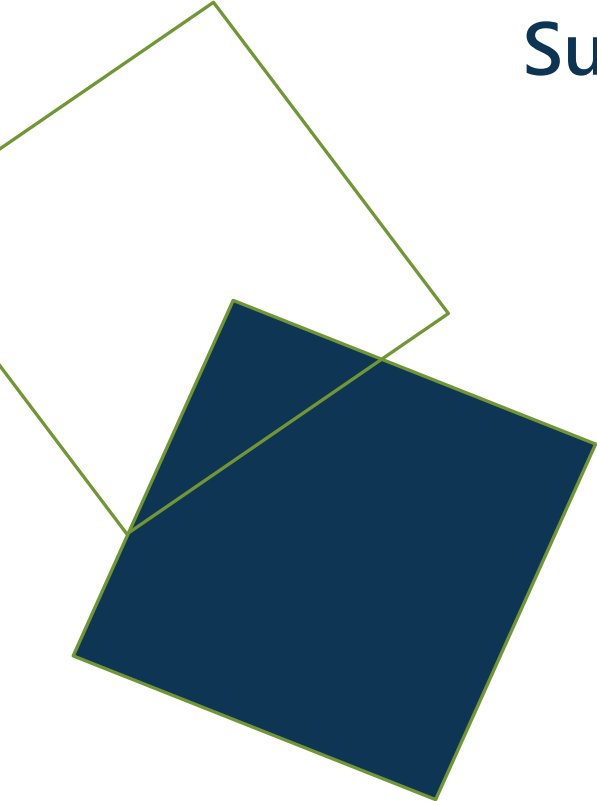
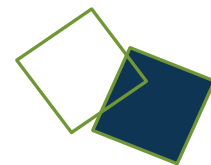


FocalTech

2022

FocalTech
Sustainability Report





Resilience

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

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About the Report

This report, titled the 2022 ESG Sustainability Report of FocalTech Systems Co., Ltd. (referred to as "FocalTech" or the "Company"), upholds the principles of transparency and integrity in business. It faithfully presents FocalTech' performance and initiatives in the economic, environmental, and social dimensions throughout 2022. 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, 2022, to December 31, 2022. The report primarily focuses on FocalTech and its wholly-owned overseas subsidiaries. The disclosed data includes information from Taiwan and other overseas regions, including 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

This 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 2022 report does not include any restatements of information from the previous year's report.

Review and Verification

The sustainability report has been prepared in accordance with the significant, inclusive, responsive, and impactful principles of the GRI General Reporting Guidelines 2021 edition and the AA1000 Accountability Principles 2018 edition. The 2021 report has already undergone external review and verification. It has been decided that external verification will not be conducted for this year's report.

Publication Cycle

FocalTech issues its Corporate Social Responsibility (CSR) report once a year and makes it available for download on the company's website (<http://www.focaltech-electronics.com>) for public access.

This is the third sustainability report published by FocalTech, and the company plans to release a report annually in the future.

Previous Report Publication Date: June 2022

Current Report Publication Date: June 2023

Next Report Estimated Publication Date: June 2024

Contacting FocalTech

To enhance the quality and content of FocalTechs' sustainability 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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Company Website : <http://www.focaltech-electronics.com/>

Contact Person : Sylvia Wu, Executive Secretary of the Board

Contact Email : sylvia.wu@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.

Maintaining Resilience in Risk Response

The IC design industry faced various negative factors such as the pandemic, conflicts, and inflation in 2022, leading to a rapid downturn in the consumer market. Companies throughout the upstream and downstream supply chains made concerted efforts to reduce excessive inventory, and FocalTech was no exception. However, FocalTech has consistently maintained resilience and adaptability, promptly implementing response measures. At this moment, we believe that the worst times have passed, and FocalTech will gradually approach a healthy inventory level and restore its operational capabilities.

While the company's operational capacity is being tested by the changes in the external environment, the impacts of extreme weather caused by climate change are pervasive. Currently, there is no significant reduction in the deterioration rate due to human improvement efforts. We deeply understand that regardless of market conditions, whether good or bad, we must remain proactive in our actions to promote energy conservation and carbon reduction.

Sustainable Environment and Innovative Growth

Since 2015, FocalTech has been investing in the research and development of IDC (TDDI integrated touch display driver) technology. In 2022, it made remarkable achievements in the automotive market, creating a cumulative shipment volume of over 10 million units and capturing a market share of 36%. This product significantly reduces the manufacturing processes and consumables required by panel customers, leading to a direct 50% reduction in IC procurement by end customers, effectively reducing resource consumption on our planet.

To provide employees with a more comfortable environment and better public facilities, FocalTech relocated to a newly purchased office in June 2022. The new office space is 43% larger than the previous leased office. Taking advantage of this opportunity with our own property, we proactively planned for future energy-saving and carbon reduction benefits. We made a total investment of NTD 7.4 million, including the procurement of a central control system (PLC), full adoption of LED lighting, insulated windows, and more. By analyzing the actual electricity usage from September to December 2022 and comparing it to the same period of the previous year, we achieved a significant 16% reduction in electricity consumption despite an increase in floor area.

Talent Development

Since 2021, FocalTech has been strengthening its industry-academia collaboration programs. In the fiscal year 2022, we allocated a total investment of NT 8.73 million to actively cultivate semiconductor talent through partnerships with institutions such as the Semiconductor Institute at Tsinghua University, Yangming University, and National Taiwan University of Science and Technology.

FocalTech has implemented a "Training-oriented Individual Development Plan" specifically for the R&D department. This plan involves developing a "Job Skills Matrix" to identify required talent capabilities and then creating a "Training Roadmap" based on these needs. The training programs are designed according to factors such as years of experience, job positions, and levels, covering general knowledge, specialized skills, management, and other areas.

Additionally, the establishment of an online course system in 2021 has further enhanced our talent development efforts. In the fiscal year 2022, both internal and external training participants increased significantly by 2.3 times compared to the figures in 2021 and 2020. For more details, please refer to Chapter Five of this report.

Future Outlook

Since its establishment in the United States in 2005, FocalTech has embarked on its 18th year. We have always maintained an unwavering courage to face every challenge and actively address ESG issues. In addition to consistently maintaining a corporate governance evaluation score between 6% and 20%, we were honored to receive the Gold Award in the Electronics and Information Manufacturing category at the 15th Annual Sustainable Report Awards organized by the Taiwan Sustainable Energy Research Foundation in 2022. This award recognizes our commitment to sustainable development.

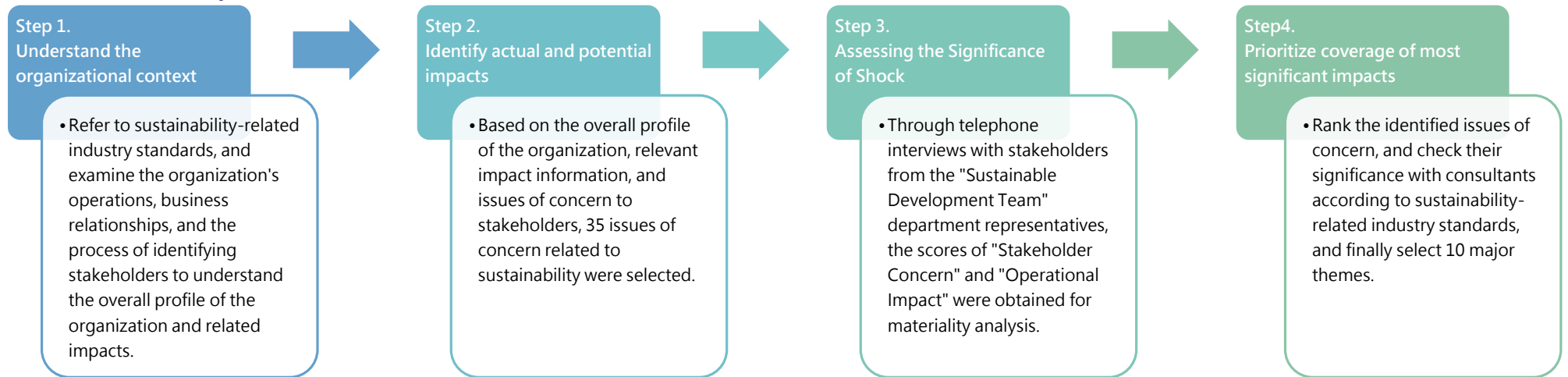
We express our gratitude to all our partners and colleagues. It is through our collective efforts, perseverance, and unwavering commitment that we continuously strive for improvement and excellence in all aspects. This enables us to fulfill our commitments to society and the environment, driving positive and transformative changes for a better future.

FocalTech Chairman



Sustainable Business Strategy

Stakeholders and Major Theme Identification Process



Stakeholder Identification and Communication Channels

FocalTech Sustainability Development Team evaluated the five major factors including responsibility, influence, concern, multiple perspectives, and dependability in accordance with the five principles of the AA1000 Stakeholder Engagement Standards. After a discussion based on the feedback and analysis of the information, the Sustainability Development Team identified the key stakeholders for the 2022 ESG Report. The key stakeholders of the Report include (1) employees, (2) customers, (3) shareholders and investors, (4) suppliers, (5) competent authorities, and (6) academic research institution.

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

| Stakeholder | Significance to FocalTech | Issues of concern | Communication channel / Communication frequency |
|-------------|--|--|--|
| 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 employee. | <ul style="list-style-type: none"> • Labor-management issues • Protection of human rights • Employee appointment and compensation management • Education & Training and career development • Occupational safety and health promotion | <ul style="list-style-type: none"> • Hold various activities occasionally • Submit the proposal for employee promotion on a regular or occasional basis every year • Organize internal and external education & training programs occasionally • Hold a birthday celebration event every two months • Employee Performance Appraisal (semi-annually) • New Employee Discussion Forum (New employee orientation) • Employee Welfare Committee Meeting (monthly on average) |

| Stakeholder | Significance to FocalTech | Issues of concern | Communication channel / Communication frequency |
|----------------------------|--|---|---|
| | | | <ul style="list-style-type: none"> ● 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 quality ● Prohibited and restricted substances management ● Waste management ● Conflict minerals management ● Energy management and greenhouse gas management | <ul style="list-style-type: none"> ● Customer Satisfaction Survey (annually) ● Business and skill assessment (occasionally) ● Customer meeting (occasionally) ● Customer audit (occasionally) |
| Shareholders and Investors | The management team of FocalTech regularly discloses the operational status to stakeholders concerning the sustainable development and operational performance of the Company so as to fulfill its management responsibilities. | <ul style="list-style-type: none"> ● Operational performance ● Code of ethics and regulatory compliance ● Corporate governance and risk control (including climate change) | <ul style="list-style-type: none"> ● Shareholders' Meeting (annually) ● Conference Call (quarterly) ● Annual Report (annually) ● Investor mailbox (occasionally) |
| Suppliers | The Company's products and services depend on both the stable supply of raw materials and good processing quality from various suppliers. Because of this, FocalTech continues to exert its influence as a customer over suppliers to focus on sustainable management, including the prevention of environmental pollution and human rights violations | <ul style="list-style-type: none"> ● Supplier management ● Green procurement ● Raw materials management ● Quality management | <ul style="list-style-type: none"> ● Supplier assessment meeting (annually) ● Procurement negotiation (occasionally) ● Supplier audit (occasionally) |
| 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 its 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 (occasionally) ● Correspondences with customers (occasionally) ● Fire safety and environmental permit status check (on a regular or occasional basis) |

| Stakeholder | Significance to FocalTech | Issues of concern | Communication channel / Communication frequency |
|-------------------------------|--|---|---|
| Academic research institution | An important training unit and cooperation unit 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 (irregular according to the plan) Industry-university cooperation plan and meetings at each stage (irregular) Internship program (irregular) In-depth lectures (irregular) Professional teaching (according to 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, it is also to ensure that the major issues meet the needs and expectations of each stakeholder.

The materiality analysis is based on two components: the intensity of stakeholders' concerns and the evaluation of operational impact of the issue. In order to understand the intensity of stakeholders' concern on the Company's sustainability issues, the Company, based on the results of the analysis adopting the GRI Sustainability Reporting Standards, takes into account its current sustainability management goals to define the boundaries of impact and the degree of involvement. From which, the Company has selected a total of 10 major issues to respond to, namely, Corporate Governance, Operational Performance, Product Quality, Sustainable Supply Chain, Greenhouse Gas Emissions and Energy Management, Talent Cultivation, Compensation and Employee Benefits, Occupational Safety and Health, Climate Change, and Risk Control. Continuing the theme of 2021.

| Major Issue Identification | Step |
|---|--|
| STEP1 Collect sustainability issues | Based on standards including the GRI Sustainability Reporting Standards, Responsible Business Alliance (RBA), the United Nation's Sustainable Development Goals (SDGs), Task Force on Climate-related Financial Disclosures (TCFD), and Sustainability Accounting Standards Board (SASB), and with reference to the analysis results of major issues in the past years, the internal and external members discussed the issues of concern to the domestic and international industry, as well as the feedback from stakeholders who are in frequent contact with the Company; on the basis of which a total of 35 sustainability issues were incorporated for FocalTech. |
| STEP2 Organize issues of concern to stakeholders | Representatives from the Sustainable Development Team collected information on 35 sustainability issues through telephone interviews, assessing the levels of stakeholder concern. Each sustainability issue was rated on a scale of "highly concerned," "concerned," "somewhat concerned," and "not concerned," and assigned corresponding scores. Subsequently, the sustainability issues were ranked based on their scores. In the next phase, members of the Sustainability Development team and senior internal executives will evaluate the "impact on company operations" with reference to these ranked sustainability issues. |
| STEP3 Classify issues of concern to stakeholders and evaluate impacts | Based on the analysis results in Step 2, the 35 sustainability issues were ranked. Subsequently, the importance of the individual major issue to each stakeholder was analyzed by the Sustainability Development Team through a combination of senior executive discussions, internal interviews, and external expert opinions. Additionally, the Team evaluated each sustainability issue based on internal operations and external economic, social and environmental impacts, and classified the impact level into three categories: High impact, Medium impact and Low impact. Eventually, 10 sustainability issues were selected as the major issues to be disclosed in the |

| Major Issue Identification | Step |
|---|---|
| | Report. |
| STEP4 Match the issues and establish management guidelines | The 10 major issues selected were matched to the GRI Standards accordingly and responded to with the relevant countermeasures. Furthermore, management guidelines and implementation methods were established according to each major issue, and an evaluation mechanism was established to ensure the effective implementation of the subsequent operations. |
| STEP5 Set up mid- and long-term goals and regularly review achievement of the goals | Major issues are the cornerstone of the Company's sustainable development. After establishing the relevant management guidelines and implementation methods, the Company has also established the relevant midterm and long-term goals as well as the effectiveness for the current stage, which will serve as the trajectory for reviewing the development of relevant major issues in each subsequent year. |

| Major issues | Significance for FocalTech | Boundaries of impact (■frontal impact ●negative impact) | | | | | | | Mid- and Long-term goals | The matching topic-specific GRI Standards | Chapter in response to The issue |
|-------------------------|---|---|-----------|-----------|----------------------------|-----------|-----------------------|-------------------------------|---|---|---|
| | | Internal | | | External | | | | | | |
| | | FocalTech | Employees | Customers | Shareholders and Investors | Suppliers | Competent authorities | Academic research institution | | | |
| 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 | GRI 2-9~ GRI 2-30 | 1.1 Company Overview 1.3 Board of Directors Operations 1.4 Integrity in Business Foundation 1.5 Risk Management |
| Operational performance | Continuous and stable growth is the driving force of corporate sustainability. FocalTech is committed to maximizing its operational efficiency in order to reward shareholders, investors and other stakeholders. | ● | ● | ● | ● | ● | | | Execute a sound operation strategy to facilitate the increase of revenue and profitability, in order to make FocalTech a trusted company for investors. | GRI 102 | 1.2 Business Performance |
| Product quality | Quality directly affects the overall operations of a company. FocalTech | ■ | | ■ | | ■ | | | <ul style="list-style-type: none"> Reduce the proportion of valid customer complaints year by year | Customized key issues | 2. Innovative Value Breakthrough |

| Major issues | Significance for FocalTech | Boundaries of impact (■frontal impact ●negative impact) | | | | | | | Mid- and Long-term goals | The matching topic-specific GRI Standards | Chapter in response to The issue | |
|--|---|---|-----------|-----------|----------------------------|-----------|-----------------------|-------------------------------|---|---|----------------------------------|--|
| | | Internal | | | External | | | | | | | |
| | | FocalTech | Employees | Customers | Shareholders and Investors | Suppliers | Competent authorities | Academic research institution | | | | |
| | has been investing in product innovation and implementing quality management to ensure quality. | | | | | | | | <ul style="list-style-type: none"> ● Increase the number of customer orders and product shipments | | 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 operational risks and improve the quality of products and services. | ■ | | ■ | | | ■ | | <ul style="list-style-type: none"> ● Completed the signing of the "Supplier Integrity Commitment Letter" for 100% of the suppliers. ● 100% raw materials are purchased from smelters recognized by smelter organizations recognized by the Global Sustainability Initiative. ● Maintain 100% of suppliers to obtain ISO 9001 certification. ● The supplier is ISO 14001 certified. Complete 100% certification of key suppliers. ● Maintain 100% of suppliers complying with RoHS and REACH regulations. ● Complete 100% supplier system audit. | GRI 308 GRI 414 | 3.2 Sustainable Supply Chain | |
| Risk control | Establishing a comprehensive and rigorous risk management system and implementing risk management enables the Company to protect the rights and interests of all stakeholders and reduce operational risks. | ■ | | ■ | ■ | | ■ | | Develop a comprehensive risk management response plan and set up the Risk Management Team to conduct drills on and respond to possible impacts in order to reduce the impact on the Company when risks occur. | GRI 2-25 GRI 2-26 | 1.5 Risk Management | |
| Greenhouse gas emissions and energy management | Effective energy management not only improves the efficiency of use, but also reduces greenhouse gas emissions. FocalTech is concerned about environmental issues | ■ | | | | | | ■ | ■ | Continuously conduct greenhouse gas emission inventories and management, actively promote greenhouse gas emissions reduction measures, and facilitate energy conservation programs. | GRI 302 GRI 305 | 4.2 Greenhouse Gas Emissions and Energy Management |

| Major issues | Significance for FocalTech | Boundaries of impact (■frontal impact ●negative impact) | | | | | | | Mid- and Long-term goals | The matching topic-specific GRI Standards | Chapter in response to The issue |
|------------------------------------|--|---|-----------|-----------|----------------------------|-----------|-----------------------|-------------------------------|---|---|--|
| | | Internal | | | External | | | | | | |
| | | FocalTech | Employees | Customers | Shareholders and Investors | Suppliers | Competent authorities | Academic research institution | | | |
| | and will continue to invest resources to protect the global environment in the future. | | | | | | | | | | |
| Climate change | Developing strategies to cope with the impacts of climate change. | ■ | | ■ | ■ | | | | Based on the opportunities and threats that climate change may bring, consider the likelihood of each occurrence, and develop a response plan. | TCFD framework | 4.1 Climate Change 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 professional training so as to meet the expectations of the organization. | ■ | ■ | | | | | | <ul style="list-style-type: none"> ● Provide various education and training programs occasionally in order to reinforce employees' professional skills ● Establish a robust and transparent talent promotion pipeline | GRI 404 | 5.1 Talent Foundation 5.8 Talent Development |
| Compensation and employee benefits | To attract and retain outstanding talents, FocalTech provides a comprehensive and fair compensation and benefits system to ensure that its employees are treated better compared with the industry, and continue to enhance its market competitiveness. | ■ | ■ | | | | | | <ul style="list-style-type: none"> ● Uphold principles of fairness and nondiscrimination, 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, | ■ | ■ | | | | ■ | | Conforming to the policy of "Protecting Employees, Caring for Health, Preventing Hazards, and Reducing Workplace Injuries," FocalTech ensures the safety and health of | GRI 403 | 5.5 Workplace Safety 5.6 Health Promotion |





| Major issues | Significance for FocalTech | Boundaries of impact (■ frontal impact ● negative impact) | | | | | | | Mid- and Long-term goals | The matching topic-specific GRI Standards | Chapter in response to The issue |
|--------------|--|---|-----------|-----------|----------------------------|-----------|-----------------------|-------------------------------|---|---|----------------------------------|
| | | Internal | | | External | | | | | | |
| | | FocalTech | Employees | Customers | Shareholders and Investors | Suppliers | Competent authorities | Academic research institution | | | |
| | 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. | | | | | | | | employees and promotes various programs to perfect the safety management of the work environment, enabling employees to work safely at FocalTech. | | |





