scenario as the basis for identifying climate-related risks and opportunities, focusing on physical and transition risks over a ten-year period, aligning with the company's long-term business development cycle.

The Sustainable Development Committee is responsible for identifying climate-related risks and opportunities and formulating corresponding strategies. Action plans are developed to seize opportunities, reduce operational risks, and progress is regularly reported to the Board of Directors for monitoring of the implementation and effectiveness of these strategies.

■ Risks Identified

#	Climate Change Risks	Financial Impact	Risk Level — Low	Risk Level — Mid	Risk Level — High	Time Frame — Short	Time Frame — Med.	Time Frame — Long
Policies and Regulations								
R1	Increased pricing on greenhouse gas emissions	Increased operating costs and reduced profits			●		■	■
R2	Strengthening emissions reporting obligations			●		■	■	■
R3	Requirements and regulations for existing products and services			●		■		
Technology								
R4	Replace existing products and services with low-carbon commodities			●				■
R5	Costs of low-carbon technology transition (suppliers)			●			■	■
Market								
R6	Rising cost of raw materials				●	■	■	■

#	Climate Change Risks	Financial Impact	Risk Level			Time Frame		
			Low	Mid	High	Short	Med.	Long
Goodwill								
R7	Customer preferences	Increased operating costs and reduced profits		●			■	■
Immediacy								
R8	Increased severity of extreme weather events such as typhoons and floods		●				■	
Long-term								
R9	Changes in rainfall(water) patterns and extreme changes in climate patterns			●			■	■
R10	Rising of average temperatures			●			■	■
R11	Rising sea-levels			●			■	■

High Risks

1. **Increased pricing of greenhouse gas emissions,** and the Climate Change Response Act will be targeted directly at 2024. Carbon fees are levied on products that emit or indirectly emit high emissions. The possible impact of this aspect of risk on finance is the increase in operating costs, but at this stage the company is not a high-carbon emission industry, so it will not have a great impact on the overall operating financial impact. Considering the future, FocalTech will implement GHG inventory in 2024. At the same time, it will carry out assessment operations for the purchase of green electricity, biomass energy and carbon rights, and set carbon reduction targets.

2. **Potential increase in wafer raw material costs.** Due to climate change, including the trial implementation of carbon tax by the European Union in 2023, the production cost, processing cost and transportation cost of wafer raw materials will increase, which will affect operations. In response to the plan, the R&D and design of new products aim to reduce the use of raw materials, and strengthen the proportion of localized procurement in the supply chain, so as to reduce the increase in the cost of raw materials and transportation.

Opportunities Identified

#	Climate Change Opportunities	Financial Impact	Risk Level			Time Frame		
			Low	Mid	High	Short	Med.	Long
Resource Efficiency								
O1	Reduce water consumption and consumption	Reduce operating costs and increase profitability	●				■	■
O2	Use more efficient suppliers			●			■	■
O3	Recycle			●			■	■
O4	Improve the green energy of buildings		●					■
O5	Adopt more efficient transportation methods			●			■	■
Market								
O6	Use new technology	The operating cost increased slightly, and the overall profit increased		●			■	■
Product Service								
R7	R&D and innovation to develop new product and services			●			■	■
Energy Source								
O8	Use low-carbon energy			●			■	■
Toughness								
O9	Shift to decentralized energy		●				■	■

Note: Short-term is 1-3 years, medium-term is 3-5 years, and the long-term is 6-10 years

GHG and Energy Management

FocalTech is a professional IC design company and activities are limited to the office building. In June 2022, we relocated from the leased office to self-owned office. Taking advantage of this opportunity with our own property, we proactively planned for future energy-saving and carbon reduction benefits. We made a total investment of NTD 7.4 million, including the procurement of a central control system (PLC), full adoption of LED lighting which saves 35.27% of electricity consumption, installing thermal insulated windows, and more.

	2020	2021	2022
Average Number of People	395	434	420
Electricity Consumption (kWh/yr)	1,747,281	1,759,492	2,035,707
Electricity Consumption (GJ/yr)	629.02	633.42	732.85
Factory Floor Area (ping•)	2,207	2,007	4,033.91
Electricity Intensity (GJ/ping•)	0.285	0.287	0.182
Electricity Intensity (GJ/m^3)	0.0862	0.0868	0.0550

• 1 ping = 3.3058m^3

The new office space is 43% larger than the previous leased office. Higher total energy consumption in June to August 2022 was recorded compared to the old office due to overlap usage of old and new office area, summer peak season power consumption as well as air-conditioning adjustments. However, by analyzing the actual electricity usage from September to December 2022 and comparing it to the same period of the previous year, we achieved a significant 16% reduction in electricity consumption despite an increase in floor area.

