FocalTech

2021
ESG
Insight

FocalTech
Systems Co., Ltd.

Environmental

FocalTech specializes in innovative IC design for human-machine interfaces. FocalTech supplies touch controller ICs, display driver ICs (DDIC), integrated driver controller (IDC), and fingerprint recognition ICs for various electronic devices.

The company outsources the manufacturing functions to various well-known domestic and international IC manufacturers to carry out wafer fabrication. Therefore, the company's business activities have a low impact on the environment.

FocalTech's 2021 Sustainability Report was reviewed and validated by an independent third-party institution, TUV NORD Taiwan. The Report was verified in compliance with the requirements of AA1000 Assurance Standard V3 and GRI Standards.

2021 Performance Highlights:

- Received the "Best Financially Managed Company" award from the Global Semiconductor Alliance (GSA)
- 100% suppliers were in compliance with RoHS Directive and REACH regulations
- 100% products procured from RMI certified smelters
- 100% key suppliers obtained ISO 14001 Environmental Management System Certification

In 2021, the Company acted in accordance with the law and was not subject to any monetary penalties or other non-monetary penalties regarding the social, economic, or environmental aspects.

Proud Recipient:
2022 Taiwan Corporate Sustainability Awards
🏅 Gold Award
ESG Disclosure Completeness and Transparency

Certifications

Certification		Validity
ISO 9001	Quality Management System	2021-2024
ISO 14001	Environmental Management System	2020-2023
ISO 45001	Occupational Health and Safety	2020-2023
Sony GP	Sony Green Partner	2020-2022
RoHS/ REACH	RoHS Directive & REACH regulations	N/A

Climate Change

Goal: net zero emissions by 2050
FocalTech expects to complete the 14064-1 GHG inventory and verification in 2024, ahead of Financial Supervisory Commission's roadmap schedule.

The Sustainable Development Team is responsible for promoting specific climate change projects, which are reported to the Board of Directors by the Chairman Office.

FocalTech has been actively responding to the environmental impact by adopting the goal of a green workplace realizing energy conservation and carbon reduction. Furthermore, FocalTech has started to explore the financial aspects of climate related issues in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) issued by the Financial Stability Board (FSB).

Climate Change Risk

Major Risks of Climate Change	Potential Operational and Financial Impacts	FocalTech Future Strategic Directions in Response to the Risk
Technical risk	Customers require process improvement and have the carbon reduction target set. Failures to meet customers' requirements will affect the Company's operational performance. • Increased operational cost • Increased R&D expenses	Devote in green process R&D and choose suppliers that meet the concept of sustainability to accelerate the Company's progress toward green manufacturing.
Market risk	Consumers' awareness of environmental protection is on the rise and the pursuit of green products requires additional product R&D costs and production costs. • The changing market demand	Proactively pay attention to market trends, conduct market research, and continue to develop products with smaller size and low power consumption features to meet the concept of sustainability.
Policy and legal risks	National policy gradually restricts greenhouse gas emissions, and regulations require major power plants to use a certain percentage of renewable energy. • Increased operational cost	1. Actively cooperate with government policies and set greenhouse gas emission reduction target each year. 2. Understand the current renewable energy plan in Taiwan, formulate an energy transformation plan, and look for green energy solutions to gradually increase the use of green energy.
Extreme weather disasters	1. The Company will fail to operate normally in case of electricity shortage, which will affect the production and increase operational costs. 2. Typhoons, rainstorms, flooding, and other disasters caused by climate change will affect the delivery of raw materials or cause damage to the Company, resulting in the Company's failure to operate normally and an increase in operational costs. • Reduced operational performance • Increased operational cost • Decrease in customer satisfaction • Employee safety issue	1. Decentralize sources of raw material to reduce risk. 2. Establish disaster prevention and control management measures as preventive measures. 3. Strengthen environmental safety and health education and training.

Increase in operational costs or R&D expenses:

1. Electricity

Climate change has put Taiwan in a constant state of power stress. FocalTech has formulated a long-term plan to increase the proportion of green energy use. Supply of green energy in the market is considered extremely low, FocalTech is prepared to switch to green energy as soon as it is available. It is estimated that the electricity cost for business operation will increase by 30% in case of continuous power shortage in the future.

