

2023

FocalTech

Sustainability Report



Resilience

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

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About this Report

The report, titled the 2023 ESG Report of FocalTech System Co., Ltd. (below, “FocalTech” or the “Company”), upholds the principles of transparency and integrity in business. It faithfully presents FocalTech’s performance and initiatives in the economic, environmental, and social dimensions throughout 2023. The report provides comprehensive disclosure on the six major areas of “Corporate Governance, Innovative Value Breakthrough, Sustainable Prosperity with Partners, Green Environment, Friendly Corporate Workplace, and Giving Back to Society.” Through this report, we aim to share our commitment and achievements in sustainable development with all stakeholders.

Scope and Boundaries

The data disclosed in this report covers the period from January 1, 2023 to December 31, 2023. The report primarily focuses on FocalTech and our wholly-owned overseas subsidiaries located in Taiwan, mainland China, the United States, South Korea, and other locations. The financial data is sourced from audited financial statements and is consistent with the financial reports.

The content of the report encompasses specific practices and performance data in the economic, governance, social, and environmental dimensions. To ensure the completeness of project and activity performance, some performance data may include information from the most recent three years. Any special circumstances regarding the data will be explained in the respective chapter.

Basis of Reporting

The report has been prepared in accordance with the General Reporting Guidelines 2021 edition published by the Global Reporting Initiative (GRI). The direction of information disclosure in this report also complies with the Operating Procedures for Listed Companies to Prepare and Declare Sustainability Reports, referring to the Sustainability Accounting Standards Board (SASB) standards and the framework of the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, it incorporates principles such as the United Nations Sustainable Development Goals (SDGs). The content of the 2023 report does not include any restatements of information from the previous year’s report.

Report Preparation and Internal Control

To strengthen this ESG Report’s completeness and reliability, the Company has established a process for report preparation as well as procedures for internal audits or external verification in accordance with the Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies quality assurance of the report.

The Sustainable Development Team coordinates writing of the ESG report and is responsible for the integration, compilation, proofreading and revision of the data, strategic objectives, and performance indicators provided by each responsible department.

The draft report is reexamined for its completeness and correctness by each department before being submitted to the supervisor for approval. To provide readers with reliable public information, this report has been verified by an independent third-party verification body, DQS Taiwan Inc., and is in compliance with the requirements of Type 1 Moderate level assurance of the AA1000 Assurance Standard (AA1000AS v3). The final revised draft is submitted to the Board of Directors for review and approval before publication.

Publication Cycle

FocalTech issues our ESG Report once a year and makes it available for download on the corporate website (<http://www.focaltech-electronics.com>) for public access. This is the fourth ESG Report published by FocalTech, and the company plans to release a report annually in the future.

Previous Report Publication Date: June 2023

Current Report Publication Date: August 2024

Next Report Estimated Publication Date: August 2025

Contacting FocalTech

To enhance the quality and content of FocalTech’s ESG Report and facilitate communication with stakeholders, any suggestions or feedback are welcomed. You can reach out to the company through the following contact details:

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Corporate Website: <http://www.focaltech-electronics.com>

Contact Person: Jo Lee, Executive Secretary of the Board

Contact Email: esg@focaltech-electronics.com

Message from the Chairman

FocalTech aspires to achieve sustainable operations in the semiconductor industry and exert a positive impact, contributing to a sustainable future.

The *Global Economic Prospects* report released by the World Bank in early 2024 points out that, in the five years from between 2020 and 2024, global economic activity has experienced its slowest growth since 1990. After a turbulent few years, 2024 will be a turnaround year as aggregate economic data from different sources indicate a gradual recovery of the manufacturing sector, coupled with inventory destocking.

In this complex political and economic environment, FocalTech has continuously accumulated our technological capabilities, actively responded to ESG goals, and reviewed the current risk management strategies. FocalTech demonstrated great achievements in 2023 such as a continuous increase in market share for OLED touch ICs; steady shipment growth for in-vehicle IDC (TDDI) products; and better-than-expected results in energy-saving and carbon reduction goals.

Talent Cultivation and Development

Since 2021, FocalTech has been strengthening our industry-academia collaboration programs and cultivating semiconductor talent for Taiwan that is experiencing sub-replacement fertility. As of 2023, we allocated investments of NT\$15.38 million through partnerships with institutions such as the Semiconductor Institute at Tsinghua University, National Yang Ming Chiao Tung University, and National Taiwan University of Science and Technology. These programs help hundreds of students to learn about the semiconductor industry and join the industry.

Additionally, we allocated approximately NT\$53 million as employee welfare subsidies for all employees, so they can enjoy generous welfare benefits outside work and relieve tension while at work.

Sustainable Environment Protection

FocalTech supports the Net-Zero Emissions goal and has spared no efforts to implement energy saving measures in daily operations at the office. In addition to allocating NT\$7.4 million in 2022 for the installation of central control system (PLC), LED lighting, and circulation system for the computer server room, FocalTech has been promoting energy saving tips to our employees. As a result, we achieved a significant 20% reduction in electricity consumption in 2023 as compared to 2022, which reflects our efforts to move toward realization of the goal.

In addition, it is expected that we will complete the counseling service and obtain the ISO14064-1 certification in 2024, which is prior to the scheduled time set in the Sustainable Development Roadmap for TWSE-listed/TPEX-listed Companies by the Financial Supervisory Commission (FSC). We have also invested in a digital platform for carbon emission management, which incorporates emission information from all categories for effective control and tracking of data.

Robust Corporate Governance

FocalTech has been ranked in the top 6% to 20% among TWSE listed companies for seven years in the Corporate Governance Evaluation. The election of new Directors was carried out in 2023 upon expiration of the term of office of the existing Board. Newly-elected Independent Directors account for half of the total number of the Board of Directors, and Mr. Hsing-Chien Tuan has been re-elected as the Independent Director with an aim to strengthen the function, independence, and diversity of the Board of Directors.

Future Outlook

There are still difficulties and challenges facing FocalTech in the long run, which include achieving net-zero emissions by 2050, improving IC design efficiency with AI, and different operation methods using sensory or non-touch features. We see challenges as opportunities; therefore we will work diligently toward the goal along with our customers and suppliers.



FocalTech Chairman

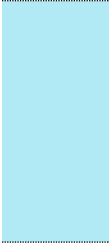
A handwritten signature in black ink, appearing to read "Gunde J. Hu".

Sustainable Business Strategy

Profitability and sustainability are equally important as a company cannot grow and be sustainable without profitability. We firmly believe that only by incorporating corporate responsibility, environmental protection and social well-being into our core business philosophy while maintaining profitability can we truly achieve sustainable operations. Therefore, FocalTech invests in technological innovation to improve product performance and reduce resource consumption, thereby ensuring a balance between economic efficiency and environmental protection. Furthermore, FocalTech is committed to creating a fair, inclusive and diverse work environment, encouraging continuous learning and growth among employees, and injecting innovation into the organization. FocalTech also works with our supply chain partners to pursue higher levels of corporate social responsibility and regularly evaluates the environmental and social impacts associated with the supply chain, aiming to move toward sustainable development goals altogether.

While pursuing profitability, FocalTech recognizes corporate social responsibility and environmental protection as the cornerstones of sustainable operations. In this regard, we strive to incorporate sustainable business strategies into every part of our operating activity. By maintaining robust governance, taking on environmental responsibility, and protecting social benefits, we ensure the company's stable and long-term development in the market while creating shared value for all stakeholders to realize truly sustainable operations. The development and implementation of the strategy are described in the following chapters.

	Strategy Approach	Mission	Business Strategy	Ongoing Actions or Future Initiatives
Vision	Stable development	Leading the future of touch products	Corporate sustainability and robust governance	Corporate Governance Evaluation Continuous enhancement of information security protection Continuous monitoring and control of risks
		Innovative display technology Go beyond visual	Innovative value breakthrough	Smaller-size products with less energy consumption Reduced number of mask layers Wider promotion of IC integration for end-use applications
	Sustainable operations	With the spirit of perseverance, beliefs in integrity, and a philosophy of innovation, FocalTech will fulfill our responsibilities to sustainability.	Sustainable prosperity with partners	Increasing carbon reduction efficiency together with major supply chain partners
			Protecting the green environment	Net-Zero Emissions Goal by 2050 Full adoption of the ISO14064-1 Formulation of electricity/carbon reduction targets and programs each year.
			Friendly corporate workplace	Establishing the training-based individual development plans (IDP)
			Giving back to society	Supporting semiconductor institutes



Industry-academia collaboration
programs with universities and
colleges
Activities for team building and caring
for the underprivileged

Stakeholder Communication and Major Issue Analysis

Stakeholder Identification and Communication Channels

Stakeholders are groups of people who affect and are affected by FocalTech. To identify stakeholders, each department conducted initial screening of stakeholder types whom they contact in routine business designs. The final evaluation of stakeholders were based on the interaction frequency, the level of mutual influence, and the degree of importance to each other through internal meetings and reference to the industrial situation as well as the five major factors including responsibility, influence, concern, multiple perspectives, and dependability in accordance with the five principles of the AA1000 Stakeholder Engagement Standards (AA1000 SES). Eventually, six types of key stakeholders were identified for FocalTech, namely (1) employees, (2) customers, (3) shareholders and investors, (4) suppliers, (5) competent authorities, and (6) academic research institution.

Since each type of key stakeholder is different from one another, the issues of concern they focus vary. Each department proactively maintains positive interactions with stakeholders through multiple channels, enabling them to have a better understanding of the company operation on a timely manner while helping FocalTech to understand the needs and expectations of stakeholders. The communication status with key stakeholders are reported to the Board of Directors annually.

FocalTech has established and strengthened a complaint channel to ensure efficient reporting of incidents by stakeholders when negative impacts occur. The Company has also developed a clear procedure to deal with negative impacts caused by improper management as well as relevant remedies, and regularly reviews and improves the effectiveness of the complaint channel to ensure transparency and fairness.

Stakeholder	Significance to FocalTech	Issues of Concern	Communication Channel/Communication Frequency
Employees	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	<ul style="list-style-type: none"> ● Labor-management issues ● Protection of human rights ● Employee appointment and compensation management ● Education & Training and career development 	<ul style="list-style-type: none"> ● Hold activities occasionally ● Submit proposals for employee promotion on a yearly or occasional basis ● Organize internal and external education & training programs occasionally ● Hold a birthday celebration event every two months

Stakeholder	Significance to FocalTech	Issues of Concern	Communication Channel/Communication Frequency
	employee.	<ul style="list-style-type: none"> Occupational safety and health promotion 	<ul style="list-style-type: none"> Employee Performance Appraisal (semi-annual) New Employee Discussion Forum (New employee orientation) Employee Welfare Committee Meeting (averages once per month) Internal information announcement (real-time) Employee feedback channel (real-time) Labor-management meeting (quarterly)
Customers	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.	<ul style="list-style-type: none"> Customer privacy and information security Green products and innovation Occupational safety and health Product and service 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 (annual) Business and skill assessment (occasional) Customer meeting (occasional) Customer audit (occasional)
Shareholders and Investors	Shareholders and investors are the contributors of the Company. Therefore, FocalTech shall protect their rights and interests and treat all of them fairly to ensure their rights of a detailed grasp of information, participation and decision-making in respect of significant matters of	<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"> Shareholder' Meeting (annual) Conference Call (quarterly) Annual Report (annual) Investor mailbox (occasional)

Stakeholder	Significance to FocalTech	Issues of Concern	Communication Channel/Communication Frequency
	the Company.		
Suppliers	The Company's products and services depend on both the stable supply of raw materials and good processing quality from different suppliers. Because of this, FocalTech continues to exert our influence as a customer over suppliers to focus on sustainable management, including the prevention of environmental pollution and human rights violations.	<ul style="list-style-type: none"> ● Supplier management ● Green procurement ● Raw material management ● Quality management 	<ul style="list-style-type: none"> ● Supplier assessment meeting (annual) ● Procurement negotiation (occasional) ● Supplier audit (occasional)
Competent authorities	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 our obligations of good citizenship through a two-way communication.	<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 ● Corporate governance and sustainable development 	<ul style="list-style-type: none"> ● Forums and seminars (occasional) ● Correspondences with customers (occasional) ● Fire safety and environmental permit status check (on a regular or occasional basis)
Academic research institution	An important training and cooperation organization for talents and technologies. Through multi-faceted cooperation, students can devote themselves to what they have learned more quickly, and the industry will have a new force faster.	<ul style="list-style-type: none"> ● Career development and education and training ● Talent cultivation 	<ul style="list-style-type: none"> ● Campus scholarship (occasional, in accordance with plan) ● Industry-academic collaboration programs and meetings at each stage (occasional) ● Internship program (occasional) ● In-depth lectures (occasional)

Stakeholder	Significance to FocalTech	Issues of Concern	Communication Channel/Communication Frequency
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- Professional teaching (in accordance with the plan)

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, we are also to ensure that the major issues meet the needs and expectations of each stakeholder.

FocalTech has established multiple communication channels with each type of stakeholder. After the issues of concern were collected through immediate interactions and feedback from stakeholders, the Sustainable Development Team developed a Major Issue Impact Assessment Questionnaire and conducted internal standardized and quantitative assessment and analysis for major issue identification. Subsequently, the 10 most major issues listed as high priority for disclosure are selected, including 2 environmental issues, 3 social issues, and 5 governance issues, and the management policies and performance evaluation are disclosed in this Report.

Understand the organizational contexts to collect sustainability issues	As FocalTech is in the semiconductor IC design industry, FocalTech's Sustainable Development Team first conducted an internal assessment of the company's core competencies, resource allocation, and governance structure to identify existing strengths and areas for improvement. Then, we analyzed the impacts of economy, society, environment and regulatory changes on the organization as a preliminary assessment of risks and opportunities. Eventually, the issues of most concern to FocalTech and needed urgent attention were collected. Subsequently, of the issues collected after understanding the organizational context, sustainability issues that are highly relevant to the Company's operating activities were further sorted based on the national policy trend and different international standards, evaluation results, and initiatives. Through multiple communication channels set in place for daily communication, immediate interaction and feedback, we collect issues of concern to our stakeholders to ensure that our sustainability strategy fully reflects the needs and expectations of all parties.
Identify major issues	The questionnaire response helps us to analyze the impact of each sustainability issue on the Company's economic, environmental, and social (people) dimensions. The impact of each issue was rated by taking into account whether the issue causes an actual or potential as well as positive or negative impact, and in accordance with their respective Level of Impact and Likelihood of Occurrence. The Level of Impact is determined based on the scale, scope, reversibility, and infringement of human rights of the impact. The final evaluation/rating results were organized into a matrix presented in two dimensions of

	positive and negative impacts, with X-axis being the Level of Impact and Y-axis being the Likelihood of Occurrence, both distinguished by numeric value. Finally, we discussed with consultants and experts to identify the issues with a percentile rank of positive and negative impacts that ranked in the top 40% of all major issues as the major issues for FocalTech of the year.
Examine major issues	External consultants were commissioned to jointly review the appropriateness of the major issues and thresholds identified, and to make sure that there were no omissions or deficiencies in the major issues listed as high priority for disclosure. This will ensure the completeness, inclusiveness and broad perspectives of disclosure, as well as the consistency with the Company's strategy for sustainable development.
Confirm major issues	After the 10 major issues regarding GRI were identified for 2023 and confirmed by the Sustainable Development Team, the impact of each major issue, the corresponding policies, commitments, management actions, indicators, and targets for each issue are disclosed in this report accordingly.

Major issues	Significance for FocalTech	Value chain (■ Direct impact ● Indirect impact)			Mid- and long-term goals	Corresponding GRI standard	Chapter in response to the issue
		Upstream	FocalTech operations	Downstream			
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. 	Customized key issues	1.1 Company Overview 1.3 Board of Directors Operations 1.4 Integrity in Business Foundation 1.5 Risk Control
Operational performance	Continuous and stable growth is the driving force of corporate sustainability. FocalTech is committed to maximizing our operating efficiency in order to reward employees, shareholders,	●	■	●	<ul style="list-style-type: none"> Implement a sound operation strategy to facilitate the increase of revenue and profitability, in order to make FocalTech a trusted company for investors. 	GRI 201	1.2 Business Performance

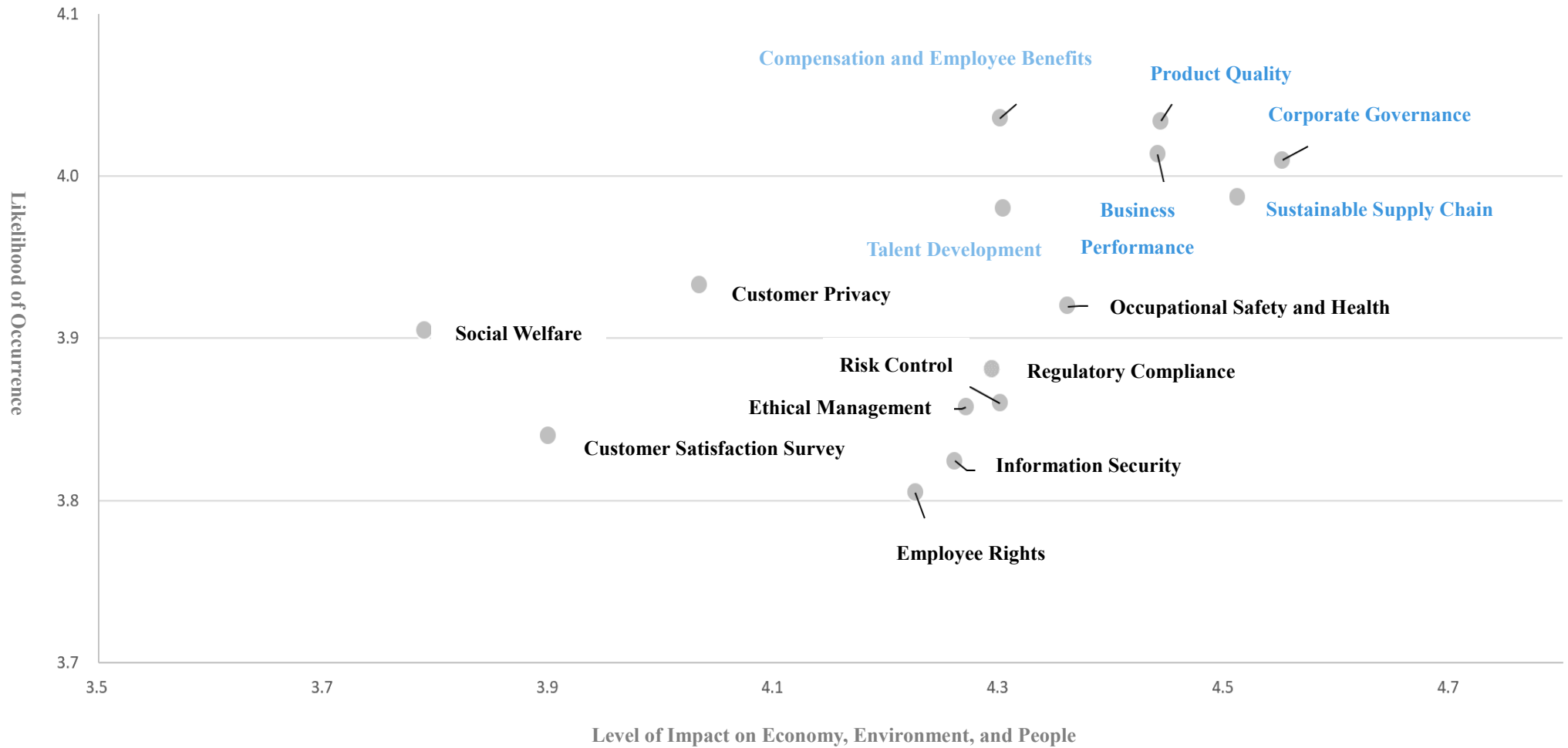
Major issues	Significance for FocalTech	Value chain (■ Direct impact ● Indirect impact)			Mid- and long-term goals	Corresponding GRI standard	Chapter in response to the issue
		Upstream	FocalTech operations	Downstream			
	investors and other stakeholders.						
Product quality	Product and service quality 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 number of customer orders and product shipments. 	GRI 416	2. Innovative Value Breakthrough 3.1 Firm Foundation
Sustainable supply chain	Suppliers are important partners in FocalTech's sustainable management. Maintaining a sound relationship with suppliers helps to reduce operating risks and improve the quality of products and services.	■	■	●	<ul style="list-style-type: none"> ● 100% of the suppliers sign the Supplier Honesty and Integrity Commitment. ● 100% raw materials are purchased from smelters recognized by smelter organizations verified by the Global Sustainability Initiative. ● Maintain the rate of suppliers obtaining ISO 9001 certification at 100%. ● Request suppliers to obtain ISO 14001 certification, with 100% key suppliers certified. ● Maintain the rate of suppliers complying with RoHS and REACH regulations at 100%. ● Complete the system audits for 100% of suppliers. 	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 enable the	●	■	●	<ul style="list-style-type: none"> ● Develop a comprehensive risk management response plan and conduct drills on and respond to possible impacts 	Customized key issues	1.5 Risk Control