GHG Emissions	2020	2021	2022
Scope 1 (tCO$_2$e) Refrigerants, carbon dioxide fire extinguishers, and septic tanks. (inventory since 2022)	-	-	87.98
Scope 2 (tCO$_2$e) Electricity for equipment, offices and public areas.	900.27	895.60	1,039.81
Total Emissions (tCO$_2$e)	990.27	895.60	1,127.79
Average Number of People	395	434	420
GHG Emissions Intensity on per Capita Basis (tCO$_2$e/person)	2.28	2.06	2.68
GHG Emissions Intensity on Floor Space Basis (tCO$_2$e/m^3)	0.1234	0.1228	0.0846

Other indirect emissions (Scope 3) will be quantified and disclosed in 2024.

GHG and Energy Management Plans

Short-term	• Complete the drafting of talent training, strategic objectives, control mechanism, internal verification and external verification planning, so as to facilitate the introduction of ISO 14064-1: 2018 greenhouse inventory in 2024. • The electricity saving and carbon emission in 2023 will be reduced by 5% compared with 2022. • Collect green certificates and green electricity information.
Mid-term	• Pass third-party verification of ISO 14064-1 greenhouse gas inventory. • Establish a list of suitable green power procurement manufacturers.
Long-term	• Continue to implement and evaluate energy-saving and carbon-saving targets. • It is estimated that in 2040, the purchase of green electricity will replace the current main electricity consumption and reduce carbon emissions in scope 2. • Use renewable energy and increase the utilization rate of renewable energy.

Water Management

The water used by FocalTech is tap water for office purposes.

	2020	2021	2022●
Average Number of People	395	434	420
Water (ML) — Total Water Consumption	8.47	7.61	4.89
Water (ML) — Sewage Discharge	0.002	0.001	-

● In the second half of 2022, since the new plant does not have an independent water meter, only January to June will be counted, and the sewage will be treated uniformly by the park.

Waste Management

By improving the material, size and performance of products, we hope to achieve the purpose of maximizing the sustainable use of resources. In addition, actively reduce waste and reduce production costs, reduce waste generation by improving process and operation management, and develop and select non-polluting and low-pollution design process.

In addition, defective products produced by outsourced ICs are recycled through effective management procedures to reduce waste of resources. The waste is mainly general domestic waste generated in the employee office area, which is declared by the qualified manufacturer for general industrial waste; the company does not generate hazardous waste.

Statistical Item \ Year	2020	2021	2022	Disposal	
				Method	Location
Waste paper box	1.530	1.507	1.202	Recycle	Offsite
Waste plastic	1.278	1.727	1.594		
Waste IC	0.906	0.999	0.672		
Waste plastic	3.713	4.233	3.468		

Unit: metric ton

Clean Tech

Sustainable Environment and Innovative Growth

Since 2015, FocalTech has been investing in the research and development of IDC (TDDI integrated touch display driver) technology. In 2022, it made remarkable achievements in the automotive market, this product significantly reduces the manufacturing processes and consumables required by panel customers, leading to a direct 50% reduction in IC procurement by end customers, effectively reducing resource consumption on our planet.

> *In 2022, FocalTech did not experience any customer complaints related to violations of product restrictions under RoHS, WEEE, or REACH regulations.*

Green Procurement

FocalTech gives priority to purchasing products recognized by government agencies with eco-labels. In recent years, we have actively replaced old and energy-consuming equipment in our offices and factories, opting for energy-saving certified air conditioners, compressors, refrigerators, desktop computers, laptops, LCD monitors, and adopting flat-panel lighting throughout the new office.

Percentage on green procurement in the past three years

2020	2021	2022
99.65%	99.58%	99.96%

SOCIAL

Human Rights

FocalTech follows the United Nations "Universal Declaration of Human Rights", "United Nations Global Covenant", "United Nations Guiding Principles for Business and Human Rights" and the International Labor Organization's "Declaration on Basic Principles and Rights at Work" " and other human rights conventions, and recognize internationally recognized basic human rights.

Internal regulations include "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".

FocalTech also cooperates with customer audits to carry out human rights-related hazard identification and risk assessment, and regularly holds "social responsibility management review meetings".

Human Rights Commitments

- No Child Labor
- No Forced Labor
- Humane Treatment
- Non-Discrimination Policy
- Health and Safety
- Occupational Safety
- Emergency Preparedness
- Integrity Management
- Environment
- Harmful Substances
- Public Health and Accommodation

No human rights violations in 2022.