2. Wafer material cost/production cost

The European Union (EU) will impose a "carbon border tax" from 2023 onwards, taking full effect in 2026, which will be followed by other countries, leading to an increase in overall production costs or wafer material costs in the supply chain since the semiconductor manufacturing industry consumes high amounts of electricity and water. The production cost of FocalTech will be impacted by approximately 3%*.

(*Reference to estimates in the semiconductor-related industry risk assessment that quantify the top three risks, including net zero emissions trend, drought and reputation, and estimating the impact of these top three risk factors on annual revenue to be within 5.4%.)

Climate Change Opportunity

Major Opportunities of Climate Change		Challenges and Opportunities	FocalTech Strategic Directions in Response to the Opportunity
Market change opportunities	Customers have a high demand for products with low energy consumption and low environmental impact features. As a result, the Company will develop low carbon products to meet the market demand.	● Increased revenue ● Product innovation	Active investment in R&D for low-carbon products.
Policy and legal changes	The government promotes the use of alternative energy sources with incentive measures.	● Reduced operational costs ● Product innovation	Participate in government green energy policy incentive programs.
Resource efficiency	Replace old equipment to improve resource efficiency and reduce environmental impact.	● Reduced product cost ● Corporate image building	1. Monitor and control equipment energy consumption and develop a replacement plan 2. Develop/execute power saving plan

Green Design

As a non-manufacturing IC design company, FocalTech is committed to developing green products in support of environmental protection, by reducing electricity consumption, wafer size, material and overall power consumption, the Company is able to respond to the impact of climate change and provide customers with products of a better quality.

Wafter material consumption LCD HD display driver ICs
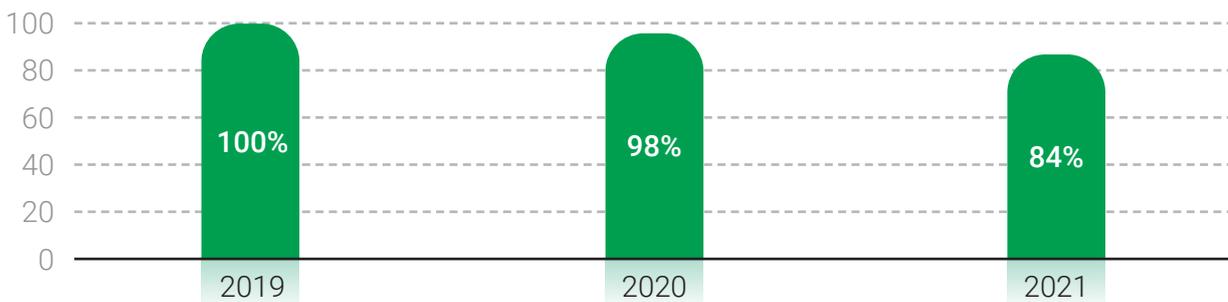
	2019	2020	2021
Reduction of materials	100%	98%	84%

Note: The size of the wafer was reduced; thus, more wafers were produced by per piece of material.

Power consumption LCD HD display driver IC
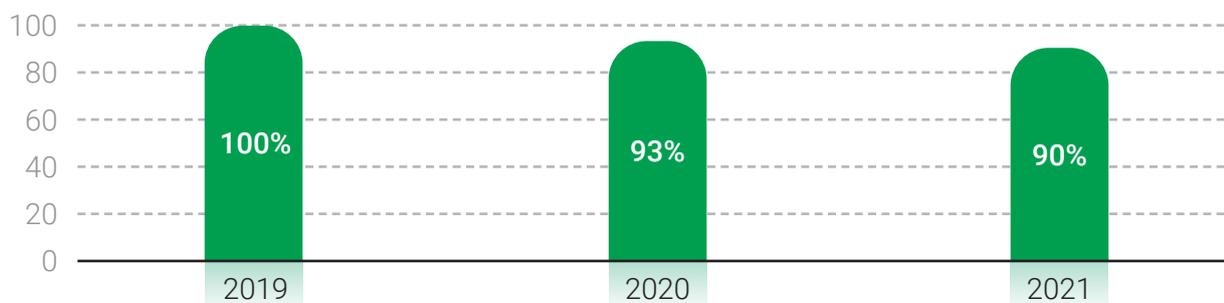
	2019	2020	2021
Reduction in power consumption	100%	93%	90%

Note: The combination of ICs with panels consumed less power and less electricity.