Major issue matrix

| | | | | | |
|------|---|---|---|--|----------------------------|
| High | Intensity of stakeholders' concerns regarding the issue | <ul style="list-style-type: none"> ■ Customer Privacy ■ Social Welfare ■ Waste Management ■ Protection of Human Rights | <ul style="list-style-type: none"> ■ Product Quality ■ Compensation and Employee Benefits | <ul style="list-style-type: none"> ■ Corporate Governance ■ Operational Performance ■ Sustainable Supply Chain | |
| | | <ul style="list-style-type: none"> ■ Green Procurement ■ Information Security ■ Anti-corruption ■ Career Development and Education & Training Programs ■ Green Product / Service Design Development | <ul style="list-style-type: none"> ■ Talent Cultivation ■ Occupational Safety and Health | <ul style="list-style-type: none"> ■ Greenhouse Gas Emissions and Energy Management ■ Risk Control ■ Climate Change | |
| | | <ul style="list-style-type: none"> ■ Conformity with Laws and Regulations ■ Sewage Discharge and Control ■ Tax Policy ■ Conflict Minerals Management ■ Industrial Localization ■ Contractor Management ■ Environmental Accounting ■ Green Logistics | <ul style="list-style-type: none"> ■ Ethical Management and Regulatory Compliance ■ Community Management ■ Employees' Rights and Interests ■ Raw Material Usage and Recycled Materials ■ Hazardous Substances Management | <ul style="list-style-type: none"> ■ Customer Satisfaction ■ Raw Material Management ■ Air Pollutant Control | |
| Low | | Operational impact level | | | High |
| | | Economic (GRI200) | Environmental (GRI300) | Social (GRI400) | Other or customized issues |

Sustainable Development Goals (SDGs)

In response to and in support of the 17 Sustainable Development Goals (SDGs) of the United Nations, FocalTech has convened a corporate social responsibility promotion group to discuss and evaluate its current sustainable development policy and plan, with an aim of being aligned with eight SDGs. FocalTech will follow the UN SDGs and regard them as the direction for its future sustainable management. Furthermore, FocalTech hopes to employ everyone's collective wisdom to help solve social and environmental issues worldwide. The eight goals of sustainable development in 2022 are as follows :

| SDGs | Major issues related to FocalTech | Development highlights in 2022 and the corresponding chapter in the Report | Related Effectiveness |
|--|---|--|---|
|  <p>3 GOOD HEALTH AND WELL-BEING</p> | <ul style="list-style-type: none"> ● 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 given in Taiwan was NT\$22,765,240. ● Occupational safety and health education training for 2 hours per year. ● Irregularly arrange training for newcomers. ● In 2022, the number of occupational injuries is 0. |
|  <p>4 QUALITY EDUCATION</p> | <ul style="list-style-type: none"> ● Talent Cultivation | 5. Friendly Corporate Workplace | <ul style="list-style-type: none"> ● Establishing individual development plans (IDPs) with a training-oriented approach. ● Providing appropriate training to different individuals, cultivating professional talents, and strengthening company competitiveness. |
|  <p>7 AFFORDABLE AND CLEAN ENERGY</p> | <ul style="list-style-type: none"> ● Greenhouse Gas Emissions and Energy Management | 4. Protecting the Green Environment | <ul style="list-style-type: none"> ● The new office invested NT\$7.4 million to install the central monitoring system (PLC). ● Fully installed full-voltage panel lights. ● After relocation and adjustment, electricity consumption decreased by about 16% compared with the same period. |
|  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> | <ul style="list-style-type: none"> ● Corporate Governance ● Operational Performance ● Risk Control | 1. Corporate Sustainability and Robust Governance | <ul style="list-style-type: none"> ● TWSE 2022 Corporate Governance Evaluation Results, 6% to 20%. ● Conducted real-time and comprehensive monitoring and analysis of abnormal incidents, established an abnormality notification mechanism based on their correlation and risk management to tackle abnormal incidents in advance. |

| SDGs | Major issues related to FocalTech | Development highlights in 2022 and the corresponding chapter in the Report | Related Effectiveness |
|--|--|--|---|
| Industry, innovation and infrastructure  | <ul style="list-style-type: none"> ● Product Quality ● Innovation R&D | 2. Innovative Value Breakthrough | <ul style="list-style-type: none"> ● Collected statistics on customer satisfaction and held quality-control meetings. In 2022, FocalTech received an overall average customer satisfaction score of 8.61. ● Established advantages of differentiated products and a competitive technology threshold to maintain the Company's leading position in industrial technology. In 2022, the R&D expenses accounted for 19.59% of the total revenue. |
| Responsible consumption and production  | <ul style="list-style-type: none"> ● Waste Management | 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  | <ul style="list-style-type: none"> ● Greenhouse Gas Emissions and Energy Management ● Climate Change | 4. Protecting the Green Environment | <ul style="list-style-type: none"> ● Air-conditioning automatic central monitoring system (PLC), set the air-conditioning system in working and office areas to 26. ● 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  | <ul style="list-style-type: none"> ● Supply Chain Management | 3.2 Sustainable Supply Chain | <ul style="list-style-type: none"> ● Have 100% of suppliers signed the Supplier Social Responsibility Commitment ● Have 100% of raw materials procured from certified smelters ● Have 100% of suppliers obtaining ISO9001 certification ● Have 93% of suppliers obtained ISO 45001 certification ● Have 100% suppliers complying with RoHS and REACH ● Complete 100% supplier system audit |

Corporate Sustainability and Robust Governance

1.1 Company Overview

1.1.1 About FocalTech

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

By the end of 2022, the company had a total of 808 employees, including those in Taiwan, mainland China, the USA, South Korea, and other overseas regions. It offers touch chips, display driver chips, integrated touch and display chips (IDC), fingerprint recognition chips, and other products for various devices. Its sales network covers the globe. The application products of its chips include mobile phones, tablets, laptops, wearable devices, digital cameras, smart home appliances, automotive applications, industrial control equipment, and more.

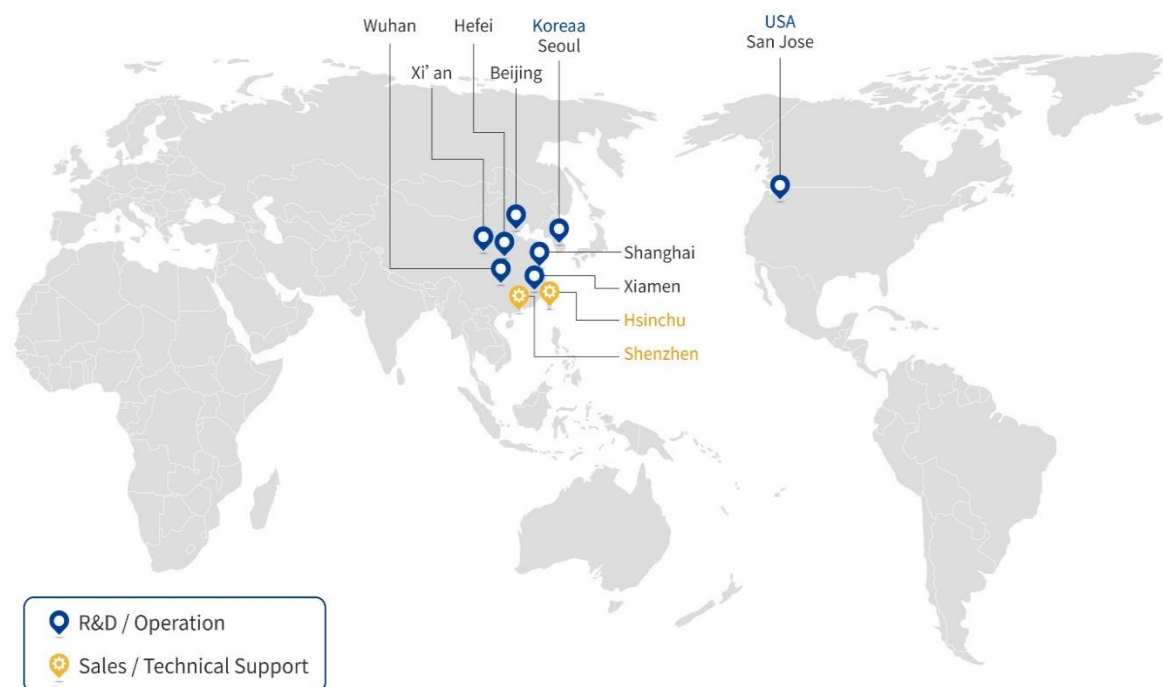
In 2015, FocalTech completed the acquisition of Orise Technology Co., Ltd., with the stock code 3545. It became the world's first manufacturer to mass-produce integrated embedded touch panel technology (Super In Cell) and integrated touch and display chips (IDC).

FocalTech is customer-centric and has established technical support centers in core service areas since its 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. It provides technical assurance to thousands of customers worldwide.

Company History

Refer to pages 3-4 of the annual report for the year 2022.

| | |
|-----------------------|--|
| Company Name | FocalTech Systems Co., Ltd.(Stock Code:3545) |
| Establishment | October 12, 2005 |
| Headquarters Address | 11F-1, No. 23, Huanke 1st Road, Zhubei City, Hsinchu County, Taiwan |
| Chairman/CEO | Genda Hu |
| Paid-in Capital | NT\$ 2,161,107,000 |
| Employees | 808 |
| 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. |
| Operating Locations | Taiwan, China Mainland, USA, South Korea. China Mainland locations include Shenzhen, Shanghai, Beijing, Xiamen, Hefei, Xi'an, and Wuhan. |
| Revenue in 2022 | NT\$ 12,949,902,000 |
| Sales Markets | Products are sold worldwide under various brands, with a focus on the Asian market for mobile phones and automotive applications. |
| Industry Sector | Communication electronics, computer peripheral devices, automotive electronic components. |



Product description

LCD IDC(TDDI)

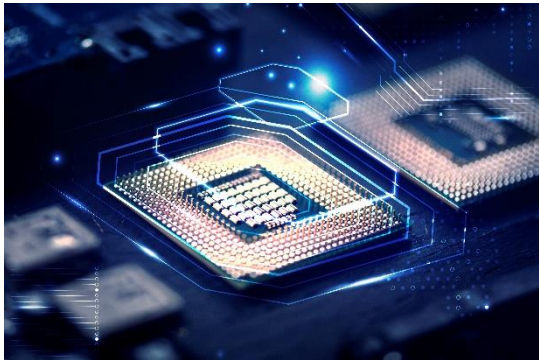
- A variety of panel technologies compatible with alpha -Si/IGZO/LTPS.
- Application of COG/COF and other structure.
- Covering the resolution of HD/ HD+/ FHD/ FHD+/ QHD+.
- The maximum can be supported up to 13 inch screens.
- Support mobile / tablet / Laptop / vehicle applications.

AMOLED

- To provide a full series of driver IC for AMOLED panels, which includes the applications of wearable and smartphone, DDIC (Display Driver IC) and IDC (Integrated Driver Controller).
- The excellent product design and prompt service have been recognized by many of our customers.
- We will continue to work towards fulfilling customer needs by providing better products and services and create higher value together with our customers.

Touch Controller

- 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
- Touch control applications for all mainstream mobile electronic devices, including smart phones, tablets, laptop, industrial, automotive and wearable devices.



Display Driver

- Support both LTPS & a-Si TFT panel technology.
- Support panels from 1.5" up to 13".
- Support resolution solution (WVGA, qHD, WSVGA, HD/WXGA, F-HD/WUXGA, QHD/WQXGA, 2k*4k).
- Support pixel Arrangement (RGB, RGBW, RGBG...).
- Applications include the display driver IC in mobile, tablet, digital camera and consumer's products.
- Feature Driver IC for mid/small size TFT LCD panel (Tcon-integrated Driver IC).
- Timing Controller (Tcon) & Source/Gate Driver IC.
- Power IC.
- Automotive Driver IC (Source integrated Tcon & Gate Driver IC).
- Unique technology for display optimization ; Clever Color 、 Clever Edge+ 、 HDR 、 SRE

Fingerprint

- Ultra-low power consumption, ultra-cost-effective, high recognition rate, support 360° fingerprint recognition;
- Self-developed algorithm, high reliability, Google BCR certificated, Alipay certificated;
- Support glass cover, coating solution;
- Applied to the front, the back, and ultra-narrow side power key of the mobile phone;
- Support PC Match on Chip, and Match on Host solution;
- Adopted by Samsung, vivo, OPPO, Xiaomi, Lenovo, Asus and other end customer brands

Touch Pad

- Provide a complete Touch Pad solution
- Provide regular TouchPAD, SecurityPAD, NFC PAD, Pen PAD and other comprehensive solutions
- Mylar & glass cover, maximum thickness 3mm
- Full range of Pass PTP HLK, the size can be supported up to 210 * 140mm
- Complete ForcePAD & Haptic solution

Product manufacturing process

- Refer to page 80 of the annual report for the year 2022.

1.1.2 FocalTech Organization Chart

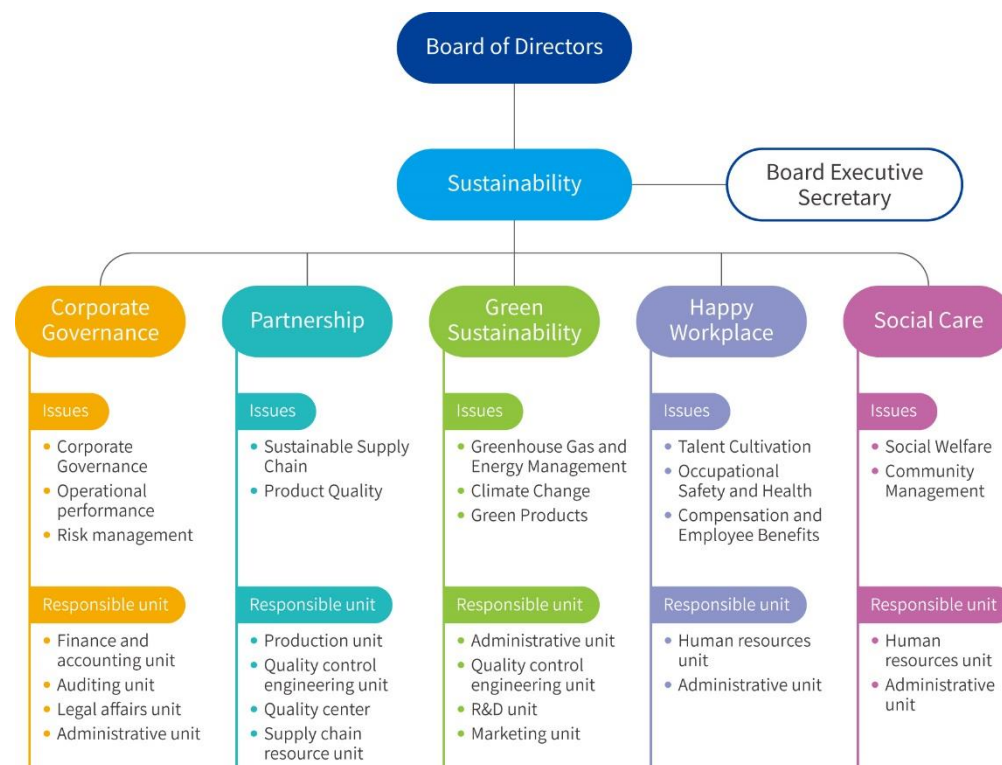
Corporate governance framework

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



Sustainable Development Team

FocalTech's Board of Directors has established a Corporate Sustainability Committee to promote corporate responsibility and ethical business practices. The Board of Directors has appointed the Director of Corporate Governance as the convener of the Corporate Sustainability Committee to oversee corporate governance and the aforementioned initiatives. The responsibilities of the committee include corporate governance, ethical business practices, corporate sustainability, and environmental sustainability. The committee collaborates with relevant departments and utilizes company resources. Starting from 2021, an annual sustainability report is prepared and submitted to the Board of Directors to ensure the inclusion of all identified significant issues and to implement robust corporate sustainability governance.



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



「The Best Financially Managed Company」 from the Global Semiconductor Alliance (GSA)



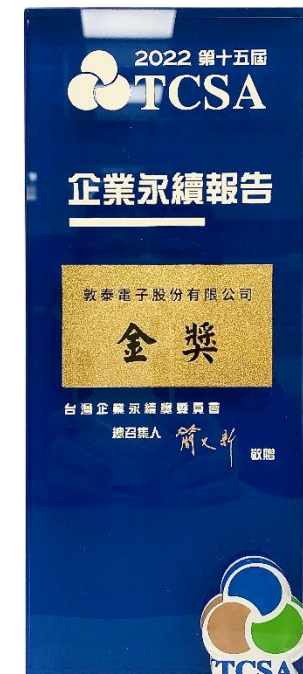
ISO 9001(2021~2024)



ISO14001(2023~2026)



ISO45001(2020~2023)



TCSA 2022 Sustainability Report Gold Award

1.2 Business Performance

| Management policy | |
|-------------------|---|
| Major issue | Business performance |
| Policy directions | <p>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.</p> <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. At the same time, 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 relevant 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. |
| Core goals | <ul style="list-style-type: none"> In-vehicle products continue to grow in the consumer market, among which the shipments of in-vehicle IDC products have nearly doubled compared with 2021, greatly increasing the company's revenue and profit contribution. The annual shipment of fingerprint products in 2022 will increase by more than 30%. AMOLED wearable IDC was mass-produced by first-line brand customers, realizing the world's first mass-production based on flexible LTPO AMOLED IDC chips. |
| Achievements | <ul style="list-style-type: none"> 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 to manage | |
| Devoting resource | <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 irregular 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 2023 | 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 expansion of chips in non-mobile fields such as NB, home appliances, industrial control, and vehicles. development and promotion. |

After the social and economic turmoil caused by the COVID-19 epidemic, the U.S.-China wrestling war, the Russia-Ukraine war and other events, all FocalTech employees are still working hard to continuously improve operational performance, through raw material cost control, continuous optimization of production processes and active investment in innovation Research and development to cope with the fierce industrial competition. FocalTech sets annual revenue targets and net profit targets every year, and regularly holds departmental meetings to track the operating status and target achievement rate, review and make appropriate adjustments for lagging performance, 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 every year, and 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 according to the market and customer conditions, so that the management can fully grasp Operations, market dynamics and monitoring budgets to achieve performance goals.