Employee Composition

Employees		2020		2021		2022	
		Full-time	Contractors●	Full-time	Contractors●	Full-time	Contractors●
Gender	Male	339	-	352	2	342	2
	Female	63	-	79	1	75	1
Region	Taiwan	398	-	431	-	414	3
	Overseas	4	-	3	-	3	-
Total Employees (excl. dispatch)		402		434		420	
Dispatched Workers		4		4		3	

● Contractors have fixed term employment including temporary, short-term, seasonal, dispatch, foreign workers, technical students, interns.

Employee Turnover

Employee Turnover Rate

2021 By Gender/ Region	2021 Total	2022 Total
New Hires (M)	101	69
New Hires (F)	27	19
New Hires Total	128	88
Resigned Employees (M)	71	77
Resigned Employees (F)	17	21
Resigned Employees Total	88	98
Turnover Rate	21.5%	23%

Year	Rate
2018	16%
2019	15%
2020	20%
2021	21.5%
2022	23%

Occupational Safety and Health

FocalTech is an IC design company with no manufacturing operations, our new office area in Zhubei has obtained ISO 45001 certification through verification by TUV NORD in 2022, with annual external audits to ensure the effectiveness of our management system.

FocalTech has established an Occupational Safety and Health Committee consisting of 13 members to regularly review occupational safety issues on a quarterly basis.

We employ full-time, dedicated occupational health nurses to provide regular follow-up and care, reduce the risk of major illnesses among employees, and assess potential occupational hazards. Feedback channels are available for worker consultation and participation, such as suggestion boxes and e-mail complaint on the internal website. 3 hours of occupational safety and health education are provided for new employees and existing employees on an annual basis. Fire evacuation drills are conducted biannually.

> The number of occupational injury incidents in 2022 was 0.
> SR=0, FR=0

Employee Communication

FocalTech provides diverse communication channels, such as labor-management meetings, welfare committee meetings, new employee care, and lifestyle exchange platforms to foster opportunities and space for bilateral communication.

2022: four labor-management meetings and four cross-functional communication meetings were held, with a total attendance of 312 participants.

Goals for 2023:
• Hold labor-management meetings regularly.
• The Chairman informs employees of the Company's recent development and financial reports through birthday celebrations, and to eliminate the concerns of Company's operation and welfare development.
• Set up a Chairman's mailbox and assign 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.

Salary Structure

At FocalTech, employee salary adjustments are primarily based on factors such as individual years of service, educational background, and professional capabilities, without any differentiation based on personal physical or psychological differences. There is no gender pay gap between male and female employees, as well as indirect employees, when comparing basic salaries and overall compensation ratios. Additionally, for non-supervisory personnel, both male and female employees receive standard salaries that exceed the statutory minimum wage.

Employee Turnover Rate

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.

Additionally, in the past FocalTech has issued employee stock options and granted restricted stock to employees with vesting conditions.

Gender Pay Equality

	2020	2021	2022
Female	1.000	1.000	1.000
Male	1.793	1.776	1.755

Due to industry characteristics, proportion of male employees or supervisors are higher than females. The overall disparity trend is mainly due to cultivation of high-level management team over the past two years; many senior executives have been added, which happen to be male.

Full-time non-executive employee salary in 2022
The Company's earnings per share increased from NT$3.97 in 2020 to NT$30.23 in 2021, and the average salary of full-time employees who are not in supervisory positions increased by 33%. In 2022, due to the sudden drop in the general environment and market, the company's profit was loss, and the average and median salary decreased by 29% and 22% compared with 2021.

Year		2020	2021	2022
Number of full-time non-executive employees		334	362	410
Annual salary of full-time non-executive employees (Unit: NT$ thousand)	Average	2,018	2,679	1,897
	Median	1,740	1,963	1,536

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

FocalTech offers salary and benefits and plans a wide range of welfare programs to provide comprehensive care to employees.

Apart from statutory welfare benefits, the Company (including Employee Welfare Committee) provides additional leave, year-end bonuses, festive gifts, wedding/celebration/hospitalization subsidies, company trips, club activities, departmental gathering subsidies, group insurance and employee stock ownership.