Major issues	Significance for FocalTech	Value chain (■ Direct impact ● Indirect impact)			Mid- and long-term goals	Corresponding GRI standard	Chapter in response to the issue
		Upstream	FocalTech operations	Downstream			
	Company to protect the rights and interests of all stakeholders and reduce operating risks.				in order to reduce the impact on the Company when risks occur.		
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.	●	■		<ul style="list-style-type: none"> Continuously conduct greenhouse gas emission inventories and management, promote greenhouse gas emissions reduction measures, and facilitate energy conservation programs. 	GRI 302 GRI 305	4.2 Greenhouse Gas Emissions and Energy Management
Climate change	Developing strategies to cope with the impacts of climate change.	●	■	●	<ul style="list-style-type: none"> Based on the opportunities and threats that climate change may bring, consider the likelihood of each occurrence, and develop a response plan. 	GRI 201-2	4.1 Climate Change Risks and Mitigation Strategies
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 expert training so as to meet the expectations of the organization.		■		<ul style="list-style-type: none"> Provide education and training programs occasionally in order to reinforce employees' expert skills. Establish a robust and transparent talent promotion pipeline. 	GRI 404	5.1 Talent Foundation 5.8 Talent Development

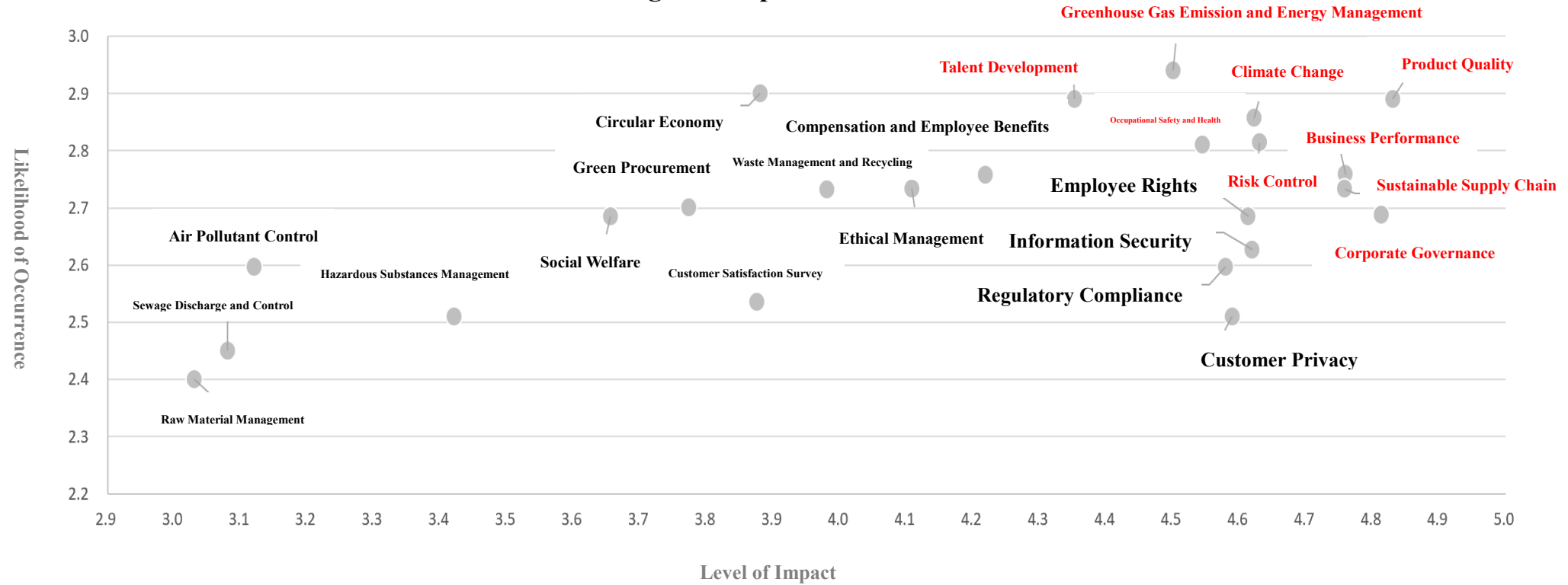
Major issues	Significance for FocalTech	Value chain			Mid- and long-term goals	Corresponding GRI standard	Chapter in response to the issue
		(■ Direct impact ● Indirect impact)					
		Upstream	FocalTech operations	Downstream			
Compensation and employee benefits	To attract and retain outstanding talents, FocalTech provides a comprehensive and fair compensation and benefits system to ensure that our employees are treated better compared with the industry, and continue to enhance the Company’s 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	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.		■		<ul style="list-style-type: none">● 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 different programs to perfect the safety management of the work environment, enabling employees to work safely at FocalTech.	GRI 403	5.5 Workplace Safety 5.6 Health Promotion

Note: The major issues in 2023 are completely identical to those in 2022.

Major issue matrix



Negative impact matrix



Impact Level Sequence

Ranking	Positive Impact Level Sequence	Percentile Rank
1	Corporate Governance	93
2	Sustainable Supply Chain	87
3	Product Quality	80
4	Business Performance	73
5	Compensation and Employee Benefits	67
6	Talent Development	60
7	Occupational Safety and Health	53
8	Regulatory Compliance	47
9	Risk Control	40
10	Ethical Management	33
11	Information Security	27
12	Employee Rights	20
13	Customer Privacy	13
14	Customer Satisfaction Survey	7
15	Social Welfare	0

Note 1: A higher Percentile Rank represents a higher ranking in the group data. The formula for the calculation of Percentile Rank is $PR = [(N-R)/N] \times 100$, where N represents the total number of data and R represents the ranking of the data over all data.





Note 2: The issues with a percentile rank of positive and negative impacts that ranked in the top 40% of all major issues are adopted as the major issues for the year. There are 10 issues in addition to the repetitive issues.


Ranking	Negative Impact Level Sequence	Percentile Rank
1	Product Quality	96
2	Greenhouse Gas Emissions and Energy Management	92
3	Climate Change	88
4	Business Performance	83
5	Risk Control	79
6	Sustainable Supply Chain	75
7	Corporate Governance	71
8	Occupational Safety and Health	67
9	Talent Development	63
10	Employee Rights	58
11	Information Security	54
12	Regulatory Compliance	50
13	Compensation and Employee Benefits	46
14	Customer Privacy	42
15	Circular Economy	38
16	Ethical Management	33
17	Waste Management and Recycling	29
18	Green Procurement	25
19	Customer Satisfaction Survey	21
20	Social Welfare	17
21	Hazardous Substances Management	13
22	Air Pollutant Control	8
23	Sewage Discharge and Control	4
24	Raw Material Management	0

Sustainable Development Goals (SDGs)

In response to and in support of the 17 Sustainable Development Goals (SDGs) of the United Nations, FocalTech has convened the Sustainable Development Team to discuss and evaluate the Company's current sustainable development policy and plan, with an aim of being aligned with eight of the SDGs. FocalTech will follow the UN SDGs and regard them as the direction for our future sustainable operations. Furthermore, FocalTech hopes to employ everyone's collective wisdom to help solve social and environmental issues worldwide.

The eight goals of sustainable development in 2023 are as follows:

SDGs	Major issues related to FocalTech	Corresponding chapter in this Report	Related Effectiveness
3 GOOD HEALTH AND WELL-BEING  Well-being	Compensation and Employee Benefits Occupational Safety and Health	5. Friendly Corporate Workplace	<ul style="list-style-type: none"> Subsidy amount: The total amount of benefit subsidy granted by the Group was NT\$52,855,910. 3-hour occupational safety and health education training for new hires on their first day, accompanied with 3-hour on-the-job education and training every 3 years. Refresher training for specific personnel in accordance with the law. In 2023, there were 0 occupational injuries.
4 QUALITY EDUCATION 	Talent Cultivation	5. Friendly Corporate Workplace	<ul style="list-style-type: none"> Establishing the training-based individual development plans (IDP) Providing appropriate training to different individuals, cultivating expert talents, and strengthening company competitiveness. Taiwan: 15.95 training hours per person on average Mainland China: 16.09 training hours per person on average
7 AFFORDABLE AND CLEAN ENERGY  Energy	Greenhouse Gas Emission and Energy Management	4. Protecting the Green Environment	<ul style="list-style-type: none"> Installation of the central control system (PLC) Fully installation of full-voltage LED lighting After relocation and adjustment, electricity consumption of the Taiwan office decreased by about 20% compared with the same period. Electricity consumption of the mainland China office decreased by about 5.3% compared with the same period.
8 DECENT WORK AND ECONOMIC GROWTH  Economic Growth	Corporate Governance Operational Performance Risk Control	1. Corporate Sustainability and Robust Governance	<ul style="list-style-type: none"> Ranked in the top 6–20 companies in the Corporate Governance Evaluation for 7 years Awarded the Gold Award for the 2022 Taiwan Corporate Sustainability Awards (TCSA) Conducted real-time and comprehensive monitoring and analysis of abnormal incidents, established an abnormality notification mechanism based on their

SDGs	Major issues related to FocalTech	Corresponding chapter in this Report	Related Effectiveness
			correlation and risk management to tackle abnormal incidents in advance.
Industry, Innovation and Infrastructure 	Product Quality	2. Innovative Value Breakthrough	<ul style="list-style-type: none"> Collected statistics on customer satisfaction and held quality-control meetings. In 2023, FocalTech received an average customer satisfaction score of 8.44. Established advantages of differentiated products and a competitive technology threshold to maintain the Company's leading position in industrial technology. In 2023, the R&D expenses accounted for 13.19% of the total revenue.
Responsible Consumption and Production 	Climate Change	4. Protecting the Green Environment	<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.
Climate Action 	Greenhouse Gas Emission and Energy Management Climate Change	4. Protecting the Green Environment	<ul style="list-style-type: none"> The automatic air-conditioning central monitoring system (PLC) was set to 26°C in working and office areas. 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 	Sustainable Supply Chain	3.2 Sustainable Supply Chain	<ul style="list-style-type: none"> Achieved and maintained 100% signing rate for new suppliers signing the Supplier Honesty and Integrity Commitment. Achieved and maintained 100% signing rate for new suppliers signing the Corporate Social Responsibility Commitment. Achieved and maintained 100% signing rate for raw materials purchased from smelters recognized by smelter organizations verified by the Global Sustainability Initiative.

SDGs	Major issues related to FocalTech	Corresponding chapter in this Report	Related Effectiveness
			<ul style="list-style-type: none"> ● Achieved and maintained 100% signing rate for suppliers obtaining ISO 9001 certification. ● 93% of suppliers and 100% of key suppliers obtained ISO 14001 certification. ● Achieved and maintained 100% supplier compliance rate for RoHS and REACH regulations. ● Achieved and maintained 100% system audits for of suppliers. ● Completed internal ISO14064 certification training for 56% of key suppliers.

Corporate Sustainability and Robust Governance

1.1 Company Overview

1.1.1 About FocalTech

In 2005, FocalTech was established in Silicon Valley, USA and entered the Taiwanese market in 2013. FocalTech is an IC design company that specializes in human-machine interface innovation.

By the end of 2023, the Company had 806 employees, including those in Taiwan, mainland China, the USA, South Korea, and other overseas regions. We offer touch chips, display driver chips, integrated touch and display chips (IDC/TDDI), fingerprint recognition chips, and other products for different devices, with the sales network covering the globe. The application products of our chips include mobile phones, tablets, laptops, wearable devices, digital cameras, smart home appliances, automotive applications, and industrial control equipment.

In 2015, FocalTech completed acquisition of Orise Technology Co., Ltd., with stock code 3545. The Company became the world's first manufacturer to mass-produce integrated embedded touch panel technology (Super In Cell) and integrated touch and display chips (IDC/TDDI).

FocalTech is customer-centric and has established technical support centers in core service areas since inception to provide prompt customer service. As the business continues to expand, the Company has established 10 sales and technical service centers to offer convenient and efficient localized technical support services to customers both domestically and internationally. FocalTech provides technical assurance to thousands of customers worldwide.

Company History

Company Name	FocalTech System Co., Ltd. (Stock Code: 3545)		
Establishment	October 12, 2005	Chairman/President	Genda Hu
HQ Address	11F-1, No. 23, Huanke 1st Road, Zhubei City, Hsinchu County, Taiwan	Number of Employees	806 (A wholly-owned corporation)
Paid-in Capital	NT\$2,178,900,000	Revenue in 2023	NT\$13,568,371,000
Main Products and Services	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.	Industry Sector	Communication electronics, computer peripheral devices, automotive electronic components.
Operating Locations	Taiwan, mainland China, USA, South Korea. Mainland China locations include Shenzhen, Shanghai, Beijing, Xiamen, Hefei, Xi'an, and Wuhan.	Sales Market	Products are sold worldwide under different brands, with a focus on the Asian market for mobile phones and automotive applications.



Product Description

LCD IDC (TDDI) & DDIC

- The integration of LCD panel with touch panel reduces the manufacturing process of touch module and lower the production cost.
- Adopt self-capacitive technology for touch panel, supporting 10-point multi-touch, waterproof, hover touch, etc. to bring excellent touch experience.
- The panel using In-Cell technology allows for thinner and lighter specifications of LCD products, which fulfills the demand of high-end products.
- Removing the cover glass of external touch module makes the display brighter and saves power consumption under the same conditions of brightness.
- Chip integration features great cost efficiency and competitiveness and supply chain management.

AMOLED IDC (TDDI) & DDIC

- Smart wearable applications
 - Support DDIC (Display Driver IC) and IDC (Integrated Driver & Controller)
 - Support the applications of both rigid and flexible screens
 - Support different panel shapes (round, square, etc.)
 - Support multiple resolutions (up to 480*600)
 - Support MCU, SPI, and MIPI interfaces
 - Excellent ESD protection
 - Ultra-low power consumption
 - Support different packaging technologies (COG, COF, and COP)
- Smart phone applications
 - Support DDIC (Display Driver IC) and IDC (Integrated Driver & Controller)
 - Support the applications of rigid, flexible and foldable screens
 - Support multiple resolutions of AMOLED panel (FHD+ and WFHD+)
 - Support variable refresh rates (up to 144Hz)
 - Multi-pixel layout compensation (Real, Pentile, and Delta)
 - Excellent ESD protection
 - Support different packaging technologies (COG, COF, and COP)

Touch Controller

The world's most complete capacitive touch solution provider

- Support 2D and 3D Touch high-performance single-chip solution
- Panel structure design of traditional mutual-capacitive, single-layer mutual-capacitive and single-layer self-capacitive architectures
- Capacitive panels from 1" to 25"
- Diverse panel structures with G/G, G/F, P/F, OGS, ultra-thin G/F/F, on-cell and in-cell
- Support different new materials such as metal mesh, silver nanoparticle, carbon nanotube, and graphene.
- Support different screen making processes such as photolithography, laser, and screen printing.
- Support mainstream operating systems such as Android, Linux, and Windows.
- Touch control applications for all mainstream mobile electronic devices, including smart phones, tablets, laptop and wearable devices.

World leader in multi-touch technology for capacitive screens

- **High signal noise ratio (SNR) and low power consumption**

High signal noise ratio realizes highly sensitive applications such as gloves and passive stylus. Low power consumption in wake-up gesture mode improves operating convenience and extends standby time.

- **Strong anti-interference capability**

The combination of ultra-narrow bandwidth technology and patented full-screen common mode scanning technology ensures proper functioning of the touch effect even with interference from sources such as power supply, LCD, and RF.

- **Excellent adaptability for mass production**

Wide circuit operating range combined with mass-production-oriented debugging method ensures consistent performance and experience regardless of the conditions of process materials.

- **Support personalized applications**

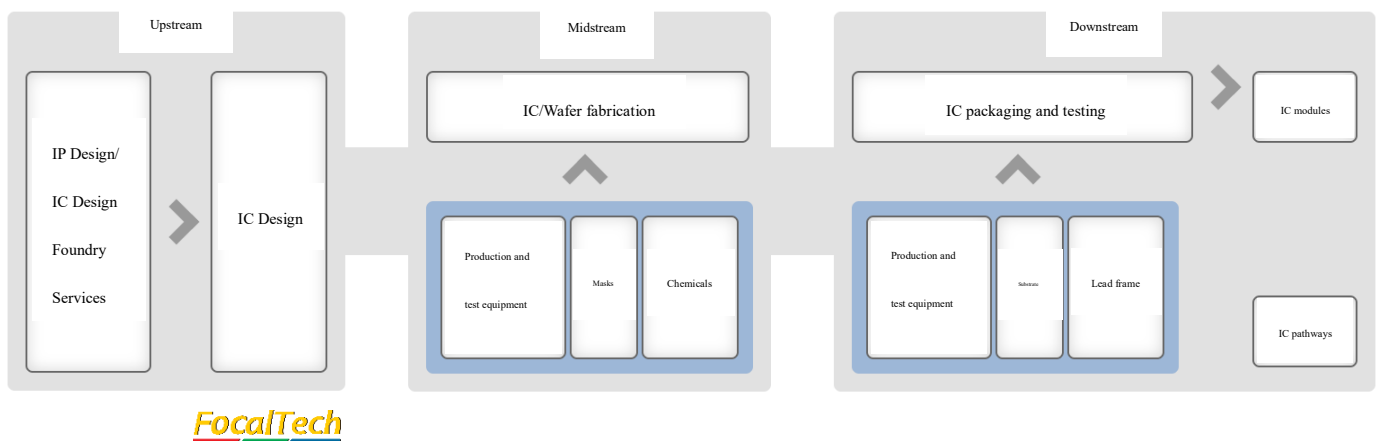
Support personalized applications such as glove, waterproof, passive stylus, hover touch, and proximity sensing, providing more unique selling points for products.

Fingerprint

- Ultra-low power consumption, ultra-cost-effective, high recognition rate, support one-touch screen unlocking in cold weather, and support 360° fingerprint recognition.
- Applied to the front, the back, and ultra-narrow side cover glass of the mobile phone, support coating solution, and support PC Match on Chip and Match on Host solution.
- Self-developed algorithm, high reliability, Google BCR and Alipay certified for secure payment.
- Adopted by Samsung, Vivo, OPPO, Xiaomi, Lenovo and other end customer brands.

Industry Chain Introduction

FocalTech is an IC design company. The upstream of the semiconductor industry chain includes IP design and IC design; the midstream includes IC manufacturing, wafer fabrication, related production test equipment, photomasks, chemicals companies; and the downstream includes IC packaging and testing, related production test equipment, components (e.g., copper clad laminate, lead frame), IC modules, and IC pathways. After a product is designed, the IC design company will commission a wafer foundry company or an IDM (integrated device manufacturer, who handles every process from IC design, manufacturing, packaging, testing, to final sales) for fabrication. Chip probe is then taken on semifinished wafer products before being transferred to a professional packaging plant for dicing and packaging. Subsequently, a professional testing plant will carry out the final testing and the finished products that pass the test will be sold through sales channels to system vendors. They will assemble and produce the products into system products.



1.1.2 FocalTech Organization Chart

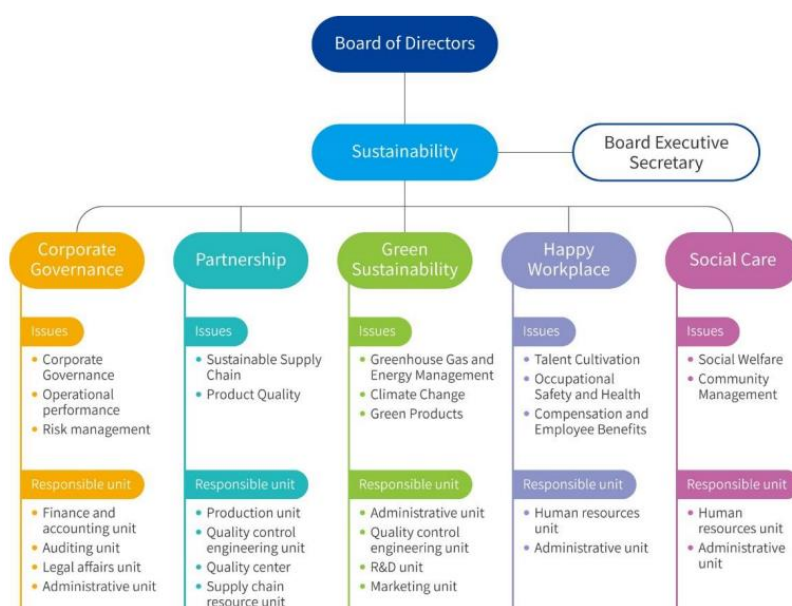
Corporate Governance Framework

In 2023, FocalTech completed re-election of the 8th 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- and short-term operating goals; and the Sustainable Development Team to coordinate the planning and implementation of corporate governance-related affairs. The duties and responsibilities of each committee are described as follows:



Sustainable Development Team

FocalTech's Board of Directors has established the Sustainable Development Team to promote affairs related to corporate responsibility, with the Chief Corporate Governance Officer serving as the convenor to oversee corporate governance and the aforementioned initiatives. The responsibilities of the team include corporate governance, partnership, green sustainability, happy workplace, and social care. The team collaborates with relevant departments and utilizes company resources. Beginning in 2021, an annual ESG Report has been prepared and submitted to the Board of Directors to ensure the inclusion of all identified major issues and to implement robust corporate sustainability governance.