GHG Emissions

FocalTech is a professional IC design company, its manufacturing, packaging and testing of products are performed by external professional vendors. In this regard, FocalTech is an enterprise that consumes relatively low energy. The main energy source of FocalTech is from an external company (Taiwan Power Corporation), with 633.42GJ of energy consumed in 2021. Therefore, FocalTech focuses on the promotion of innovative green product design and green office, and continues to raise employees' green awareness and promote specific plans.

GHG Emissions Taiwan

Year	Average number of People	Electricity		Energy Indirect GHGEmissions (Scope 2) per capita (tCO_2 eq/yr-person)
		Total Electricity Consumption (KWh/yr)	Energy Indirect GHG Emissions (Scope 2) (tCO_2 eq/yr)	
2019	350	1,365,360	694.968	1.9856
2020	395	1,747,281	877.135	2.2206
2021	434	1,759,492	883.265	2.0352

Note1: The inventory is mainly based on the external source of energy of the FocalTech plant in Hsinchu, Taiwan (Scope 2 Energy Indirect Emissions).

Note2: The complete 16064-1 GHG inventory is expected to be completed in 2023.

Water Management

The main water source of FocalTech is 100% from Taiwan Water Corporation. The water is only consumed for employees' domestic use (including drinking, washing, and environmental cleaning). In 2021, no incident of illegal pollution occurred and there was no significant impact on environmental water sources.

Year	Average number of People	Water	
		Total water consumption (ml)	Sewage discharge volume (ml)
2019	350	7.6	0.001
2020	395	8.5	0.002
2021	434	7.6	0.001

Note: The water consumption statistics above only includes the Taiwan plant.

Waste Management

The wastes are mainly office waste, which is declared by certified vendors as general business waste. The Company has not generated hazardous waste and is in full compliance with the requirements of the international regulations listed in IEC 62474 Material Declaration Standard.

Item	2019	2020	2021
Total waste volume	1.24 metric tons	1.53 metric tons	1.57 metric tons

Note: Total waste statistics include only the data of the Taiwan plant.

Green Procurement

FocalTech will formulate a green procurement policy and prioritize products with environmental labels. FocalTech has been actively replacing old and energy-consuming equipment in offices and plants in recent years with equipment obtaining the Energy Conservation Label such as air conditioners, air compressors, refrigerators, desktop computers, laptop and notebook computers, and LCD monitors. Apart from these, all light fixtures are also gradually replaced with LED energy-saving light bulbs.

Social

Human Rights

FocalTech attaches great importance to labor rights and interests by recognizing and supporting the standards disclosed in the international human rights conventions such as the International Labor Organization Convention, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the United Nations Universal Declaration of Human Rights, with reference to which FocalTech formulates relevant labor policies.

Internal regulations include "Diversity of Employment and Non-Discrimination", "Regulations on the Prevention and Control of Sexual Harassment", "Prohibition of Child Labor", and "Regulations on the Management of Recruitment Operations".

Human Rights Commitments

- No Child Labor
- No Forced Labor
- Humane Treatment
- Non-Discrimination Policy

- Health and Safety
- Occupational Safety
- Emergency Preparedness
- Public Health and Accommodation

- Environment
- Harmful Substances
- Integrity Management

No incidents of discrimination, child labor, or forced labor occurred in 2021

Employee Composition

Region	Taiwan and overseas		Mainland China	
Total number of employees	434		414	
Employment contract (Note 1)	Non-fixed term	Fixed term	Non-fixed term	Fixed term
Gender Male	352	2	333	0
Female	79	1	81	0

Note 1: Employment contract is divided into non-fixed-term employees (full-time positions) and fixed-term employees (temporary, short-term, seasonal, dispatched, foreign workers, technical students, and interns).

Employee Turnover

Employee Turnover Rate

2021 By Gender/ Region	Taiwan and Overseas	Mainland China	Total
New Hires (M)	101	76	177
New Hires (F)	27	15	42
New Hires Total	**128**	**91**	**219**
Resigned Employees (M)	71	40	111
Resigned Employees (F)	17	5	22
Resigned Employees Total	**88**	**45**	**133**
Turnover Rate	**21.4%**	**11.6%**	**16.6%**