Parental Leave

Parental Leave (Taiwan)		2020	2021	2022
Reinstatement rate	M	0%	0%	0%
	F	100%	67%	50%
	Total	100%	67%	50%
Number of employees who have reinstated and worked for a year as of current year	M	0	0	0
	F	1	1	1
	Total	1	1	1
Retention rate	M	0%	0%	0%
	F	100%	50%	50%
	Total	100%	50%	50%

Talent Cultivation

The 2022 annual education and training plan was generated through compilation of employee surveys and unit supervisors' requests. The training unit carried out course planning and arrangements, inviting employees to participate and enhance their job-related knowledge and skills.
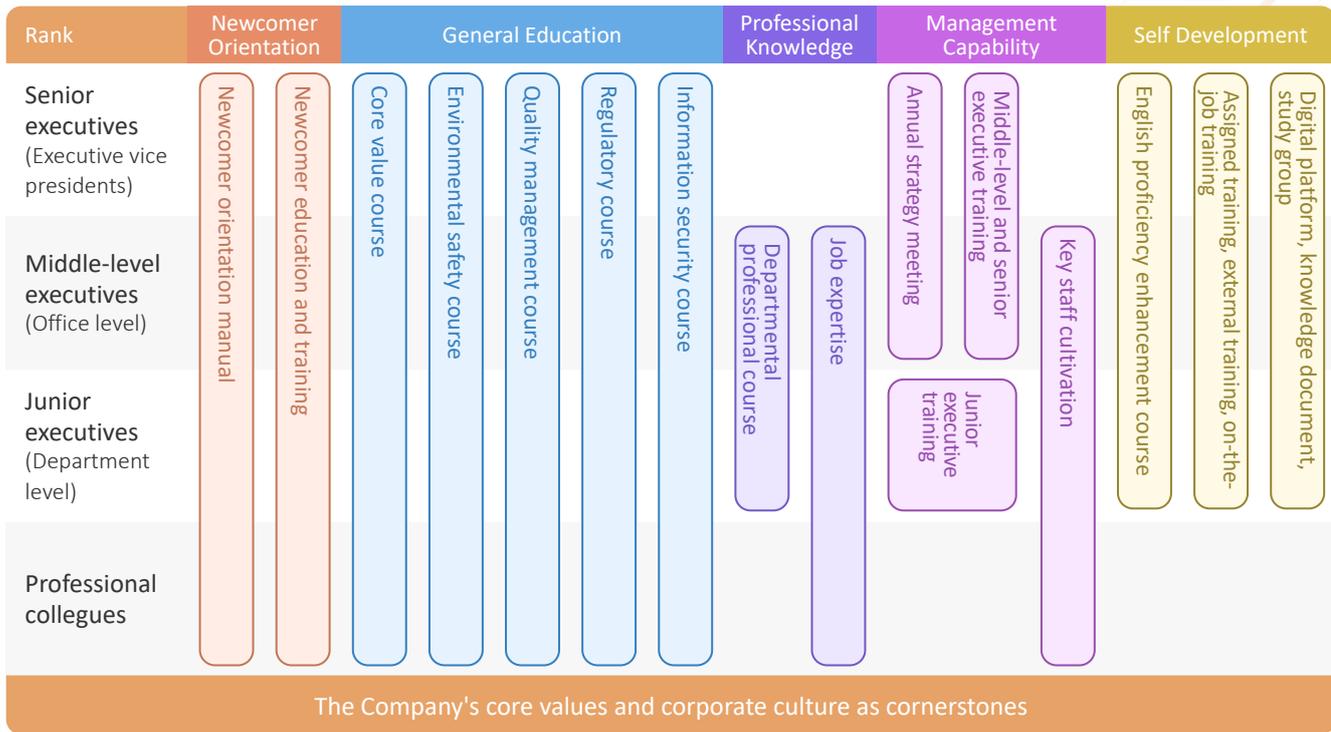
Post-training satisfaction surveys showed that both the "practicality" and "job assistance" aspects of the courses received satisfaction rates of over 90%.

We have designed specific training blueprints for each unit, providing complete training programs in areas such as professional expertise and management capabilities. Through various functional training, new employees can quickly adapt to their roles, assimilate into the company culture, and foster a sense of unity within the company. Additionally, it is essential for experienced employees to pass down their practical experience to the next generation of new employees.

FocalTech has established the "Education and Training Management Procedure," arranging annual educational training based on the required employee competencies and skills for the company's development. The training program includes four major categories as follows:

Senior Management	Strategic leadership	• Visionary leadership • Strategic leadership • Cross-center collaboration
Middle Management	Organizational leadership	• Goal management • Key staff cultivation • Performance management
Entry-level Management	Mission leadership	• Talent selection and cultivation • Team building • Execution
General Employees	Personal performance Technical expertise Work attitude	• Problem soling • Proactive and active • Commitment to mutual trust • Achieving a win-win situation • Prioritzing the Company's interest