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

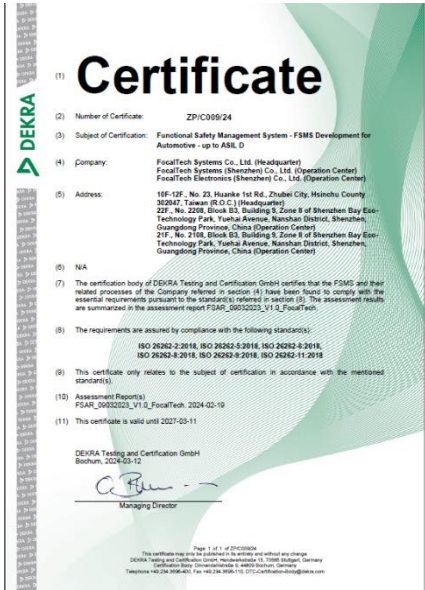
External awards and recognition in recent years



2021 Best Financially Managed Company from the Global Semiconductor Alliance (GSA)



2022 Taiwan Corporate Sustainability Award (TCSA) - Gold Award



ISO 26262 (2024–2027)



ISO 9001 (2021–2024)



ISO 14001 (2023–2026)



ISO 45001 (2023–2026)

1.2 Business Performance

Management Policy	
Major issue	Business Performance
Policy directions	FocalTech is committed to achieving the company's operating goals, adheres to the core value of the leading manufacturer of human-machine interface solutions, continues to accumulate technology and intellectual property rights, establishes differentiated product advantages and competitive technical thresholds, and maintains a leading position in industrial technology, to achieve the promise of sustainable operation.
Core goals	<p>Short term:</p> <ul style="list-style-type: none"> Consolidate existing production capacity, and strengthen strategic cooperation with outsourcing manufacturers such as wafer foundries, packaging plants, and testing plants, so as to obtain stable and sufficient production capacity and technical services. Strengthen the development of new wafer foundries and increase new process cooperation projects with existing wafer foundries to increase new production capacity. In addition, sign cooperation contracts to increase the source and flexibility of wafer supply. Strengthen existing customer service and business, and maintain long-term strategic partners with customers. <p>Medium and long term:</p> <ul style="list-style-type: none"> Enhance technology leadership and strengthen product research and development. Co-develop new processes and technologies with supply chain factories. Integrate technologies to expand the breadth of product lines and the depth of technical levels. Integrate the industrial supply chain, strengthen communication and cooperation between brand owners and panel manufacturers, and expand economic scale.
Achievements	<ul style="list-style-type: none"> The annual shipment in 2023 increased significantly by almost 30% as compared to 2022. In-vehicle products continue to grow in the consumer market, with the shipments of 2023 nearly doubled compared with 2022, continuously contributing to the company's revenue and profit. Due to the optimization of product integration and the introduction of new products, gross margin in 2023 increased significantly by 10% as compared to 2022. In addition, operating expenses were well controlled, resulting in a significant 118% increase in profitability in 2023 as compared with 2022.
Action plans	<ul style="list-style-type: none"> Accelerate the development of new products with higher specifications or lower costs to enhance product competitiveness. Expand the partners of wafer foundry cooperation, and also cooperate with partners to adjust the process and yield, and meet the needs of brand customers with high-quality products. With the leading technology of touch products in the human-machine interface, FocalTech has not only become an important supplier of global mainstream panel factories, but also successfully promoted the application of this technology to non-mobile phone products.
How handled	
Resource investment	<ul style="list-style-type: none"> Increase sales of high-margin products Strengthen supplier management mechanism Speed up time to market for new products
Feedback mechanism	<ul style="list-style-type: none"> Regular and occasional business meetings/management meetings/cross-departmental meetings Financial reports audited by accountants
Evaluation mechanism	<ul style="list-style-type: none"> Market size evaluation indicators Annual plan and budget review meeting Target achievement rate of each department
Future plans	
Goals for 2024	FocalTech adheres to the core value of being a leading manufacturer of human-machine interface solutions, continues to accumulate technology and intellectual property rights, maintains a leading position in industrial technology, and accelerates the development and expansion of chips in non-mobile fields such as NB, home appliances, industrial control, and vehicles.

After the social and economic turmoil caused by the COVID-19 outbreak, the US-China struggle, the Russia-Ukraine war and other events, all FocalTech employees are still working hard to continuously improve operating performance, through raw material cost control, continuous optimization of production processes and active investment in innovation and R&D to cope with the fierce industrial competition. FocalTech sets revenue targets and net profit targets every year, and regularly holds departmental meetings to track the operating status and target achievement rate, review the lagging performance and make appropriate adjustments, to ensure that the management can effectively grasp the company's operating results and protect shareholders' rights and interests.

FocalTech sets annual revenue and net profit targets, holds monthly meetings with major departments to report the actual operating status and budget achievement rate, and adjusts the future business direction and strategy in real time in accordance with the market and customer conditions, so that the management can fully grasp company's operations, market dynamics and monitoring budgets to achieve performance goals.

Unit: NT\$thousand

Project	Item	2021	2022	2023
Direct economic value generated	Operating revenue (Note 1)	22,174,769	13,047,667	13,568,371
	Operating cost (Note 2)	12,216,789	12,533,235	11,709,399
	Employee compensation and benefits (Note 3)	2,643,342	2,709,409	1,735,827
	Payments to contributors (Note 4)	700,000	3,450,368	163,999
Economic value allocated	Payments to government (Note 5)	81,702	1,408,821	221,503
	Community investment (Note 6)	900	500	500
	Economic value retained (Note 7)	6,532,036	-7,054,666	-262,857
	Earnings per share	30.23	-9.39	1.74
	Dividend per share distributed	15.71	0.5	1

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

Note 2: Operating costs refer to cost of goods sold and operating expenses, excluding employee compensation and benefits and community investment.

Note 3: Employee 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 departments (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 discounts Economic Value Allocated.

Note 8: FocalTech did not receive any government subsidies in 2023.

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 our relationship with suppliers to optimize the product cost, 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.

1.3 Board of Directors Operations

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	Strengthen corporate governance, enhance the transparency of information, and continue to improve the results of Corporate Governance Evaluation.
Achievements	<ul style="list-style-type: none"> 94.6% Board Meeting attendance rate in 2023. No incidents of corruption, bribery, or violation of the competitive behavior-related laws or regulations recorded in 2023.
Action plans	<ul style="list-style-type: none"> Report once a year to the Board of Directors on corporate governance achievements and the implementation of operating and ESG practices. Establish a Remuneration Committee to formulate the remuneration and compensation policy and mechanism for the Company's Directors and managers, and to conduct regular performance evaluation.
How handled	
Resource investment	Establishment of Sustainable Development Team and functional committees
Feedback mechanism	<ul style="list-style-type: none"> Spokesperson mailbox Shareholders' Meeting Conference Call
Evaluation mechanism	<ul style="list-style-type: none"> Conduct board performance evaluation once a year in addition to 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 2024	Maintain the ranking of Corporate Governance Evaluation in the top 20% or higher of all companies, with 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 employees in each department comply with laws and regulations and ethical standards. All of these measure will strengthen the Company's overall operations, protect the rights and interests of stakeholders, and fulfill our corporate social responsibility.

1.3.1 Directors

FocalTech follows a candidate nomination system, implementing board of Director elections through shareholders' meeting. Operating within a transparent and robust board framework, the nomination and selection of board members adhere to regulatory requirements. The election of Directors was carried out in 2023 upon expiration of the term of office of the existing Board, with eight Directors elected, including four Independent Directors (one of whom is female) and accounting for 50% of the Board. Each member possesses managerial expertise essential for practical, financial, or research and development sectors, demonstrating international market insights, leadership skills, and decision-making acumen. The future composition of the board will maintain the current structure. Leveraging the Company's extensive network, FocalTech is well-positioned to identify suitable external talent for seamless succession planning. Moreover, Independent Directors are required to possess work experience within business, research and development, finance, or corporate operations in accordance with the law. Hence, future succession planning will prioritize professionals with expertise in diverse fields. As a general practice, the Board convenes quarterly, with the flexibility for the chairman to call for meetings in case of emergencies. In 2023, seven board meetings were held, with an attendance rate of 94.6%.

Year	Major accomplishments
2018	<ul style="list-style-type: none"> ● The Board of Directors approved the Corporate Governance Best Practice Principles and established a team to promote and implement corporate governance related work. Such tasks include corporate social responsibility, ethical management, and corporate governance evaluation. ● The Board of Directors approved the Regulations Governing Director Remuneration to align the remuneration of Directors with their performance appraisal. ● Ranked in the top 6% to 20% of companies in the Corporate Governance Evaluation.
2019	<ul style="list-style-type: none"> ● The Board of Directors approved the Regulations Governing Self-Evaluations and Peer Evaluations by the Board of Directors to stipulate the board performance evaluation be performed by an external professional independent organization or a group of external experts and scholars once every three years. ● Ranked in the top 6% to 20% of companies in the Corporate Governance Evaluation.
2020	<ul style="list-style-type: none"> ● The Board of Directors appointed a Chief Corporate Governance Officer to assist the Board in regulatory compliance and everyday duties and responsibilities. ● Ranked in the top 21% to 35% of companies in the Corporate Governance Evaluation.
2021	<ul style="list-style-type: none"> ● The Company first appointed the Taiwan Corporate Governance Association to carry out the board performance evaluation, which was completed in May 2021. ● Ranked in the top 6% to 20% of companies in the Corporate Governance Evaluation.
2022	<ul style="list-style-type: none"> ● Amend the Internal Material Information Disclosure Handling and Insider Trading Prevention Management Operation Procedures to extend the lock-up period for Directors' transactions. ● Ranked in the top 6% to 20% of companies in the Corporate Governance Evaluation.
2023	<ul style="list-style-type: none"> ● Ranked in the top 6% to 20% of companies in the Corporate Governance Evaluation. ● The election of new Directors was carried out upon expiration of the term of office and the Independent Directors elected accounted for 50% of the Board.

Performance Evaluation

Evaluation criteria for overall Board of Directors' performance	<ul style="list-style-type: none"> ● 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 criteria for individual Director performance	<ul style="list-style-type: none"> ● 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 ● Professionalism and continuing education of the Director ● Internal control
Evaluation criteria for functional committees	<ul style="list-style-type: none"> ● 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

Self-Evaluation (Questionnaire)	2021	2022	2023
Board of Directors	4.9	4.9	4.9
Audit Committee	4.8	5.0	4.9
Remuneration Committee	4.8	5.0	5.0

Note:

1. Self-evaluation performance is rated on a scale of 5 to 1 (excellent to poor).
2. The Company appointed an external organization once every three years to perform the board performance evaluation. The most recent external evaluation was in 2021 and the results are available on the corporate website. The next external evaluation is expected to take place in 2024.

Board Meeting attendance rate

Title	Name	Attendance Rate
		(%) 2023
Chairman	Genda Hu	100%
Director	GWAALLC designated representative: Han-Ping Hsieh	100%
Director	GWAALLC designated representative: Jason Lin	100%
Director	Acer designated representative: Jason Chen	71%
Independent Director	Chin-Tay Shih	100%
Independent Director	Chan-Jane Lin	100%
Independent Director	Hsing-Chien Tuan	100%
Independent Director	Jim Lai	100%

Note: New Directors were elected in 2023; table above reflects the new Board.

Board of Directors diversity

To achieve our corporate governance objectives, the Company's board members come from diverse backgrounds, including the operating team, management professionals from related industries, and individuals with expertise in finance, business, and academia. With a range of fields and work experiences, they effectively fulfill their responsibilities as board members. These responsibilities include establishing and maintaining the Company's vision and values, assisting in driving corporate governance and enhancing operating management, overseeing and evaluating the implementation of policies and operating plans by the management team, and taking charge of the Company's overall performance in economic, social, and environmental aspects. With a focus on stakeholder perspectives, this approach aims to evaluate the Company's governance standards and corporate value.

By gender, age and education level			2021		2022		2023	
			Number	%	Number	%	Number	%
			of people		of people		of people	
Board members	Gender	Male	6	85.7%	7	87.5%	7	87.5%
		Female	1	14.3%	1	12.5%	1	12.5%
	Age	Below 50	0	0%	0	0%	0	0%
		50 or more	7	100.0%	8	100.0%	8	100.0%
	Education	MA/MS/PHD	7	100.0%	8	100.0%	8	100.0%
	Total number of members		7	100.0%	8	100.0%	8	100.0%

Diversity of Board of Directors' professional backgrounds

Please refer to pages 12 to 16 of the 2023 FocalTech Annual Report.

Director recusals due to conflicts of interest

Please refer to pages 25, 28, and 47 of the 2023 FocalTech Annual Report.

Director continuing education

Please refer to pages 34 to 35 of the 2023 FocalTech Annual Report.

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 work, oversees and examines internal controls, financial reporting, and evaluates and guides the Company's audit work. Six meetings were held in 2023, with a 95.8% attendance rate.

Remuneration Committee

The Remuneration Committee consists of three Independent Directors 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. Two meetings were held in 2023, with a 100% attendance rate.

Auditing Office

The Auditing Office comes under the purview of the Board of Directors; its main responsibilities are to assist the Board 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 department, with an aim to ensure the effectiveness of the internal control system. 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 different audit work 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 Chief Audit Executive reports the audit work to the Audit Committee on a regular basis.

In 2023, a total of 37 audit reports were completed, including planned audits, rechecks, and special request audits, and the deficiencies have been corrected or are being tracked.

Audit procedures:

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

Regular communication between Independent Directors and the Senior Audit Executive:

The audit report is completed every month and submitted to the Chairman before 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. At the end of each Audit Committee meeting, Independent Directors communicate individually with the Senior Audit Executive, without the presence of the management team.

FocalTech received penalties from the competent authorities in 2023 for internal control system violations.

1.4 Integrity in Business Foundation

Integrity is not only the first priority of FocalTech culture but also the core value that FocalTech is committed to pursuing. FocalTech advocates and promotes honest behavior, and takes a serious attitude toward any behavior that may violate integrity and professional ethics. The Company conducts regular education and training on ethical management for existing employees. For new employees, the internal and external laws and regulations on professional ethics and integrity principles are included in the pre-employment training courses. In addition to strengthening education and training on ethical management, FocalTech has also formulated the Ethical Corporate Management and Professional Ethics Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/Tpex Listed Companies. By upholding the business philosophy of integrity, transparency, and responsibility, FocalTech requires employees to comply with ethical standards, and strictly requires managers and employees at all levels to neither directly or indirectly provide, promise, request or accept any improper benefits in the course of business activities, or engage in other dishonest behaviors that violate integrity, legality, or breach of fiduciary obligations.

<p>Six Principles of the Ethical Corporate Management and Professional Ethics Best Practice Principles</p> <ul style="list-style-type: none"> ● 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 (Gift Receiving Principles) ● Recusal due to Conflict of Interest 	<p>Self-inspection items based on the Ethical Corporate Management and Professional Ethics Best Practice Principles</p> <ul style="list-style-type: none"> ● 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
<p>Whistleblower System</p> <ul style="list-style-type: none"> ● Offer a platform for all internal and external stakeholders to express their opinions, which will be handled and processed by the convenor of the Audit Committee (Independent Director) and the head of the auditing department. FocalTech adheres to whistleblower protection principles and the investigation is kept strictly confidential. An investigation team will be set up with the related departments when necessary. All the information regarding the reported incident and the subsequent investigation are kept confidential and handled by the investigation team with a stringent attitude. ● It is also clearly stated that the whistleblower is provided with appropriate protection and rewards, and will not be terminated, dismissed, downgraded/relocated, given a reduction in pay, impairment to any entitlement under the law, contract or customs, or other unfavorable disposition due to the reported case. 	
<p>Anti-corruption Reporting Channels</p> <ul style="list-style-type: none"> ● A dedicated email address (whistleblower@focaltech-electronics.com) has been established in accordance with the Whistleblower System established by FocalTech. ● In accordance with the Work Rules, employee may file a complaint to the Human Resources and Administrative Unit by filling out the FocalTech Employee Complaint Form. Based on the reported content, the Unit will evaluate the necessity to convene the related departments or form a committee in order to handle the incident in stages in accordance with the Work Rules, and will take disciplinary actions depending on the severity of the situation. 	

Implementation Highlights in 2023

- The implementation status is periodically reported to the Board of Directors every year, and was reported to the Board on February 23 in 2023.
- Conducted education and training on ethical management and professional ethics in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/Tpex Listed Companies, to promote compliance with the Company's Ethical Corporate Management and Professional Ethics Best Practice Principles for all employees.
- Conducted the education and training on professional ethics for new recruits, with 50 persons participating (Taiwan).
- New recruits signed the Professional Ethics Best Practice Principles when onboarding, with 60 persons signing (Taiwan).
- Invited the Director of the Investigation Bureau to give a lecture on "Trade Secrets and Case Study Examples" at the Company, with 34 persons participating.
- In 2023, completed the system audit for 19 suppliers with production, including anti-corruption audits.

There were no violations of business ethics and integrity, and no penalties were imposed due to environmental or social issues, in 2023.

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 risks.
Achievements	Geopolitics, market changes, and concentration of end products were identified as medium risks. The responsible departments formulated countermeasures to minimize the impact of the risks in the future.
Action plans	After the middle and senior executives have discussed and reached a consensus, the responsible departments then formulate countermeasures and submit them to the management meeting for discussion. The final results will then be submitted to the Board of Directors by the Chairman Office.
How handled	
Resource investment	Middle and senior executives.
Feedback mechanism	<ul style="list-style-type: none"> Each middle and senior executive provides feedback on risk assessment and suggestions for improvement. The management meeting and the Board of Directors also provide feedback and suggestions for improvement and make refinement every year.
Evaluation mechanism	<ul style="list-style-type: none"> Regularly track the implementation and results of improvement measures based on the proposed plan. The assessment of the level of the same risk must be reduced in the following year compared with the previous year.
Future plans	
Goals for 2024	<ol style="list-style-type: none"> Track improvements to levels of risk identified in 2023. Continuously identify possible future changes associated with significant risk factors.

1.5.1 Risk Identification and Categories

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 departments to assess, screen and select significant risks each year, compile and analyze the statistical results, and report them to the management meeting. The department responsible for the risk will report the countermeasures for discussion to the management meeting, and countermeasures approved will then be reported to the Board of Directors by the Chairman Office. The scope of risk identification includes strategic planning, operating management, information technology, human resources, financial operations, environment, climate and other external risks.

Risk type	Risk description	Countermeasures
Corporate Governance	Failure in timely preparation or response to geopolitical and market changes will result in losses.	In addition to regular business management meetings, cross-departmental meetings, and different functional meetings, the Risk Management Team convenes a taskforce every year to jointly assess and discuss risk factors and take measures.
	High concentrations of end products	Accelerate the development of medium and large-sized products and hold regular meetings to track the progress.

Risk type	Risk description	Countermeasures
	Failure to properly manage information security will result in data loss and theft.	The Information Security Policy has been established along with the operation regulations. In addition to monitoring and management in accordance with policies and procedures on a regular basis, the information department 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.
	Ethics & Integrity Risk	<ul style="list-style-type: none"> In accordance with the Ethical Corporate Management Best Practice Principles for TWSE/Tpex Listed Companies, the senior management, including first-level supervisors and functional managers of specific departments (including new recruits), have all signed the Integrity Policy Statement, declaring that they adhere to the Company's Ethical Corporate Management and Professional Ethics Best Practice Principles. Disseminate related concepts in the education and training for new recruits.
	Insufficient or excess production capacity will result in the failure to deliver shipments or create inventory, which will further increase costs.	<p>FocalTech sees suppliers as important business partners, and thus maintains interactions with them.</p> <ul style="list-style-type: none"> Keep an eye on the market trends and grasp the changes in supply and demand. Share market dynamics within the Company in a timely way; implement reporting mechanism for related meetings. Hold meetings and interact with suppliers on both a regular and occasional basis to communicate on production capacity, product quality, delivery time, etc.
	Poor product quality and service will affect customer satisfaction.	<p>FocalTech sees customers as important business partners, thus maintaining interaction with them.</p> <ul style="list-style-type: none"> A customer service team has been set up internally, with dedicated sales, product application engineering, and quality assurance employees to provide services for customers. A customer service management platform has been established internally. The dedicated team analyzes and solves customers' problems or needs and the quality center will close cases to ensure customer satisfaction.
Social Prosperity	Poor benefits and communication will result in the loss of key employees.	<p>As FocalTech sees talent as the most important assets to the company, we are committed to building a company culture of good corporate values, providing challenges, fun, and better compensation than the industry to retain and cultivate employees.</p> <ul style="list-style-type: none"> Continuous improvement of employee treatment: Share the Company's operating performance with employees. Employee benefits include basic salary, bonuses, earnings distribution, stock bonuses, insurance, health examinations, welfare committee benefits, etc.
	The lack of satisfaction in learning and growth will result in the loss of key employees.	<ul style="list-style-type: none"> Establishing a variety of communication channels: In addition to regular management meetings, interdepartmental functional meetings, internal departmental meetings, and project meetings, we also organize activities such as birthday celebrations, FB fan groups, and festive events. Talent reserve: In response to the normal turnover of employees, the Company offers different kinds of education and training programs and opportunities for project work participation, and is always ready to cultivate suitable talents.
	Occupational accidents affect employees' work and company reputation.	<ul style="list-style-type: none"> Continue to maintain the ISO 45001 management system Conduct in-plant hazard identification for risk assessment Formulate operation control standards Formulate occupational safety and health target plan Implement occupational safety and health education and training
Sustainable Environment	The financial impact due to climate change.	<ul style="list-style-type: none"> Carry out climate change risk and opportunity analysis and countermeasures in accordance with the requirements of TCFD and the Financial Supervisory Commission (FSC). The ISO 14064-1:2018 greenhouse gas inventory is expected to start from 2024.

Risk type	Risk description	Countermeasures
	Greenhouse gas emissions continue to increase.	<ul style="list-style-type: none"> ● Carry out climate change risk and opportunity analysis and countermeasures in accordance with the requirements of TCFD and the Financial Supervisory Commission (FSC). ● The ISO 14064-1:2018 greenhouse gas inventory is expected to start from 2024.