Unit: NT\$ thousand

| Project | Item | 2020 | 2021 | 2022 |
|----------------------------------|---|------------|------------|------------|
| Direct economic value generated | Operating revenue (Note 1) | 13,800,348 | 22,174,769 | 13,047,667 |
| | Operating cost (Note 2) | 10,371,572 | 11,262,098 | 11,667,224 |
| | Employee compensation and benefits (Note 3) | 1,491,909 | 2,643,342 | 2,709,409 |
| Economic value allocated | Payments to contributors (Note 4) | 1,044,530 | 700,000 | 3,450,368 |
| | Payments to government (Note 5) | 37,053 | 81,702 | 1,408,821 |
| | Community investment (Note 6) | - | 900 | 500 |
| Economic value retained (Note 7) | | 2,347,193 | 10,130,069 | -3,479,246 |
| Earnings per share | | 3.97 | 30.23 | -9.39 |
| Dividend per share distributed | | 3.32 | 15.71 | 0.5 |

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

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

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

Note 4: Cash dividends and interest payments.

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

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

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

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

Unit: NT\$ thousand

| Receive government grants | 2020 | 2021 | 2022 |
|---|--------|---------|--------|
| Amoled A+ project and ITRI's specialization plan | 15,507 | 50,798 | - |
| Ministry of Labor - subsidy for education and training courses | 67 | 93 | - |
| Ministry of Labor - Work-Life Balance Expense Grant | 66 | 62 | - |
| Investment credits apply to research and development expenditures | 47,952 | 245,737 | 67,789 |

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

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 | <ul style="list-style-type: none"> Strengthen corporate governance and enhance the transparency of information Continue to improve the corporate governance evaluation |
| Achievements | <ul style="list-style-type: none"> 97% attendance rate for Board Meeting in 2022 No incident of corruption or bribery recorded in 2022. |
| Action plans | <ul style="list-style-type: none"> Regularly report corporate governance and ESG implementation plans and results to the board of directors. Establish a Compensation Committee to formulate the remuneration and compensation policy and mechanism for directors and managers of the Company, and to conduct regular performance evaluation. |
| How to manage | |
| Devoting resource | Establishment of Sustainable Development Team and functional committee |
| Feedback mechanism | <ul style="list-style-type: none"> Spokesperson mailbox Shareholders' Meeting Conference Call |
| Evaluation mechanism | <ul style="list-style-type: none"> Conduct a board performance evaluation once a year and a board performance evaluation by an external organization once every three years in accordance with the Board Performance Evaluation Regulations Participate in external corporate governance evaluations Evaluate the reasonableness of the Company's operating procedures through the internal control system |
| Future plans | |
| Goals for 2023 | <ul style="list-style-type: none"> Maintain a corporate governance evaluation rating of 20% or higher No occurrence of corruption or bribery of any kind. |

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

1.3.1 Directors

FocalTech follows a candidate nomination system, implementing board director elections through shareholder meetings. Operating within a transparent and robust board framework, the nomination and selection of board members adhere to regulatory requirements. The company's board comprises 8 directors, including 4 independent directors, accounting for 50% of the total. Among the directors, 7 are aged 60 and above, while 1 is aged 50 and above.

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 its extensive network, the company is well-positioned to identify suitable external talents for seamless succession planning.

Moreover, independent directors are required to possess work experience within business, research and development, finance, or corporate operations. 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 the year 2022, a total of 5 board meetings were held, resulting in an impressive attendance rate of 97%.

| 年度 | 主要績效 |
|------|--|
| 2018 | <ul style="list-style-type: none"> The Board of Directors approved the Rule of Corporate Governance and set up a team to promote and implement corporate governance related works. Such works include corporate social responsibility, integrity management, and corporate governance evaluation. The Board of Directors approved the Director Remuneration Management Regulations to align the remuneration of directors with their performance appraisal. The result of the corporate governance evaluation was in the top 6% to 20%. |
| 2019 | <ul style="list-style-type: none"> The Board of Directors approved the Self-Evaluation or Peer Evaluation of the Board of Directors of FocalTech Systems Co., Ltd. to stipulate the board performance evaluation be performed by an external professional independent organization or a team of external experts and scholars once every three years. The result of the corporate governance evaluation was in the top 6% to 20%. |
| 2020 | <ul style="list-style-type: none"> The Board of Directors appointed a Corporate Governance Senior Officer to assist the Board in complying with laws and regulations and carrying out its duties and responsibilities. The result of the corporate governance evaluation was in the top 21% to 35%. |
| 2021 | <ul style="list-style-type: none"> For the first time, the Company appointed the Taiwan Corporate Governance Association to carry out the board performance evaluation, which was completed in May 2021. The result of the corporate governance evaluation was in the top 6% to 20%. |

| 年度 | 主要績效 |
|------|---|
| 2022 | <ul style="list-style-type: none"> ● Revise the "Internal Material Information Disclosure Handling and Insider Trading Prevention Management Operation Procedures" to increase the lock-up period for directors' transactions ● The result of the corporate governance evaluation was in the top 6% to 20%. |

Performance Evaluation

| | |
|--|--|
| Evaluation items for the 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 items for the performance of individual director | <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 ● Professional and continuing education of the director ● Internal control |
| Evaluation items 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) | 2020 | 2021 | 2022 |
|---------------------------------|------|------|------|
| Board of Directors | 4.9 | 4.9 | 4.9 |
| Audit Committee | 5.0 | 4.8 | 5.0 |
| Compensation Committee | 5.0 | 4.8 | 5.0 |

Note : Self Evaluation ranges from 5 to 1 from good to bad.

| External Evaluation | 2020 | 2021 | 2022 |
|---------------------|------|---|---|
| Board of Directors | - | https://www.focaltech-electronics.com/zh-TW/boarding/index/tab3#tab-anchor | https://www.focaltech-electronics.com/zh-TW/boarding/index/tab3#tab-anchor |

Note : Please refer to the company website for the results of the external evaluation.

Attendance rate of Board Meeting

| Title | Name | Attendance Rate(%) 2022 |
|----------------------|---|-------------------------|
| Chairman | Genda Hu | 100% |
| Director | GWAALLC designated representative: Han-ping Hsieh | 100% |
| Director | GWAALLC designated representative: Chenming Hu | 100% |
| Director | Acer designated representative: Jason Chen | 100% |
| Independent director | Chin-tay Shih | 80% |
| Independent director | Chan-jane Lin | 100% |
| Independent director | Chang Hsu | 100% |
| Independent director | Benison Hsu | 100% |

Diversity of the Board of Directors

To achieve our corporate governance objectives, the members of our board of directors come from diverse backgrounds, including the operational team, management professionals from relevant 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 encompass establishing and maintaining the company's vision and values, assisting in driving corporate governance and enhancing operational management, overseeing and evaluating the execution of policies and operational 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 elevate the company's governance standards and corporate value.

| By Gender, Age and Education level | | 2020 | | 2021 | | 2022 | | |
|------------------------------------|-----------|-------------------------|---|------------------|---|------------------|---|--------|
| | | Number of People | % | Number of People | % | Number of People | % | |
| Board members | Gender | Male | 8 | 88.9% | 6 | 85.7% | 7 | 87.5% |
| | | Female | 1 | 11.1% | 1 | 14.3% | 1 | 12.5% |
| | Age | Below 50 | 2 | 22.2% | 0 | 0% | 0 | 0% |
| | | Above 50 | 7 | 77.8% | 7 | 100.0% | 8 | 100.0% |
| | Education | MA/MS/PHD | 9 | 100.0% | 7 | 100.0% | 8 | 100.0% |
| | | Total number of members | 9 | 100.0% | 7 | 100.0% | 8 | 100.0% |

Diversity of the Board of Directors

Please refer to pages 11 to 15 and pages 27 to 28 of the 2022 Annual Report.

Director Training in 2022

Please refer to pages 32 to 33 of the 2022 Annual Report.

1.3.2 Functional Committee

Audit Committee

The Audit Committee consists of four independent directors and convenes at least every quarter. The Committee mainly coordinates external and internal audit works, oversees and examines internal controls, financial reporting, and evaluates and guides the Company's audit work. A total of 5 meetings were held in 2022, with an 100% attendance rate.

Compensation Committee

The Remuneration Committee consists of two independent directors and one independent member, and convenes at least twice a year. The Committee mainly evaluates the remuneration and compensation policies and mechanism of directors and managers from a professional and objective position, and makes recommendations to the Board of Directors as a reference for decision making. A total of 3 meetings were held in 2022, with an 100% attendance rate.

Auditing Office

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

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

Internal Control Procedure

- Discuss the focus and direction of the audit work within the Auditing Office.
- Issue audit notification and communicate with the audited unit
- Conduct audit works
- Make internal audit recommendations in writing
- Explain the audit findings or recommendations to the audited unit
- Submit an audit report

- Sign and approve the audit report; the audited unit proposes the deadline for making improvements
- Submit and report to the Audit Committee and the Board of Directors

Regular communication between the independent directors and the Audit Senior Officer

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

FocalTech did not violate the internal control system and thus was not penalized by the competent authorities in 2022.

1.4 Integrity in Business Foundation

Integrity is the first priority of FocalTech culture, and it is also the core value that FocalTech is committed to pursuing. It advocates and promotes honest behavior, and takes a serious attitude towards any behavior that may violate integrity, integrity and professional ethics.

Conduct regular education and training on "integrity management". For new employees, in the pre-employment training courses, arrange to teach employees the relevant internal and external laws and regulations on professional ethics and integrity principles, and strengthen education and training on "integrity management".

In accordance with the "Code of Integrity Management of Listed Companies", the company's "Code of Integrity Management and Professional Ethics" is formulated. With the business philosophy of integrity, transparency and responsibility, employees are required to comply with ethical standards. Managers and employees at all levels are strictly required to not directly or indirectly provide, promise, request or accept any illegitimate benefits in the process of engaging in business activities, or engage in other dishonest behaviors that violate integrity, illegality, or breach of fiduciary obligations.

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

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

Code of Ethics for Honest Management and Practice Self-inspection

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

Implementation Highlights in 2022

- According to the "Code of Integrity Management of Listed Companies", middle/senior managers including first-level supervisors and functional supervisors of specific units (including

new recruits) all sign the "Integrity Policy Statement", declaring that they follow "Code of Integrity Management and Professional Ethics", and the completion rate is 100%.

- Promoted the content of professional ethics in the education and training of new recruits, a total of 143 person-times.
- Invited the Director of the Investigation Bureau to the company to give lectures on "Business Secret Lectures and Case Sharing", a total of 60 person-times.
- On November 11, 2022, the board of directors approved the revision of the "Internal Material Information Disclosure Handling and Insider Trading Prevention Management Operation Procedures" to increase the lock-up period for directors' transactions.

Ethical Management Reporting Channels

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

No substantiated allegation of corruption was recorded in 2022. FocalTech will continue to strengthen its internal control mechanism and implement the concept of integrity management in the future.

1.5 Risk Management

| Management policy | |
|----------------------|--|
| Major issue | Risk control |
| Policy directions | Early preparation for and addressing of possible significant risks in the future to reduce the impact on the Company or to obtain priority business opportunities |
| Core goals | Perform annually and regularly to identify significant risks |
| Achievements | In addition to employment and environmental sustainability risks, there were also significant risks of corporate governance identified such as human resources, information security, and political and economic market changes. The management meeting formulated specific measures to address these risks. |
| Action plans | <ul style="list-style-type: none"> ● Issue a risk factor survey form for each representative member to reply on the risk factor, the weight of the factor, and the suggestions for improvement ● The Risk Management Team holds a discussion meeting to screen and select significant risks and submit them to the management meeting for discussion. The responsible unit proposes improvements or countermeasures. ● The Chairman's office submits the results to the Board of Directors. |
| How to manage | |
| Devoting resource | Risk Management Team members and management meeting members |
| Feedback mechanism | <ul style="list-style-type: none"> ● Each unit assigns its personnel to join the Risk Management Team to provide feedback on risk assessment and suggestions for improvement. ● The management meeting and the Board of Directors also provide feedback and suggestions for improvement and refinement every year. |
| Evaluation mechanism | <ul style="list-style-type: none"> ● The degree of implementation of improvement measures. ● The assessment of the level of the same risk should be reduced in the following year compared with the previous year |
| Future plans | |
| Goals for 2023 | After identifying more precise risk factors, 2023 will include three aspects of sustainable environment, corporate governance, and social co-prosperity, covering the risks of all major issues. |

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 units to evaluate, screen and select significant risks each year, compile and analyze the statistical results and report them to the management meeting. The unit responsible for the risk will report the countermeasures for discussion. Countermeasures approved by the management meeting will then be reported to the Board of Directors by the Chairman Office. The scope of risk identification includes strategic planning, operational management, information technology, human resources, financial operations, and other issues.

| Risk type | Risk description | Countermeasures |
|----------------------|---|---|
| Corporate Governance | Failure to properly manage information security will result in data loss and theft. | The Information Security Policy has been established along with the relevant operation regulations. In addition to monitoring and management in accordance with policies and procedures on a regular basis, the information unit has increased the number of improvement projects of the current year based on risks and resources since 2018 to continuously strengthen the information security environment. |
| | The economic environment changes rapidly, and the preparation or response is not timely, resulting in losses. | In addition to regular business management meetings, cross-department meetings, and various functional meetings, the risk management team convenes a team every year to jointly assess and discuss risk factors and take measures. |
| | Ethical integrity risk. | <ul style="list-style-type: none"> ● In accordance with the "Code of Integrity Management of Listed Companies", the senior management, including first-level supervisors and functional managers of specific units (including new recruits), all sign the "Integrity Policy Statement", declaring that they follow the company's "Code of Integrity Management and Professional Ethics". ● Publicize related topics in the education and training of new recruits. ● Propagate to current directors and insiders, including the prohibition of short-swing trading and insider trading, explaining relevant laws and regulations on stock trading, pre-declaration and post-declaration procedures and penalties, etc. |

| Risk type | Risk description | Countermeasures |
|-------------------|---|---|
| Social Prosperity | Poor benefits and communication will result in the loss of key employees. | <p>FocalTech is committed to building a company culture of good corporate values, providing challenges, fun, and better compensation than the industry for employees, retaining and cultivating its employees.</p> <ul style="list-style-type: none"> ● Continuous improvement of employee treatment: Share the Company's operational performance with employees. Employee benefits include basic salary, various bonuses, earnings distribution, stock bonuses, insurance, health examinations, welfare committee benefits, etc. ● Establishing a variety of communication channels: In addition to regular management meetings, interdepartmental functional meetings, internal departmental meetings, and project meetings, soft activities such as birthday celebrations, FB fan groups, Valentine's Day activities, etc. are also held. ● Talent reserve: In response to the normal turnover of staff, the Company provides various kinds of education and training programs, participates in project work, and is ready to cultivate suitable talents. |
| | The lack of satisfaction in learning and growth will result in the loss of key employees. | |
| | Insufficient or excess production capacity will result in the inability to ship goods or create inventory, which will further increase costs. | <p>FocalTech sees suppliers as important business partners, and thus maintains interactions with them.</p> <ul style="list-style-type: none"> ● Keep an eye on the market trends and grasp the changes in supply and demand. ● Timely sharing of market dynamics internally; the reporting mechanism is implemented in relevant meetings. ● Hold meetings and interact with suppliers on a regular and occasional basis to communicate on production capacity, product quality, delivery time, etc. |

| Risk type | Risk description | Countermeasures |
|-------------------------|---|---|
| Sustainable Environment | Poor product quality and service due to the pandemic or operations will affect customer satisfaction. | <p>FocalTech sees customers as important business partners, thus maintaining interaction with them.</p> <ul style="list-style-type: none"> ● A customer service team has been established internally, with dedicated sales, product application engineering, and quality assurance colleagues to provide services for customers. ● A customer complaint management platform has been established internally. The dedicated team will jointly analyze and solve customer problems or needs, and the quality center will close cases to ensure customer satisfaction. |
| | 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 risk assessment ● Formulate operation control standards ● Formulate occupational safety and health target plan ● Implement occupational safety and health education and advice |
| | The financial impact of climate change. | <ul style="list-style-type: none"> ● Carry out climate change risk and opportunity analysis and measures in accordance with the requirements of TCFD and the Financial Supervisory Commission. ● Complete 14064-1: 2018 greenhouse gas verification in 2024. |
| | Greenhouse gas emissions continue to increase. | <ul style="list-style-type: none"> ● Complete 14064-1: 2018 Greenhouse Gas Verification by 2024 ● The new factory is fully equipped with panel lights and smart energy-saving air-conditioning equipment ● Install thermal insulation film on west facing windows ● Install central monitoring system equipment (PLC) ● Continue to promote energy saving and carbon reduction |

1.6 Information Security Protection

1.6.1 Information Security Policy

In view of the increasing popularity of computer and network applications in recent years, in order to ensure the security of company and information security-related data, information systems, equipment, and networks, the company has the top manager of the information department act as the convener, appoint a dedicated information security supervisor and an information security officer, who are jointly responsible for the group's information security governance policy, supervise its operation, and formulate "information security operation procedures" as the company's information security management organization.