Talent Cultivation and Development Framework

Rank	Newcomer Orientation		General Education					Professional Knowledge		Management Capability			Self Development		
Senior executives (Executive vice presidents)	Newcomer orientation manual	Newcomer education and training	Core value course	Environmental safety course	Quality management course	Regulatory course	Information security course			Annual strategy meeting	Middle-level and senior executive training	Key staff cultivation	English proficiency enhancement course	Assigned training, external training, on-the-job training	Digital platform, knowledge document, study group
Middle-level executives (Office level)								Departmental professional course	Job expertise						
Junior executives (Department level)											Junior executive training				
Professional colleagues															

The Company's core values and corporate culture as cornerstones

Training hours of personnel at all levels in 2022

Rank	Hours		Number of participants		Average number of hours	
	Male	Female	Male	Female	Male	Female
General employees	2,928	908	225	67	13.01	13.55
Junior executives	822	163	97	12	8.47	13.58
Senior / Middle executives	353	15	37	2	9.54	7.50
Senior executives	27	-	10	-	2.70	0.00
Total	4,310	1,086	369	81	11.19	13.41

Academic Industry Collaborations

In 2022, FocalTech invested a total of 8.73 million NTD in academic-industry collaborations.

Master's and Ph.D. students from four major departments: Semiconductor Components, Design, Materials, and Processes attended the symposium and lecture.

In addition to collaborating with the Semiconductor Research Institute to nurture talents, we also initiated eight technical research and development projects with four universities in Taiwan, benefiting and involving 65 students. This initiative further enriches the future talent pool in the semiconductor industry.

Enterprise Symposium

Approximately 110 students participated in the symposium. During the symposium, our Vice President of Technology and HR Manager were invited to provide on-site explanations, enabling students to gain a deeper understanding of FocalTech's cutting-edge chip design capabilities, professional expertise, and comprehensive employee benefits. At the same time, the symposium allowed students to realize how their current academic studies align with their future careers, emphasizing the seamless integration between their education and the right career choice.

Professional Lecture - Introduction to Touch Detection Principles and Integration Trends in Touch Display

Approximately 90 students participated. A special arrangement was made for the Vice President to deliver a two-hour professional lecture, covering key topics such as self-capacitive touch and mutual-capacitive touch, an overview of display panel structures, and the integration of touch and display functions. The lecture provided insightful explanations of accumulated expertise, presented in an easy-to-understand manner, allowing students to gain valuable insights and a deeper understanding of touch display technology.

Performance Evaluation

The HR department at FocalTech follows the "Performance Management Policy" to set and evaluate performance objectives through performance interviews and assessments. Regular reviews of employee performance are conducted annually to measure individual achievements and assist in personal career development, ultimately enhancing both organizational and individual performance.

Performance evaluation adheres to the principles of transparency and fairness and ensures that no differentiation is made based on factors unrelated to work performance, such as gender, age, or religion. Employee performance evaluations are conducted semi-annually.

In 2022, 99% of employees participated in the performance and career development evaluation according to the performance assessment system. The 5 employees who did not participate in the performance assessment include the Chairman, employees who have been in their positions for less than three months, and a massage therapist.

Supply Chain Management

🟧 Core goals and achievements

Core Goals		2021 Achievement	2022 Achievement
New suppliers sign the "Integrity Commitment"	100%	✅	✅
New suppliers sign the "Corporate Social Responsibility Agreement"	100%	✅	✅
New suppliers obtain ISO 9001 certification	100%	✅	✅
Suppliers obtain ISO 14001 certification	96%	89%●	93%●
Suppliers conforming with RoHS Directive and REACH Regulations	100%	✅	✅
Raw materials procured from Global Reporting Initiative (GRI) certified smelters	100%	✅	✅
System audits conducted	90%	100%	100%
2023: 50% of the key suppliers have completed ISO 14064 education and training internally.			

● 89% (2021) and 93% (2022) suppliers obtained ISO 14001 certification and 100% (2021 &2022) of key suppliers obtained certification.

🟧 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
- Focus on ESG issues

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

🟧 Conflict Minerals Management

FocalTech follows the RBA Responsible Minerals Initiative (RMI) requirements and requests suppliers to submit a "Conflict-Free Minerals Commitment Letter" to ensure that the raw materials used in FocalTech' products are sourced from smelters certified by the RMI.

The Conflict Minerals Reporting Template (CMRT) from RMI is used as the investigation form to request suppliers to disclose the usage of metals in their provided materials, including tantalum, tin, tungsten, and gold (collectively known as 3TG), ensuring that none of these metals originate from conflict-affected areas. By implementing the conflict minerals procurement policy, FocalTech ensures that all metals used in products sold to customers are in compliance with the conflict-free standards (DRC Conflict-Free). This commitment is to support responsible mineral sourcing and to guarantee that the company's products are free from materials originating in conflict-affected regions.