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, the Company has appointed the head of the information department as convenor, a Chief Information Security Officer, and an information security personnel to ensure the security of Company and information security-related data, information systems, equipment, and networks. The designated personnel are jointly responsible for the group's information security governance policy, the supervision of operations, and the formulation of rules and regulations to serve as the Company's guidelines for the division of authority and responsibility, employees' education and training, management of computer hardware and software, networks, and physical environments of information security management organization.

- I. Scope and objectives: Provide principles for the implementation of information security at FocalTech to achieve the three objectives of confidentiality, integrity, and availability.
- II. Responsible departments and detection procedures: The Chief Information Security Officer will identify important risk factors based on internal risk assessment and make improvements through the work plan to reduce information security risks. The risk factors are also regularly compiled and submitted to the Sustainable Development Team, and coordinated before reported to the Board of Directors in accordance with their significance.
- III. Implementation of information security work:
 1. Each year, arrange the information security operation plan for the following year.
 2. Adopt the ISO27001 system in 2024.
 3. Implement disaster recovery exercises.
 4. Conduct monthly awareness-raising campaigns on information security and annually education and training on information security.
 5. Implement the plan or instructions as proposed, and review and record the results for future improvement and experience transfer.
- IV. 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 information leakage.	Internet and Electronic Media Operation Management Regulations
Acceptable Use	Protect data security 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 email 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 needs.	Internet and Electronic Media Operation Management Regulations
Incident Response	Establish the operating procedures and drill/exercises rules 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 for BYOD (Bring Your Own Device), including network usage regulations.	Internet and Electronic Media Operation Management

Policy	Description/Purpose	Regulatory Basis
		Regulations
Server Room and Hardware Security	Specify the safety management for access to the server room and uninterrupted power supply.	Internet and Electronic Media Operation Management Regulations

V. 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

Information security awareness-raising campaigns in 2023	<p>Information security awareness-raising campaigns conducted in 2023 include:</p> <ul style="list-style-type: none"> ● 12 company-wide information security awareness-raising campaigns in Taiwan. ● One in mainland China. ● 95 department information security audits and awareness-raising campaigns.
Disaster recovery exercises	<ul style="list-style-type: none"> ● Remote backup operations ● 3 disaster recovery exercises for the year by the group.
Information security training	<p>Conducted the information security online education and training course in 2023 with 414 persons attending and a completion rate of 100%, covering the following:</p> <ul style="list-style-type: none"> ● Data leakage prevention ● Response methods ● Phishing tactics ● Trade secret protection
Education and training for new recruits	Completion rate of 100% with 50 new recruits in 2023.
Phishing exercises	One exercise.
Vulnerability assessment	One assessment in 2023, which includes vulnerability assessment of important servers as well as vulnerability remediation.
Security information policy	Added and amended IM control rules and strengthened the devices for endpoint protection to protect confidential and sensitive data against data leakage.
Information security certification	Evaluate and schedule the timing for ISO 27001 verification, with an expectation to obtain ISO 27001 certification in Q4 2024.
Total education and training hours	The total education and training in 2023 reached 164 hours.
Amendment or new information security-related regulations	Completed the amendment of 2 information security regulations.

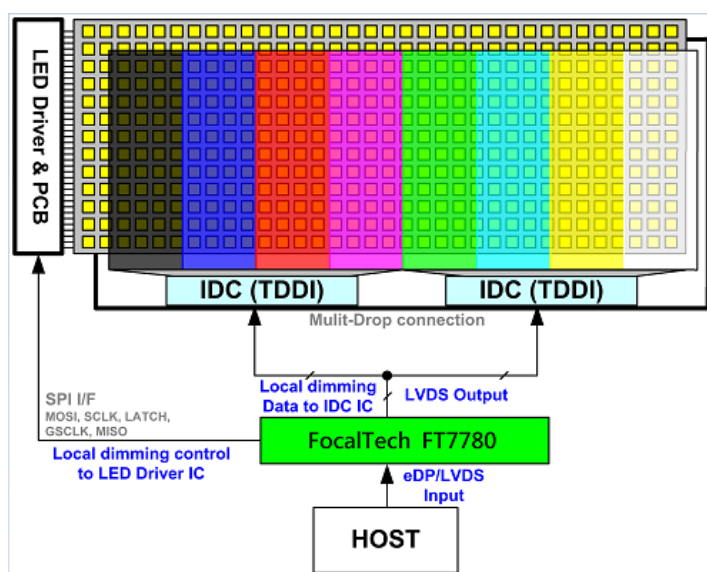
Innovative Value Breakthrough

2.1 Technological Leadership

FocalTech attaches great importance to innovation and 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 through differentiated products and competitive technology thresholds, so as to maintain the Company's leading position in industrial technology and further fulfill our commitment to sustainable operations. Therefore, FocalTech's investment in innovation and R&D is the key to continuous revenue growth. The Company's achievements in 2023 are as follows:

DDIC

Successfully developed local dimming technology, which enhances the overall texture and visual effect of an in-vehicle display.



FT7780, as the first automotive Bridge IC, aims at the LD (Local Dimming) market of 10" to 28" for automotive panel displays. Our currently mass-produced FT7251/FT7252/FT7253 and soon-to-be-released FT7256/FT7257 all provide solutions for local dimming. In addition, the controllable function areas ("zones") have also been raised to the industry standard of over 1,000 zones to 1,560 zones (applied for 28" panel display), which allows driving larger DDIC panels. Apart from that, to meet the necessity of adopting the Tier 1 international automobile manufacturers' systems, FocalTech complements the speed requirements of high resolution transmission by adding the Embedded DisplayPort (eDP) interface for the input of eDP signals and low voltage differential signalling (LVDS). These products also support 2.7 Gbps transmission speeds, which meets the requirements of current 4K+ automotive panel applications. In addition to strengthening the demand for inputs from the system back-end, these products also greatly enhance the diversification of FocalTech's in-vehicle offerings.

The FT7780's product application features are, first, to provide better solutions for the continuous requirement on higher optical characteristics in the in-vehicle display market, such as the improved contrast ratio (CR), grayscale, and resolution. Second, it provides more differentiated products for human-machine interfaces (HMI), meaning displays that combine information and entertainment to be in line with automotive manufacturers' current focus. By pursuing common goals, we enhance car interiors' overall quality and visual effects.

Touch

High performance technology

- Waterproof: Enable normal operation in wet hands or in the presence of water mist or droplets by employing exclusive full-screen common mode scanning technology, special waterproof algorithms, and a broader area of wide-angle scanning.
- Multi-material/thick gloves: Support multi-material glove applications and ensures sensitivity by leveraging the high SNR (signal-to-noise ratio) of FocalTech products.
- Low power consumption: Seamless switching between full-screen common mode scanning and mutual-capacitive architecture effectively reduces power consumption, extends standby time, and provides a variety of operating modes (e.g., active mode, monitor mode, sleep mode) for end-products.



3D Touch – Forced Touch

Combining display technology and capacitance voltage detection technology, FocalTech launched the first high-performance single-chip solution that supports both multi-touch and multi-force touch. Force engines recognize the pressure of two fingers with different strengths (e.g., one-finger tap + one-finger press) and provide an in-cell 3-in-1 single-chip solution (integrating FHD LCD display driver, multi-touch and multi-force touch) and an out-cell 2-in-1 single-chip solution (integrating multi-touch and multi-force touch), which significantly reduce power consumption and complexity. Additionally, the use of Android 6.X specifications makes it easier for third-party applications to obtain 256 levels of force touch data from the OS interface, increasing the applicability of the software.

Mobile Phones with POLED Displays

POLED display mobile phones reached a 40% market share in China in 2023.

Low power consumption:

POLED Touch IC (FT3681) has the lowest power consumption in the industry during mass production. The product is in mass production on Moto Razr40 ultra, and the related low power consumption design and methodology will be applied to other touch products of the Company.

Reduced consumables:

Based on the FT3681, we designed FT3383, a smaller touch IC packaging targeting screens of 4 inches or so. The area is not only reduced by 19%, but the more compact IC size also fits smaller devices better. Additionally, we reduce the consumption of packaging materials, such as compound materials, PCB, and gold wires.



2.2 Intellectual Property Security

In order to encourage employees to innovate, protect R&D achievements, and continuously strengthen competitiveness, FocalTech has established the Intellectual Property Management Plan that is integrated with the Company's operating goals and formulated the Patent Application Management and Incentive Regulations. Additionally, FocalTech aims to achieve technological leadership in important area to provide quality products and services for customers around the world, and continuously pursues leadership by adopting an approach of sustainable development.

Patent management measures

1. The board chairman appoints technical supervisors to form a Patent Review Committee. After initially searching and examining the patent proposal, the patent team submits the proposals to the Patent Review Committee. The committee deliberates on the proposals, makes decision on patent application or listing as a trade secret, and determines the type and deployment of patents, etc., with an aim to improve the quality of patent applications and make the deployment closer to products.
2. Intellectual property departments maintain innovation and patent-related systems, including the compilation of innovation proposal information, statistics and analysis, patent application and management, and patent deployment.
3. FocalTech has established an appropriate patent reward system to encourage employees to submit proposals for patent application, and raised the awareness of professional technology and patent protection among employees through occasional education and training on patented technology.

Trade secret protection and information security management

1. When new employees report for work, they are required to sign the employment contract, which covers confidentiality obligations, non-compete clause, intellectual property, and invention agreements. The training courses for new recruits include the trade secret protection and intellectual property knowledge to raise employees' awareness on business secrets, thereby helping them to abide by the confidentiality obligations of the company's and customers' confidential information, and to prevent trade secrets against data leakage.
2. In the working environment, the confidential information is protected by setting permission rights and network segments.
3. As for access to the Company's computer equipment, employees are required to log in with their personal account and password for identity verification, and the password must be changed regularly.
4. All employees of FocalTech are equipped with access magnetic cards, and the permission to enter and exit is granted in accordance with the employee's department attributes; when non-company personnel enter and visit the Company, they must be accompanied by company employees.

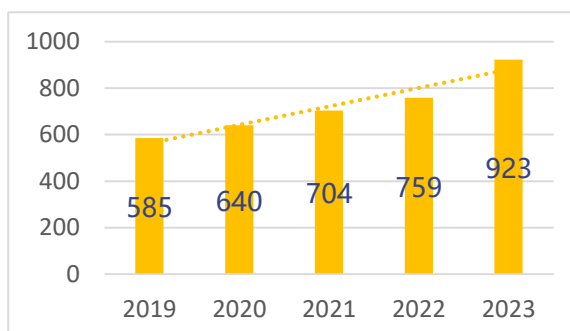
Management situation

● Reporting of implementation

FocalTech regularly reports to the Board of Directors every year on the management of intellectual property in accordance with its significance.

● Patents acquiring

As of 2023, the group had acquired 923 patents worldwide.



- Training record

50 new employees attended training related to trade secrets and intellectual property in 2023.

A total of 414 current employees attended awareness-raising campaigns on information security training courses in 2023.

- Implementation status

Established the Patent Application Management and Incentive Regulations in 2006.

Established the Ethical Corporate Management and Professional Ethics Best Practice Principles in 2018.

Established the Information Security Policy in 2020.

Amended the Internet and Electronic Media Operation Management Regulations in 2021 to include information security prevention measures.

Amended the Patent Application Management and Incentive Regulations in 2022 to include the strategy for patent deployment worldwide.

Sustainable Prosperity with Partners

3.1 Firm Foundation

Management Policy	
Major issue	Product Quality
Policy directions	Continuous improvement and pursuit of perfection.
Core goals	<p>Short-term goal: Total customer satisfaction score of 8.8 or higher.</p> <p>Mid-term goal: Total customer satisfaction score of 9.0 or higher.</p> <p>Long-term goal: Top customer satisfaction rating for FocalTech quality.</p>
Achievements	Produced statistics on customer satisfaction and conducted meetings on quality, with an overall average customer satisfaction score of 8.44 in 2023.
Action plans	<p>The Quality Center is responsible for monitoring and evaluating 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 track the improvement:</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 departments 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 handled	
Resource investment	<p>Human Resources: Quality Center and responsible departments (R&D, AE/FAE, Sales/MKT/CS, Production, etc.)</p> <p>Information platform: CCR project launching list.</p>
Feedback mechanism	Customers can send their feedback by contacting FocalTech's Business & FAE, Quality Center, etc. via email or phone, or through FocalTech's "Contact Us" website area. After receiving a response from customers, the relevant department internally transfers the case based on the division of authority and responsibility to effectively provide feedback for customers. The communications for the annual summary are implemented 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 2024	Increase overall average customer satisfaction score as compared to the previous year.

FocalTech follows the ISO 9001 quality management system requirements to establish processes for customer communication, order processing, technical support, customer complaint handling, and after-sales service. The Customer Service and Complaint Management Procedures have been formulated to ensure the improvement of professional service quality in all aspects, thereby gaining customer trust and achieving long-term profitability for the Company.

One large, quality-related event was organized in 2023, aiming to cultivate quality awareness among employees through creative and engaging activities. The event saw a total of 176 participants and the satisfaction rate in event feedback reached 92%.



FocalTech received no customer complaints for breach of customer contracts in 2023.

FocalTech has maintained customer relationships through customer satisfaction surveys as well as handling and monitoring of customer complaints, and timely reviews customer feedback for improvement.

To objectively collect and listen to customer voices, we have implemented a customer satisfaction survey management mechanism that covers five key dimensions: quality, delivery, service, technical support, and overall evaluation. Questionnaires are sent each year for satisfaction surveys among existing customers. After the survey, the Company consolidates the results and feedback, and communicates them to relevant departments and senior management. By reviewing the results and feedback from customers, we identify opportunities for improvement and address significant issues. Additionally, we respond to customers via phone or in-person visits with a sense of accountability, providing improvement measures to enhance product and service quality and ensuring that customer needs are understood and met.

The overall average customer satisfaction score for 2023 was 8.44, which is considered relatively high but slightly lower than that in 2022. With the spirit of continuous improvement, we conducted interviews to understand the root causes. As a result of the interviews, the areas with relatively low scores were the R&D schedule/specification/market positioning of new products, which was mainly due to the lack of R&D staffing. The problem has been optimized by increasing staffing with the assistance of the human resources department.

Customer Satisfaction Survey Score

2021	2022	2023
8.65	8.61	8.44

Note: Scores are out of 10 points.

3.2 Sustainable Supply Chain

Management Policy	
Major issue	Sustainable Supply Chain Management
Policy directions	In addition to requesting suppliers to focus on ESG issues, FocalTech works together with suppliers toward continuous growth, thereby fostering a sustainable supply chain relationship.
Core goals	<ul style="list-style-type: none"> ● 100% of new suppliers sign the Supplier Honesty and Integrity Commitment. ● 100% of new suppliers sign the Corporate Social Responsibility Commitment. ● 100% of new suppliers obtain ISO 9001 certification. ● 100% of suppliers obtain ISO 14001 certification. ● Maintain suppliers complying with the RoHS and REACH regulations at 100%. ● 100% of raw materials are purchased from smelters recognized by smelter organizations verified by the Global Sustainability Initiative. ● Complete the system audits for 100% of suppliers. ● Complete internal training for ISO 14064 certification for 50% of key suppliers.
Achievements	<ul style="list-style-type: none"> ● Achieved and maintained 100% of new suppliers signing the Supplier Honesty and Integrity Commitment. ● Achieved and maintained 100% of new suppliers signing the Corporate Social Responsibility Commitment. ● Achieved and maintained 100% of new suppliers obtaining ISO 9001 certification. ● 93% of suppliers and 100% of key suppliers obtained ISO 14001 certification. ● Achieved and maintained 100% supplier compliance with RoHS and REACH regulations. ● Achieved and maintained 100% of raw materials purchased from smelters recognized by smelter organizations verified by the Global Sustainability Initiative. ● Achieved and maintained system audits for 100% of suppliers. ● Completed internal training for ISO 14064 certification for 50% of key suppliers.
Action plans	Including ESG items in the outsourcing projects
How handled	
Resource investment	Auditing personnel
Feedback mechanism	Supplier evaluation survey, supplier meetings, phone calls, mailings
Evaluation mechanism	Produce statistics on supplier responses and verify certificates
Future plans	
Short-, mid, and long-term goals	Short-term: 80% of key suppliers complete the internal training for ISO 14064 certification Mid-term: Key suppliers complete the greenhouse gas inventory Long-term: Key suppliers obtain ISO 14064 certification

Providing stable quality and sustainable services, suppliers have always been a crucial cornerstone of FocalTech's sustainable development. With the impact of environmental changes in recent years, greenhouse effects cause an increase in production costs. Consequently, we have been compelled to place a greater emphasis on the overall sustainability of the industry chain. In addition to monitoring the product quality, services, and delivery management of suppliers, we have gradually formulated sustainable

development policies, with the expectation that suppliers can implement risk management and ongoing operating plans in the areas of sustainable environment, society, and corporate governance. Our aim is to create a green supply chain that holds sustainable value.

Supply chain management strategies

FocalTech's management is committed to providing customers with products and services that comply with laws, regulations, standards, and quality requirements, while also ensuring occupational safety, environmental protection, and pollution prevention, thereby fulfilling the Company's social responsibility. The procurement of raw materials and consumables is conducted in accordance with applicable laws, regulations, and environmental requirements. To achieve this goal, suppliers are required to obtain the international management system standard ISO 9001 certification, and specific enterprises are required to obtain ISO 14001 certification in accordance with the law. Additionally, the implementation of ISO 45001, IECQ QC080000, and adherence to the Responsible Business Alliance (RBA) Code of Conduct throughout the supply chain is required, and suppliers are requested to sign commitment letters. FocalTech continuously encourage suppliers to prioritize ethical business practices, safeguard labor rights, ensure safe and healthy working environments for employees, and develop materials and processes that reduce environmental impact. Our suppliers also share our commitment and together work toward sustainable development.

There were no significant changes in the supply chain due to violations of regulations in 2023.

Supply chain management procedures

The commitments of the supplier management strategy are completely established in the Supplier Evaluation Control Procedures, which are divided into four stages – in order, Supplier Evaluation, New Product Introduction, Regular Management, and Continuous Improvement – to achieve good supply chain management.

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 based on audit deficiencies. In addition, we also take into account the requirements of quality, safety, and competitive prices; the compliance with specified delivery schedule, environmental protection, laws and regulations, and social norms; human rights and labor safety/health; and the prohibition on procuring materials from regions that may trigger social disputes, to ensure that the new suppliers meet FocalTech's quality, delivery, economic, environmental, and social standards.
2. Sign contracts with suppliers in a timely manner and specify quality, environmental, safety and health regulations to be adhered to as a guideline for supplier risk control.
3. Carry out supplier evaluations in accordance with the outsourcing management standards specified in ISO 9001. Questionnaire surveys are conducted based on suppliers' impact and significance on products. Furthermore, FocalTech also manages our suppliers in groups depending on supplier rating.
4. Qualified suppliers for mass production: Suppliers who are verified to meet FocalTech's requirements will be listed as qualified suppliers and start the mass production work.
5. Unqualified suppliers: Suppliers who fail to meet FocalTech's requirements and have received customer complaints on their products for two consecutive years will be removed from the Qualified Supplier List after review and examination.

No suppliers violated the Company's environmental or social evaluation criteria in 2023.

Supplier Management Flow



Initial on-site supplier evaluation

After the Supplier Evaluation Application Form submitted by the responsible department has been approved, an evaluation team will be formed with personnel from related departments to conduct an on-site evaluation. Based on question in the Supplier Evaluation Scoring Table, the Team evaluates the supplier's production capacity, quality management capability, product compliance with the requirements on substances for environmental management, corporate social responsibility, and attention toward ESG issues.

No deficiencies were found for ESG-related items in 2023 on-site supplier evaluations.

Information that must be submitted by FocalTech's qualified suppliers

1. Suppliers verified as qualified are required to provide their business license and bank account information by the responsible departments. Additionally, they are requested to sign quality-related documents, including the Procurement Contract, Non-Use of Environmental Hazardous Substance Guarantee, Confidentiality Agreement, FocalTech Quality Contract, as well as the Corporate Social Responsibility Commitment and Supplier Honesty and Integrity Commitment established by FocalTech in accordance with RBA requirements. Through these documents, FocalTech declares our commitment to creating a friendly work environment, prioritizing employee health and safety, and adhering to labor and ethical standards within our social responsibility management system. Also, the Corporate Social Responsibility Commitment requests our supplier partners to focus on and implement corporate social responsibility initiatives, such as creating a friendly work environment, ensuring workplace health and safety, environmental protection, and safeguarding labor rights and ethical business practices. Together, these efforts aim to achieve sustainable development.

100% of new suppliers signed the Corporate Social Responsibility Commitment in 2023.

2. All key suppliers are required to obtain ISO 9001 certification; those who have not been certified must submit a certification plan, or the purchasing department will supervise the supplier as it acquires ISO 9001 certification.

All 30 suppliers of COG packaging/testing plants and traditional testing plants obtained certification in 2023, for a 100% achievement rate.

Conflict mineral management

- FocalTech is in compliance with the Responsible Minerals Initiative (RMI) requirements of the Responsible Business Alliance (RBA) by requesting suppliers to submit a Conflict-Free Minerals Commitment to ensure non-use of raw materials extracted in conflict-affected areas, and sign a Corporate Social Responsibility Commitment that includes the commitment of not using conflict minerals.
- All suppliers are required to cooperate with the system audit that includes conflict mineral management.
- The Conflict Minerals Reporting Template (CMRT) from RMI is used as the survey check list to request suppliers to disclose the usage of metals in the provided raw materials, including tantalum, tin, tungsten, gold (the so-called “3TG”), ensuring that none of these metals is extracted in conflict-affected areas. The survey will be carried out again when a new version of CMRT is available.
- Non-use of rare earth metals: Upstream suppliers of the specific product list are verified and none of them use rare earth metals.
- FocalTech and our suppliers have established an identification and tracking mechanism to grasp the origin of the products.