1. Scope and objectives: provide principles for the implementation of information security to achieve the three objectives of confidentiality, integrity and availability.
2. Responsible units and detection procedures: The information security supervisor will formulate important risk factors based on risk assessment. In addition to improving in the promotion of work plans to reduce information security risks, they will be regularly gathered to the sustainable development team. After coordinating the comprehensive risks, they will be reported to the board of directors according to their significance.
3. Promotion of information security work:
 - Arrange the information security operation plan for the next year every year.
 - According to the proposed plan or instruction of the project implementation, after the implementation of the actual review and record, as the basis for future improvement and experience inheritance.
4. Policies and regulations

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

| Policy | Description/Purpose | Regulatory Basis |
|-----------------------------------|---|--|
| Personal Device Security | Specify the principles and operations of BYOD (Bring your own device), including network usage regulations. | Internet and Electronic Media Operation Management Regulations |
| Server Room and Hardware Security | Specify the safety management for access to the server room and uninterruptible power supply. | Internet and Electronic Media Operation Management Regulations |

5. Awareness raising on information security
 - Regularly review, formulate, approve, and publish the Information Security Policy and awareness promotion by the management team.
 - 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

| | |
|--|---|
| 2022 Information Communication Security Publicity | In 2022, 5 information security promotions had been completed. |
| Propaganda poster | 10 publicity posters had been completed, conveying important regulations and precautions for information protection and information security. |
| Information Security Training | In 2022, four information security education and training sessions had been completed, including a total of 417 on-the-job information security education and training. The main items include: <ul style="list-style-type: none"> ● Data leakage prevention ● Strain mode ● Fishing techniques ● Trade secret protection |
| New employee education and training | In 2022, there were a total of 143 new recruits, with a completion rate of 100%. |
| Social engineering drill | Conducted 1 social engineering phishing email drill, with a total of 423 participants. |
| External professional organization checks information security | In 2022, two external professional company inspections had been completed, including vulnerability scanning, penetration testing, and firewall testing. |
| Amendment or new information security-related regulations | Completed the modification of 2 operating procedures. |
| Set up a dedicated information security officer | Information Security Supervisors and Information Security personnel had been set up. |

Note: The content of the data is Taiwan

Innovative Value Breakthrough

2.1 Technological Leadership

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


FocalTech has built a good corporate culture and values, which has become its irreplaceable soft power. In the future, FocalTech will continue to uphold the spirit of pursuing excellence and innovative R&D, and to expand into other product areas while upholding the business philosophy of "1. Company's interests come first 2. Achieve a win-win situation 3. Commitment and Cooperation 4. Solve problems 5. Be proactive," with the goal of creating the greatest benefits for shareholders, employees and customers.

FocalTech Corporate Culture



FocalTech Corporate Values

FocalTech
企業價值觀




公司利益為先

為公司創造最大的價值
不是為自己，也不是為上司
是建立共同的目標的基礎

Company's interests come first

FocalTech
企業價值觀



實現雙贏

分享利益，追求共好
互利互惠1+1>2，合作愉快
雙贏存在同事之間，亦存在利益關係者間

Achieve a win-win situation

FocalTech
企業價值觀



承諾與合作

目標一致，使命必達
許下承諾，達成目標
溝通協調，互助互信
三個和尚 三個臭皮匠

Commitment and Cooperation

FocalTech
企業價值觀




解決問題

勇於行動，有成果才算數
剷除根因，建立預防機制
解決問題就是創新的表現

Solve problems

FocalTech
企業價值觀



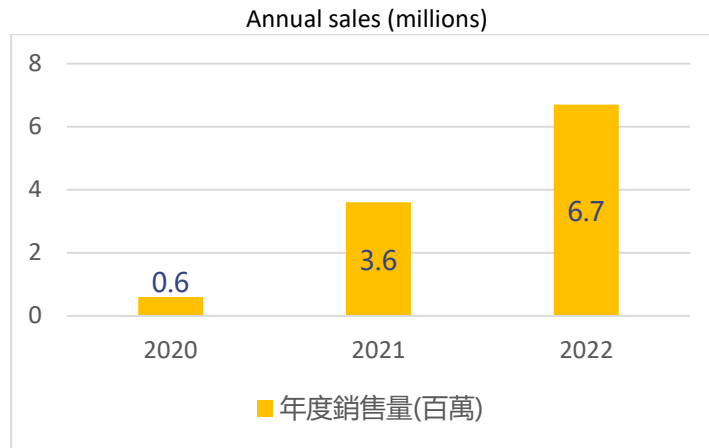
主動積極

公司的問題就是自己的問題
主動發現問題並立即改善
適時向隊友、主管回應進度

Be proactive

LCD IDC(TDDI)

Since 2018, we have been developing TDDI (Touch and Display Driver Integration) chips for automotive applications, and as of the end of 2022, our cumulative shipments have exceeded 10 million units. In 2022, we experienced an impressive 86% growth in shipments compared to the previous year, resulting in a market share of **36%**.



DDIC

The DDIC (Display Driver IC) products have been successfully applied to the currently highest transparency index (84%) transparent displays worldwide. Starting from 2022, these displays have entered mass production and are being utilized in various applications, including business receptions, real-time face-to-face meeting data presentations, interactive translation, and many other versatile use cases.



Illustrative image

Active Stylus

In 2022, The tablet computer that can support active pens with specifications such as USI, WGP, HPP, and MPP.



Illustrative image

2.2 Intellectual Property Security

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

Patent management measures

1. The chairman of the board appoints relevant technical supervisors to form a patent review committee. After the patent team initially searches and examines the patent proposal, it submits the patent review committee for review, decides to apply for a patent, or lists it as a trade secret, determines the type of patent and layout area, etc., to improve the quality of patent applications and make the layout closer to products.
2. Intellectual property units maintain innovation and patent-related systems, including statistical innovation proposal data, statistics and analysis, patent application/management and patent layout, etc.
3. FocalTech has established an appropriate patent reward system to encourage colleagues to actively apply for patents, and organizes education and training related to patented technology from time to time to improve colleagues' awareness of professional technology and patent protection.

Trade secret protection and information security management

1. When new employees come to work, they sign the employment contract uniformly, which includes confidentiality, non-compete agreements, intellectual property and invention agreements, etc. After they arrive, the newcomer training courses include business secret protection and intellectual property knowledge, strengthen colleagues' awareness of business secrets, abide by the confidentiality obligations of the company and customers' confidential information, and prevent business secrets from leaking.
2. The working environment sets the protection of confidential information with permission rights and network segments.
3. The company's computer equipment is logged in and identified by the employee's personal account password, and the password must be changed regularly.
4. All employees of FocalTech are equipped with access control magnetic cards, and then given permission to enter and exit according to their department attributes; when non-company employees enter and visit, they must be accompanied by company employees.

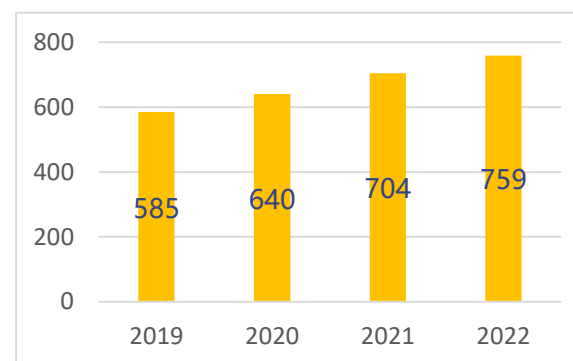
Management Situation

● Implementation status

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

● Patents acquired

As of 2022, a total of 759 patents were acquired worldwide.



● Training record

- ◇ In 2022, a total of 143 new employees attended training related to trade secrets and intellectual property.
- ◇ In 2022, an online patent application course had been created for new recruits to learn.
- ◇ In 2022, a total of 417 employees attended training courses on in-service information security and business secrets publicity.

● Enforcement procedure

- ◇ The Patent Application Management and Incentive Regulations established in 2006 was last revised in 2015.
- ◇ The Code of Ethics for Honest Management and Practice was established in 2018.
- ◇ The Information Security Policy was established in 2020.
- ◇ "The Internet and Electronic Media Operation Management Regulations" was revised to include information security prevention measures in 2021.
- ◇ In 2022, "Patent Application Management and Incentive Measures" were revised, contributing to the company's expansion of its global patent layout strategy.

Sustainable Prosperity with Partners

3.1 Firm Foundation

| Management policy | |
|----------------------|--|
| Major issue | Product quality |
| Policy directions | Continuous improvement and pursuit of perfection |
| Core goals | Short-term goal: Total customer satisfaction score of 8.8 or above Mid-term goal: Total customer satisfaction score of 9.0 or above Long-term goal: Top customer satisfaction rating for FocalTech quality |
| Achievements | Produced statistics on customer satisfaction and conducted meetings on quality, with an overall average customer satisfaction score of 8.61 in 2022. |
| Action plans | The Quality Center is responsible for monitoring and measuring customer complaints and information on the return and exchange of products. When a customer complaint occurs, the Quality Center will coordinate internal resources to effectively resolve the complaint and prevent the recurrence of such incidents. In addition, the Quality Center will conduct meetings on quality routinely to: |
| | <ul style="list-style-type: none"> ● Compile monthly information on the number and percentage of valid customer complaints and return and exchanges of products, and request the responsible units to propose improvement and prevention measures for major customer complaint cases and close the case based on the Chairman's decision. ● Accumulate quarterly data and review the progress of improvement and effectiveness of major customer complaint cases. ● Compile the whole year's data and compare it with the previous year's data to review the overall efficiency of improvement and countermeasures. |
| | |
| How to manage | |
| Devoting resource | <ul style="list-style-type: none"> ● Human Resources: Quality Center and responsible units (R&D, AE/F&E, Sales/MKT/CS, Production, etc.) ● Information platform: EF/CCR project launching list |
| Feedback mechanism | Customers can send their feedback by contacting FocalTech's Business & F&E, Quality Center, etc., via email or phone, or through FocalTech's official website zones of "Contact Us." After receiving a response from customers, the relevant unit internally adopts a divisional arrangement approach to effectively provide feedback for customers. The communications for the annual summary are executed based on the customer satisfaction survey initiated by FocalTech's Quality Center. |
| Evaluation mechanism | <ul style="list-style-type: none"> ● Proactive: Customer Satisfaction Survey ● Passive: Customer Complaint Management |

| Future plans | |
|----------------|--|
| Goals for 2023 | Increase the overall average score of customer satisfaction compared to the previous year. |

FocalTech follows the ISO 9001 quality management system requirements to establish relevant processes for customer communication, order processing, technical support, customer complaint handling, and after-sales service. The "Customer Service and Complaint Management Procedure" has 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.

In 2022, a large-scale quality event was organized, aiming to instill a sense of quality awareness in employees through creative and engaging activities. The event saw a total of 256 participants, representing a 20.7% increase compared to the number of participants in 2021. The satisfaction rate for the event feedback reached 87%.



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



FocalTech establishes and monitors customer relationships through customer satisfaction surveys and handling of customer complaints, aiming to continuously improve based on customer feedback.

To objectively collect and listen to customer voices, we have implemented a customer satisfaction survey management mechanism, covering five key dimensions: quality, delivery, service, technical support, and overall evaluation. Each year, we use questionnaires to conduct 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 feedback from customers, we identify opportunities for improvement and address significant issues. We respond to customers via phone or in-person visits with a sense of accountability, providing improvement measures to enhance product and service quality, ensuring that customer needs are understood and met.

The overall average customer satisfaction score for 2022 was 8.61, which is still relatively high, but slightly lower compared to 2021. In the spirit of continuous improvement, we conducted interviews to understand the root causes. As a result of the interviews, there were 5 fewer complaints compared to 2021. The lower scores were mainly related to the development schedule of new products, which was affected by the COVID-19 pandemic. The insufficient wafer capacity in the first half of the year led to delayed product development schedules.



Customer Satisfaction Survey Score.

| 2020 | 2021 | 2022 |
|------|------|------|
| 8.78 | 8.65 | 8.61 |

Note : The full score is 10

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, it is essential to establish a relationship of mutual trust and stability with them. Through this partnership, both parties can work together towards continuous growth, fostering a sustainable supply chain relationship. |
| Core goals | <ul style="list-style-type: none"> ● Have 100% of new suppliers sign the “ Integrity Commitment” ● Have 100% of new suppliers sign the “ Corporate Social Responsibility Agreement” ● Have 100% of new suppliers obtain ISO 9001 certification ● Have 96% of suppliers obtain ISO 14001 certification ● Maintain 100% of suppliers conforming with RoHS Directive and REACH Regulations ● Have 100% raw materials procured from Global Reporting Initiative (GRI) certified smelters ● Have system audits conducted on 90% of suppliers |
| Achievements | <ul style="list-style-type: none"> ● 100% of new suppliers signed the “ Integrity Commitment” ● 100% of new suppliers signed the “ Corporate Social Responsibility Agreement” ● 100% of suppliers obtained ISO 9001 certification ● 93% of suppliers obtained ISO 14001 certification, with 100% of key suppliers obtaining the certification. ● Maintained 100% of suppliers conforming with RoHS Directive and REACH Regulations ● 100% raw materials procured from Global Reporting Initiative (GRI) certified smelters ● System audits conducted on 100% of suppliers |
| Action plans | The management regulations for outsourced operations have been updated to include ESG considerations. |
| How to manage | |
| Devoting resource | Auditing personnel |
| Feedback mechanism | Supplier evaluation surveys, supplier meetings, phone calls, mailings |

| Evaluation mechanism | Produce statistics on supplier responses and verify certificates |
|----------------------|--|
| Future plans | |
| Goals for 2023 | 50% of the key suppliers have completed ISO 14064 education and training internally. |

Providing stable quality and sustainable services, suppliers have always been a crucial cornerstone of FocalTech's sustainable development. In recent years, with the impact of environmental changes and greenhouse effects causing an increase in production costs, we have been compelled to place a greater emphasis on the overall sustainability of the industry chain. In addition to supervising supplier product quality, services, and delivery management, we are gradually formulating relevant sustainable development policies, with the expectation that suppliers can implement risk management and ongoing operational 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' management is committed to providing customers with products and services that comply with relevant laws, regulations, standards, and quality requirements, while also ensuring occupational safety, environmental protection, and pollution prevention, thus 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. Specific enterprises must also meet regulatory requirements and obtain ISO 14001 certification. 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 to sustainable development.

Throughout 2022, there were no significant changes in the supply chain due to violations of the commitments to relevant regulations.

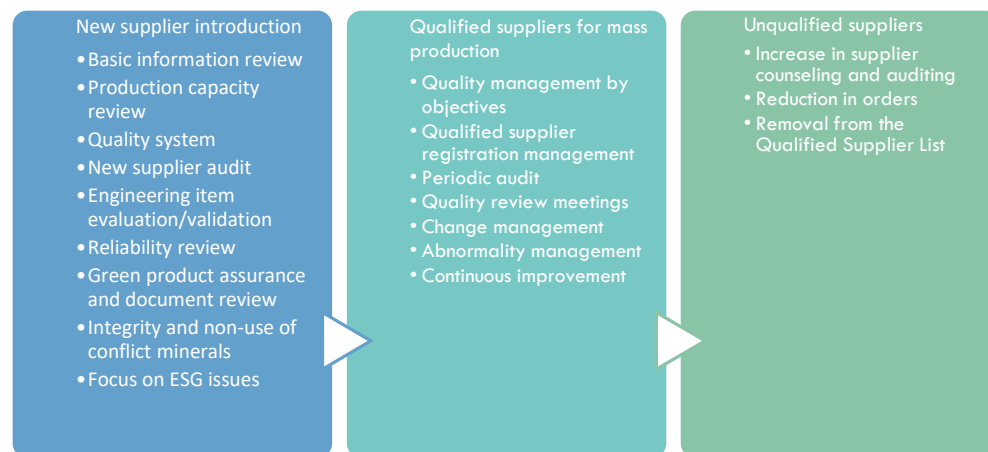
Supply chain management procedures

In accordance with the various commitments of the supplier management strategy, it is completely established in the "supplier evaluation control procedure", which is divided into four stages: "supplier

evaluation", "new product introduction", "regular management" and "continuous improvement" Expand item by item 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. These measures are taken to ensure that the new suppliers meet FocalTech's quality, environmental and social standards.
2. Signs contracts with suppliers in a timely manner and specifies quality, environmental, safety and health regulations to be adhered to, and be used as a guideline for supplier risk control.
3. FocalTech carries out supplier evaluations in accordance with the outsourcing management standards specified in ISO 9001. Questionnaire surveys are conducted based on suppliers' impact and importance on products. Furthermore, FocalTech also manages its suppliers in groups depending on their rating.
4. Qualified suppliers for mass production: Suppliers who meet FocalTech's requirements after relevant verification will be listed as qualified suppliers for mass production.
5. Unqualified suppliers: Suppliers who fail to meet FocalTech's requirements and have received customer complaints on their products for 2 consecutive years will be removed from the Qualified Supplier List after review and examination. In 2022, there were no suppliers removed from the Qualified Supplier List and no suppliers that violated the Company's environmental and social evaluation criteria.

Supplier Management Flow



Initial on-site evaluation of suppliers

After the Supplier Evaluation Application Form submitted by the responsible department has been approved, an evaluation team will be assembled from relevant units to conduct an on-site evaluation.

Based on the items listed in the "Supplier Evaluation Report Card," the Team evaluates the supplier's production capability, quality management capability, whether the product can meet the requirements of substances stipulated for environmental management, and the degree of compliance with corporate social responsibility.

Qualified suppliers are required to provide the following information

1. Suppliers who receive a qualified evaluation result are required by the relevant departments to provide their business license and bank account information. Additionally, they are requested to sign various procurement-related documents, including the "Procurement Contract," "Environmental Hazardous Substance Non-Usage Guarantee," "Confidentiality Agreement," "FocalTech Quality Contract," as well as the "Corporate Social Responsibility Commitment Letter" and "Integrity Commitment Letter" established by FocalTech in accordance with RBA requirements.

Through these documents, FocalTech declares its commitment to building a friendly work environment, prioritizing employee health and safety, and adhering to labor and ethical standards within its social responsibility management system. Simultaneously, the "Corporate Social Responsibility Commitment Letter" requests supplier partners to actively focus on and implement corporate social responsibility initiatives, such as creating a friendly workplace environment, ensuring workplace health and safety, environmental protection, and safeguarding labor rights and ethical business practices. Together, these efforts aim to achieve sustainable development.

In 2022, the percentage of new suppliers who signed the "Corporate Social Responsibility Commitment Letter" was 100%.

2. All key suppliers are required to obtain ISO 9001 certification; those who have not been certified should submit a certification application plan, or the purchasing department shall supervise the supplier over its acquisition of an ISO 9001 certification.

Among the total of 28 suppliers, including COG packaging and testing factories as well as traditional testing factories, all of them obtained verification certificates, achieving a 100% verification rate.

3. FocalTech follows the Responsible Business Alliance (RBA) Responsible Minerals Initiative (RMI) requirements and requests suppliers to submit a "Conflict-Free Minerals Commitment Letter" to ensure that the raw materials used in FocalTech' products are sourced from smelters certified by the Responsible Minerals Initiative (RMI). The Conflict Minerals Reporting Template (CMRT) from RMI is used as the investigation form to request suppliers to disclose the usage of metals in their provided materials, including tantalum, tin, tungsten, and gold (collectively known as 3TG), ensuring that none of these metals originate from conflict-affected areas.

By implementing the conflict minerals procurement policy, FocalTech ensures that all metals used in products sold to customers are in compliance with the conflict-free standards (DRC Conflict-Free). This commitment is to support responsible mineral sourcing and to guarantee that the company's products are free from materials originating in conflict-affected regions.

The overall achievement rate for 2022 was 100%.