> *Achievement rate for 2022 was 100%.*

■ Hazardous Substance Management

FocalTech has established the "Management Measures for Hazardous Substances" to ensure that our products comply with applicable hazardous substance laws and regulations, such as the EU regulations (RoHS, REACH, and WEEE directives), as well as customer requirements.

> *Full compliance with hazardous substances regulations in 2022.*

■ Supplier Evaluation and Audit

Percentage of FocalTech's Suppliers Obtaining Relevant Certification

Certification	Total Suppliers		Key Suppliers		New Suppliers	
	No. Acquired Certification	%	No. Acquired Certification	%	No. Acquired Certification	%
Economic						
ISO 9001	28	100%	9	100%	1	100%
IATF 16949	23	82%	9	100%	1	100%
Environmental						
ISO 14001	26	93%	9	100%	1	100%
QC 080000	17	61%	8	89%	1	100%
Social						
ISO 45001	23	82%	9	100%	1	100%
Social Responsibility Management, RBA	5	18%	3	33%	0	0%
Commitment Signing						
Integrity Commitment	28	100%	9	100%	1	100%
Corporate Social Responsibility Commitment Agreement	28	100%	9	100%	1	100%

Note: 2021 version of this table is more reader friendly, refer to 2021 insight for reference. 3 columns of "no. of Suppliers who have acquired certification" seem to refer to (1) total suppliers, (2) key suppliers (3) new suppliers
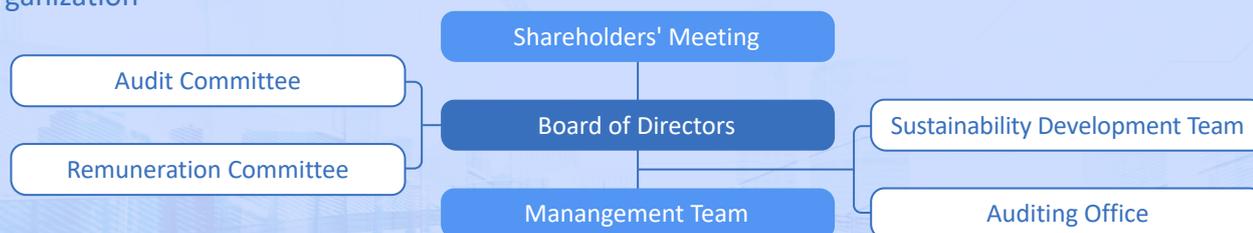
Audits and reviews

In 2022, the Company completed system audits on 17 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.

• Conducted annually

• QMS

• Environmental screening criteria:
   green product management requirements and ISO 14001 environmental management system certification.

• Social screening criteria:
   ISO 45001 OSHM system certification, the RBA social responsibility management, human rights regulations.

GOVERNANCE

Organization

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                              Shareholders' Meeting
   Audit Committee
                              Board of Directors          Sustainability Development Team
   Remuneration Committee
                              Manangement Team            Auditing Office
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Board of Directors

The previous Board of Director's term expired on 2023/6/19 and new appointment of the 8th term was elected at the AGM on 2023/5/30. 5 board meetings were held in 2022, with 97% attendance rate, where 1 director attended a meeting through proxy. The Company plans to bring in more diversity to the seats such as female members, as well as members who have expertise in law, finance and accounting in the future.

Title	Director	Representative	Gender	Executive position in Company	First Elected
Chairperson	Genda Hu		M	CEO & General Manager	2015/1
Director	GWAA LLC	Han-ping Hsieh	M		2015/6
Director	GWAA LLC	Jason Lin	M		2023/5●
Director	Acer Incorporated	Jason Chen	M		2022/6
Independent Director	Chin-tay Shih		M		2015/1
Independent Director	Chan-jane Lin		F		2015/1
Independent Director	Hsing-Chien Tuan		M		2023/5●
Independent Director	Jim Lai		M		2023/5●

● Previous term director was GWAA LLC represented by Chenming Hu and independent directors were Chang Hsu and Benison Hsu.

Board Diversity Statistics

By gender, age and education level			2021		2022		2023	
			No. of people	%	No. of people	%	No. of people	%
Board members	Gender	M	6	87.5%	7	87.5%	7	87.5%
		F	1	14.3%	1	12.5%	1	12.5%
	Age	<50	0	0%	0	0%	0	0%
		>50	7	100.0%	8	100.0%	8	100.0%
	Education Level	MA/MS/PHD	7	100.0%	8	100.0%	8	100.0%
Total no. of board members			7	100.0%	8	100.0%	8	100.0%

Pay Disclosure

FocalTech discloses remuneration of directors, independent directors and top five management personnel in our annual report on an individualized basis, detailing renumeration components including renumeration, salary, pension, business execution expenses, bonus and special disbursements.