Turnover Rate	
2018	16%
2019	15%
2020	20%
2021	16.6%

Statistics on new hires and resigned employees in 2021

Male **Female**

Taiwan and overseas

New hires

	Below 30 years old	30-50 years old	Above 50 years old
Male	35	58	8
Female	9	18	0

Resigned employees

	Below 30 years old	30-50 years old	Above 50 years old
Male	19	49	3
Female	3	14	0
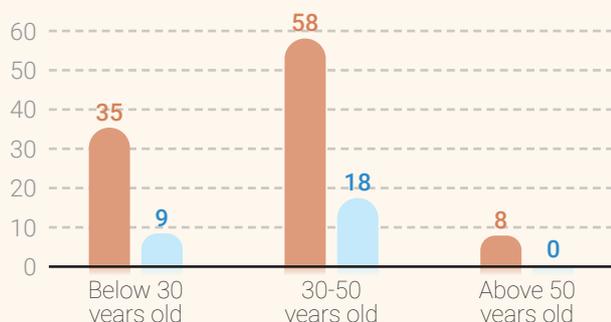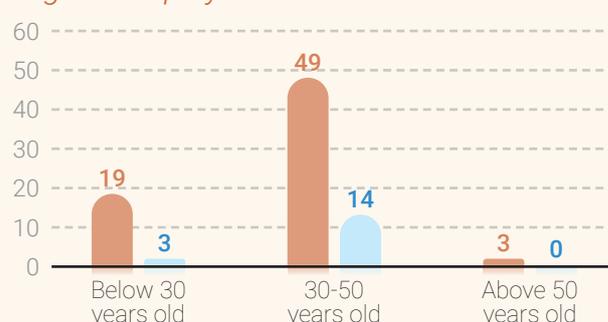
Mainland China

New hires

	Below 30 years old	30-50 years old	Above 50 years old
Male	42	34	0
Female	10	5	0

Resigned employees

	Below 30 years old	30-50 years old	Above 50 years old
Male	13	27	0
Female	1	4	0
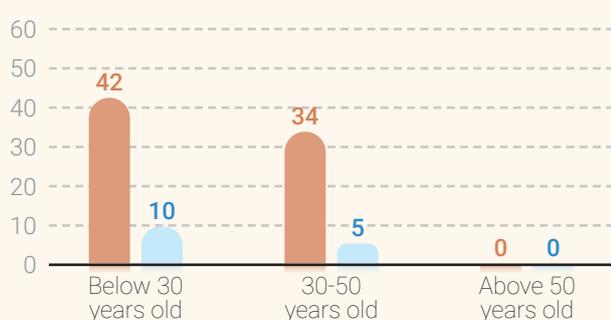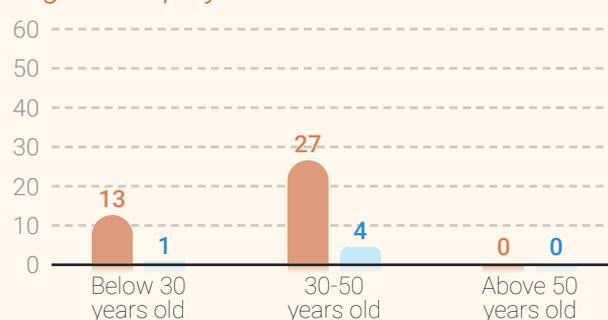
Employee Communication

FocalTech believes that every employee is an important asset of the Company, and therefore, it values every employee's viewpoint and opinion; FocalTech hopes that every employee's voice is heard and valued. In the event of significant operational changes affecting employees' rights and interests, the Company will invite labor representatives for discussion and give advance notice in accordance with labor-related laws and regulations, and provide explanation to employees in a timely manner.

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.

2021:

Four labor-management meetings and five meetings with the Chairman were held.

Salary Structure

FocalTech offers a minimum wage that is higher than the amount stipulated by local laws and regulations, which is 1.35 times higher in Taiwan and 2.84 times higher in mainland China. The Company's compensation and benefits are measured in accordance with local laws and regulations by maintaining a fair and objective attitude, without regard to gender, age, religion, race, marriage, or political orientation.

Gender Pay Equality

Rank	Taiwan		Mainland China	
	Male	Female	Male	Female
Management level employees	1	0.69	1	0.83
General employees	1	0.76	1	0.85

The differences are explained as follows:

1. The calculation is based on the statistics of male employees.

2. The statistics in Taiwan do not include the local employees in the United States, Germany and Korea.

3. FocalTech is an IC design company, thus its employees are mainly R&D staff members with a science and technology background, and most of them who have a science and technology background are men.