The above practices ensure that the raw materials used in FocalTech’s products are sourced from smelters certified by the Responsible Minerals Initiative (RMI) and are handled with the risk management associated with key materials.

The achievement rate on non-use of conflict minerals in 2023 was 100%.

Hazardous Substances Management

FocalTech has established the Management Measures for Hazardous Substances, to ensure that our products comply with applicable laws and regulations on hazardous substances, Halogen free products: products without halogen substances, test item should include: RoHS hazardous substances and Br, Cl., such as the EU regulations (RoHS, REACH, and WEEE directives), as well as customer requirements. The raw materials, semi-finished products, finished products, packaging materials, auxiliary materials, consumables, and externally purchased items used in the design and manufacturing of our products are subject to compliance with this standard. Any substances or usage not specified in this standard but prohibited or restricted by FocalTech’s customers or laws will be strictly adhered to based on customer demands and legal requirements. FocalTech has conducted a comprehensive material investigation for existing transaction materials from suppliers and requires all collaborating factories to cooperate and provide material content reports. This information serves as a necessary basis for FocalTech’s personnel in selecting suppliers and materials.

The 2023 achievement rate for non-use of hazardous substances or compliance with restricted usage (RoHS, WEEE, and REACH) was 100%.

Percentage of FocalTech’s New Suppliers Obtaining Relevant Certification in 2023

Certification acquisition percentage	Suppliers who have acquired certification	Economic		Environmental			Social		
		ISO9001	IATF16949	ISO14001	QC080000	ISO45001	Social Responsibility Management, RBA	Supplier Honesty and Integrity Commitment	Corporate Social Responsibility Commitment
New suppliers	2	100%	0%	100%	0%	0%	0%	100%	100%

Percentage of FocalTech’s Suppliers Obtaining Relevant Certification

Certification		Total suppliers who have acquired certification	%	Key suppliers who have acquired certification	%	New suppliers who have acquired certification in 2023	%
Economic	ISO9001	30	100%	9	100%	2	100%
	IATF16949	23	77%	9	100%	0	100%
Environmental	ISO14001	28	93%	9	100%	2	100%
	QC080000	17	57%	8	89%	0	100%
Social	ISO45001	23	77%	9	100%	0	100%
	Social Responsibility Management, RBA	5	17%	3	33%	0	0%
Commitment signing	Supplier Honesty and Integrity Commitment	30	100%	9	100%	2	100%
	Corporate Social Responsibility Commitment	30	100%	9	100%	2	100%

Total suppliers: 30 Key suppliers: 9 New suppliers in 2023: 2

Definition of key supplier: A suppliers with whom FocalTech has transactions accounting for 70% or more of total transaction value in a year.

Percentage of FocalTech's Suppliers Obtaining Relevant Certification (divided into COG packaging/testing plants and traditional packaging/testing plants)

Certification acquisition percentage	Suppliers who have acquired certification	Economic		Environmental			Social		
		ISO9001	IATF16949	ISO14001	QC080000	ISO45001	Social Responsibility Management, RBA	Supplier Honesty and Integrity Commitment	Corporate Social Responsibility Commitment
COG packaging/testing plants	11	100%	64%	91%	45%	73%	18%	100%	100%
Traditional packaging/testing plants	19	100%	84%	95%	63%	79%	16%	100%	100%
Total	30	100%	77%	93%	57%	77%	17%	100%	100%

Regular qualified supplier evaluations

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 listed by the supplier during supplier audits. In 2023, the Company completed system audits on 19 suppliers in production. The main deficiencies are environmental and social related certifications. In this regard, FocalTech will continue to request our suppliers to make improvements.

Supplier audit

In addition to an initial evaluation conducted on new suppliers, FocalTech also conducts periodic audit and review on existing suppliers in production 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).

The completion rate of audits in 2023 was 100%.

Number and percentage of suppliers audited by FocalTech in 2023

Number of suppliers in production	19
Number of audits completed on the above suppliers by a QSA	19
Audit completion percentage	100%

Removal from the list of qualified suppliers

For suppliers who violate major laws and regulations, such as RoHS Directive, labor or ethics-related laws and regulations, have a major quality failure, or whose quarterly evaluation fails to meet the Company's standards for two consecutive quarters, the purchasing department may submit 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. Such incident did not occur in 2023.

Local procurement for suppliers

With the continuous advancement of technology and the increase in industrial output, environmental harm has also been on the rise, leading to a growing global concern for environmental protection. The United Nations Climate Change Conference (COP28) in 2023 aims to achieve binding measures to address climate change and curb global temperature rise. The goal for this year is to maintain the commitment to limit warming to 1.5°C and reiterate the global target of reducing carbon emissions by 43% to 45% by 2030. FocalTech adheres to these principles when selecting suppliers and considers the geographical location of the suppliers. In addition to factors such as supply cycle, timely delivery and delivery cost, we also take into account the environmental impact and potential harm caused by long-distance transportation of raw materials. Considering that many of FocalTech's customers are based outside of Taiwan, the number of non-Taiwan area suppliers has gradually increased, making up 50% of the total. This demonstrates FocalTech's commitment to implementing local procurement initiatives.

Percentage of suppliers

Region\Year	2021	2022	2023
Taiwan	48%	50%	48%
Other	52%	50%	52%

Green Procurement

In response to green procurement and to move toward a low-carbon enterprise, FocalTech emphasizes the management of hazardous substances and the control of environment risk. We adopt green design at the source with green procurement and production to reduce the impact on the environment and establish eco-sustainability. In order to support the concept of green procurement, we prioritize manufacturers that have obtained the ISO14001 certification for product manufacturing.

Percentage on green procurement in the past three years

Year	2021	2022	2023
Green Procurement (%)	99.58%	99.96%	99.94%

Calculation on green procurement: Purchase amount with ISO 14001 certified outsourced suppliers/Total purchase amount with outsourced suppliers

Protecting the Green Environment

4.1 Climate Change Risks and Mitigation Strategies

Management Policy	
Major issue	Climate Change Risks and Mitigation Strategies
Policy directions	Developing corresponding strategies by continuously monitoring climate change risks and opportunities.
Core goals	Gathering and monitoring international trends and changes in regulations, examining the impact of climate change on operational performance, reducing operational risks, and achieving corporate sustainability goals.
Achievements	In 2023, we conducted an analysis and evaluation following the TCFD framework and developed corresponding action plans as scheduled.
Action plans	<ul style="list-style-type: none"> ● Conduct climate change risk and opportunity assessment annually. ● Develop corresponding action plans based on the assessment results each year. ● Continuously monitor the effectiveness of the action plans. ● The Board of Directors oversees the planning and implementation through a dedicated supervision team.
How handled	
Resource investment	The Sustainable Development Team assesses and proposes implementation plans.
Feedback mechanism	Evaluate and take greenhouse gas reduction measures.
Evaluation mechanism	Conduct an annual greenhouse gas emissions inventory and compare the results with the previous year.
Future plans	
Short-term goal	Implement climate change risk and opportunity analysis and response measures in accordance with TCFD and Financial Supervisory Commission requirements.
Medium-term goal	Carry out third-party verification for the ISO 14064-1 greenhouse gas inventory and obtain the certification.
Long-term goal	Achieve the Net Zero Emissions by 2050 goal.

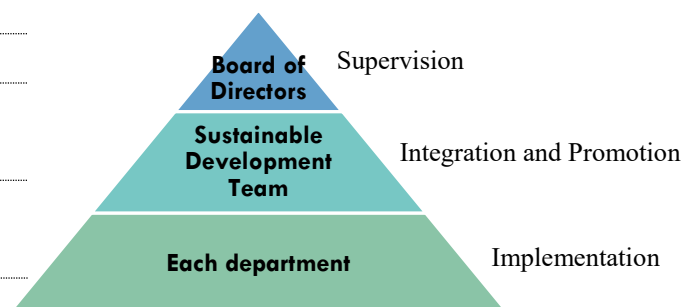
In response to the extreme climate due to global warming and the growing importance of energy and climate change issues in recent years, FocalTech recognizes the need to mitigate the operational impact associated with climate change. Starting from 2022, the Company has adopted the framework of the Task Force on Climate-related Financial Disclosures (TCFD), which covers areas such as governance, strategy, risk management, indicators, and targets. The members of the Sustainable Development Team is responsible for the identification of climate-related risks and opportunities, and the formulation of corresponding strategies. The Board of Directors monitors the implementation and effectiveness of these strategies.

Governance

FocalTech has established the Sustainable Development Team with the Chief Corporate Governance Officer serving as the covenantor. Meetings were held from time to time for the discussion of potential climate-related risks and opportunities resulting from operating activities, energy and resource use efficiency, and environmental impacts throughout the product lifecycle. Action plans are developed to seize opportunities and reduce operational risks. Additionally, the progress of these action plans are regularly reported to the Board of Directors in accordance with their significance.

Governance structure chart

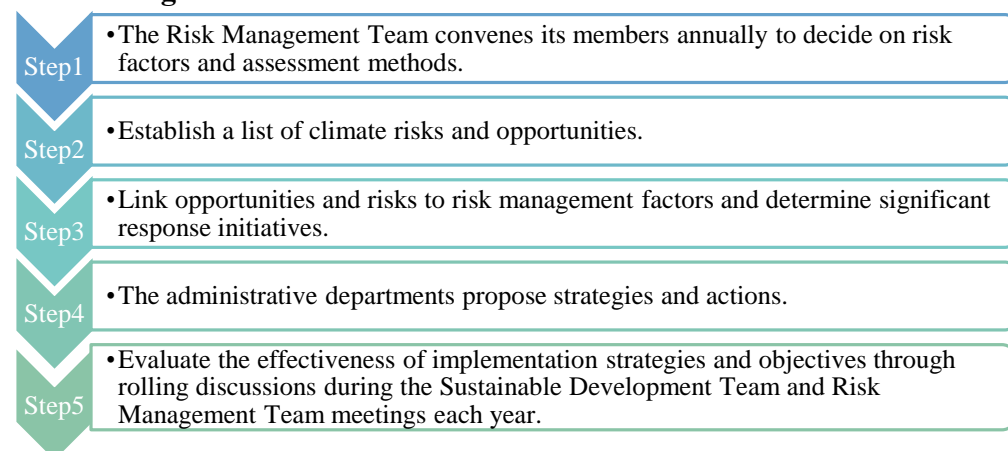
Supervision	Board of Directors
Integration and Promotion	Sustainable Development Team
Implementation	R&D, operations, sales and administrative units of each department.



Strategy

In response to the acute risk of potential extreme weather such as short-term rainstorms or droughts resulting from climate change, the Company has strengthened our disaster prevention measures to minimize the operational impact associated with extreme weather as a short-term strategy. Medium- and long-term strategies include optimizing energy efficiency, promoting green procurement, establishing a mechanism on environmental awareness education, and working with the supply chain to jointly reduce carbon emissions. By putting in place comprehensive response measures and deploying manpower and resources, FocalTech continues to enhance the resilience of the Company and supply chain to minimize the potential risks and losses resulting from climate change. In addition, to cope with the transition risk associated with climate change, the Company continuously strengthens the product design by moving toward lower energy consumption to meet the environmental requirements of the global market, as well as enhances green procurement to reduce carbon emissions in the supply chain. The Company is also collaborating with our industry partners to minimize the challenges and uncertainties brought about by the transition risk.

Risk Management

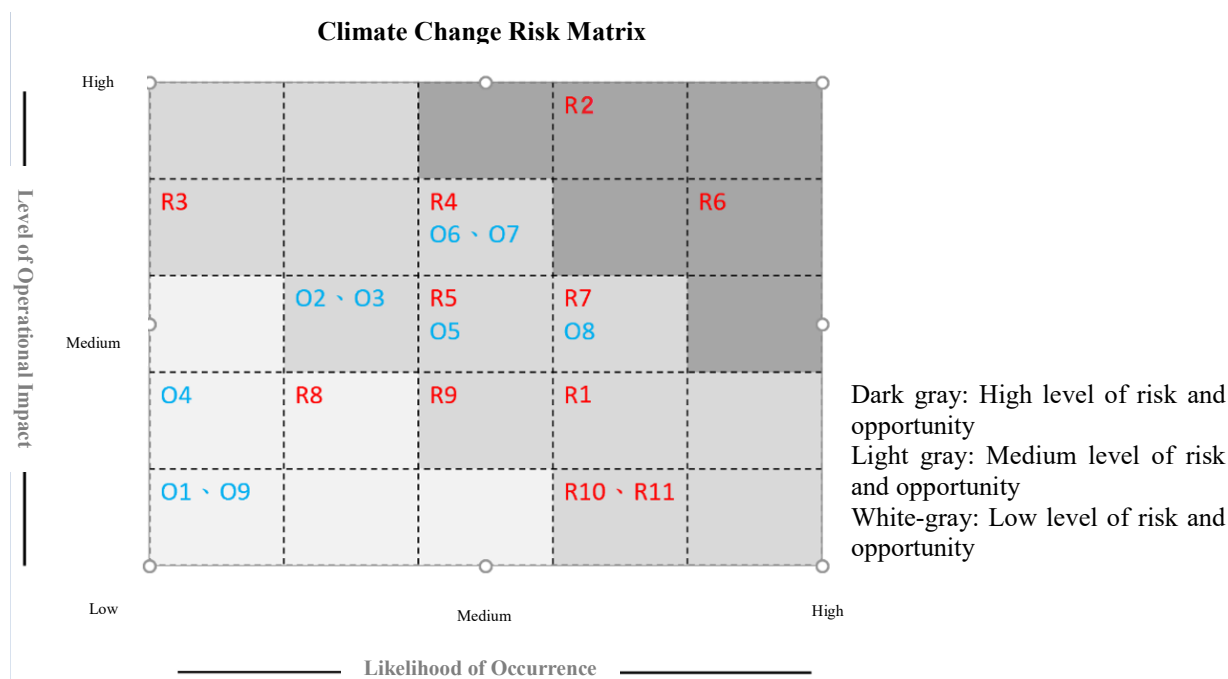


FocalTech follows the process depicted above for risk identification, assessment, and management. The Sustainable Development Team meetings involve relevant stakeholders who discuss and identify climate change risks and opportunities based on the TCFD framework. The discussions cover transition risks (i.e., policy and legal, technology, market, and reputation), physical risks (i.e., acute and long-term risks), and opportunities (i.e., resource efficiency, energy sources, products/services, markets, and resilience).

2023 Short-, Medium- and Long-term Climate Risk Table						
No.	Type	Item	Issues of Climate Change Risks	Financial Impact	Risk Level	Time Frame
R1	Transition Risk	Policy and Legal	Increased carbon pricing	Operating costs increase, causing reduction in profitability	Middle	Mid-term
R2			Strengthening emissions reporting obligations		High	Short-term
R3			Requirements and regulations for existing products and services		Middle	Short-term
R4		Technology	Replacement of existing products and services with low-carbon commodities		Middle	Long-term
R5			Costs of low-carbon technology transition (suppliers)		Middle	Mid-term
R6		Market	Rising raw material costs		High	Mid-term
R7		Reputation	Customer preferences		Middle	Mid-term
R8	Physical Risk	Acute	Increased severity of extreme weather events such as typhoons and floods		Low	Mid-term
R9		Long-term	Changes in rainfall (water) patterns and extreme changes in climate patterns		Middle	Mid-term
R10			Average temperature rises		Middle	Long-term
R11			Sea-level rises		Middle	Long-term

Short-, Medium- and Long-term Climate Opportunity Table 2023					
No.	Item	Issues of Climate Change Opportunities	Financial Impact	Opportunity Level	Time frame
O1	Resource Efficiency	Reduction in water consumption and excess water consumption	Reduce operating costs to increase profitability	Low	Medium-term
O2		Opting for more efficient suppliers		Medium	Medium-term
O3		Recycle		Medium	Medium-term
O4		Improving green energy used in buildings		Low	Long-term
O5		Adopting more efficient transportation methods		Medium	Medium-term
O6	Market	Adopting new technology	Operating costs increase slightly, overall profit increases	Medium	Medium-term
O7	Products and Services	Development of R&D and innovation in products and services		Medium	Long-term
O8	Energy source	Adopting low-carbon energy		Medium	Long-term
O9	Resilience	Shift to decentralized energy		Low	Long-term

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



As a result of the assessment, two significant risks were identified, namely policy/legal risks and market risk.

The first issue, i.e., the policy and legal risk, is to strengthen the obligations for emissions reporting. FocalTech has made an early arrangement to conduct greenhouse gas inventory in 2024, and the third-party verification is expected to complete in the second half of the year. Additionally, the assessment of the purchase of green energy has been initiated and carbon reduction targets have also been set.

The second issue, i.e., the market risk, is related to the rising cost of wafer raw materials. Due to climate change, the trial implementation of carbon tax by the European Union in 2023 has increased the production cost, processing cost and transportation cost of wafer raw materials, which has further affected operations. In this regards, the Company opts for reduction in the use of raw materials in the R&D and design processes, and extends the proportion of local procurement in the supply chain, thereby reducing the increases in costs of raw materials and transportation.

Indicator and Target

FocalTech further sets goals based on the index projects formulated by TCFD climate risks and opportunities:

1. Setting Net Zero Emissions by 2050 as the Company's goal; the Company is expected to start conducting an ISO 14064-1:2018 greenhouse gas inventory in 2024.
2. Continue to reduce greenhouse gas emissions every year.

4.2 Greenhouse Gas Emissions and Energy Management

Management Policy	
Major issue	Greenhouse Gas Emissions and Energy Management
Policy directions	Through the two directions of energy-saving circular policy and procurement of energy-saving equipment.
Core goals	Review energy management performance each year, reduce the Company's energy costs and reduce environmental burdens to achieve the Company's sustainable development goals.
Achievements	Total electricity consumption in Taiwan in 2023 reduced by 20% as compared with 2022.
Action plans	<ul style="list-style-type: none"> ● The new plant is fully equipped with LED lighting and energy-saving air-conditioning equipment. ● The air outlet of the IT machine room is replaced with a grille-type version to improve the efficiency of air outlet and installed with hot air extraction equipment to achieve energy-saving circulation. ● The shared outdoor unit is replaced with the independent air outlet to improve heat dissipation efficiency. ● The indoor air-conditioning is controlled using the automatic central monitoring system (PLC), which automatically returns to the set temperature every five seconds and starts and stops at on-hours and off-hours to extract the external air circulation. ● The water dispenser automatically starts and stops functioning in accordance with the on-hours and off-hours. ● Consumables for printers, photocopiers, electrical appliances and other supplies opt for low-carbon selections.
How handled	
Resource investment	594 thousand
Feedback mechanism	Reduce energy usage each year
Evaluation mechanism	Statistics on energy-saving results every year
Future plans	
Short-term goal	<ul style="list-style-type: none"> ● A goal of 2% reduction in the electricity consumption in Category 1 and 2 in 2024 as compared to 2023. ● Collect information on green certificates and green power. ● Pass the third-party verification of the ISO 14064-1 greenhouse gas inventory.
Mid-term goal	<ul style="list-style-type: none"> ● Pass the third-party verification of the ISO 14064-1 greenhouse gas inventory. ● Establish a list of suitable suppliers for green power procurement.
Long-term goal	<ul style="list-style-type: none"> ● Continue to implement and evaluate energy-saving and carbon-reduction targets. ● It is estimated that in 2040, the purchase of green power will replace the current main electricity consumption and will reduce the Scope 2 carbon emissions. ● Use renewable energy and increase the utilization rate of renewable energy.

FocalTech ensures the effectiveness of environmental management. By introducing the ISO 14001 environmental management system for systematic management, FocalTech sets environmental policies and environmental goals, formulates related control measures, and reviews operational performance each year, with the aims to reduce operating costs and environmental burdens and to improve employees' environmental awareness and law-abiding behavior, thereby implementing the concept of sustainable management. In the design, production and operation of FocalTech products, we take full account of the impacts on the environment and safety and make continuous improvement with idea of prevention. The Company adheres to the following environmental goals:

Environmental Goals

1. Adoption of new technologies: Use environmentally-friendly materials and new production techniques to reduce environmental impact and hazard risks in the production process.
2. Hazard prevention: Regularly identify environmental factors and major hazard sources, formulate management plans, and implement supervision.
3. Compliance with laws and regulations: Abide by national, local and industry-related laws and regulations, and be a law-abiding enterprise.
4. Commitment to continuous improvement: Continuously improve environmental pollution and health hazards, and improve environmental, health and safety performance.
5. Training on environmental safety: Conduct education and training on environmental safety and implement safety management, and raise the awareness of environmental protection, health and safety among employees.

4.2.1 Energy management

The energy resources on earth are limited. FocalTech's operating activities are mainly office-type works, and most of the energy consumed comes from office administration. To avoid improper waste of energy, we attach importance to the management of energy resources. FocalTech relocated from the leased office to the self-owned office in June 2022, which aims to provide our employees with a more comfortable work environment, where the environmental protection practices for self-controlled energy saving and carbon reduction works can be implemented.

The new office building is equipped with an automatic central monitoring system (PLC), which integrates multiple systems including electricity meter, UPS, frequency conversion multi-connected outdoor unit, IT machine room and other temperature and humidity systems. This helps the Company to better monitor and regulate the temperature and humidity to reduce improper waste of energy.