Board of Directors	2022 Renumeration	Total (NTD)[•]
Chairman, CEO & General Manager	Genda Hu	35,440,000
Director	GWAA LLC: Han-ping Hsieh	1,020,000
Director	GWAA LLC: Chenming Hu	1,020,000
Director	Acer Incorporated: Jason Chen (appointed 2022/6)	489,000
Independent Director	Chin-tay Shih	1,090,000
Independent Director	Chan-jane Lin	1,100,000
Independent Director	Chang Hsu	1,060,000
Independent Director	Benison Hsu	1,060,000
Management		
VP, CFO, Spokesperson, Corp. Gov. Officer	Jeff (Wei-Chieh) Chang	18,865,000
Vice President	Hsiao-Hsu Tu	18,858,000
Vice President	Wei-Ching Hou	17,712,000
Vice President	Ching-Kai Chang	14,552,000

[•] Total for all companies mentioned in financial statements, includes sum of (i) renumeration of director (remuneration, pension, renumeration to directors, business execution expenses) and (ii) renumeration as an employee (salaries, bonus and special disbursement, pension and renumeration to employees).

Functional Committees

Attendance rate for audit and renumeration committees were 100% for 2022.

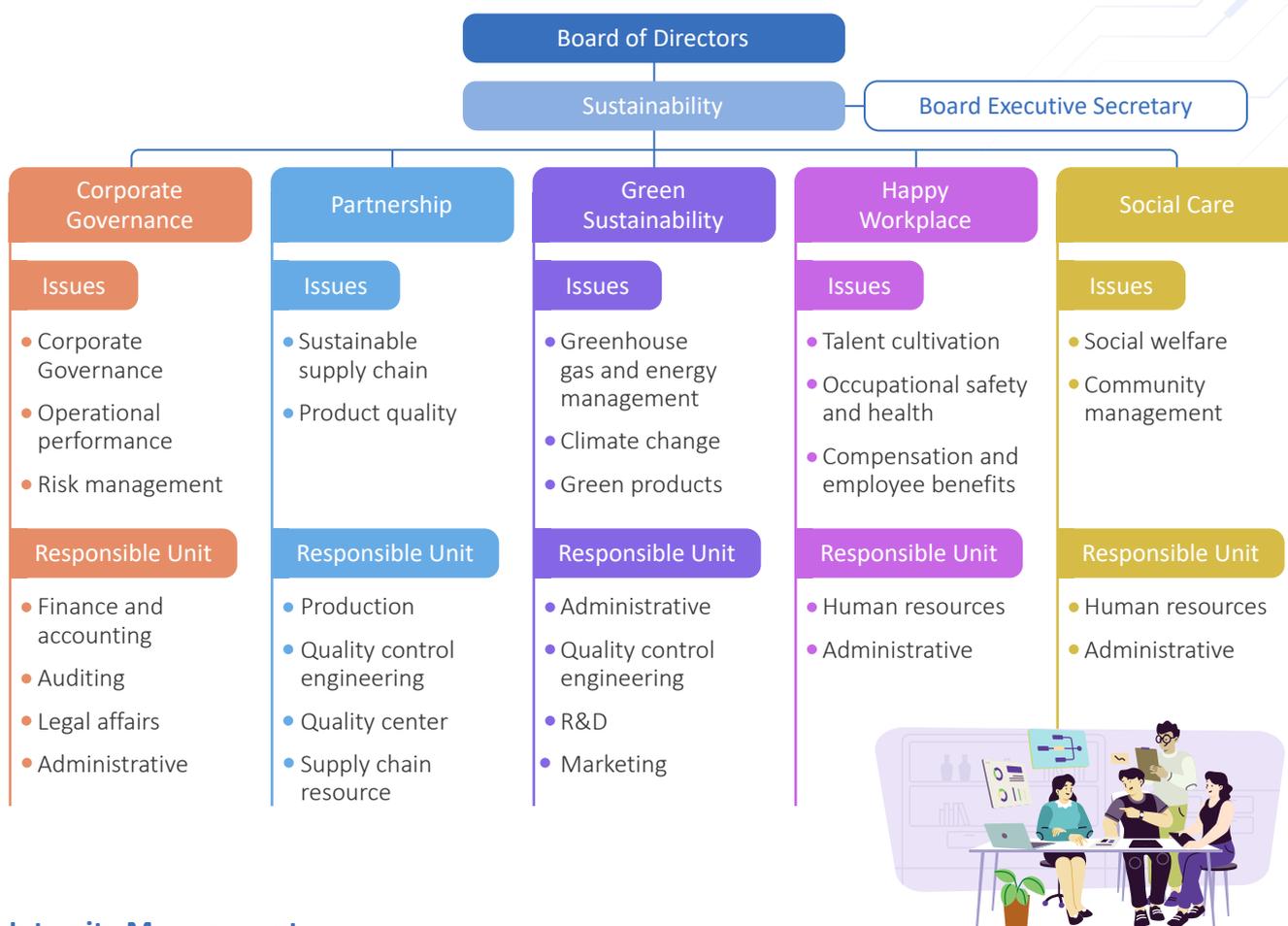|		Audit Committee	Renumeration Committee
Number of Members in Committee		4	3
Number of Meetings in 2022		5	3
Board Title	Name	Committee Title	Committee Title
Independent Director	Chan-jane Lin	Convener	Member
Independent Director	Chin-tay Shih	Member	Convener
Independent Director	Hsing-Chien Tuan[•]	Member	
Independent Director	Jim Lai[•]	Member	Member