Gender	2017	2018	2019	2020	2021
Female	1.000	1.000	1.000	1.000	1.000
Male	1.525	1.605	1.597	1.793	1.776

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

Full-time non-executive employee salary in 2021

Year		2019	2020	2021
Number of full-time non-executive employees		356	334	362
Annual salary of full-time non-executive employees (Unit: NT$ thousand)	Average	1,534	2,018	2,679
	Median	1,360	1,740	1,963

Note: The statistics in Taiwan do not include the local employees in the United States, Germany and Korea; the statistics are consistent with the statistics of the Taiwan region disclosed on the Market Observation Post System (MOPS).

Employee Benefits

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

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

Parental Leave

In 2021, fifteen employees (12 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 3 (3 females), and 2 reinstated in 2021.

Item		Gender	2021
	Reinstatement rate	Male	-
		Female	67%
		Total	67%

Item	Gender	2021
Number of employees who have reinstated and worked for a year as of the current year	Male	0
	Female	1
	Total	1
Retention rate	Male	-
	Female	50%
	Total	50%

Note: There is no leave related to children raising in mainland China, so the statistics only include employees in Taiwan.
The reason that the employees did not reinstate and continue to work at FocalTech is due to personal career planning.

Occupational Safety and Health

FocalTech has established an Occupational Safety and Health Committee consisting of 13 members to regularly review occupational safety issues on a quarterly basis. FocalTech is an IC design company with no manufacturing operations, although employees are not engaged in high-risk operations, still FocalTech follows Environment and Occupational Safety and Health Policy, obtained ISO 45001 certification for Hsinchu Science Park, annual health checkups and provides dedicated on-site nursing staff to actively build a safe environment and workplace.

In 2021, there was 0 FocalTech employee injured at work.

Talent Cultivation

FocalTech has spared no effort in the cultivation and development of talents, and is committed to providing an open and diversified learning environment for employees.

Training System

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

The Company's core values and corporate culture as cornerstones

Training hours of personnel at all levels in Taiwan and overseas in 2021

Rank	Number of male participants	Hours	Average number of hours	Number of female participants	Hours	Average number of hours
Senior executives	13	183	14.07	0	0	0
Middle executives	85	659.5	7.75	4	40	10
Junior executives	171	1,238	7.23	27	230	8.51
Professionals	505	4,048	8.01	125	1,250	10
Total	774	6,128.5	7.92	156	1,520	9.74

Training hours of personnel at all levels in mainland China in 2021

Rank	Number of male participants	Hours	Average number of hours	Number of female participants	Hours	Average number of hours
Senior executives	3	108	36	0	0	0
Middle executives	36	1,069	29.69	6	216	36
Junior executives	50	636	12.72	12	170	14.17
Professionals	165	1,769	10.72	36	386	10.72

Goal:
An average of 10 training hours per person.

In order to increase the training hours of employees, FocalTech will enhance the training platform to enable employees to learn proactively regardless of location and time.

Performance Evaluation

Mid-year Evaluation

Review and evaluate the completion progress made in the first half of the year based on the project completion goals set at the beginning of the year, and adjust or start the work plan and formulate goals for the second half of the year through one-to-one communications.

Year-end Evaluation

Conduct one-to-one feedback on the current year's work performance and evaluate the colleague performance. During the process, feedbacks are given on their performance, strengths and opportunities for continuous development, in order to achieve the goal of improving individual performance and organizational goals.

In 2021, 100% of FocalTech employees received a regular evaluation on their performance and career development.

Supply Chain Management

Core goals and achievements

	2021 Goal	Achievement
New suppliers sign the "Integrity Commitment"	100%	✓
New suppliers sign the "Corporate Social Responsibility Agreement"	100%	✓
New suppliers obtain ISO 9001 certification	100%	✓
Suppliers obtain ISO 14001 certification	96%	89% (Note)
Suppliers conforming with RoHS Directive and REACH Regulations	100%	✓
Raw materials procured from Global Reporting Initiative (GRI) certified smelters	100%	✓
System audits conducted	80%	100%

Note: 100% of key suppliers obtained certification.