Measures taken in Taiwan:

- Regulate the temperature and humidity with the automatic central monitoring system (PLC), with the temperature set at 24–25°C in summer and 25–27°C in winter.
- Set the energy recovery ventilation (ERV) to move outside air in to reduce indoor temperature in winter.
- Install ERV in the IT machine room to move the heat out to the office area for temperature reduction.
- Change to LED lighting to reduce electricity consumption by 35.27%.
- The windows in the west area are all installed with thermal insulation film and circulation fans. The temperature in the IT machine room is increased to 24°C from 22°C.

The continuous implementation of engineering control improvement, awareness-raising campaigns, and measures to shorten the usage time of light fixtures and water dispenser resulted in a 20% reduction in electricity consumption compared to the same period

last year, demonstrating the efficiency of energy conservation. The Company will continue to work on the goal of a 2% reduction in electricity consumption in 2024 as compared with 2023.

Energy use

2023 energy use statistics

Unit: GJ

Region	Electricity (kWh)	Electricity (GJ)	Total energy consumption
Taiwan	1,687,988	6,077	6,077
Other	513,003	1,847	1,847

Note: 1 kWh is 3.6 million GJ, and 1 GJ is 10⁹ GJ.

Energy intensity

Energy intensity in 2023

Unit: GJ/m²

Region	Electricity (GJ)	Plant area (m ²)	Total energy consumption
Taiwan	6,077	13,335	0.456
Other	1,847	7,473	0.247

4.2.2 Water management

The Company's operating activities are mainly office-type works and is not engaged in the production and manufacture of products; therefore, no process water is consumed. The water consumed is from tap water and is for domestic use. The Company does not cause significant environmental impact on water resources and the ecological environment of water resources, and there was no illegal pollution incident in 2023. The Company will continue to promote water conservation and the use of water-saving labeled products.

4.2.3 Greenhouse gas emissions

The extreme climate change caused by greenhouse gas emissions is a significant environmental problem faced by the world. FocalTech is not a significant energy consumer, but as a member of the earth we see greenhouse gas reduction as our common goal to achieve. FocalTech proactively conducts greenhouse gas inventory, hoping to understand the current situation and trends through inventory checks to take countermeasures in advance. Additionally, we continue to estimate the greenhouse gases produced from our energy consumption as a reference for subsequent energy-saving and carbon-reduction performance. Based on the ISO 14064-1:2018 standard, we set 2023 as the base year for greenhouse gas inventory and expect to pass third-party verification in 2024.

Direct Greenhouse Gas Emissions (Category 1)

The emission sources owned or controlled by FocalTech. The direct emission sources are the refrigerants and carbon dioxide fire extinguishers used in public facilities within the plant area, as well as the septic tanks in the plant area.

Energy Indirect (Category 2) and Other Indirect Greenhouse Gas Emissions (Categories 3–6)

The indirect emissions of FocalTech are mainly the indirect greenhouse gas emissions generated by purchased electricity, including electricity consumption of equipment, offices and public areas. Other indirect emissions (Categories 3–6) will be quantified and disclosed in 2024 through the greenhouse gas inventory.

Greenhouse Gas Inventory – FocalTech (Group)

Unit: metric tons of CO_2e

Emission source type/Region	Category 1	Category 2	Categories 3–6	Total emission equivalent	Greenhouse gas emission intensity per NT\$ million in revenue (Note 10)
	Direct emissions	Indirect emissions	Other indirect emissions		
Taiwan	46.1851	833.8673	161,291.8846	162,171.9370	
					13.2403
Other	1,659.8419	292.5659	15,519.7224	17,472.1302	

Note:

1. Unlike 2021 and 2022, the inventory scope in 2023 was expanded to cover operating sites in Taiwan and mainland China. However, due to the small number of employees in some of the operating sites (the United States, South Korea, etc.), they are not included in the scope of the inventory in 2023.
2. The operational control approach was adopted.
3. The types of greenhouse gases covered in the Center's inventory include carbon dioxide (CO₂), CH₄, N₂O, HFCs, PFCs, SF₆, NF₃, and others.
4. Scope 1 emissions include fugitive emissions from fire extinguishers, refrigerators, freezers, and air conditioners. Scope 2 emissions are the electricity statistics of each operating sites. Scope 3 emissions are the transportation and distribution from downstream suppliers, employee commuting, and waste treatment from operating activities.
5. Global warming potential (GWP) refers to the GWP value stated in the IPCC Sixth Assessment Report published in 2021.
6. Scope 1 (Category 1) Direct greenhouse gas emissions: Refers to the Greenhouse Gas Emission Factor Management Table version 6.0.4, Environmental Protection Department of the Executive Yuan.
7. Scope 2 (Category 2) Electricity emission reference coefficient: Refers to the Electricity Emission Coefficient of 0.494 kilograms of carbon dioxide equivalent (CO₂e) announced by the Energy Administration of the Ministry of Economic Affairs in 2023.
8. Scope 3 (Categories 3 and 4) other indirect emission factors: Refer to the national emission factors and the coefficients obtained from the plant development factors/quality balance.
9. Consolidated revenue in 2023 was NT\$13.568 billion.
10. Emission intensity formula: Total emission equivalent divide by per million of revenue.
11. The third-party verification of the greenhouse gas inventory in 2023 was completed later than the publication date of this report. The above data is based on the self-inventory data, and the final verification data will be updated in the following year's report after the third-party verification is completed.

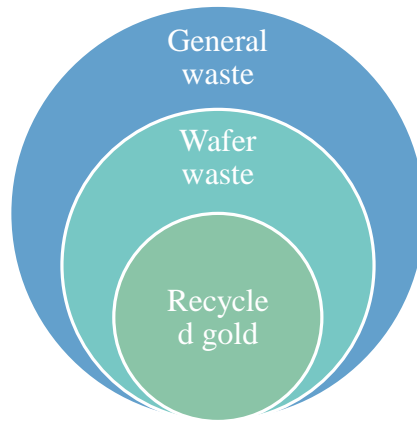
4.2.4 Waste management

FocalTech is a specialized fabless IC design company that is mainly engaged in R&D, design, and testing of integrated circuits. By improving the material use, size and performance of products, we hope to achieve the purpose of maximizing the sustainable use of resources. In addition, we reduce waste and production costs through process improvement and operation management, and develop and opt for non-polluting and low-pollution design process. Furthermore, FocalTech outsourced the manufacture of products to external specialized wafer foundries and packaging and testing plants, while the defective IC products are recycled through effective management procedures. All waste is recycled and reused by qualified waste removal and treatment vendors, who extract precious metals from the defective products. The process transforms the waste from a misplaced resource into a raw materials that enter a new production cycle, thus reducing the waste of resources.

The waste generated by FocalTech is classified as general industrial waste, which includes recyclable materials such as waste cartons and waste plastics, totaling 2.0012 metric tons.

The wafer waste weighed 0.468 metric tons, and the weight of other general waste totaled 1.5332 metric tons (Taiwan).

Waste factors in Taiwan in 2023



Of the 0.468 metric tons of wafer waste, 9.76 kg was recycled gold, for a cyclical use rate of 2.09%.

There were no environmental protection penalties imposed by the competent authority in 2023 for violating the environmental protection laws and regulations.

Friendly Corporate Workplace

FocalTech attaches great importance to the labor rights and interests of employees by creating a happy and safe workplace environment, providing employees with friendly and equal job opportunities, implementing gender equality policies, and establishing an atmosphere of mutual respect. Other than that, we provide market-competitive salary and benefits and strengthen the centripetal force of employees to reduce the frequent turnover of personnel, helping the Company to develop steadily. Additionally, the Company has established a sound human resource management system to provide rich and diverse educational resources, aiming to enrich our employees' expert abilities and enhance their competitiveness. The positive labor-management interaction allows our employees to speak freely and express their opinions in the labor-management meeting, to which the Company responds in good faith to obtain a labor-management consensus. In addition, FocalTech establishes and implements the ISO 45001 occupational safety and health management system to strengthen the Company's management performance in occupational safety and health, thereby effectively protecting the physical and mental health of employees. This also enables outstanding talents to cooperate and grow together, innovate and develop products, and exert their personal value to achieve the goal of sustainable operation.

5.1 Talent Foundation

Human Rights Protection

FocalTech attaches great importance to the rights of employees and creates a friendly environment for human rights protection. The Company follows the United Nations Universal Declaration of Human Rights, United Nations Global Covenant, United Nations Guiding Principles for Business and Human Rights, the International Labor Organization's Declaration on Basic Principles and Rights at Work, and other human rights covenants. Additionally, we adhere to the internationally recognized basic human rights, including respecting the freedom of association of employees, caring for underprivileged groups, prohibiting child labor, eliminating forms of forced labor and discrimination in employment, and any infringements and violations of human rights, with the aims to guarantee gender equality and ensure fair treatment of all employees. FocalTech's fair and open recruitment of talents does not discriminate based on gender, age, race, religion, or political stance.

Furthermore, FocalTech complies with the domestic labor rights laws and regulations, formulates regulations to strictly protect the work rights and interests of every employee at FocalTech, and promotes important information such as human rights protection and labor rights to new and current employees. Also, a complaint channel has been set up for employees and due diligence investigations will be carried out upon receipt of reports by dedicated personnel, and the personal information of the whistleblowers will be kept confidential. If the case is substantiated, the Company promises not to treat the whistleblower unfavorably. There was no violation of human rights in 2023 reported at FocalTech.

FocalTech also cooperates with customer audits for human rights-related hazard identification and risk assessment. Reviews are also conducted from time to time to detect significant risks in advance and take immediate measures to minimize the risk of causing severe damages to the Company.

In addition, the new employee training program also includes human rights policy courses for them to comply with the Company's regulations and implement the practices at work, with a total of 50 persons participating in 2023.

Employee Statistics

FocalTech is a specialized IC design company, which is in the high-tech expert field. The field has high specialized requirements for personnel capabilities, and the cultivation of talents is never an easy task. Therefore, we hope to reduce personnel turnover through the welfare system and a friendly workplace environment to achieve talent sustainability.

Specifically, the IC design industry requires long-term and stable manpower. All employees are mainly contract based with different employment period (i.e., full-time employees). FocalTech provides long-term and stable work patterns, helping employees to devote themselves to work without any worries, which is conducive to economic stability of employees.

Employees at FocalTech's Taiwan and overseas operating sites totaled 806 employees in 2023, including 3 non-ROC nationals and 4 overseas-based personnel. The Company creates a friendly work environment to attract outstanding talents to join and to carry out exchanges and cooperation with each other, thus forming a diverse and inclusive working environment.

Please refer to Appendix 5 for employee-related statistics.

5.2 Compensation and Benefits

Management Policy	
Major issue	Compensation and Employee Benefits
Policy directions	FocalTech sees 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 benefits at FocalTech.
Core goals	FocalTech is committed to providing our employees with good quality working conditions and competitive compensation, benefits, and welfare measures to attract and retain talents.
	Welfare subsidies and activities of the Employee Welfare Committee:
	<ul style="list-style-type: none"> Welfare subsidy (marriage, childbirth, hospitalization and funeral expenses), birthday gift, festive cash gift, travel subsidy, and club activities.
Achievements	<ul style="list-style-type: none"> Company activities and appointed store cooperation. Subsidy amount: The total amount of welfare subsidies of the group was NT\$52,855,910 (including wedding, celebration, funeral and hospitalization subsidies, club activity expenses, meal gathering, and festive events).
Action plans	<ul style="list-style-type: none"> Remuneration and compensation policy Group insurance/Labor health examinations Subsidies and activities of Employee Welfare Committee
How handled	
Resource investment	Employee Welfare Committee and all employees.
Feedback mechanism	Employee Demand Survey and Industrial Employee Compensation Survey.
Evaluation mechanism	Satisfaction survey
Future plans	
Goals for 2024	FocalTech will continue to hold employee-related welfare activities to help employees to experience the care of the Company, with the satisfaction survey scoring 80% or higher.

FocalTech determines employee compensation based on the achievement rate of annual operational targets and the Company's profitability. We provide our employees with compensation packages that are better than local regulations and are competitive in the market. To ensure that employees' performance is appropriately reflected in their individual compensation, all employees undergo performance and career development evaluations on a regular basis. The assessment results are taken into consideration for promotion and career development opportunities, helping employees with specialized technical expertise to grow into professionals in the respective fields through their hard work. Likewise, those with management skills and leadership potential can advance to managerial positions, providing ample room for career development. At FocalTech, employee salary adjustments are primarily based on factors such as years of service, educational background, work experience, and specialized capabilities, without any differentiation due to physical or mental differences. As employees gain more experience and industry knowledge over the years, the Company is delighted to share our profits with employees. While employees contribute their expertise to the Company, we ensure them financial stability, which will strengthen the centripetal force of employees and their sense of belonging to the Company.

Furthermore, the starting salary at FocalTech is based on the job categories and years of related experience, and the same standard is adopted regardless of gender. Subsequent salary adjustments are based on the job categories and actual performance, and there is pay gap between male and female employees. Additionally, for non-supervisory personnel, both male and female employees receive standard salaries that are higher than the statutory minimum wage.

Moreover, FocalTech has established an Employee Welfare Committee in accordance with the Labor Standards Act. The committee regularly convenes meetings to discuss ways to improve welfare measures and enhance employee benefits. Through periodic employee welfare activities, we aim to not only alleviate work-related stress for our employees but also foster positive interactions among employees.

Compensation ratio by job category and gender in 2023

Job Category	Taiwan		Mainland China	
	Female	Male	Female	Male
General employees	1	1.27	1	1.17
Supervisors	1	1.34	1	1.19

Note: The average salary of female employees is used as the denominator for calculation.

Employee benefits

Welfare type	Welfare programs	Supplementary notes
Statutory welfare	Labor Insurance and National Health Insurance	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	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.
	Parental Leave and maternity leave	Quantity of leave is in accordance with local laws and regulations.
	Pregnancy checkup leave, pregnancy checkup accompaniment leave, and paternity leave	Quantity of leave is in accordance with local laws and regulations.
	Regular health examination	A company-wide employee health examination is held annually.
Company benefit (including those from Employee Welfare Committee)	Bridge holiday	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 vouchers	Employees who have served the Company for at least three months receive gift vouchers 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 voucher.
	Company trips	Annual company trips to domestic/overseas locations.
	Club activities	Club activities and the gym for use.
	Festive activities	Festive events (e.g., Mid-Autumn Festival barbecue, Engineer's Day, Family Day, and Winter Solstice) are held in accordance with the annual planning.
	Meal gathering subsidy	Two meal gatherings every year to enhance the relationship and the exchange between departmental employees.
	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.

Welfare type	Welfare programs	Supplementary notes
	Health clinic/nursing room	Employee care facilities are provided.
	Employee cafeteria	Comfortable dining area is provided.
	Gym/yoga room	Multiple fitness equipment and yoga studio are offered.
Friendly park environment	Shuttle service/convenience store/clubhouse/park activity center/gym/swimming pool	A wide range of convenient services are provided to companies in the park.

Note: Taiwan region.

5.3 Parental Leave

At FocalTech, employees with 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 2023, 15 employees (5 males and 10 females) in Taiwan were eligible for unpaid parental leave for children raising, and the actual number of employees applying for such parental leave was 3 (1 male and 2 females). 2 employees reinstated in 2023, for a reinstatement rate of 67%. The retention rate of employees applying for such parental leave in 2023 was 100%.

Item	Gender	2021	2022	2023
Number of employees eligible for unpaid parental leave for children raising	Male	12	25	5
	Female	3	3	10
	Total	15	28	15
Actual number of employees applying for unpaid parental leave for children raising	Male	0	0	1
	Female	3	1	2
	Total	3	1	3
Number of employees supposed to reinstate	Male	0	0	1
	Female	3	2	2
	Total	3	2	3
Actual number of employees who reinstate	Male	0	0	0
	Female	2	1	2
	Total	2	1	2
Reinstatement rate	Male	0%	0%	0%
	Female	67%	50%	100%
	Total	67%	50%	67%
Number of employees who have reinstated and worked for a year as of the current year	Male	0	0	0
	Female	1	1	1
	Total	1	1	1
Retention rate	Male	0%	0%	0%
	Female	50%	50%	100%
	Total	50%	50%	100%

Note: Employees not reinstating did so due to personal career planning. A blank indicates that the denominator is 0 and cannot be calculated.

5.4 Retirement Plan

To ensure the stability of employees' retirement life and promote a service-oriented work environment, FocalTech has established the Employee Retirement Management Regulations based on the Labor Standards Act. These Regulations stipulate retirement conditions, payment standards, and application procedures. The Company has also formed the Employee Retirement Reserve Supervision Committee to oversee the monthly allocation of retirement funds, which are deposited in a dedicated account under the name of Employee Retirement Reserve Supervision Committee at the Bank of Taiwan. Before the end of each fiscal year, if the estimated balance of the reserve account is insufficient to cover the estimated labor force meeting the retirement conditions in the following year, the shortfall will be allocated by the end of March of the next year. Since the implementation of the Labor Retirement

Pension Act on July 1, 2005, employees have the option to choose between the retirement pension provisions under the Labor Standards Act (Old System) or the retirement pension system under the Act (New System) while retaining their work seniority under the Old System. For employees who opt for the New System, the Company contributes 6% of their monthly salary to the individual labor insurance account as their retirement savings.

5.5 Workplace Safety

Management Policy	
Major issue	Occupational Safety and Health
Policy directions	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	<ul style="list-style-type: none"> ● New employee training, 3-hour occupational safety and health education and training every three years for current employees, and refresher training for occupational safety and health certificates in accordance with laws and regulations. ● The number of occupational injury incidents in 2023 was zero, SR=0, FR=0
	<ul style="list-style-type: none"> ● Continue to maintain the ISO 45001 management system. ● Implement the occupational safety and health management system. ● Conduct in-plant hazard identification and risk assessment. ● Continue to develop operational control standards. ● Formulate a target plan on occupational safety and health.
Action plans	<ul style="list-style-type: none"> ● Continue to maintain the ISO 45001 management system. ● Implement the occupational safety and health management system. ● Conduct in-plant hazard identification and risk assessment. ● Continue to develop operational control standards. ● Formulate a target plan on occupational safety and health.
How handled	
Resource investment	<ul style="list-style-type: none"> ● Internal and external audits are regularly carried out every year for effective management of the system. ● Has assigned 9 members of the Occupational Safety and Health Committee (5 ex-officio members and 4 labor representatives).
	<ul style="list-style-type: none"> ● Establish communication channels for worker consultation and participation, such as physical suggestion boxes and email complaint channel on the intranet. ● Hold quarterly Occupational Safety and Health Committee meetings.
Evaluation mechanism	<ul style="list-style-type: none"> ● Form an internal audit team to perform self-assessment on the ISO 45001. ● Commission an independent third-party verification body to conduct the ISO 45001 audits.
Future plans	
Goals for 2024	<ul style="list-style-type: none"> ● Fully implement all requirements stipulated in the laws and regulations. ● Strengthen emergency response drills to enhance employees' response ability. ● Increase the number of health promotion seminars to maintain the physical and mental health of employees. ● Strengthen on-site environmental management to maintain zero occupational accident. ● Extend the healthy working environment certificates.

FocalTech is committed to implementing the occupational safety and health management system by providing a healthy working environment and ensuring the safety of the workers. We pledge to deliver high-quality and safe products and services that comply with relevant laws, regulations, and standards to our customers while also take proactive measures to prevent workplace accidents and promote a friendly and safe working environment. We spare no efforts in fulfilling our corporate social responsibility.

FocalTech has established a specialized and dedicated department responsible for implementing the ISO 45001 Occupational Safety and Health Management System. We have formulated environmental and occupational safety and health policies in line with regulatory requirements and are committed to continuous improvement to prevent persistent pollution and achieve zero workplace accidents while meeting the established EHS performance targets. Additionally, the Company regularly identifies employees' occupational health and safety risks and commissions a third-party verification body to conduct on-site audits, providing transparent audit reports to our customers. Our new office in Zhubei obtained ISO 45001 certification through verification by TUV NORD in 2023, with annual external audits carried out to ensure the effectiveness of our management system. This initiative benefits 100% of FocalTech's employees and outsourced workers (outsourced workers accounting for 6 people) in Taiwan.

FocalTech goes beyond regulatory requirements by conducting annual health examinations for all employees. We collect information on employee age, work and lifestyle patterns, and working environment characteristics, which are compared and analyzed with the

health examination results to get the correlation between health risks and work. Employees who are identified as high risk receive health assessments and recommendations from on-site health service physicians on unreasonable workload, maternal health protection, prevention of human-induced hazards, consultation on infectious disease prevention and control, and protection against unlawful violations. We employ full-time, dedicated occupational health nurses to provide regular follow-up and care services, aiming to reduce the risk of major illnesses among employees and to assess potential occupational hazards. On a case-by-case basis, we offer individual health guidance and education to employees with abnormal health examination results by on-site occupational physicians, and arrange necessary medical assistance when required.

FocalTech implements a comprehensive occupational health and safety plan, which includes the following initiatives:

Occupational safety and health policy

Make continuous improvement, get all employees to participate, and comply with laws and regulations, with employees safety and health as the top priority.

Occupational safety and health practices

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

In accordance with Article 23 of the Occupational Safety and Health Act, FocalTech has established a nine-member Occupational Safety and Health Committee which is responsible for planning and coordinating occupational safety and health related affairs, as well as reviewing and deciding on the implementation status of occupational safety and health of the plant. The Committee holds meetings every year to discuss 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 may submit their 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 set up for 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 filing a complaint or making an appeal.