[•] Replaces previous audit committee members (independent directors) Chang Hsu and Benison Hsu who retired at AGM on 2023/5/30.

Sustainability Development Team

FocalTech's Board of Directors has established a Corporate Sustainability Committee to promote corporate responsibility and ethical business practices. The Board of Directors has appointed the Director of Corporate Governance, CFO Jeff Chang, on 2021/10/28 as the convener of the Sustainability Development Committee to oversee corporate governance and the aforementioned initiatives. The responsibilities of the committee include corporate governance, ethical business practices, corporate sustainability, and environmental sustainability. The committee collaborates with relevant departments and utilizes company resources.

> *Starting from 2021, an annual sustainability report is prepared and submitted to the Board of Directors to ensure the inclusion of all identified significant issues and to implement robust corporate sustainability governance.*

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                    Board of Directors
                         │
                    Sustainability              Board Executive Secretary
    ┌──────────────┬──────────────┬──────────────┬──────────────┐
 Corporate      Partnership    Green          Happy          Social Care
 Governance                    Sustainability Workplace
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Corporate Governance	Partnership	Green Sustainability	Happy Workplace	Social Care
Issues	**Issues**	**Issues**	**Issues**	**Issues**
• Corporate Governance • Operational performance • Risk management	• Sustainable supply chain • Product quality	• Greenhouse gas and energy management • Climate change • Green products	• Talent cultivation • Occupational safety and health • Compensation and employee benefits	• Social welfare • Community management
Responsible Unit	**Responsible Unit**	**Responsible Unit**	**Responsible Unit**	**Responsible Unit**
• Finance and accounting • Auditing • Legal affairs • Administrative	• Production • Quality control engineering • Quality center • Supply chain resource	• Administrative • Quality control engineering • R&D • Marketing	• Human resources • Administrative	• Human resources • Administrative

Integrity Management

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. 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.

With the business philosophy of integrity, transparency and responsibility, employees are required to comply with ethical standards. FocalTech conducts regular education and training on "integrity management". Managers and employees at all levels are strictly required to not directly or indirectly provide, promise, request or accept any illegitimate benefits in the process of engaging in business activities, or engage in other dishonest behaviors that violate integrity, illegality, or breach of fiduciary obligations.

> *No violations of internal control system and no penalties by the competent authorities in 2022. No incident of corruption or bribery recorded in 2022.*

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

In addition, we prohibit

- Making illegal political contributions
- Engaging in unfair competition
- Prejudicing the rights and interests, health and safety of stakeholders

Risk Management

The Risk Management Policies and Procedures was established with the approval of the Board of Directors in 2021. The Company has implemented annual risk assessment and reported to the Board of Directors since 2018, including identified risks and countermeasures.

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.

Information Security

The Information Security Policy was established in 2020. 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.

Scope and objectives:
Provide principles for the implementation of information security to achieve the three objectives of confidentiality, integrity and availability.

Responsible units and detection procedures:
The information security supervisor formulates important risk factors based on risk assessment, make work plan improvements and regularly updates to the sustainable development team. After coordinating the comprehensive risks, reports to the board of directors according to significance.

External professional organization checks information security:
In 2022, two external professional company inspections had been completed, including vulnerability scanning, penetration testing, and firewall testing.

Reporting Channels and Whistleblower Protection

The reporting channel policy was established in 2016 and available on the Company website. 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 and non-retaliation 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.

No substantiated allegation of corruption was recorded in 2022.