Action plans
- Issue RBA SAQs for awareness-raising purposes and request responses
- Increase audit frequency
- Conduct weekly and monthly review meetings

Goals for 2022
- Have 100% of key suppliers complete the greenhouse gas inventory
- Formulate the "Corporate Social Responsibility Commitment Agreement" and have 100% suppliers sign the Agreement

Mid to Long-Term Goals
- Establish supplier management information platform
- Development of a sustainability and CSR-oriented supply chain
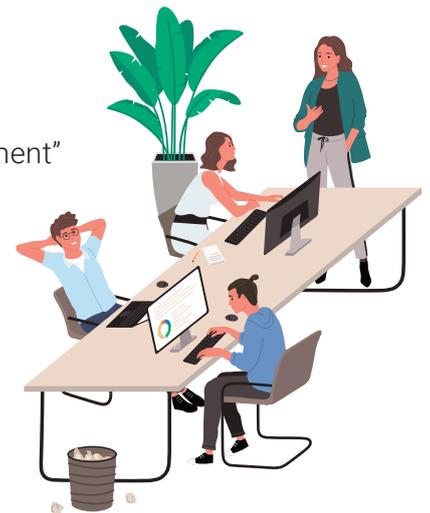
Supplier Management Flow

New supplier introduction

- Basic information review
- Production capacity review
- Quality system
- New supplier audit
- Engineering item evaluation/validation
- Reliability review
- Green product assurance and document review
- Integrity and non-use of conflict minerals

Qualified suppliers for mass production

- Quality management by objectives
- Qualified supplier registration management
- Periodic audit
- Quality review meetings
- Change management
- Abnormality management
- Continuous improvement

Unqualified suppliers

- Increase in supplier counseling and auditing
- Reduction in orders
- Removal from the Qualified Supplier List

Conflict Minerals Management

- Ensure that products do not use conflict minerals from Congo and surrounding countries and regions
- Ensure suppliers to purchase from conflict-free mineral supply chains and qualified smelters, and use the RBA GeSI / RMI questionnaire to conduct source investigations of conflict minerals to implement conflict-free procurement plans and strategies, and then make the above information open and available to direct customers.
- Require suppliers to transfer conflict mineral requirements to the upstream supply chain.

FocalTech understands the RMI conflict-free procurement plan driven by RBA and GeSI, and fully supports and cooperates with, and is committed to detailed investigation of the supply chain to ensure metals- gold (Au), tantalum (Ta), tungsten (W), tin (Sn)- are not mined by anarcho-armed or illegal organization, or mined from mines in conflict zones in the Democratic Republic of the Congo, or illegally smuggled.

In accordance with the Conflict-free Smelter Program (CFSP), FocalTech requires suppliers to submit a Conflict-free Minerals Commitment Agreement to ensure that raw materials used in FocalTech products are from smelters certified by the Responsible Minerals Initiative (RMI). Furthermore, the Conflict Minerals Reporting Template (CMRT) issued by the Conflict-Free Sourcing Initiative (CFSI) is used as a survey form to request that suppliers assure that the metals used in the raw materials provided to the Company are not from conflict mineral zones, with an aim to implement FocalTech's policy on conflict minerals procurement. FocalTech guarantees that all metals contained in any products sold to customers are "DRC Conflict-free."

FocalTech has established its Management Regulation for Environment-related Banned Substances and the Company's products are in compliance with the applicable laws and regulations on hazardous substances, such as EU regulations (RoHS and WEEE directives) as well as the requirements of customers.

Supplier Evaluation

● Initial on-site evaluation of suppliers

Evaluates the supplier's production capability, quality management capability, environmental management requirements, and the CSR compliance.

● Qualified suppliers' information requisite

Sign "Procurement Contract", "Integrity Commitment", "Supplier's Guarantee against the Use of Environmental Hazardous Substances", "Confidentiality Agreement", "FocalTech Quality Contract" and "Corporate Social Responsibility Commitment Agreement."
Obtain ISO 9001 certification.

● Regular evaluation of qualified suppliers

Annual evaluation, deficiencies found during supplier audit improvement target within 30 days.

In 2021, completed system audits on 23 suppliers in production. The main deficiencies are environmental and social related certifications. In this regard, FocalTech will continue to request that its suppliers make improvements.

● Removal from the list of qualified suppliers

Violation of 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, will be requested to be removed from the list of qualified suppliers.