4. FocalTech has established the "Management Measures for Hazardous Substances" to ensure that our products comply with applicable hazardous substance laws and regulations, such as the EU regulations (RoHS, REACH, and WEEE directives), as well as customer requirements. 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 uses not explicitly specified in this standard but prohibited or restricted by FocalTech' customers or relevant 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 partner factories to cooperate and provide material content reports. This information serves as a necessary basis for FocalTech' personnel in selecting suppliers and materials. We remain committed to ensuring full compliance with hazardous substance regulations and promoting transparency and responsibility throughout our supply chain.

The achievement rate for complying with the restriction of hazardous substances was 100% in 2022.

Percentage of FocalTech's New Suppliers Obtaining Relevant Certification in 2022

| Certification acquisition percentage | No. of suppliers who have acquired certification | Economic | | Environmental | | | Social | | |
|--------------------------------------|--|----------|-----------|---------------|----------|----------|---------------------------------------|----------------------|--|
| | | ISO9001 | IATF16949 | ISO14001 | QC080000 | ISO45001 | Social Responsibility Management, RBA | Integrity Commitment | Corporate Social Responsibility Commitment Agreement |
| New suppliers | 1 | 100% | 100% | 100% | 100% | 100% | 0% | 100% | 100% |

Percentage of FocalTech's Suppliers Obtaining Relevant Certification

| Certification | | No. of suppliers who have acquired certification | | No. of suppliers who have acquired certification | | No. of suppliers who have acquired certification | |
|---------------|-----------|--|------|--|------|--|------|
| | | No. of suppliers who have acquired certification | % | No. of suppliers who have acquired certification | % | No. of suppliers who have acquired certification | % |
| Economic | ISO9001 | 28 | 100% | 9 | 100% | 1 | 100% |
| | IATF16949 | 23 | 82% | 9 | 100% | 1 | 100% |

| | | | | | | | |
|--------------------|--|----|------|---|------|---|------|
| Environmental | ISO14001 | 26 | 93% | 9 | 100% | 1 | 100% |
| | QC080000 | 17 | 61% | 8 | 89% | 1 | 100% |
| Social | ISO45001 | 23 | 82% | 9 | 100% | 1 | 100% |
| | Social Responsibility Management, RBA | 5 | 18% | 3 | 33% | 0 | 0% |
| Commitment Signing | Integrity Commitment | 28 | 100% | 9 | 100% | 1 | 100% |
| | Corporate Social Responsibility Commitment Agreement | 28 | 100% | 9 | 100% | 1 | 100% |

Total suppliers : 28 Key suppliers : 9 2022 New suppliers : 1

Percentage of FocalTech's Suppliers Obtaining Relevant Certification (differentiated between COG packaging and testing plants and traditional packaging and testing plants)

| Certification acquisition percentage | No. of plants who have acquired certification | Economic | | Environmental | | | Social | | |
|--|---|----------|-----------|---------------|----------|----------|---------------------------------------|----------------------|--|
| | | ISO9001 | IATF16949 | ISO14001 | QC080000 | ISO45001 | Social Responsibility Management, RBA | Integrity Commitment | Corporate Social Responsibility Commitment Agreement |
| COG packaging and testing plants | 9 | 100% | 78% | 89% | 56% | 89% | 22% | 100% | 100% |
| Traditional packaging and testing plants | 19 | 100% | 84% | 95% | 63% | 79% | 16% | 100% | 100% |
| Total percentage | 28 | 100% | 82% | 93% | 61% | 82% | 18% | 100% | 100% |

Regular evaluation of qualified suppliers

An annual evaluation is conducted on each supplier who has had transactions with the Company and has undergone incoming inspection. In addition, the Company has set an improvement target (≤ 30 days) for the deficient items it listed during supplier audits. In 2022, the Company completed system audits on 17 suppliers in production. The main deficiencies are environmental and social related certifications. In this regard, FocalTech will continue to request that its suppliers make improvements.

Supplier Audit

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

In 2022, the actual achievement rate was 100%.

No. and percentage of audits completed by FocalTech on suppliers

| | |
|---|------|
| No. of suppliers in production | 17 |
| No. of audits completed on the above suppliers by a QSA | 17 |
| Audit completion percentage | 100% |

Removal from the list of qualified suppliers

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

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 (COP27) in 2022 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 degrees Celsius 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 like supply cycle and timely delivery, 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.

| Region \ Year | 2020 | 2021 | 2022 |
|---------------|------|------|------|
| Taiwan | 55% | 48% | 50% |
| Other | 45% | 52% | 50% |

Green Procurement

In pursuit of sustainable development and to reduce unnecessary resource consumption, FocalTech is committed to supporting the concept of green procurement. In recent years, we have actively replaced old and energy-consuming equipment in our offices and factories, opting for energy-saving certified air conditioners, compressors, refrigerators, desktop computers, laptops, LCD monitors, and adopting flat-panel lighting throughout the new office.

To respond to green procurement and become a low-carbon enterprise, FocalTech gives priority to purchasing products recognized by government agencies with eco-labels. We also consider energy-efficient, environmentally-friendly, and low-pollution products for office supplies, such as printers, copiers, and electrical appliances. We internally promote the concept of only procuring necessary items without excess, and encourage the reduction of single-use products. Instead, we seek reusable or durable alternatives to achieve the spirit of energy conservation and carbon reduction.

Percentage on green procurement in the past three years

| Year | 2020 | 2021 | 2022 |
|------------|--------|--------|--------|
| Percentage | 99.65% | 99.58% | 99.96% |

Protecting the Green Environment

4.1 Climate Change Risks and Mitigation Strategies

| Management policy | |
|----------------------|---|
| Major issue | Climate Change Risks and Adaptation 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 2022, 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 supervises the planning and implementation through a dedicated oversight team. |
| How to manage | |
| Devoting resource | The sustainability development team assesses and proposes implementation plans. |
| Feedback mechanism | Evaluate and implement greenhouse gas reduction measures. |
| Evaluation mechanism | Conduct an annual inventory of greenhouse gas emissions and compare them with emissions from previous years. |
| Future plans | |
| Short-term goal | Implement climate change risk and opportunity analysis and response in accordance with TCFD and Financial Supervisory Commission requirements. |
| Medium-term goal | Obtain ISO 14064-1 greenhouse gas inventory third-party verification certification. |
| Long-term goal | Aim for net-zero emissions by 2050. |

In response to the impact of global warming and the growing importance of energy and climate change issues in recent years, FocalTech recognizes the need to mitigate the impact of climate change on its operations. Starting from 2022, the company has adopted the framework of the Task Force on Climate-related Financial Disclosures (TCFD) to address climate-related risks and opportunities. This framework covers areas such as governance, strategy, risk management, metrics, and targets. The Sustainable Development Committee, led by the company's governance executive, is responsible for identifying climate-related risks and opportunities and formulating corresponding strategies. The Board of Directors monitors the implementation and effectiveness of these strategies.

Governance

FocalTech has established the Sustainable Development team, chaired by the governance executive, to hold regular meetings discussing climate-related risks and opportunities, resource use efficiency, and environmental impacts throughout the product lifecycle. Action plans are developed to seize opportunities, reduce operational risks, and progress is regularly reported to the Board of Directors.

Strategy

Considering the impact of climate change on its operations and financial planning, FocalTech references the TCFD framework and uses the tools provided by TCCIP (Climate Change Integration Service Platform) for assessing climate change physical risk scenarios. The company adopts the 2DS / RCP2.6 scenario as the basis for identifying climate-related risks and opportunities, focusing on physical and transition risks over a ten-year period. The short-term refers to 1-3 years, medium-term refers to 3-5 years, and long-term refers to 6-10 years, aligning with the company's long-term business development cycle.

Risk Management



FocalTech follows the process depicted above to identify, assess, and manage climate change risks. The Sustainable Development Committee meetings involve relevant stakeholders who discuss and identify climate change risks and opportunities based on the TCFD framework. The discussions cover transition risks (policy and regulatory, technological, market, reputational), physical risks (immediate and long-term risks), and opportunities (resource efficiency, energy sources, products/services, markets, resilience). The findings are summarized in the table below:

| 2022 Short , Medium and Long term climate risk table | | | | | |
|--|--------------------------|---|------------------------------|-------------------|---------------------|
| Serial number | Item | Climate Change Opportunity Issue | Financial impact | Opportunity level | Time frame |
| R1 | Policies and Regulations | Increased pricing on greenhouse gas emissions | Increase operating costs and | High | Mid-term, Long-term |
| R2 | Regulations | Strengthening emissions reporting obligations | | Middle | Short term, Medium |

| 2022 Short , Medium and Long term climate risk table | | | | | |
|--|------------|--|------------------|-------------------|---|
| Serial number | Item | Climate Change Opportunity Issue | Financial impact | Opportunity level | Time frame |
| | | | reduce profits | | term, Long term |
| R3 | | Requirements and regulations for existing products and services | | Middle | Short term |
| R4 | Technology | Replace existing products and services with low-carbon commodities | | Middle | Long |
| R5 | | Costs of low-carbon technology transition (suppliers) | | Middle | Mid-term, Long-term |
| R6 | Market | Rising cost of raw materials | | High | Short term, Medium term, Long term |
| R7 | Goodwill | Customer preferences | | Middle | Mid-term, Long-term |
| R8 | Immediacy | 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, Long-term |
| R10 | | Average temperature rise | | Middle | Mid-term, Long-term |
| R11 | | Sea-level rise | | Middle | Mid-term, Long-term |

| 2022 Short , Medium and Long term climate opportunity table | | | | | |
|---|---------------------|--|---|-------------------|---------------------|
| Serial number | Item | Climate Change Opportunity Issue | Financial impact | Opportunity level | Time frame |
| O1 | Resource efficiency | Reduce water consumption and consumption | Reduce operating costs and increase profitability | Low | Mid-term, Long-term |
| O2 | | Use more efficient suppliers | | Middle | Mid-term, Long-term |
| O3 | | Recycle | | Middle | Mid-term, Long-term |
| O4 | | Improve the green energy of buildings | | Low | Long |

| 2022 Short , Medium and Long term climate opportunity table | | | | | |
|---|---------------|---|---|-------------------|---------------------|
| Serial number | Item | Climate Change Opportunity Issue | Financial impact | Opportunity level | Time frame |
| O5 | | Adopt more efficient transportation methods | | Middle | Mid-term, Long-term |
| O6 | Market | Use new technology | The operating cost | Middle | Mid-term, Long-term |
| O7 | Product Serve | R&D and innovation to develop new products and services | increased slightly, and the overall profit increased. | Middle | Mid-term, Long-term |
| O8 | Energy source | Use low-carbon energy | | Middle | Mid-term, Long-term |
| O9 | Toughness | Shift to Decentralized Energy | | Low | Mid-term, Long-term |

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

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

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

Indicator target

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

1. Establishing the goal of net zero emissions in 2050, FocalTech is expected to launch 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 year by year, reduce the company's energy costs and reduce environmental burdens to achieve the company's sustainable development goals . |
| Achievements | The smart energy-saving air-conditioning system is enabled, and the total electricity consumption from September to December 2022 will be reduced by 16% compared with the same period in 2021 . |
| Action plans | <ul style="list-style-type: none"> ● The new factory is fully equipped with panel lighting and energy-saving air-conditioning equipment. ● The air outlet of the IT machine room is changed to a grille type to improve the air outlet efficiency and install hot air extraction equipment to achieve energy-saving circulation. ● The outdoor unit is changed from shared to independent air outlet to improve heat dissipation efficiency. ● starts and stops to complement the external air circulation when commuting to and from work. ● The water dispenser automatically starts and stops when commuting to and from work. ● Consumables for printers, photocopiers, electrical appliances and other supplies are purchased in the direction of low-carbon equipment . |
| How to manage | |
| Devoting resource | 7.4 million |
| Feedback mechanism | Reduce energy usage year by year |
| Evaluation mechanism | Statistics on energy-saving results every year |
| Future plans | |
| Short-term goal | <ul style="list-style-type: none"> ● Complete the drafting of talent training, strategic objectives, control mechanism, internal verification and external verification planning, so as to facilitate the introduction of ISO 14064-1: 2018 greenhouse inventory in 2024. ● In the middle of 2022, due to the relocation of the factory site, the old and new factories will be used overlappingly in the middle of the year, and the electricity saving and carbon emission in 2023 will be reduced by 5% compared with 2022. ● Collect green certificates and green electricity information . |
| Medium-term goal | <ul style="list-style-type: none"> ● Passed the third-party verification of ISO 14064-1 greenhouse gas inventory. ● Establish a list of suitable green power procurement manufacturers. ● Continue to implement and evaluate energy-saving and carbon-saving targets. |
| Long-term goal | <ul style="list-style-type: none"> ● It is estimated that in 2040, the purchase of green electricity will replace the current main electricity consumption and reduce carbon emissions in scope 2. ● Use renewable energy and increase the utilization rate of renewable energy. |

FocalTech ensures the effectiveness of environmental management. By introducing the ISO14001 environmental management system for systematic management, from setting environmental policies, environmental goals, development to related control measures, reviewing operational performance year by year to reduce company operating costs, reduce environmental burdens, and improve employees' environmental awareness and law-abiding behavior, in order to achieve the concept of sustainable management of enterprises. In the design, production and operation of FocalTech products, the impact on the environment and safety is fully considered. Based on the idea of prevention and continuous improvement, the company pursues the following environmental goals:

Environmental Goals

1. Adoption of new technologies: Use environmentally friendly materials and new production techniques to reduce environmental impact and hazardous risks in the production process.
2. Implement 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. Implement environmental safety training: implement environmental safety education and training and safety management, and raise awareness of environmental protection, health and safety.

4.2.1 Energy management

The earth's energy resources are limited, and the operation activities of FocalTech are office-type, all of which are required for office administration. In order to avoid improper waste, we attach importance to the management of energy resources. In June 2022, the office will be relocated from the leased office to the self-owned office. In addition to making the employees more comfortable to work, especially the environmental protection work of self-contained energy saving and carbon reduction. (PLC) in the new room, integrate multiple systems, including electricity meter, UPS, frequency conversion multi-connected outdoor unit, IT room and other temperature and humidity, better monitor and adjust the temperature and humidity, and reduce unnecessary waste.

The new office invested 7.4 million in energy saving and carbon reduction;

- Purchase central monitoring system equipment to regulate temperature and humidity.
- Switching to panel lights saves 35.27% of electricity consumption.
- in the west area are all equipped with thermal insulation film.

Check the increase in electricity consumption in 2022 compared to 2021. The main reason is that the relocation to the new factory area in June will increase the number of used pings compared with last year. After the relocation, July-August coincides with the peak power consumption in summer, and the air-conditioning in the office area will be tested. Adjustment and testing, so the electricity consumption is 6.32% higher than that of the old factory area; energy-saving measures have been implemented since September-December, including engineering control improvement, administrative publicity, and measures to shorten the use time of lamps and water dispensers, which has been reduced by 1 compared with the same period last year 6% , which shows the efficiency of energy saving. In 2023, we will continue to work hard with the goal of reducing 5% compared to 2022.

Energy Ese

Unit: GJ

| Year | Electricity (degrees) | Electricity (GJ) | Total energy consumption |
|------|------------------------|-------------------|--------------------------|
| 2020 | 1,747,281 | 629.02 | 629.02 |
| 2021 | 1,759,492 | 633.42 | 633.42 |
| 2022 | 2,035,707 | 732.85 | 732.85 |

Note : 1 kilowatt-hour is 3.6 million joules, and GJ is 10⁹joules.

Energy Intensity

Unit: GJ / per ping

| Year | Electricity (GJ) | Factory area (ping) | Total energy consumption |
|------|------------------|---------------------|--------------------------|
| 2020 | 629.02 | 2207 | 0.285 |
| 2021 | 633.42 | 2207 | 0.287 |
| 2022 | 732.85 | 4033.91 | 0.182 |

4.2.2 Water management

The company's operating activities are mainly office activities, not engaged in the production and manufacture of products, so there is no demand for process water, and the water used is tap water, which is used for domestic water. The company will not cause significant environmental impact on water resources and the ecological environment of water sources, and there will be no illegal pollution in 2022. The company will continue to promote water conservation and the use of water-saving label products.

| Year | Average number of people | Water | |
|------|--------------------------|--------------------------------|-------------------------|
| | | Total water consumption (ML) | Sewage Discharge (ML) |
| 2020 | 395 | 8.47 | 0.002 |
| 2021 | 434 | 7.61 | 0.001 |
| 2022 | 420 | 4.89 | - |

Note:

- The unit is in million liters (ML)
- In the second half of 2022, since the new plant does not have an independent water meter, only January to June will be counted, and the sewage will be treated uniformly by the park.

4.2.3 Greenhouse gas emissions

The extreme climate caused by greenhouse gases is an important environmental problem faced by the whole world. Although FocalTech is not a large energy user, we are part of the earth, and greenhouse gas reduction is the common goal of enterprises. FocalTech conducts greenhouse gas inventory by itself, hoping to understand the current situation and trends through inventory checks to respond early, and continue to estimate the greenhouse gases produced by the company's energy use as a reference for subsequent energy-saving and carbon-reduction performance. It is planned to introduce ISO 14064-1:2018 greenhouse gas inventory in 2024.

Direct Greenhouse Gas Emissions (Scope 1)

The emission sources owned or controlled by FocalTech, the direct emission sources are the refrigerants, carbon dioxide fire extinguishers, and septic tanks used by the public equipment in the factory area.