Occupational hazard identification

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 in accordance with hazard factors, and finally determining their risk levels. After the assessment, the medium and high hazard risks are included as controls, and improvement measures are formulated and tracked regularly. 73 low-risk factors, 2 medium-risk factors, and zero high-risk factors were identified. The 2 medium-risk factors were the failure to respond to newly promulgated regulations and periodic regulatory reviews as well as the impact of COVID-19 pandemic. The mitigation measures are to review

the regulations using system and to conduct pandemic exercise drills with the hardware and software measures such as the implementation and accountability windows.

Occupational Health and Safety Training

The effective of Occupational Health and Safety Training in 2023

Training Courses	Description	Completion status
New Employee Occupational Health and Safety Training	3-hour training session for each new employee	A total of 55 participants completed the training, amounting to 165 hours.
Fire Evacuation Training	Fire self-defense drills	A total of 80 participants completed the training, amounting to 320 hours.

Fire Evacuation Training



Occupational Accident Statistics

There were zero incidents of injuries among the employees of FocalTech during work in 2023. In case of an emergency situation, the Company will follow the accident investigation process to conduct thorough investigations and handle the situation accordingly.

5.6 Health Promotion

Health Promotion and Maintenance

A healthy workforce is the cornerstone of maintaining smooth business operations. Our employees at FocalTech shoulder the responsibility of innovative and R&D. In accordance with occupational safety and health regulations and the well-being needs of our employees, FocalTech has obtained the Health Workplace Certification from the Ministry of Health and Welfare of the Health Promotion Administration (valid from January 2023 through December 2025) and the Workplace Sports Enterprise Certification from the Ministry of Education of the Sports Administration (valid from 2023 through 2025). Each year, themed activities are organized based on health examination analysis results, such as weight loss campaigns, walking and step counting competitions, and vision care activities, with an aim to promote the well-being of our employees.

Furthermore, we provide tangible support and encouragement for employees to participate in diverse social club activities. The

sports clubs include yoga, basketball, badminton, low-impact aerobics, dance, health Qigong, aerobic boxing, and swimming, in addition to the Intellectual Voice club catering to intellectual pursuits. Additionally, the Company's gym is available for free use, providing options for employees to achieve physical and mental balance during their leisure time.



Health Workplace Certification



Workplace Sports Enterprise Certification

Tobacco Control Campaign

Tobacco control: We have implemented a complete indoor smoking ban in the workplace, and prominently display “No Smoking” signs at all entrances. We do not provide any items related to smoking, such as ashtrays. Additionally, our administrative department offers free access to smoking cessation manuals to support those who wish to quit smoking.

Health Promotion Activities

1. Weight loss group competition

Event Date	2023/05/22–2023/08/25
Number of Participants	24 teams, totaling 72 participants
Achievements	Total weight loss: 207.5 kg (72 participants completed post-measurements); average weight loss per person: 2.88 kg.

Award-winning teams:

Ranking	Team name	Team results	Team members	Gifts
No. 1	Accounting Trio	25.16%	Lin, X-Ling	SOGO vouchers NT\$12,000
			Pan, X-Yu	
			Ting, X-Han	
No. 2	Go for it, Chang Yu-Kang!	22.97%	Lo, X-Wei	SOGO vouchers NT\$9,000
			Tu, X-Fan	
			Tsai, X-Yen	
No. 3	Tonight, I'd like to have some...	21.93%	Chen, X-Hsuan	SOGO vouchers NT\$6,000
			Lin, X-Hsuan	
			Pan, X-Lin	
No. 4	Dare to leave after offending the Abbot?	20.99%	Peng, X-Hsuan	SOGO vouchers NT\$3,000
			Hsiao, X-Che	
			Yang, X-Chung	
No. 5	Slim! Slim! Slim!	18.33%	Lin, X-Ying	SOGO vouchers NT\$3,000
			Chen, X-Hsuan	
			Wu, X-Chia	

2. Walking and step counting competition

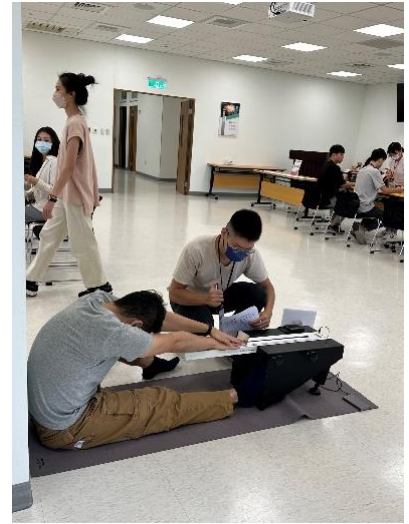
Event Date	2023/06/01–2023/09/30
Number of Participants	89 participants throughout the event
Achievement	Total steps: 81,057,923 steps, average daily steps per person: 7,465 steps. Converted to distance of 50 cm a step, it's a total of 40,529 km, or about 41 times around Taiwan on Cycling Route No. 1.
Number of Winners	50 individuals.

3. Health Seminars

Seminar Type	Seminar Title	Number of Participants
Nutrition Seminar	Stressless Weight Loss	19 Participants
	Approach	
Fitness Seminar	Office Slimming	28 Participants
	Philosophy	

4. Physical fitness testing and body composition analysis

Event Date	2023/10/19
Number of Participants	86 individuals



On-site service physicians

Health consultation service is provided once every two months. A total of 23 individuals used the service in 2023, including on-site inspections with recommendations and providing guidance on preventing ergonomic hazards.

Occupational environment measurements

Measurements are conducted once every six months. The results for 2022 showed that CO₂, illumination levels, and other factors were within normal ranges. The office temperature can be adjusted separately based on each area.

Participation in relevant club activities

Club name	Activity time
Badminton club	Every Monday and Tuesday, 18:00–20:00
Basketball club	Every Monday and Wednesday, 18:45–21:45
Yoga club	Every Thursday, 18:10–19:30
Low-impact aerobics club	Every Tuesday, 12:10–13:10
Dance club	Every Monday, 18:30–20:00
Health Qigong Club	Every Thursday, 12:30–13:30
Boxing Aerobic Club	Every Wednesday, 18:30–19:30

Club name	Activity time
Intellectual Voice	Seminars and events are held occasionally
Gym	Free to use

5.7 Employee Communication

Management Policy	
Major issue	Employee communication
Policy directions	Establish good labor-management relations and allow employees to express their opinions in a friendly environment without suffering retaliation.
Core goals	<p>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-appealing of cases.</p> <p>Target: Four labor-management meetings and communication meetings with the Chairman every year.</p>
Achievements	A total of four labor-management meetings and three cross-functional communication meetings were held in 2023, with altogether 463 participants.
Action plans	Hold communication meetings with the Chairman, labor-management meetings, gender equality meetings, and interdepartmental communication meetings, and address employees' concerns in a fair, confidential, and prompt manner, regardless of whether the feedbacks are named or made anonymous.
How handled	
Resource investment	All employees
Feedback mechanism	Employee complaint channels, employee suggestion boxes, labor-management meetings.
Evaluation mechanism	Number of meetings, completion rate of feedback surveys
Future plans	
Goals for 2024	<ul style="list-style-type: none"> ● Hold labor-management meetings regularly. ● The Chairman informs employees of the Company's recent development and operating status through birthday celebrations and interactions, with an aim to eliminate the concern of employees on the Company's operation and welfare development. ● Set up a Chairman's mailbox and assign a dedicated personnel to gather employees' questions every week, as well as a dedicated personnel to conduct preliminary communication within one week upon receiving the questions.

Smooth communication between labor and management is conducive to labor-management cooperation, helping employees to understand the Company's operating plans, business overview, and market conditions, while enabling management to stay informed about employees' working conditions and create a friendly workplace that caters their needs. FocalTech strictly adheres to laws and regulations, ensuring that internal personnel and administrative management comply with local labor laws at all operating sites. The Company holds a labor-management meeting at least every three months to coordinate labor-management relations and facilitate regular dialogues between both parties, promoting cooperation and providing employees with the opportunity to express their opinions and advocate for improved labor conditions, thus enhancing labor rights.

Additionally, FocalTech provides diverse communication channels, such as labor-management meetings, Employee Welfare Committee meetings, new employee care, and life exchange platforms, fostering opportunities and space for bilateral communication. Through two-way communication, employees can fully express their opinions, and the Company can respond promptly, converting their suggestions into policies for effective implementation. In recent years, FocalTech has maintained harmonious labor-management relations and has not encountered any labor-management disputes.

Committed to following relevant labor regulations, FocalTech ensures that when significant operational changes affect employees' rights the Company will provide advance notice and make clear and prompt explanations to employees in accordance with labor-related laws and regulations. In case of any impact on employees' labor rights or changes in job conditions, FocalTech is strictly in compliance with the Labor Standards Act and the Act for Worker Protection of Mass Redundancy to issue advance notice before terminating labor contracts. To help employees to freely express their concerns regarding the Company and work-related issues, as well as any grievances or discomfort they may experience, we offer multiple communication and complaint channels while ensuring the protection of relevant personal information.

5.8 Talent Development

Management Policy	
Major issue	Talent cultivation and training
Policy directions	Provide appropriate training for different target groups to nurture expert talents and strengthen the Company's competitiveness.
Core goals	An average of 10 training hours per person.
Achievements	<ul style="list-style-type: none"> The total number of training courses increased by 31.54% in 2023 as compared to 2022, a 12% increase of courses. The training for management and leaders increased by 8 courses in 2022, accounting for an additional 685.5 hours. The post-training satisfaction survey showed that both the Practicality and Job Assistance of the courses received satisfaction rates of 90% or higher. The training hours per person was 15.95 hours, an increase of 4.36 hours as compared to 2022.
Action plans	<ul style="list-style-type: none"> The 2023 annual education and training plan was developed based on employees' questionnaire survey and the compilation of department supervisors' needs. The training department conducted course planning and arrangements, inviting employees to participate and enhance their job-related knowledge and skills. Establish a comprehensive education and training framework with regular monthly courses to enhance employees' expert competencies. Through the FocalTech e-Learning Platform, we create a self-directed learning environment to extend learning opportunities through online courses. This approach frees employees from time and space constraints and maximizes the reuse of course resources for optimal learning outcomes.
How handled	
Resource investment	All employees, education and training platform, and introduction of external training resources.
Feedback mechanism	Education and training opinion survey and interview with supervisors.
Evaluation mechanism	Produce statistics and calculate personnel training hours/supervisor training acceptance check/online system acceptance check.
Future plans	
Goals for 2024	<ul style="list-style-type: none"> 10 training hours per person on average. Conduct annual supervisor education and training (for junior, middle-level, and senior executives).

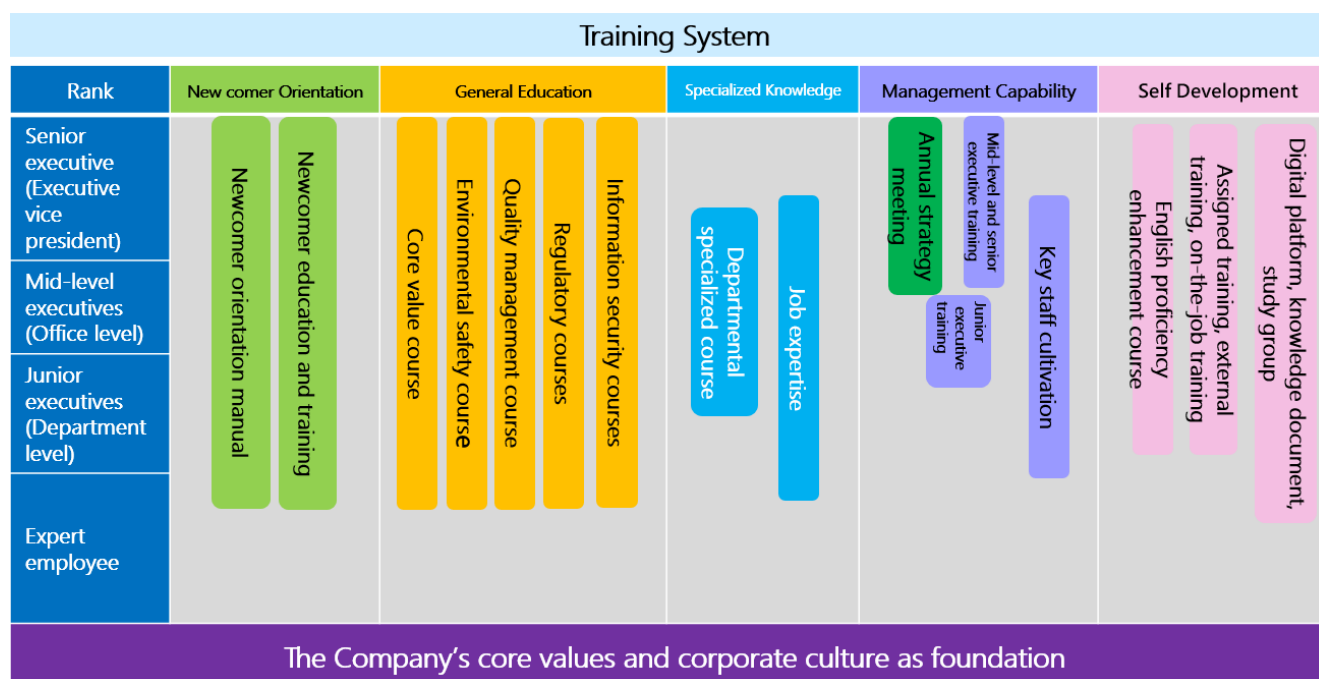
Talent Development Initiative

FocalTech has always spared no effort in talent cultivation and development, striving to provide employees with an open and diverse learning environment. We have planned comprehensive training systems for new and current employees to continuously enhance their specialized abilities, thereby ensuring employees' maximum satisfaction. The participation in both internal and external training, seeking guidance from supervisors and peers, and monthly borrowing books from the company library will stimulate employees' thinking and continuously challenge themselves to grow. The content of FocalTech's education and training are closely aligned with the Company's core values and strategic development needs, resulting in a well-defined training framework for different levels of employees, including senior management, middle management, entry-level management, and general employees. We have also designed specific training blueprints for each department, providing complete training programs in areas such as specialized expertise and management capabilities. Through functional training, new employees can quickly adapt to their roles, assimilate into the corporate 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. For senior staff, FocalTech encourages them to step out of their comfort zone, learn new skills, and enhance their competitiveness, helping generational experience to be continuously transmitted.

FocalTech has established the Education and Training Management Procedure, based on which annual education and training programs are designed in accordance with the required employee competencies and skills targeting the Company's development. The training program includes four major categories as follows:

The talent cultivation system is shown in the figure below





FocalTech utilizes the FocalTech e-Learning Platform to provide all employees with the option to choose courses under the categories of New Employee Training, General Education Courses, Management Knowledge, and Specialized Expertise. Additionally, physical courses within the Company are recorded and converted into online courses, enabling employees to learn new knowledge at anytime and anywhere, and free from the constraints of time and location. To help employees better understand and systematically manage their learning progress and records, we provide comprehensive on-the-job training programs and resources. With a complete training platform, information and knowledge can be instantly delivered, facilitating knowledge transfer within the Company and offering a channel for real-time discussions and collaboration among different departments. These up-to-date courses not only enhance employees' specialized expertise and overall capabilities but also carry the hope of contributing to continuous breakthroughs in FocalTech's business performance through talent cultivation.

2023 training hours for personnel in Taiwan

Rank	Hours		Number of participants		Average number of hours	
	Male	Female	Male	Female	Male	Female
General employees	3017.5	1243.5	217	64	13.91	19.43
Junior Executives	1409.5	240	94	12	14.99	20.00
Mid-level and Senior Executives	748	97.5	33	3	22.67	32.50
Senior Executives	105.5		7		15.07	0.00
Total	5280.5	1,581	351	79	11.19	29.98

2023 training hours for personnel in regions other than Taiwan

Type	Courses (sessions)	Participants (persons)	Time (hours)
Specialized knowledge training	11	419	38
General education training	14	471	42.17
Management capability training	23	839	127.7
2023	48	1729	207.87
Training hours per person on average		16.09	

5.9 Performance Evaluation

FocalTech provides employees a stage to showcase their talents, with the expectation that the teams can leverage their specialized expertise to achieve the Company's strategic goals. The HR department at FocalTech follows the Performance Management Regulations to set and evaluate performance objectives through performance interviews and assessments. A periodic employee performance evaluation is conducted every half a year to measure individual achievements and assist in personal function enhancement and career development, thereby enhancing both organizational and individual performance. If an employee fails to meet the performance requirements, an Employee Performance Improvement Plan will be formulated. This involves a communication between the supervisor and the employee for the discussion of evaluation results, helping the employee to understand areas where he/she needs improvement and thus setting relevant goals to boost their work capabilities and performance.

FocalTech's performance evaluation adheres to the principles of transparency and fairness outlined in the Performance Management Regulations. It ensures that no differentiation is made based on factors unrelated to work performance, such as gender, age, or religion. The evaluation mechanism helps employees and supervisors at all levels to fully understand their work objectives and the organization's future development blueprint, guaranteeing equitable treatment for each employee and equal opportunities for career advancement.

Performance Evaluation Mechanism

Mid-term Evaluation	Year-end Evaluation
Reviewing and evaluating the progress made during the first half of the year regarding the set project goals at the beginning of the year. Through one-on-one discussions, adjustments are made or new work plans and objectives are developed for the second half of the year.	Providing one-on-one feedback and evaluating the performance of employees for the current year. During this process, feedback is given on the employee's performance, strengths, and opportunities for continuous development, aiming to enhance individual performance and achieve organizational objectives.

Taiwan

Item	Male			Female			Total		
	Total	Number of people evaluated	Percentage	Total	Number of people evaluated	Percentage	Total	Number of people evaluated	Percentage
Supervisor		111	32%		12	16%		123	30%
Non-supervisor	342	231	68%	74	62	84%	416	293	70%
Total		342	100%		74	100%		416	100%

In accordance with the performance evaluation mechanism in 2023, 97% of the employees were evaluated for their performance and career development; and a total of 15 employees did not participate in performance evaluation, including the board Chairman, employees who had been on the job for less than three months, and masseurs.

Mainland China

Item	Male			Female			Total		
	Total	Number of people evaluated	Percentage	Total	Number of people evaluated	Percentage	Total	Number of people evaluated	Percentage
Supervisor		63	17%		16	4%		79	21%
Non-supervisor	295	229	61%	80	62	17%	375	291	78%
Total		292	78%		78	21%		370	99%

Giving Back to Society

Social care and giving back

Fulfilling our commitment to corporate social responsibility, FocalTech adheres to the principle of “what we take from society, we give back to society”, aiming to create a positive impact on society. We actively engage in local public affairs, leveraging our corporate influence to promote the idea of a shared society. Together, we strive toward a sustainable and better future for all.

Academic talent cultivation: Contributing to the expansion of Taiwan’s semiconductor talent pool

FocalTech invested a total of NT\$6.65 million in academic-industry collaboration, accumulating NT\$15.38 million. We cooperated



with universities in six projects to jointly cultivate semiconductor talents in Taiwan.

Enterprise symposium

A total of 103 students from the College of Semiconductor Research at National Tsing Hua University participated in the symposium. These students are master’s and doctoral students from four major categories: Semiconductor Component Division, Design Division, Materials Division, and Process Division.

During the symposium, the Director of Forward-Looking Technology and Marketing was invited to share his expertise with the students, enabling students to gain a deeper understanding of FocalTech’s industry-leading IC design capabilities, continuous professional advancement, and comprehensive employee benefits. Additionally, we also hoped that the multi-directional analysis of the information could provide students with more accurate information as a reference for their future career choices.

Specialized Lecture: Introduction to Fingerprint Recognition Principles and Trends

FocalTech conducted a specialized expertise sharing course at the College of Semiconductor Research of the National Tsing Hua University. The Director of Fingerprint Applications was especially invited to share his expertise with the students, enabling students to gain a deeper understanding of FocalTech's industry-leading fingerprint recognition technology. Additionally, the technological trends and applications of fingerprint recognition IC were also introduced for students to link the theories they have learned at school with the practical aspects of IC design, thereby making early preparations for contributing to the semiconductor industry after graduation.



Devoting to the community and caring for our neighbors

The total amount of public fundraising to support Children Are Us Foundation reached NT\$236,200, with Foundation gift box purchases reaching NT\$18,670.



Appendix 1: Comparison Table of GRI Sustainability Reporting Guidelines

Declaration	FocalTech Systems Co., Ltd. has reported its activities for the period from January 1 to December 31, 2023 in accordance with the GRI Standards.
GRI 1 Standards Used	GRI 1: Foundation 2021
Applicable GRI Industry Standards	FocalTech operates in the semiconductor industry, so there are no specific GRI industry standards available at present.
Note	A topic marked with an asterisk (*) indicates a major issue.

Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 2: General Disclosure 2021					
The organization and its reporting practices	2-1	Organizational details	1.1 Company Overview	17	
	2-2	Entities included in the organization's sustainability reporting	About this Report	4	
	2-3	Reporting period, frequency and contact point	About this Report	4	
	2-4	Restatements of information	About this Report	4	There is no restatement in the report
	2-5	External assurance	About this Report	4	
Activities and workers	2-6	Activities, value chain and other business relationships	3.2 Sustainable Supply Chain	38	
	2-7	Employees	5.1 Talent Foundation	50	
	2-8	Workers who are not employees	5.1 Talent Foundation	50	
Governance	2-9	Governance structure and composition	1.1.2 FocalTech Organization Chart	20	
	2-10	Nomination and selection of the highest governance body	1.3 Board of Directors Operations	24	
	2-11	Chair of the highest governance body	1.3 Board of Directors Operations	24	
	2-12	Role of the highest governance body in overseeing the management of impacts	1.3 Board of Directors Operations	24	
			1.5 Risk Control	29	
	2-13	Delegation of responsibility for managing impacts	1.3 Board of Directors Operations	24	
			1.5 Risk Control	29	
	2-14	Role of the highest governance body in sustainability reporting	1.1.2 FocalTech Organization Chart	20	
	2-15	Conflicts of interest	1.3 Board of Directors Operations	24	
	2-16	Communication of critical concerns	1.3 Board of Directors Operations	24	
	2-17	Collective knowledge of the highest governance body	1.3 Board of Directors Operations	24	
	2-18	Evaluation of the performance of the highest governance body	1.3 Board of Directors Operations	24	
	2-19	Remuneration policies	1.3 Board of Directors Operations	24	
	2-20	Process to determine remuneration	1.3 Board of Directors Operations	24	

Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
	2-21	Annual total compensation ratio	The highest individual total annual compensation is disclosed in the annual report.		The median of employee compensation is a trade secret.
Strategy, policies and practices	2-22	Statement on sustainable development strategy	Message from the Chairman	5	
	2-23	Policy commitments	Sustainable Business Strategy	6	
	2-24	Embedding policy commitments	Sustainable Business Strategy	6	
	2-25	Processes to remediate negative impacts	1.3 Board of Directors Operations 1.5 Risk Control	24 29	
	2-26	Mechanisms for seeking advice and raising concerns	1.3 Board of Directors Operations	24	
	2-27	Compliance with laws and regulations	1.4 Integrity in Business Foundation	28	The Company has established the Internal Material Information Disclosure Handling and Insider Trading Prevention Management Operation Procedures, the Corporate Governance Best Practice Principles and other internal control systems. The Company did not receive penalties due to the violation of laws and regulations.
	2-28	Membership associations	1.1.3 Participation in Societies and Associations	21	
Stakeholder engagement	2-29	Approach to stakeholder engagement	Stakeholder Identification and Communication Channels	7	
	2-30	Collective bargaining agreements	--		The company has not formed a labor union and has not signed any collective agreements.

Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics 2021					
Disclosures on material topics	3-1	Process to determine material topics	Major Issue Identification and Boundaries of Impact	9	
	3-2	List of material topics	Major Issue Identification and Boundaries of Impact	9	

Custom Major Topics					
Major Topic	Disclosure item	Disclosure content	Page	Remarks	
Corporate Governance	3-3 Management of material topics	1.3 Board of Directors Operations	24		

Risk Control	3-3 Management of material topics	1.5 Risk Control	29		
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Major Topics and GRI Standards Comparison

Business Performance					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	1.2 Business Performance	22	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	1.2 Business Performance	22	
	201-3	Defined benefit plan obligations and other retirement plans	5.2 Compensation and Benefits	51	

Product Quality					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	3.1 Firm Foundation	36	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	3.1 Firm Foundation	36	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.1 Firm Foundation	36	

Sustainable Supply Chain					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	3.2 Sustainable Supply Chain	38	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	3.2 Sustainable Supply Chain	38	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	3.2 Sustainable Supply Chain	38	
	308-2	Negative environmental impacts in the supply chain and actions taken	3.2 Sustainable Supply Chain	38	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	3.2 Sustainable Supply Chain	38	
	414-2	Negative social impacts in the supply chain and actions taken	3.2 Sustainable Supply Chain	38	

Greenhouse Gas Emission and Energy Management					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	4.2.1 Energy Management	47	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	4.2.1 Energy Management	47	

	302-2	Energy consumption outside of the organization	---		Incomplete access to information. The external energy consumption includes both upstream and downstream suppliers of the value chain, and such information on energy consumption cannot be obtained.
	302-3	Energy intensity	4.2.1 Energy Management	47	
	302-4	Reduction of energy consumption	4.2.1 Energy Management	47	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	4.2.3 Greenhouse Gas Emissions	47	
	305-2	Energy indirect (Scope 2) GHG emissions	4.2.3 Greenhouse Gas Emissions	47	
	305-3	Other indirect (Scope 3) GHG emissions	4.2.3 Greenhouse Gas Emissions	47	
	305-4	GHG emissions intensity	4.2.3 Greenhouse Gas Emissions	47	
	305-5	Reduction of GHG emissions	4.2.3 Greenhouse Gas Emissions	47	

Climate Change					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	4.1 Climate Change Risks and Mitigation Strategies	43	
GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	4.1 Climate Change Risks and Mitigation Strategies	43	

Compensation and Employee Benefits					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	5.2 Compensation and Benefits	51	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	5.1 Talent Foundation	50	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Compensation and Benefits	51	
	401-3	Parental leave	5.3 Parental Leave	53	

Occupational Safety and Health					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	5.5 Workplace Safety	54	
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	5.5 Workplace Safety	54	
	403-2	Hazard identification, risk assessment, and incident investigation	5.5 Workplace Safety	54	
	403-3	Occupational health services	5.5 Workplace Safety	54	
	403-4	Worker participation, consultation, and communication on occupational health and safety	5.5 Workplace Safety	54	
	403-5	Worker training on occupational health and safety	5.5 Workplace Safety	54	
	403-6	Promotion of worker health	5.6 Health Promotion	56	
	403-7	Prevention and mitigation of occupational health and safety impacts indirectly linked by business relationships	5.5 Workplace Safety	54	
	403-8	Workers covered by an occupational health and safety management system	5.5 Workplace Safety	54	
	403-9	Work-related injuries	5.5 Workplace Safety	54	
	403-10	Work-related ill health	5.5 Workplace Safety	54	

Talent Cultivation					
Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 3: Material Topics	3-3	Management of material topics	5.8 Talent Development	59	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	5.8 Talent Development	59	

Other self-disclosure items

Topic	Disclosure item	Disclosure content	Chapter	Page	Remarks
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	1.4 Integrity in Business Foundation	28	
	205-2	Communication and training about anti-corruption policies and procedures	1.4 Integrity in Business Foundation	28	
	205-3	Confirmed incidents of corruption and actions taken	1.4 Integrity in Business Foundation	28	
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	4.2.2 Water Management	47	

	303-2	Management of water discharge-related impacts	4.2.2 Water Management	47	
	303-5	Water consumption	4.2.2 Water Management	47	
GRI 306: Waste 2020	306-3	Waste generated	4.2.4 Waste Management	48	
	306-4	Waste diverted from disposal	4.2.4 Waste Management	48	
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	5.2 Compensation and Benefits	51	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	5.1 Talent Foundation	50	

Appendix 2: Sustainable Accounting Standards Board (SASB) Comparison

Table

Disclosure topic	Code	Accounting Metric	Category	Report content chapter comparison	Remarks
Greenhouse Gas Emissions	TC-SC-110.a.1	(1). Gross global Scope 1 emissions (2). Total emissions from perfluorinated compounds	Quantitative	(1). 4.2.3 Greenhouse Gas Emissions (2). This metric is not applicable to FocalTech	
	TC-SC-110.a.2	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	Qualitative	4.2.3 Greenhouse Gas Emissions	
Energy Management in Manufacturing	TC-SC-130.a.1	(1). Total energy consumed (2). Percentage grid electricity (3). Percentage renewable	Quantitative	(1). 4.2.1 Energy Management (2). Purchased electricity accounts for 100% of total electricity consumption (3). Not yet using renewable energy	
Water Management	TC-SC-140.a.1	Total water withdrawn Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	4.2.2 Water Management	The Company's operating sites are not located in regions with high baseline water stress.
Waste Management	TC-SC-150.a.1	Amount of hazardous waste from manufacturing, percentage recycled	Quantitative	4.2.4 Waste Management	
Employee Health & Safety	TC-SC-320.a.1	Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	Qualitative	5.5 Workplace Safety	
	TC-SC-320.a.2	Total amount of monetary losses as a result of legal proceedings associated with employee safety and health violations	Quantitative	1.4 Integrity in Business Foundation	There were no violations of regulations reported in 2023.
Recruiting & Managing a Global & Skilled Workforce	TC-SC-330.a.1	Percentage of employees that are (1) foreign nationals and (2) located offshore	Quantitative	0.4%, with only 3 employees within the Group requiring a work visa.	

Disclosure topic	Code	Accounting Metric	Category	Report content chapter comparison	Remarks
Product Lifecycle Management	TC-SC-410.a.1	Percentage of products by revenue that contain IEC62474-declarable substances	Quantitative	3.2 Sustainable Supply Chain	The percentage of products by revenue that do not comply with the IEC62474 was 0%.
	TC-SC-410.a.2	Processor energy efficiency at a system level for: (1) servers, (2) desktops, and (3) laptops	Quantitative	--	Not applicable as the Company is not a manufacturer of end products.
Materials Sourcing	TC-SC-440.a.1	Description of the management of risks associated with the use of critical materials	Qualitative	3.2 Sustainable Supply Chain	
Intellectual Property Protection & Competitive Behavior	TC-SC-520.a.1	Total monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	1.4 Integrity in Business Foundation	There were no monetary losses due to legal proceedings in 2023.

Activity Metrics

Disclosure topic: Activity Metrics		
TC-SC-000.A	Total production	400.699 million ICs produced for human-machine interface applications in 2023.
TC-SC-000.B	Percentage of production from owned facilities	0%

Appendix 3: TCFD Disclosure Items Comparison

Dimension	TCFD Disclosure Items	Corresponding Chapter
Governance	Describe the board's oversight of climate-related risks and opportunities.	4.1 Climate Change Risks and Mitigation Strategies
	Describe management's role in assessing and managing climate-related risks and opportunities.	4.1 Climate Change Risks and Mitigation Strategies
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	4.1 Climate Change Risks and Mitigation Strategies
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	4.1 Climate Change Risks and Mitigation Strategies
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios.	4.1 Climate Change Risks and Mitigation Strategies
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks.	4.1 Climate Change Risks and Mitigation Strategies
	Describe the organization's processes for managing climate-related risks.	4.1 Climate Change Risks and Mitigation Strategies

Metrics and Targets	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	4.1	Climate	Change	Risks	and
		Mitigation Strategies				
	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	4.1	Climate	Change	Risks	and
		Mitigation Strategies				
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	4.1	Climate	Change	Risks	and
		Mitigation Strategies				
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	4.1	Climate	Change	Risks	and
		Mitigation Strategies				

Appendix 4: Climate-related Information for TWSE/TPEX Listed Company

Risks and opportunities for the Company associated with climate change and countermeasures taken

Item	Report disclosure chapter
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	4.1 Climate Change Risks and Mitigation Strategies
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	4.1 Climate Change Risks and Mitigation Strategies
3. Describe the financial impact of extreme weather events and transformative actions.	4.1 Climate Change Risks and Mitigation Strategies
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4.1 Climate Change Risks and Mitigation Strategies
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used must be described.	Scenario analysis has not been used.
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	Transition plan for managing climate-related risks has not been formulated.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price must be stated.	Internal carbon pricing has not been implemented.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year must be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantify of carbon credits or RECs to be offset must be specified.	Climate-related targets have not been set.
9. Greenhouse gas inventory and assurance status.	4.2.3 Greenhouse Gas Emissions

Appendix 5: Sustainable Disclosure Indicators for Semiconductor Industry

Serial No.	Indicator	Indicator type	Annual disclosure	Unit(s)	Remarks
1	Total energy consumption, percentage of purchased electricity and utilization rate of renewable energy	Quantitative	1. 4.2.1 Energy Management 2. Purchased electricity accounts for 100% of total electricity consumption. 3. Not yet using renewable energy	Gigajoules (GJ), Percentage (%)	
2	Total water withdrawal and total water consumption	Quantitative	4.2.2 Water Management	Thousand cubic meters (m ³)	
3	The weight and recycling percentage of hazardous waste generated	Quantitative	4.2.4 Waste Management	Metric tons (t), Percentage (%)	
4	Describe the type, the number of persons suffering from, and the rate of occupational accidents	Quantitative	5.5 Workplace Safety	Percentage (%), quantity	
5	Disclosure of product life cycle management: including the weight of end-of-life products and e-waste and the percentage of recycling (Note 1)	Quantitative	There was 0.468 metric ton of IC waste in 2023, of which 9.76 kg was recycled gold, with a cyclical use rate of 2.09%.	Metric tons (t), Percentage (%)	
6	Description on the risk management associated with the use of key materials	Qualitative description	3.2 Sustainable Supply Chain	N/A	
7	Total monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Quantitative	0; there were no monetary losses related to legal proceedings.	Report currency	

8	Output of main products by product category	Quantitative	400.699 million ICs produced for human-machine interface applications in 2023.	Varies by product category	
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Note 1: Includes sale of scraps or other recycling treatment; relevant description must be provided.

Appendix 6: Additional Data and Statistics

Employee information by gender and by region

Taiwan			
Category	Male	Female	Total
Total number of employees	352	79	431
Permanent employees	350	78	428
Temporary employees	2	1	3
Non-guaranteed hours employees	-	-	-
Full-time employees	352	79	431
Part-time employees	-	-	-

Note: The above table does not include non-employees such as consultants and dispatched personnel.

Mainland China			
Category	Male	Female	Total
Total number of employees	295	80	375
Permanent employees	-	-	-
Temporary employees	-	-	-
Non-guaranteed hours employees	-	-	-
Full-time employees	295	80	375
Part-time employees	-	-	-

Non-employees

Category	Scope of Services (Type of Work)	Number of people	Contract conditions
Office cleaning	Office area cleaning	4	Signed by cleaning service provider
Office security	Office area access control and security checking	2	Signed by security service provider

Employee statistics (by job category, age, and gender)

Distribution of employees in 2023 (Taiwan)

As of December 31, 2023	Age	Gender	Number of people	Percentage
Managerial-level employees	Below 30	Male	0	0%
		Female	0	0%
		Total	0	0%
	30–50	Male	92	22%
		Female	10	2%
		Total	102	24%
	Above 50	Male	20	4%
		Female	2	1%

As of December 31, 2023	Age	Gender	Number of people	Percentage
General employees	Below 30	Total	22	5%
		Male	62	14%
		Female	16	4%
	30–50	Total	78	18%
		Male	165	38%
		Female	51	12%
	Above 50	Total	216	50%
		Male	13	3%
		Female	0	0%
		Total	13	3%

Note: The above table does not include non-employees such as consultants and dispatched personnel.

Distribution of employees in 2023 (Mainland China)

As of December 31, 2023	Age	Gender	Number of people	Percentage
Managerial-level employees	Below 30	Male	0	0%
		Female	0	0%
		Total	0	0%
	30–50	Male	56	15%
		Female	16	4%
		Total	72	19%
	Above 50	Male	7	2%
		Female	0	0%
		Total	7	2%
General employees	Below 30	Male	66	18%
		Female	24	6%
		Total	90	24%
	30–50	Male	161	43%
		Female	40	11%
		Total	201	54%
	Above 50	Male	5	1%
		Female	0	0%
		Total	5	1%

Statistics on employee diversity

Employment of persons with disabilities	Male	5
	Female	1
	Total	6
Employment of foreign nationals	Male	3
	Female	0
	Total	0

Statistics on new and resigned employees

New and resigned employees in 2023 (Taiwan)

As of December 31, 2023	Age	Gender	Number of people	Percentage
New employees	Below 30	Male	17	38%
		Female	3	25%
		Total	20	35%
	30–50	Male	26	58%
		Female	9	75%
		Total	35	61%
	Above 50	Male	2	4%
		Female	0	0%
		Total	2	4%
New employees as proportion of total employees				13%
Resigned employees	Below 30	Male	4	9%
		Female	0	0%
		Total	4	8%
	30–50	Male	34	79%
		Female	9	100%
		Total	43	83%
	Above 50	Male	5	12%
		Female	0	0%
		Total	5	9%
Resigned employees as proportion of total employees				12%

New and resigned employees in 2023 (Mainland China)

As of December 31, 2023	Age	Gender	Number of people	Percentage
New employees	Below 30	Male	14	58%
		Female	4	17%
		Total	18	75%
	30–50	Male	5	21%
		Female	1	4%
		Total	6	25%
	Above 50	Male	0	0%
		Female	0	0%
		Total	0	0%
New employees as proportion of total employees				6%
Resigned employees	Below 30	Male	17	46%
		Female	1	3%
		Total	18	49%
	30–50	Male	16	43%
		Female	3	8%
		Total	19	51%
	Above 50	Male	0	0%
		Female	0	0%
		Total	0	0%
Resigned employees as proportion of total employees				10%

Appendix 7: Third-party Assurance Statement

Assurance Statement

To the Management and Stakeholders of FocalTech Systems Co., Ltd.

DQS has been engaged by FocalTech Systems Co., Ltd. (“FocalTech Systems”) to provide independent assurance over the ESG Report 2023 in accordance with the AA1000 Assurance Standard (AA1000AS v3 2020) and the Global Reporting Initiative Standards (GRI Universal Standards 2021).

The objective of this assurance engagement was to independently express conclusions on underlying reporting processes and validate qualitative and quantitative claims, so as to limit misinterpretation by stakeholders and increase the overall credibility of the reported information and data.

Scope of Assurance and Reporting Standards

DQS performed the assurance processes in accordance with the AA1000 Assurance Standard (AA1000AS v3 2020) and the Global Reporting Initiative Standards (GRI Universal Standards 2021) issued by the Global Sustainability Standards Board (GSSB)

The assurance statement consists of:

- 1) Evaluating the company’s sustainability framework and processes using the inclusivity, materiality, responsiveness and impact criteria of the AA1000 Assurance Standard (AA1000AS v3 2020).
- 2) Report on economic, environmental and social-human indicators of FocalTech; the ESG Report covered the reporting period January 1, 2023 to December 31, 2023.
- 3) Reporting boundary: Including FocalTech’s operating sites in Taiwan, Mainland China, the United States, and South Korea.
- 4) Information on FocalTech’s publication, responses, performance data, case studies, and the following data related to the management of sustainable development and information system.
- 5) This report is prepared and declared to be in accordance with the requirements of the GRI Universal Standards 2021.

Level of Assurance and Limitations

A moderate level of assurance under the Type 1 of the application of the AA1000 AS v3 2020 was provided for this engagement.

The assurance did not cover financial data, greenhouse gas inventory, building and equipment, manufacturing processes, or other information that is not related to sustainability.

Independence and Competences of the Assurance Provider

The DQS Group is an independent specialized service firm that provides assurance on sustainability disclosures under the Global Reporting Initiative (GRI), CDP and other specialized management and reporting mechanisms. DQS is a separate organization from FocalTech and had no conflict of interest with FocalTech or any of its affiliates/subsidiaries and stakeholders during the assurance process of the ESG Report. Regarding FocalTech’s ESG Report, DQS only provided assurance of the facts stated in the report while FocalTech was responsible for the collection, analysis, consolidation, and presentation of the information contained in the report. The responsibility of DQS in the assurance engagement was based on the scope and parameter agreed with FocalTech, and the scope of the assurance was with reference to the GRI Standards. DQS is not responsible or liable for any legal or other obligations relating to the data and information provided in the report other than the statements made therein.

DQS Group ensures that the assurance team possesses the required competencies, maintained neutrality and performed ethnically throughout the engagement. Further information, including a statement of impartiality, can be found at: www.dqsglobal.com

Assurance Methodology

The assurance procedures and principles used for this engagement were drawn from the AA1000 AS v3 2020 and methodology developed by DQS, which consists of the following steps:

1. Identifying statements and data sets, which are classified in accordance with the relevant data owners and the type of evidence required for the verification process.
2. Reviewing the ESG Report to determine whether the material topics identified during our procedures have been adequately disclosed.
3. Carrying out interviews with key functional managers and data owners at the FocalTech Office, at 10–12F, No. 23, Huanke 1st Road, Zhubei City, Hsinchu County, Taiwan.
4. Assessing the collected information and provide recommendations for immediate correction where required or for future improvement of the report content.

Opinion Statement

Inclusivity – People should have a say in the decisions that impact them.

The stakeholder identification and engagement process are documented and implemented through the Sustainable Development Team of FocalTech. It is recommended that FocalTech should adopt a more efficient approach to stakeholder identification and engagement.

Materiality – Decision makers should identify and be clear about the sustainability topics that matter.

The material issue determination process is documented and implemented through the Sustainable Development Team of FocalTech. It is recommended that FocalTech should identify material sustainability issues in future reports through a more effective way of stakeholder engagement.

Responsiveness – Organizations should act transparently on material sustainability topics and their related impacts.

FocalTech is responding to those issue that it has identified as material and demonstrates this in ESG performance indicators. It is recommended that FocalTech should enhance the breadth of disclosure of its response to the material issues in its future ESG reports and to identify mid- and long-term quantitative targets for material issues.

Impact – Organizations should monitor, measure and be accountable for how their actions affect their broader ecosystems.

FocalTech has implemented systems to monitor and measure its economic, environmental and social-human impacts through selected performance indicators based on the GRI standards. It is recommended that FocalTech should disclose the ecological impacts and management approach in a broader aspect.

Conclusion

On the basis of the assurance engagement in accordance with the above-listed criteria, nothing has come to our attention that causes us to believe that the disclosures within the scope of this assurance engagement are materially misstated. The processes for collecting and consolidating the data are structured in such a way as to enable independent verification.

DQS Taiwan Inc.

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document no.: TF-0064

www.dqsglobal.com

On behalf of the assurance team

July 15, 2024



Bob Chen

Managing Director
DQS Taiwan Inc.





2023 Sustainability Report