	Certification	Total suppliers: 27		Key suppliers: 8		New suppliers in 2021: 3	
		No. of suppliers who have acquired certification	Percentage	No. of suppliers who have acquired certification	Percentage	No. of suppliers who have acquired certification	Percentage
Economic	ISO9001	27	100%	8	100%	3	100%
	IATF16949	21	78%	8	100%	1	33%
Environmental	ISO14001	24	89%	8	100%	1	33%
	QC080000	16	59%	7	88%	0	0%
	SONY GP	10	37%	4	50%	0	0%
Social	ISO45001	22	81%	8	100%	1	33%
	Social Responsibility Management, RBA	5	19%	2	25%	0	0%
Commitment Signing	Integrity Commitment	27	100%	8	100%	3	100%
	Corporate Social Responsibility Commitment Agreement	27	100%	8	100%	3	100%

Governance

Organization

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                    │ Shareholders' Meeting│───────│   Audit Committee   │
                    └─────────────────────┘        └─────────────────────┘
┌─────────────────┐ ┌─────────────────────┐        ┌─────────────────────┐
│ Auditing Office │─│  Board of Directors │        │   Remuneration      │
└─────────────────┘ └─────────────────────┘        │    Committee        │
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                    │      Chairman       │        ┌─────────────────────┐
                    └─────────────────────┘        │     Sustainable     │
                    ┌─────────────────────┐        │  Development Team    │
                    │ Chairman and CEO Office│     └─────────────────────┘
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| Quality Assurance Department | Operation Department | Business Department | Marketing Department | Engineering Department | Research and Development Department | Finance and Accounting Department | Human Resources & Administrative Department |

Board of Directors

With a transparent and sound framework of the Board of Directors, the nomination and election of board members are carried out in compliance with laws and regulations. In 2021, a total of 5 Board Meetings were held, with an attendance rate of 100%.

Title	Director	Representative	Gender	Executive Position in Company	Date First Elected
Chairperson	Genda Hu		M	CEO & General Manager	2015/1~
Director	GWAA LLC	Han-ping Hsieh	M		2015/6~
Director	GWAA LLC	Chenming Hu	M		2020/6~
Director	Acer Incorporated	Jason Chen	M		2022/6~
Independent Director	Chin-tay Shih		M		2015/1~
Independent Director	Chan-jane Lin		F		2015/1~
Independent Director	Chang Hsu		M		2020/6~
Independent Director	Benison Hsu		M		2020/6~

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%.

Board Diversity Statistics

By gender, age and education level			2019		2020		2021	
			Number of people	Percentage	Number of people	Percentage	Number of people	Percentage
Board members	Gender	Male	7	87.5%	8	88.9%	6	85.7%
		Female	1	12.5%	1	11.1%	1	14.3%
	Age	Below 50	3	37.5%	2	22.2%	0	0%
		Above 50	5	62.5%	7	77.8%	7	100.0%
Education level		MA/MS/PHD	8	100.0%	9	100.0%	7	100.0%
Total number of board members			8	100.0%	9	100.0%	7	100.0%

Functional Committees

Name	Board Title	Audit Committee	Compensation Committee
Chanjane Lin	Independent Director	Convener	Member
Chintay Shih	Independent Director	Member	Convener
Chang Hsu	Independent Director	Member	
Benison Hsu	Independent Director	Member	
Jim Lai			Member