Energy Indirect (Scope 2) and Other Indirect Greenhouse Gas Emissions

(Scope 3)

The indirect emissions of FocalTech are mainly the indirect greenhouse gas emissions generated by purchased electricity. Includes electricity for equipment, offices and public areas. Other indirect emissions (Scope 3) will be quantified and disclosed in 2024.

| Year | Type of emission source | Category 1 | Category 2 | Category 3 | Total emission equivalent |
|------|---|------------------|-----------------|----------------|---------------------------|
| | | Direct discharge | Energy indirect | Other indirect | |
| 2020 | Emission equivalent (metric tons CO ₂ e/ year) | - | 900.27 | - | 900.27 |
| 2021 | Emission equivalent (metric tons CO ₂ e/ year) | - | 895.60 | - | 895.60 |
| 2022 | Emission equivalent (metric tons CO ₂ e/ year) | 87.98 | 1,039.81 | - | 1,127.79 |

Note: Category 1 will be counted from 2022, and Category 3 will be counted from 2024.

| Year | Average Number of people | Direct emissions (Scope 1) | Hydropower | | | Greenhouse gas emissions Per capita (tCO ₂ e/yr-person) |
|------|--------------------------|-----------------------------|--|-----------------------------------|--|--|
| | | | Total electricity consumption (KWh/yr) | Total water consumption (degrees) | Energy indirect (Scope 2) greenhouse gas emissions (tCO ₂ e/yr) | |
| 2020 | 395 | - | 1,747,281 | 8,470.0 | 900.27 | 2.28 |
| 2021 | 434 | - | 1,759,492 | 8,752.9 | 895.60 | 2.06 |
| 2022 | 420 | 87.98 | 2,035,707 | 4,891.3 | 1,039.81 | 2.68 |

4.2.4 Waste Management

FocalTech is a professional integrated circuit design company, mainly engaged in the development, design and testing of various integrated circuits. By improving the material, size and performance of products, we hope to achieve the purpose of maximizing the sustainable use of resources. In addition, Actively reduce waste and reduce production costs, reduce waste generation by improving process and operation management, and develop and select non-polluting and low-pollution design process. In addition, defective products produced by outsourced ICs are recycled through effective management procedures to reduce waste of resources. The most important waste is the general domestic waste generated in the employee office area, which is declared by the qualified manufacturer for general industrial waste; the company does not generate hazardous waste. Through a good waste management mechanism, in 2022, there will be no relevant environmental protection penalties issued by the competent authority for violating the relevant provisions of environmental protection laws and regulations.

| Statistical Item\ Annual | unit: metric ton | | | Disposal method | Disposal location |
|--------------------------|------------------|-------|-------|-----------------|-------------------|
| | 2020 | 2021 | 2022 | | |
| Waste paper box | 1.530 | 1.507 | 1.202 | Recycle | Leaving factory |
| Waste plastic | 1.278 | 1.727 | 1.594 | Recycle | Leaving factory |
| Waste IC | 0.906 | 0.999 | 0.672 | Recycle | Leaving factory |
| Total | 3.713 | 4.233 | 3.468 | Recycle | Leaving factory |

Friendly Corporate Workplace

FocalTech attaches great importance to the labor rights and interests of employees, creates a happy and safe workplace environment, provides colleagues with friendly and equal job opportunities, implements gender equality policies, and creates an atmosphere of mutual respect; provides market-competitive salary levels and benefits, and improves colleagues' respect for employees. The centripetal force of the company reduces the frequent turnover of personnel, allowing the company to develop steadily; at the same time, it has a sound human resource management system, which provides rich and diverse educational resources, enriches the professional functions of colleagues, and enhances the competitiveness of the workplace; positive labor-management interaction, colleagues can speak freely and express opinions in the labor-management meeting, and the company also 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, strengthens the company's management performance in occupational safety and health, and effectively protects the physical and mental health of employees, so that the excellent talents of the whole company can cooperate and grow together, innovate and develop product development, 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" and the International Labor Organization's "Declaration on Basic Principles and Rights at Work" and other human rights conventions, and recognize internationally recognized basic human rights, including respecting the freedom of association of employees, caring for vulnerable groups, prohibiting child labor, eliminating various forms of forced labor, eliminating discrimination in employment and employment, and eliminating any violations and violations of human rights. conduct, guarantee gender equality, and treat all employees fairly. The salary policy of FocalTech also guarantees that the salary of employees will not be different due to personal gender, age, race, religion, or political affiliation.

At the same time, FocalTech complies with the domestic labor rights laws and regulations, formulates relevant measures to strictly protect the work rights and interests of every employee in FocalTech, and promotes important information such as human rights protection and labor rights to new employees and current employees. In addition, set up whistle-blowing channels for employees to conduct due diligence after being accepted by special personnel, and keep the personal information of the whistleblower confidential. If it is verified to be true, it promises not to treat the whistleblower unfavorably. FocalTech has no violation of human rights in 2022 . record.

FocalTech also cooperates with customer audits to carry out human rights-related hazard identification and risk assessment, and regularly holds "social responsibility management review meetings". The risk of causing serious damage to the enterprise; at the same time, through the review meeting, high-risk projects, specific control strategies and measures are reported to the senior executives, so that the management can monitor the risks related to social responsibility, adjust practices in due course, and fulfill corporate responsibilities.

Employee Statistics

FocalTech is a professional integrated circuit design company, which is a high-tech professional field. It has high professional requirements for personnel capabilities, and it is not easy to cultivate talents. 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 on irregular contracts (i.e. full-time employees). FocalTech provides long-term and stable work patterns, so that employees can devote themselves to work without any worries, help to protect the economic life of employees.

100 % of FocalTechs' Taiwan operations employ local talents as senior executives, which shows that the company is willing to cooperate with the local community to discover talents and attract outstanding talents to work nearby, which will help win the recognition of the local community and further enhance local economic conditions.

Employee Distribution in 2022

| As of 2022/12/31 | Age | Gender | Number of people | Percentage |
|------------------|--------------------|----------|------------------|------------|
| Managerial staff | Below 30 years old | Male | 0 | 0% |
| | | Female | 0 | 0% |
| | | Subtotal | 0 | 0% |
| Managerial staff | 30-50 years old | Male | 92 | 22% |
| | | Female | 9 | 2% |
| | | Subtotal | 101 | 24% |
| Managerial staff | Above 50 years old | Male | 20 | 5% |
| | | Female | 2 | 0% |
| | | Subtotal | 22 | 5% |
| General Staff | Below 30 years old | Male | 66 | 16% |
| | | Female | 15 | 4% |
| | | Subtotal | 81 | 20% |
| General Staff | 30-50 years old | Male | 156 | 37% |
| | | Female | 50 | 12% |
| | | Subtotal | 206 | 49% |
| General Staff | Above 50 years old | Male | 10 | 2% |
| | | Female | 0 | 0% |
| | | Subtotal | 10 | 2% |

Note: Calculated based on the number of insured persons, those who are not insured in FocalTech are not included in the calculation ex. Dispatch, consultant, dispatch

| | | |
|---------------------------------|--------|---|
| Employment of the disabled | Male | 5 |
| | Female | 1 |
| | Total | 6 |
| Employment of foreign personnel | Male | 0 |
| | Female | 0 |
| | Total | 0 |

Full-time and Part-time employee statistics

| Statistics/Annual | 2020 | 2021 | 2022 |
|-------------------|------|------|------|
|-------------------|------|------|------|

| | | | |
|---------------------|-----|-----|-----|
| Number of employees | 402 | 434 | 420 |
|---------------------|-----|-----|-----|

| Employment Contract | Non-Fixed | Fixed | Non-Fixed | Fixed | Non-Fixed | Fixed | |
|---------------------|-----------|-------|-----------|-------|-----------|-------|---|
| Gender | Male | 339 | 0 | 352 | 2 | 342 | 2 |
| | Female | 63 | 0 | 79 | 1 | 75 | 1 |
| Area | Taiwan | 398 | 0 | 431 | 0 | 414 | 3 |
| | Overseas | 4 | 0 | 3 | 0 | 3 | 0 |

| Employment Type (Note 1) | Full time | Part time | Full time | Part time | Full time | Part time | |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|---|
| Gender | Male | 339 | 0 | 354 | 0 | 344 | 0 |
| | Female | 63 | 0 | 80 | 0 | 76 | 0 |
| Area | Taiwan | 398 | 0 | 431 | 0 | 417 | 0 |
| | Overseas | 4 | 0 | 3 | 0 | 3 | 0 |

Note 1: Employment contracts are divided into non-fixed-term employees (full-time employees) and fixed-term employees (temporary, short-term, seasonal, dispatch, foreign workers, technical students, interns).

Non-Employee Worker (Dispatch)

| Statistics/Annual | 2020 | 2021 | 2022 |
|-------------------|------|------|------|
|-------------------|------|------|------|

| | | | |
|-------------------------|---|---|---|
| Total number of workers | 4 | 4 | 3 |
|-------------------------|---|---|---|

| Contract Type | Dispatched workers | Other Types | Dispatched workers | Other Types | Dispatched workers | Other Types | |
|---------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|---|
| Gender | Male | 2 | 1 | 3 | 0 | 2 | 0 |
| | Female | 1 | 0 | 1 | 0 | 1 | 0 |

| | | | | | | | |
|------|----------|---|---|---|---|---|---|
| Area | Taiwan | 3 | 0 | 4 | 0 | 3 | 0 |
| | Overseas | 0 | 1 | 0 | 0 | 0 | 0 |

| Job type | Technician/Operator | Technical Adviser | Technician/Operator | Technical Adviser | Technician/Operator | Technical Adviser | |
|----------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---|
| Gender | Male | 0 | 0 | 0 | 0 | 1 | 1 |
| | Female | 0 | 0 | 0 | 0 | 1 | 0 |
| Area | Taiwan | 0 | 0 | 0 | 0 | 0 | 0 |
| | Overseas | 0 | 0 | 0 | 0 | 0 | 0 |

New and resigned employees in 2022

| As of 2022/12/31 | Age | Gender | Number of people | Percentage |
|--------------------|--------------------|----------|------------------|------------|
| New staff | Below 30 years old | Male | 31 | 47% |
| | | Female | 10 | 67% |
| | | Subtotal | 41 | 51% |
| | 30-50 years old | Male | 30 | 12% |
| | | Female | 9 | 15% |
| | | Subtotal | 39 | 13% |
| Above 50 years old | Male | 8 | 27% | |
| | Female | 0 | 0% | |
| | Subtotal | 8 | 25% | |
| Ex-employee | Below 30 years old | Male | 13 | 20% |
| | | Female | 6 | 40% |
| | | Subtotal | 19 | 23% |
| | 30-50 years old | Male | 56 | 23% |
| | | Female | 12 | 20% |
| | | Subtotal | 68 | 22% |
| Above 50 years old | Male | 8 | 27% | |
| | Female | 3 | 150% | |
| Subtotal | 11 | 34% | | |

Note: The denominator of the subtotal percentage is the year-end population in that age range.

5.2 Compensation and Benefits

| Management policy | |
|----------------------|--|
| Major issue | Compensation and employee benefits |
| Policy directions | FocalTech sees its employees as the Company's assets and provides them with a stable working environment as well as good compensation and benefits, enabling them to enjoy their work and enjoy the benefits at Focaltech. |
| Core goals | FocalTech is committed to providing its employees with good quality working conditions and competitive compensation, benefits and welfare measures to attract and retain its talents. |
| Achievements | <p>Welfare subsidies and activities of the Employee Welfare Committee:</p> <ul style="list-style-type: none"> Welfare subsidy (marriage, childbirth, hospitalization and funeral expenses), birthday gift, festive cash gift, travel subsidy, club activities Company activities, appointed store cooperation Subsidy amount: The total amount of welfare subsidies in Taiwan was NT\$22,765,240. |
| Action plans | <ul style="list-style-type: none"> Remuneration and compensation policy Group insurance / Labor health checkups Subsidies and activities of Employee Welfare Committee |
| How to manage | |
| Devoting resource | Employee Welfare Committee and all employees |
| Feedback mechanism | Employee Demand Survey, Industrial Employee Compensation Survey |
| Evaluation mechanism | Satisfaction survey |
| Future plans | |
| Goals for 2023 | FocalTech will continue to conduct employee-related welfare activities to enable employees to feel the care of the Company, with the satisfaction survey scoring above 70% continuously. |

FocalTech determines employee compensation based on the achievement of annual operational targets and the company's financial performance. We provide our employees with compensation packages that exceed local regulations and are competitive in the market. In order to ensure that employees' performance is appropriately reflected in their individual compensation, all staff members undergo regular performance and career development evaluations. The assessment results are taken into consideration for career advancement opportunities, allowing employees with specialized technical expertise to grow into professionals in their 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 individual years of service, educational background, and professional capabilities, without any differentiation based on personal physical or psychological differences. As employees gain more experience and industry knowledge over the years of service, the company is delighted to share its profits with the staff. This not only allows employees to contribute their expertise to the company but also ensures their financial well-being, enhancing their sense of belonging and commitment to the company.

Furthermore, at FocalTech, there is no gender pay gap between male and female employees, as well as indirect employees, when comparing basic salaries and overall compensation ratios. Additionally, for non-supervisory personnel, both male and female employees receive standard salaries that exceed the statutory minimum wage.

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 company welfare measures and enhance employee benefits. Through various employee welfare activities organized periodically, we aim to not only alleviate work-related stress for our employees but also foster positive interactions and camaraderie among colleagues.

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 | The number of leaves is in accordance with local laws and regulations. |
| | Pregnancy checkup leave, pregnancy checkup accompaniment leave, and paternity leave | The number of leaves is in accordance with local laws and regulations. |
| | Regular health checkup | A company-wide employee health checkup is held annually. |
| Company benefit (including those from Employee Welfare Committee) | Bridge holiday | Additional leaves provided by the Company in addition to statutory leaves. |
| | Year-end bonus | The Company provides employees with a year-end bonus for two months depending on the operating condition. |
| | Festive gift certificate | Employees who have served the Company for at least three months receive gift certificates for Lunar New Year, Labor Day, Dragon Boat Festival and Mid-Autumn Festival. |
| | Wedding, celebration, funeral and hospitalization subsidies | Include childbirth gift money, wedding gift money, funeral subsidy, hospitalization fund, and birthday gift certificate. |

| Welfare type | Welfare programs | Supplementary notes |
|----------------------------------|--|--|
| | Company trip | A company trip to a domestic/overseas location annually. |
| | Club activities | Various club activities and the gym for use. |
| | Festive activities | Festive events (e.g., Mid-Autumn Festival barbecue, Engineer's Day, and Family Day) are held in accordance with the annual planning. |
| | Lunch or dinner gathering subsidy | Two lunch or dinner gatherings per year to enhance the relationship and the exchange between colleagues within the department. |
| | Employee stock ownership | Employees who have served the Company for at least three months are allowed to purchase the Company's stock with a fixed percentage of their salary, and the Company will also allocate the same amount as the employees to their respective account for the additional purchase of stock. |
| | Group insurance | Group insurance includes term life insurance / accident insurance / critical illness insurance |
| | Health Clinic/Nursing Room | Employee care facilities provided. |
| | Employee Cafeteria | Comfortable dining area available. |
| | Gym/Yoga Room | Multiple fitness equipment and yoga studio offered. |
| Friendly environment of the park | Shuttle Service/Convenience Store/Clubhouse/Park Activity Center | Convenient services within the office park, including shuttle service, on-site convenience store, and clubhouse with recreational facilities. |

5.3 Parental Leave

At FocalTech, employees who have the need to take care of their children are free to apply for parental leave, which enables employees to work with no worry and achieve a balance between work and life. In 2022, 28 employees (25 males and 3 females) were eligible for unpaid parental leave for raising children, and the actual number of employees applying for such parental leave was 1 (1 females). 1 employees reinstated in 2022, with a reinstatement rate of 50%. The retention rate of employees applying for such parental leave was 50% in 2022.

| Item | Gender | 2020 | 2021 | 2022 |
|--|--------------|-------------|------------|------------|
| Number of employees eligible for unpaid parental leave for raising children | Male | 9 | 12 | 25 |
| | Female | 2 | 3 | 3 |
| | Total | 11 | 15 | 28 |
| Actual number of employees applying for unpaid parental leave for raising children | Male | 1 | 0 | 0 |
| | Female | 2 | 3 | 1 |
| | Total | 3 | 3 | 1 |
| Number of employees supposed to reinstate | Male | 1 | 0 | 0 |
| | Female | 2 | 3 | 2 |
| | Total | 3 | 3 | 2 |
| Actual number of employees who reinstate | Male | 0 | 0 | 0 |
| | Female | 2 | 2 | 1 |
| | Total | 2 | 2 | 1 |
| Reinstatement rate | Male | 0% | 0% | 0% |
| | Female | 100% | 67% | 50% |
| | Total | 67% | 67% | 50% |
| 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 | 100% | 50% | 50% |
| | Total | 100% | 50% | 50% |

Note: The reason that the employees did not reinstate and continue to work at FocalTech is due to personal career planning.

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 stored in a dedicated account at the Taiwan Bank. 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 account of the labor insurance 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 hours of occupational safety and health education and remonstrance every year, occupational safety and health certificates return to training in accordance with regulations. ● The number of occupational injury incidents in 2022 was 0, SR=0, FR=0 |
| 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 risk assessment for hazard identification within the plant. ● Develop operational control standards. ● Formulate a target plan on occupational safety and health. |
| How to manage | |
| Devoting resource | <ul style="list-style-type: none"> ● Internal and external audits are regularly conducted every year to achieve systematic and effective management. ● 13 members of the Occupational Safety and Health Committee (5 ex-officio members and 8 labor representatives). |
| Feedback mechanism | <ul style="list-style-type: none"> ● Provide channels for worker consultation and participation, such as physical suggestion boxes and e-mail complaint on the Company's internal website. ● 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 ISO 45001. ● Commission an independent third-party unit to conduct ISO 45001 audits. |
| Future plans | |
| Goals for 2023 | <ul style="list-style-type: none"> ● Fully implement the items stipulated in the laws and regulations. ● Strengthen various 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. ● Increase the number of people/times receiving service of occupational physicians on site. |

FocalTech is committed to providing a healthy working environment and ensuring the safety of our employees. We pledge to deliver high-quality and safe products and services that comply with relevant laws, regulations, and standards to our customers, while also taking proactive measures to

prevent workplace accidents and promote a friendly and safe working environment. We take our corporate social responsibility seriously.

FocalTech has established a professional and dedicated unit responsible for implementing the ISO45001 Occupational Health and Safety Management System. We have formulated environmental and occupational health and safety policies in line with regulatory requirements and are committed to continuous improvement to prevent continuous pollution and achieve zero workplace accidents while meeting established EHS performance targets. Additionally, our company regularly identifies employee occupational health and safety risks and commissions third-party verification agencies to conduct on-site audits, providing transparent audit reports to our customers. Our new office area in Zhubei has obtained ISO 45001 certification through verification by TUV NORD in 2022, with annual external audits to ensure the effectiveness of our management system. This initiative benefits 100% of employees in the Taiwan region, including outsourced workers, by auditing the effectiveness of our management system.

FocalTech goes beyond regulatory requirements by conducting annual health check-ups for all employees. We collect information on employee age, work and lifestyle patterns, and working environment characteristics, and analyze the correlation between health risks and work. Identified high-risk groups of employees receive health assessments and recommendations from on-site health service physicians every two months. We implement programs to address abnormal workloads, 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, reduce the risk of major illnesses among employees, and assess potential occupational hazards. On a case-by-case basis, we provide individual health guidance and education to employees with abnormal health check-up results, 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 policies

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

Occupational safety and health practices

1. A commitment to providing safe and healthy working conditions to prevent work-related injuries and ill health; such a commitment shall be appropriate to the purpose, size, and context of the organization, and to the specific nature of the organization’s occupational safety and health risks and opportunities.
2. Provide a framework for the formulation of occupational safety and health goals.
3. A commitment to meet regulatory and other requirements.
4. Eliminate risks and reduce occupational safety and health risks.
5. A commitment to make continuous improvement of the occupational safety and health management system.
6. A commitment to consultation and participation of workers and worker representatives.

Occupational Safety and Health Committee

FocalTech has established an Occupational Safety and Health Committee which is responsible for planning and coordinating occupational safety and health related matters, as well as reviewing and deciding on the implementation status of occupational safety and health in the plant. The Committee holds meetings regularly every year to discuss various safety and health issues such as safety and health management, education and training implementation plans, environmental monitoring, health management, occupational disease prevention and health promotion. Additionally, employees can give feedback to labor representatives on relevant occupational safety and health issues or suggestions, or attend the committee meetings for communication. Furthermore, a good communication channel is provided at FocalTech to enable employees to report, at any time, any emergency incidents they encounter as well as potential risks and abnormalities they discover. FocalTech ensures that no employee will suffer retaliation or punishment for making a complaint or appeal.

Occupational hazard identification

In order to eliminate potential hazards in the workplace, FocalTech regularly implements hazard identification and risk assessment activities. This activity is conducted by training qualified personnel to identify possible safety and health risks in the Company, weighting them according to hazard factors, and finally determining their risk levels. After the assessment, the medium and high hazard risks are included as the control items, and measures for target improvement are formulated and managed with regular tracking.

Occupational Health and Safety Training

The effectiveness of Occupational Health and Safety Training in 2022.

| Training Courses | Descriptio and Completion Status |
|--|--|
| New Employee Occupational Health and Safety Training | Each new employee undergoes a 3-hour training session. In 2022, a total of 13 employees completed the training, amounting to 39 hours. |
| On-the-Job Safety and Health Training | Each existing employee receives 3 hours of training. In 2022, a total of 399 employees completed the training, accumulating 1,197 hours. |
| Fire Evacuation Training | Conducted biannually with fire self-defense drills, with 86 participants totaling 129 hours. |



Fire Evacuation Training

| 班次名稱 | 上課時間 | 報名期限 | 講師 | 活動地點 | 修課人數 | 動作 |
|------|--------------|--------------|-----|------|-------------------------|------|
| 2022 | 2022/11/01 ~ | 2022/11/01 ~ | 林立涵 | | 報名人數: 339 尚餘名額: 深灣上限 | 開始學習 |

Occupational Health and Safety On-the-Job Training

Occupational Accident Statistics

In 2022, there were zero incidents of injuries among the employees of FocalTech during work. In case of any emergency situations, the company will follow the accident investigation process to conduct thorough investigations and handle the situation accordingly.

課程名稱: 2022 一般勞工安全衛生在職教育訓練(有聲檔)

修課資訊

總成績: 100.0分

上課時間: 2022/11/01~

講師: 林立涵

最後學習日: 2022/11/14 14:11

班次: 2022

通過規則: 依課程原有通過規則決定

100% 完成

上次播放至: 課後滿意度調查

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 research and development. In accordance with occupational safety and health regulations and the well-being needs of our staff, FocalTech has obtained the Health Workplace Certification from the Ministry of Health and Welfare - Health Promotion Administration (valid from January 2023 to December 2025) and the Workplace Sports Enterprise Certification from the Ministry of Education - Sports Administration (valid from 2023 to 2025). Each year, we set themed activities based on the health examination results, such as health weight loss campaigns, walking and step counting competitions, and vision care activities, to promote the well-being of our employees.

Furthermore, we provide tangible support and encouragement for employees to participate in diverse social club activities. Our sports clubs include yoga, basketball, badminton, light aerobics, dance, health Qigong, aerobic boxing, and swimming, providing various options for employees to achieve physical and mental balance during their leisure time. Additionally, our "Intellectual Voice" club caters to intellectual pursuits, and our company gym is open for free use, allowing employees to engage in activities of their choice beyond their work duties.



Health Promotion Administration



Sports Administration

Tobacco Control Campaign

We have implemented a comprehensive 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 | 2022/04/06~06/30 |
| Number of Participants | 25 teams, 75 individuals |
| Achievement | Total Weight Loss: 228.3 kilograms (69 participants completed post-measurements), Average Weight Loss per Person: 3.31 kilograms. |

Award-winning teams :

| 名次 | 小隊名稱 | 團隊成績 | 隊員 | 獎金 |
|-----|--------------|-------|-------------|-------------|
| 第一名 | 今晚來點不一樣 | 26.2% | 陳○瑄 林○玄 潘○霖 | 禮券 13,000 元 |
| 第二名 | 敦敦 CSH 天團 | 23.1% | 廖○玄 陳○翰 劉○瑄 | 禮券 10,000 元 |
| 第三名 | 紅鯉魚與綠鯉魚與鱸 | 18.3% | 楊○靜 黃○澤 唐○瑄 | 禮券 7,000 元 |
| 第四名 | 我不是胖，只是瘦的不明顯 | 17.9% | 陳○娜 蔡○丞 蕭○心 | 禮券 4,000 元 |
| 第五名 | 熊熊瘦下來隊 | 16.5% | 許○杰 江○男 王○皓 | 禮券 4,000 元 |
| 第六名 | 97841 | 14.8% | 邱○吉 黃○一 林○宏 | 禮券 3,000 元 |
| 第七名 | 不正經 ONE | 14.7% | 黃○嘉 蔡○廷 陳○中 | 禮券 2,000 元 |

2.Walking and step counting competition.

| | |
|------------------------|--|
| Event Date | 2022/04/01~06/30 |
| Number of Participants | 79 participants throughout the event |
| Achievement | Total Steps: 49,144,642 steps, Average Daily Steps per Person: 6,836 steps. Converted to distance, it's a total of 24,572 kilometers, which is approximately equivalent to circling Taiwan's No. 1 Highway about 26 times. |
| Number of Winners | 50 individuals. |

3.Health seminars.

| Seminar Type | Seminar Title | Number of Participants |
|-------------------|----------------------|------------------------|
| Nutrition Seminar | Eat Slim, Enjoyably | 23 participants |
| Fitness Seminar | Move Slim, Enjoyably | 21 participants |

4.Physical fitness testing and body composition analysis.

| | |
|------------------------|------------------|
| Event Date | 2022/9/13 |
| Number of Participants | 108 individuals. |



On-site service physicians

Health consultation service is provided every two months. In 2022, a total of 19 sessions were conducted, including on-site inspections with recommendations and providing guidance on preventing ergonomic hazards.

Occupational environment measurements

Every six months, measurements are conducted, and the results for 2022 showed that CO₂, light 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 | President | Activity time |
|---------------------|----------------------------------|--|
| Badminton club | Luo ○ Wei | Every Monday and Tuesday 18:30~22:00 |
| Basketball club | Liao ○ Yuyu | Every Monday and Wednesday 18:45~21:45 |
| Yoga club | Cai ○ Yan | Every Thursday 18:10~19:30 |
| Light aerobic | Zheng ○ Yun | Every tuesday 12:10~13:10 |
| Dance club | Yan ○ Han _ | Every Monday 18:30~20:00 |
| Health Qigong Club | Chen ○ Jing | Every Thursday 12:30~13:30 |
| Boxing Aerobic Club | Huang ○ Ze | Every Wednesday 18:30~19:30 |
| Intellectual voice | Guo ○ Figure | Hold lectures and activities from time to time |
| Swimming club | Zeng ○ Xuan | Events are held from time to time |
| Gym | Company Representative-Li ○ Shen | Free to use |

5.7 Employee Communication

| Management policy | |
|----------------------|--|
| Major issue | Employee communication |
| Policy directions | Establish good labor relations and allow employees to express their opinions in a friendly environment without suffering retaliation. |
| Core goals | Goal: Establish a good culture of organizational communication, enabling employees' opinions to be effectively heard and handled in a timely manner, with no occurrence of labor disputes or re-appeal cases. Target: Four labor-management meetings and communication meetings with the Chairman every year. |
| Achievements | In 2022, a total of four labor-management meetings and four cross-functional communication meetings were held, with a total attendance of 312 participants. |
| Action plans | Hold communication meetings with the Chairman, labor-management meetings, gender equality meetings, and interdepartmental communication meetings, and address colleagues' concerns in a fair, confidential, and prompt manner, regardless of whether the feedbacks are named or made anonymous. |
| How to manage | |
| Devoting resource | All employees |
| Feedback mechanism | Employee grievance channels, employee suggestion boxes, labormanagement meetings |
| Evaluation mechanism | Number of meetings, completion rate of feedback surveys |
| Future plans | |
| Goals for 2023 | <ul style="list-style-type: none"> ● Hold labor-management meetings regularly. ● The Chairman informs employees of the Company's recent development and financial reports through birthday celebrations, so as to eliminate the concern of employees on the Company's operation and welfare development. ● Set up a Chairman's mailbox and assign a dedicated personnel to gather colleagues' questions every week, as well as a dedicated personnel to conduct preliminary communication within one week upon receiving the questions. |

Smooth communication between labor and management is instrumental in promoting labor-management cooperation. It allows employees to understand the company's operational plans, business overview, and market conditions, while enabling management to stay informed about employees' working conditions and construct a friendly workplace that considers their needs. FocalTech strictly adheres to legal regulations, ensuring that internal personnel and administrative management comply with local labor laws at all operational sites. We hold labor-management meetings 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, 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 in accordance with labor-related laws and regulations. In case of any impact on employees' labor rights or changes in job conditions, FocalTech strictly complies with the "Labor Standards Act" and the "Mass Layoff Protection Act," issuing advance notice before terminating labor contracts. To allow employees to 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 professional 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 2022 annual education and training plan was generated through a survey of employees and the compilation of unit supervisors' needs. The training unit carried out course planning and arrangements, inviting employees to participate and enhance their job-related knowledge and skills. The enrollment rate for 2022 reached a new high in the past three years, growing by 10% compared to 2021, with a 128% increase in the number of participants. Post-training satisfaction surveys showed that both the "practicality" and "job assistance" aspects of the courses received satisfaction rates of over 90%. |
| Action plans | <ul style="list-style-type: none"> The 2022 annual education and training plan was developed based on employee questionnaires and the compilation of unit supervisors' needs. The training unit conducted course planning and arrangements, inviting employees to participate and enhance their job-related knowledge and skills. We established a comprehensive education and training framework with regular monthly courses to enhance employees' professional competence. We are dedicated to improving employees' English language proficiency by issuing an English e-newsletter biweekly. Through the "FocalTech e-Academy" digital learning platform, we create a self-directed learning environment, extending learning opportunities through online courses. This approach allows employees to break free from time and space constraints and maximize the reuse of course resources for optimal learning outcomes. |
| How to manage | |
| Devoting resource | All employees, education and training platform, introduction of external training resources |
| Feedback mechanism | Education and training opinion survey and interview with executives |
| Evaluation mechanism | Produce statistics and calculate personnel training hours / executive training acceptance testing / online system acceptance testing |
| Future plans | |
| Goals for 2023 | <ul style="list-style-type: none"> Each person averaged 10 hours of training. Conduct annual supervisor education training for frontline and middle to high-level supervisors. |

Talent Development Initiative

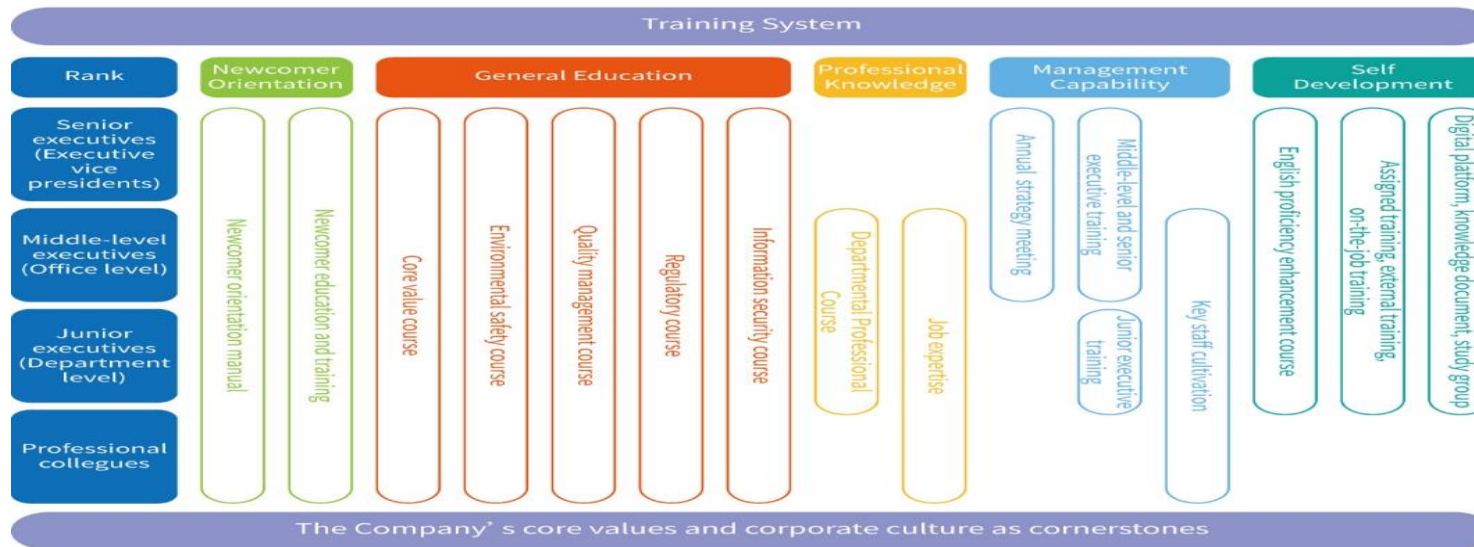
FocalTech has always spared no effort in talent cultivation and development, striving to provide employees with an open and diverse learning environment. We have planned comprehensive training systems for new and existing employees to continuously enhance their professional abilities, ensuring employees' maximum satisfaction. Employees can participate in both internal and external training, seek guidance from supervisors and peers, and borrow books from the company library each month to stimulate their thinking and continuously challenge themselves to grow. FocalTech's educational training principles are closely aligned with the company's core values and strategic development needs, resulting in a well-defined training framework for different levels, including senior management, middle management, entry-level management, and general employees. We have designed specific training blueprints for each unit, providing complete training programs in areas such as professional expertise and management capabilities. Through various functional training, new employees can quickly adapt to their roles, assimilate into the company culture, and foster a sense of unity within the company. Additionally, it is essential for experienced employees to pass down their practical experience to the next generation of new employees. For senior staff, FocalTech encourages them to step out of their comfort zone, learn new skills, and enhance their competitiveness, allowing generational experience to be continuously transmitted.

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

The talent cultivation system is shown in the figure below



Talent Cultivation and Development Framework



FocalTech utilizes the "FocalTech e-Learning Platform" to provide all employees with the option to choose courses under different categories, including "New Employee Training," "General Courses," "Management Knowledge," and "Professional Expertise." Additionally, physical courses within the company are recorded and transformed into online courses, enabling employees to learn new knowledge anytime and anywhere, free from the constraints of time and location. To help employees better understand and systematically manage their learning progress and records, we aim to provide a comprehensive on-the-job training resource. With a complete training platform, various 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' professional expertise and overall capabilities but also contribute to continuous breakthroughs in FocalTech's business performance through talent cultivation.

Training hours of personnel at all levels in 2022

| Rank | Hours | | Number of participants | | Average number of hours | |
|---------------------------|--------------|--------------|------------------------|-----------|-------------------------|--------------|
| | Male | Female | Male | Female | Male | Female |
| General employees | 2,928 | 908 | 225 | 67 | 13.01 | 13.55 |
| Junior executives | 822 | 163 | 97 | 12 | 8.47 | 13.58 |
| Senior /Middle executives | 353 | 15 | 37 | 2 | 9.54 | 7.50 |
| Senior executives | 27 | | 10 | | 2.70 | 0.00 |
| Total | 4,130 | 1,086 | 369 | 81 | 11.19 | 13.41 |

5.9 Performance Evaluation

FocalTech provides employees with a stage to showcase their talents, with the expectation that teams can leverage their professional expertise to achieve the company's strategic goals. The HR department at FocalTech follows the "Performance Management Policy" to set and evaluate performance objectives through performance interviews and assessments. Regular reviews of employee performance are conducted annually to measure individual achievements and assist in personal career development, ultimately enhancing both organizational and individual performance.

If an employee's performance needs improvement, a "Employee Performance Improvement Plan" will be implemented. This involves communication between the supervisor and the employee to discuss the results of the performance evaluation, helping the employee understand areas where they may need improvement and setting goals and methods for enhancement to boost their work capabilities and performance.

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

| Mid-term assessment | Year-end assessment |
|--|--|
| It involves reviewing and evaluating the progress made during the first half of the year regarding the set project completion goals at the beginning of the year. Through one-on-one discussions, adjustments can be made or new work plans and objectives can be developed for the second half of the year. | It involves 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. |

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

| Item | Male | | | Female | | | 小計 | | |
|-----------------|-------|---|------------|--------|---|------------|-------|---|------------|
| | Total | Number of people receiving the evaluation | Percentage | Total | Number of people receiving the evaluation | Percentage | Total | Number of people receiving the evaluation | Percentage |
| Supervisory | | 110 | 26% | | 11 | 3% | | 121 | 29% |
| Non-supervisory | 340 | 230 | 55% | 75 | 64 | 15% | 415 | 294 | 70% |
| Total | | 340 | 81% | | 75 | 18% | | 415 | 99% |

Giving Back to Society

6.1 Social care and Giving Back

Fulfilling our commitment to corporate social responsibility, FocalTech adheres to the principle of "taking from society, giving 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 towards a sustainable and better future for all.

Contributing to the expansion of Taiwan's semiconductor talent pool

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



National Tsing Hua University Semiconductor Research Institute

Enterprise Symposium

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

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

Approximately 90 students participated, including Master's and Ph.D. students from four major departments: Semiconductor Components, Design, Materials, and Processes. A special arrangement was made for the Vice President to deliver a two-hour professional lecture, covering key topics such as self-capacitive touch and mutual-capacitive touch, an overview of display panel structures, and the integration of touch and display functions. The lecture provided insightful explanations of accumulated expertise, presented in an easy-to-understand manner, allowing students to gain valuable insights and a deeper understanding of touch display technology.

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



National Tsing Hua University Semiconductor Research Institute

Caring for Vulnerable Groups

In 2022, we hired 6 employees with disabilities, including 3 visually impaired massage therapists. The company cares about the physical and mental well-being of its employees, and by employing visually impaired massage therapists, we aim to help employees alleviate work-related stress. In just 15 minutes, the skilled hands of the massage therapists provide relief from fatigue, reduce tiredness, and enhance work efficiency.



Resource Recycling and Utilization

We provide available resources to needy groups, promoting better resource utilization, increasing circular economy practices, and reducing planetary energy consumption.



Appendix 1: Comparison Table of GRI Sustainability Reporting Guidelines

| | |
|-----------------------------------|--|
| Declaration | FocalTech Corporation has reported its activities for the period from January 1 to December 31, 2022, in accordance with the GRI Guidelines. |
| GRI Standards Used | GRI 1 - Foundation 2021 |
| Applicable GRI Industry Standards | As company operates in the semiconductor industry, there are no specific GRI industry standards available at present. |
| Note | Topics marked with an asterisk (*) indicate Major Issue. |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|--------------------------------------|-----------------|---|--|----------|---------------------------------------|
| GRI 2 : General Disclosure 2021 | | | | | |
| Organization and Reporting Practices | 2-1 | Organizational Details | 1.1 Company Overview | 12 | |
| | 2-2 | Entities Included in Sustainability Reporting | About the Report | 1 | |
| | 2-3 | Reporting Period, Frequency, and Contact Person | About the Report | 1 | |
| | 2-4 | Restatement of Information | About the Report | 1 | There is no restatement in the report |
| | 2-5 | External Assurance/Certification | About the Report | 1 | |
| Activities and Workers | 2-6 | Activities, Value Chain, and Other Business Relationships | 3.2 Sustainable Supply Chain | 31 | |
| | 2-7 | Employees | 5.1 Talent Foundation | 39 | |
| | 2-8 | Non-Employee Workers | 5.1 Talent Foundation | 39 | |
| Governance | 2-9 | Governance Structure and Composition | 1.1.2 FocalTech Organization Chart | 14 | |
| | 2-10 | Nomination and Selection of the Highest Governance Body | 1.3 Board of Directors Operations | 18 | |
| | 2-11 | Chair of the Highest Governance Body | 1.3 Board of Directors Operations | 18 | |
| | 2-12 | Role of the Highest Governance Body in Oversight of Impact Management | 1.3 Board of Directors Operations 1.5 Risk Management | 18 22 | |
| | 2-13 | Person Responsible for Impact Management | 1.3 Board of Directors Operations 1.5 Risk Management | 18 22 | |
| | 2-14 | Role of the Highest Governance Body in Sustainability Reporting | 1.1.2 FocalTech Organization Chart | 14 | |
| | 2-15 | Conflicts of Interest | 1.3 Board of Directors Operations | 18 | |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|-------------------------------|-----------------|---|--|----------|---|
| | 2-16 | Communication of Key Events | 1.3 Board of Directors Operations | 18 | |
| | 2-17 | Collective Wisdom of the Highest Governance Body | 1.3 Board of Directors Operations | 18 | |
| | 2-18 | Performance Evaluation of the Highest Governance Body | 1.3 Board of Directors Operations | 18 | |
| | 2-19 | Compensation Policy | 1.3 Board of Directors Operations | 18 | |
| | 2-20 | Compensation Determination Process | 1.3 Board of Directors Operations | 18 | |
| | 2-21 | Annual Total Compensation Ratios | -- | | |
| Strategy, Policy and Practice | 2-22 | Statement of Sustainable Development Strategy | Message from the Chairman | 2 | |
| | 2-23 | Policy Commitments | Sustainable Business Strategy | 3 | |
| | 2-24 | Inclusion of Policy Commitments | Sustainable Business Strategy | 3 | |
| | 2-25 | Procedures for Remedying Negative Impacts | 1.3 Board of Directors Operations 1.5 Risk Management | 18 22 | |
| | 2-26 | Mechanisms for Seeking Advice and Raising Concerns | 1.3 Board of Directors Operations | 18 | |
| | 2-27 | Regulatory Compliance | 1.4 Integrity in Business Foundation | 21 | |
| | 2-28 | Membership in Associations | 1.1.3 Participation in Societies and Associations | 15 | |
| Stakeholder Consultation | 2-29 | Stakeholder Consultation Policy | Stakeholder Identification and Communication Channels | 3 | |
| | 2-30 | Collective Agreements | -- | | The company has not signed a group agreement. |
| GRI 3 : Major Issue 2021 | | | | | |
| Major Issue | 3-1 | Process for Identifying Major Issue | Major Issue Identification and Boundaries of Impact | 5 | |
| | 3-2 | List of Major Issue | Major Issue Identification and Boundaries of Impact | 5 | |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|--|-----------------|-------------------------------------|--|------|---------|
| * Business performance | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 1.2 Business Performance | 16 | |
| * Corporate Governance | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 1.3 Board of Directors Operations | 18 | |
| * Risk control | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 1.5 Risk Management | 22 | |
| * Product quality | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 3.1 Firm Foundation | 29 | |
| * Sustainable supply chain | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 3.2 Sustainable Supply Chain | 31 | |
| * climate change | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 4.1 Climate Change Risks and Mitigation Strategies | 35 | |
| * Energy and greenhouse gas emission management | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 4.2 Greenhouse Gas Emissions and Energy Management | 37 | |
| * Salary and employee benefits | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 5.2 Compensation and Benefits | 41 | |
| * Occupational safety and health | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 5.5 Workplace Safety | 43 | |
| * talent Education | | | | | |
| GRI 3 : Major Issue 2021 | 3-3 | Management of Major Issue | 5.8 Talent Development | 48 | |
| Economic side | | | | | |
| Financial Performance | | | | | |
| | 201-1 | Direct Economic Value Generated and | 1.2 Business Performance | 16 | |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|---|-----------------|---|--|------|---------|
| *GRI 201 : Economic Performance 2016 | | Distributed by the Organization | | | |
| | 201-2 | *Financial Implications and Other Risks and Opportunities Arising from Climate Change | 4.1 Climate Change Risks and Mitigation Strategies | 35 | |
| | 201-3 | Defined Benefit Obligation and Other Retirement Plans | 5.2 Compensation and Benefits | 41 | |
| | 201-4 | Financial Assistance Received from Government | 1.2 Business Performance | 16 | |
| social participation | | | | | |
| GRI 203 : Indirect Economic Shocks 2016 | 203-1 | Infrastructure Investments and Impact of Services Provided | 6.1 Social care and Giving Back | 52 | |
| Procurement Practices | | | | | |
| GRI 204 : Procurement Practices 2016 | 204-1 | Proportion of Spending on Local Suppliers | 3.2 Sustainable Supply Chain | 31 | |
| Anti-corruption | | | | | |
| GRI 205 : Anti-corruption 2016 | 205-1 | Operational Sites Assessing Corruption Risks | 1.4 Integrity in Business Foundation | 21 | |
| | 205-2 | Communication and Training on Anti-Corruption Policies and Procedures | 1.4 Integrity in Business Foundation | 21 | |
| | 205-3 | Incidents of Corruption and Actions Taken | 1.4 Integrity in Business Foundation | 21 | |
| * Corporate Governance | | | | | |
| Customized major issues | - | - | 1.3 Board of Directors Operations | 18 | |
| * Risk control | | | | | |
| Customized major issues | - | - | 1.5 Risk Management | 22 | |
| * Product quality | | | | | |
| Customized major issues | - | - | 3.1 Firm Foundation | 29 | |
| Environment | | | | | |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|--|-----------------|--|--------------------------------|------|---|
| * Energy and greenhouse gas emission management | | | | | |
| 4.2.1 Energy management | 302-1 | Energy Consumption within the Organization | 4.2.1 Energy management | 37 | |
| | 302-2 | Energy Consumption Outside of the Organization | --- | | The information obtained is incomplete. The organization's external energy consumption includes the upstream and downstream of the value chain, and the external upstream and downstream energy consumption cannot be obtained. |
| | 302-3 | Energy Intensity | 4.2.1 Energy management | 37 | |
| | 302-4 | Reduction of Energy Consumption | 4.2.1 Energy management | 37 | |
| water resource management | | | | | |
| GRI 303 : Water and Effluent 2018 Management Policy | 303-1 | Interactions of shared water resources | 4.2.2 Water management | 38 | |
| | 303-2 | Management of drainage-related shocks | 4.2.2 Water management | 38 | |
| | 303-5 | Water Consumption | 4.2.2 Water management | 38 | |
| * Energy and greenhouse gas emission management | | | | | |
| GRI 305 : Emissions 2016 | 305-1 | Direct (Scope 1) Greenhouse Gas Emissions | 4.2.3 Greenhouse gas emissions | 38 | |
| | 305-2 | Energy Indirect (Scope 2) Greenhouse Gas Emissions | 4.2.3 Greenhouse gas emissions | 38 | |
| | 305-3 | Other indirect (scope 3) greenhouse gas emissions | 4.2.3 Greenhouse gas emissions | 38 | The information is incomplete and will be counted from 2024 |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|--|-----------------|--|--------------------------------|------|---------|
| | 305-4 | Greenhouse gas emission intensity | 4.2.3 Greenhouse gas emissions | 38 | |
| | 305-5 | Greenhouse Gas Emission Reduction | 4.2.3 Greenhouse gas emissions | 38 | |
| waste management | | | | | |
| GRI 306 : waste 2020 | 306-3 | Waste generation | 4.2.4 Waste Management | 38 | |
| | 306-4 | Disposal and transfer of waste | 4.2.4 Waste Management | 38 | |
| * Sustainable supply chain | | | | | |
| GRI 308 : Supplier Environmental Assessment 2016 | 308-1 | Use environmental criteria to screen new suppliers | 3.2 Sustainable Supply Chain | 31 | |
| | 308-2 | Negative impact of the supply chain on the environment, and actions taken | 3.2 Sustainable Supply Chain | 31 | |
| GRI 414: Supplier Social Assessment 2016 | 414-1 | New suppliers are screened using social criteria | 3.2 Sustainable Supply Chain | 31 | |
| | 414-2 | Negative social impacts in the supply chain and actions taken | 3.2 Sustainable Supply Chain | 31 | |
| social aspect | | | | | |
| Employment Relations | | | | | |
| GRI 401 : Employment Relations 2016 | 401-1 | New and departing employees | 5.1 Talent Foundation | 39 | |
| | 401-2 | Benefits offered to full-time employees (not including temporary or part-time employees) | 5.2 Compensation and Benefits | 41 | |
| | 401-3 | parental leave | 5.3 Parental Leave | 42 | |
| Employment Relations | | | | | |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|---|-----------------|---|-------------------------------|------|---------|
| GRI 402 : Labor/Management Communication 2016 | 402-1 | Minimum notice period for operational changes | 5.2 Compensation and Benefits | 41 | |
| * Occupational safety and health | | | | | |
| GRI 403 : Occupational Safety and Health 2018 Management Policy | 403-1 | Occupational Safety and Health Management System | 5.5 Workplace Safety | 43 | |
| | 403-2 | Hazard identification, risk assessment, and accident investigation | 5.5 Workplace Safety | 43 | |
| | 403-3 | Occupational Health Services | 5.5 Workplace Safety | 43 | |
| | 403-4 | Worker participation, consultation and communication on occupational safety and health | 5.5 Workplace Safety | 43 | |
| | 403-5 | Worker Training on Occupational Safety and Health | 5.5 Workplace Safety | 43 | |
| | 403-6 | worker health promotion | 5.6 Health Promotion | 43 | |
| | 403-7 | Prevention and mitigation of occupational safety and health impacts directly linked to business relationships | 5.5 Workplace Safety | 43 | |

| Subject | Disclosure item | Disclosure content | Chapter and Topic | Page | Remarks |
|--|-----------------|---|------------------------|------|--|
| GRI 403 : Occupational Safety and Health 2018 | 403-8 | Workers covered by the occupational safety and health management system | 5.5 Workplace Safety | 43 | |
| | 403-9 | occupational injury | 5.5 Workplace Safety | 43 | |
| | 403-10 | occupational disease | 5.5 Workplace Safety | 43 | |
| * Talent cultivation | | | | | |
| GRI 404 : Training and Education 2016 | 404-1 | Average hours of training per employee per year | 5.8 Talent Development | 48 | |
| | 404-2 | Upgrading staff functions and transition assistance programs | 5.8 Talent Development | 48 | Respect employee career planning, no excessive assistance plan |
| Employee Diversity and Equal Opportunity | | | | | |
| GRI 405 : Workforce Diversity and Equal Opportunity 2016 | 405-1 | Diversity of Governance Units and Employees | 5.1 Talent Foundation | 39 | |

Appendix 2: Comparison Table of Sustainable Accounting Standards Board (SASB) Guidelines

| Expose the subject | Indicator number | Disclosure indicators | Nature | Report content chapter comparison | Remark |
|---|------------------|--|-------------|--|---|
| Emission of greenhouse gases | TC-SC-110.a.1 | (1). Scope 1 Greenhouse Gas Emissions (2). Total Emissions from Fluoride | Quantify | (1). 4.2.3 Greenhouse gas emissions (2). This indicator is not applicable to FocalTech | |
| | TC-SC-110.a.2 | Discuss long-term and short-term strategies or plans for managing Scope 1 emissions, emission reduction targets and their performance analysis | Qualitative | 4.2.3 Greenhouse gas emissions | |
| Energy Management in Manufacturing | TC-SC-130.a.1 | (1). Total energy consumption (2). Percentage of energy using purchased electricity as a percentage of total electricity consumption (3). Proportion of using renewable energy | Quantify | (1). 4.2.1 Energy management (2). Energy adopts purchased electricity to account for 100% of total electricity consumption (3). Not using renewable energy | |
| Water resource management | TC-SC-140.a.1 | Total water withdrawal and the proportion belonging to areas with high water stress Total water consumption and the proportion of areas with high water stress | Quantify | 4.2.2 Water management | The company's operating base is not a high water stress area . |
| Waste management | TC-SC-150.a.1 | Hazardous waste generated during the manufacturing process and the percentage of recycling | Quantify | 4.2.4 Waste Management | |
| Employee Health and Safety | TC-SC-320.a.1 | Describe how to assess, monitor and reduce employee exposure to hazardous environments . | Qualitative | 5.5 Workplace Safety | |
| | TC-SC-320.a.2 | Total monetary losses resulting from legal incidents that violate employee health and safety regulations | Quantify | 1.4 Integrity in Business Foundation | 2022 years without incidents of violation of laws and regulations |
| Recruit and manage global professionals | TC-SC-330.a.1 | Explain (1) foreign employees and (2) proportion of overseas employees | Quantify | 5.1 Talent Foundation | This year's scope is mainly based on Taiwan's operating bases, and overseas employees are not counted . |
| Product Lifecycle Management | TC-SC-410.a.1 | Revenue of products containing IEC62474 substances | Quantify | 3.2 Sustainable Supply Chain | 0% of revenue for products that do not comply with IEC 62474 |
| | TC-SC-410.a.2 | Overall system-level energy efficiency of processors: (1) Servers (2) Desktops (3) Notebooks | Quantify | -- | The company is not a manufacturer of end products, so it does not apply . |
| Raw material procurement | TC-SC-440.a.1 | Describe the risk management approach to using critical materials | Qualitative | 3.2 Sustainable Supply Chain | |
| Intellectual Property Protection and Competitive Behavior | TC-SC-520.a.1 | Total monetary damages resulting from legal incidents related to anti-competitive conduct | Quantify | 1.4 Integrity in Business Foundation | No monetary damages from legal incidents in 2022 . |

Appendix 3: TCFD Disclosure Items Comparison

| Facing | TCFD Disclosure Project | Corresponding chapter |
|---------------------|--|--|
| Governance | Board oversight of climate-related risks and opportunities | 4.1 Climate Change Risks and Mitigation Strategies |
| | The role of management in assessing and managing climate-related risks and opportunities | 4.1 Climate Change Risks and Mitigation Strategies |
| Strategy | Short, medium and long-term climate-related risks and opportunities identified by the organization | 4.1 Climate Change Risks and Mitigation Strategies |
| | Describe the impact of climate-related risks and opportunities on an organization's business, strategy, and financial planning. | 4.1 Climate Change Risks and Mitigation Strategies |
| | Organizations are strategically resilient and consider different climate-related scenarios | 4.1 Climate Change Risks and Mitigation Strategies |
| Risk Management | Organizational processes for identifying and assessing climate-related risks | 4.1 Climate Change Risks and Mitigation Strategies |
| | Organizational processes for managing climate-related risks | 4.1 Climate Change Risks and Mitigation Strategies |
| | How to integrate the identification, assessment and management process of climate-related risks into the organization's overall risk management system | 4.1 Climate Change Risks and Mitigation Strategies |
| Metrics and Targets | Metrics used by organizations to assess climate-related risks and opportunities following a strategy and risk management process | 4.1 Climate Change Risks and Mitigation Strategies |
| | Disclose Scope 1, Scope 2 and Scope 3 (if applicable) GHG emissions and associated risks | 4.1 Climate Change Risks and Mitigation Strategies |
| | Objectives used by the organization to manage climate-related risks and opportunities, and performance against those objectives | 4.1 Climate Change Risks and Mitigation Strategies |

Appendix 4: Sustainable Disclosure Indicators for Semiconductor Industry by Taiwan Stock Exchange

| Serial Number | Index | Indicator Type | Unit | Report content chapters |
|---------------|---|-------------------------|---|--|
| 1 | Total energy consumption, percentage of purchased electricity and utilization rate of renewable energy | Quantify | Gigajoule (GJ) , percentage (%) | 4.2.1 Energy management The company does not use renewable energy |
| 2 | Total Water Intake and Total Water Consumption | Quantify | Thousand cubic meters (m ³) | 4.2.2 Water management |
| 3 | The weight and recycling percentage of hazardous waste generated | Quantify | Metric tons (t), percentage (%) | 4.2.4 Waste Management |
| 4 | Explain the type, number and rate of occupational accidents | Quantify | Ratio (%), Quantity | 5.5 Workplace Safety |
| 5 | Disclosure of product life cycle management: including the weight of end-of-life products and e-waste and the percentage of recycling | Quantify | Metric tons (t), Percentage (%) | 4.2.4 Waste Management |
| 6 | A description of the risk management associated with the use of critical materials | Qualitative description | Not Applicable | 3.2 Sustainable Supply Chain |
| 7 | Total pecuniary damages resulting from legal proceedings related to anti-competitive conduct regulations | Quantify | Report currency | No monetary damages from legal incidents in 2022 . |
| 8 | Output of main products by product category | Quantify | Varies by product type | Refer to the attached table below |

Unit: thousand pieces / TWD thousand

| Main Products | Yield | Output Value |
|---|---------|--------------|
| Human-machine interface application-related chips | 309,234 | 9,623,959 |

Appendix 5: Climate-related Information for Listed Companies

Risks and opportunities brought by climate change to the company and related countermeasures taken by the company

| Project | Report disclosure chapter |
|---|--|
| 1. Describe board and management 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 will affect the business, strategy and finances of the company (short, medium and long term) | 4.1 Climate Change Risks and Mitigation Strategies |
| 3. Describe the financial impact of extreme climate events and transitional 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 should be explained. | 4.1 Climate Change Risks and Mitigation Strategies |
| 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transition risks. | 4.1 Climate Change Risks and Mitigation Strategies |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. | Internal carbon pricing has not been implemented |
| 8. If climate-related goals are set, the covered activities, scope of greenhouse gas emissions, planning schedule, annual progress and other information should be stated; if carbon offsets or renewable energy certificates (RECs) are used to achieve relevant goals, the offset should be stated Replace it with the source and quantity of carbon reduction credits or the quantity of renewable energy certificates (RECs). | 4.1 Climate Change Risks and Mitigation Strategies |
| 9. Greenhouse Gas Inventory and Confirmation Situation | 4.2.3 Greenhouse gas emissions |

| Type of emission source | Category 1 | Category 2 | Category 3 | Total emission equivalent | Confident organization | Confirmation statement (verification certificate) |
|--|------------------|-----------------|----------------|---------------------------|---|---|
| | Direct discharge | Energy indirect | Other indirect | | | |
| 2022 Year Emission equivalent (metric tons CO_2e / year) | 87.98 | 1,039.81 | - | 1,127.79 | This year Confidence not implemented | This year Confidence not implemented |
| Density Emission equivalent (metric tons CO_2e / person-year) | 0.21 | 2.47 | - | - | | |