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 four meetings were held in 2021, with an 100% attendance rate.
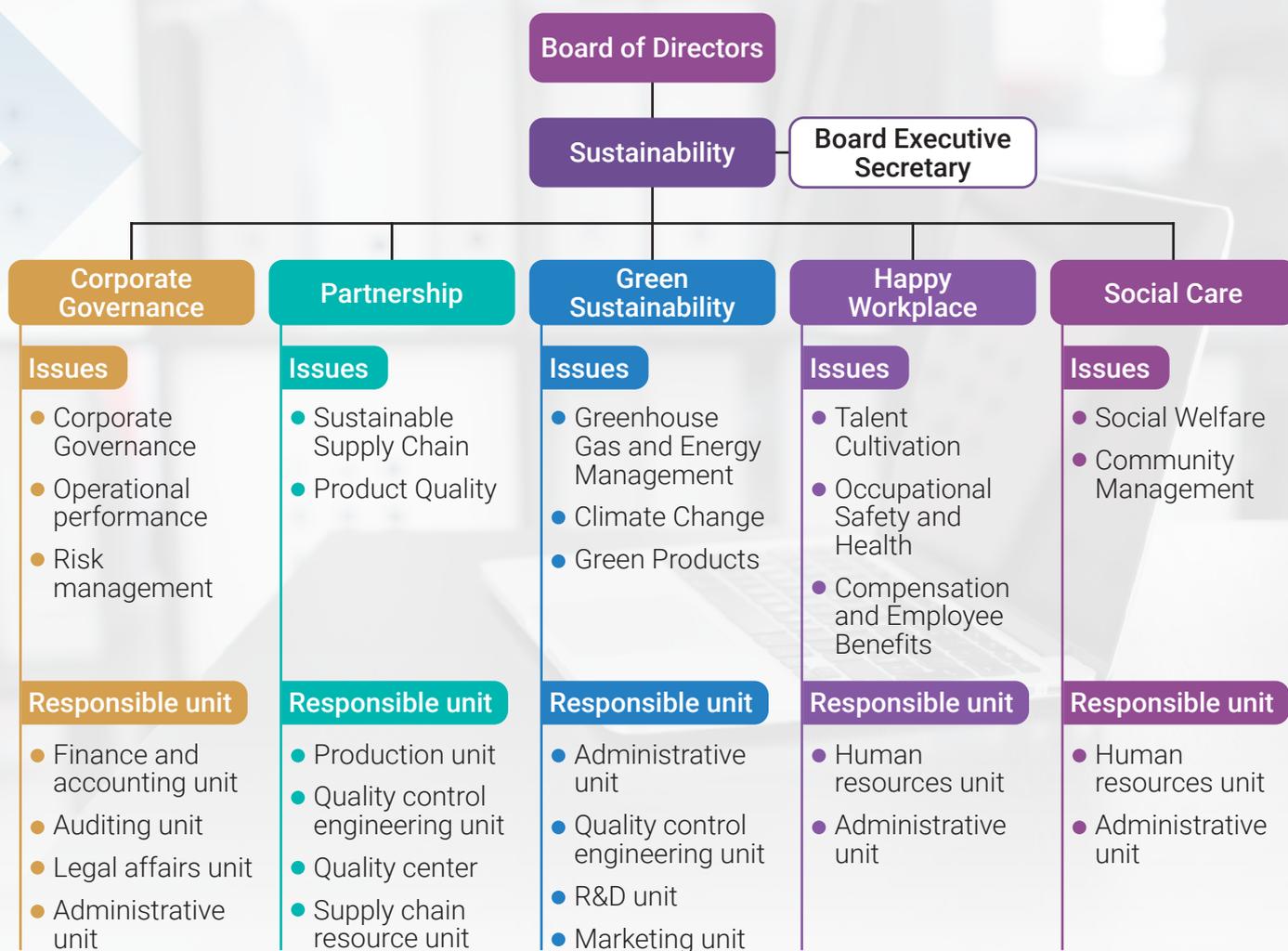
Renumeration Committee

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 three meetings were held in 2021, with an 100% attendance rate.

FocalTech did not violate the internal control system and thus was not penalized by the competent authorities in 2021.

Sustainability Development Team

The Board of Directors of FocalTech established the Sustainability Development Team to promote tasks of corporate social responsibility and integrity management. On November 6, 2020, the Board of Directors appointed a Corporate Governance Senior Officer as the Team's convener to coordinate corporate governance work and the aforementioned duties. The Team is responsible for business governance, social care and environmental sustainability, etc. To ensure that all major issues identified are covered and that social responsibility is fulfilled, the Team has prepared and submitted an annual CSR Report to the Report to the Board of Directors from 2021 onwards by combining the relevant units' and the Company's resources.

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                          │  Board of Directors  │
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                    ┌────────────────┴──────┬──────────────────────┐
                    │   Sustainability      │  Board Executive     │
                    └───────────────────────┤  Secretary           │
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Corporate Governance	Partnership	Green Sustainability	Happy Workplace	Social Care
Issues	**Issues**	**Issues**	**Issues**	**Issues**
• Corporate Governance • Operational performance • Risk management	• Sustainable Supply Chain • Product Quality	• Greenhouse Gas and Energy Management • Climate Change • Green Products	• Talent Cultivation • Occupational Safety and Health • Compensation and Employee Benefits	• Social Welfare • Community Management
Responsible unit	**Responsible unit**	**Responsible unit**	**Responsible unit**	**Responsible unit**
• Finance and accounting unit • Auditing unit • Legal affairs unit • Administrative unit	• Production unit • Quality control engineering unit • Quality center • Supply chain resource unit	• Administrative unit • Quality control engineering unit • R&D unit • Marketing unit	• Human resources unit • Administrative unit	• Human resources unit • Administrative unit

Integrity management

The Sustainability Development Team reports on the overall implementation of the ethical management duties in the first quarter of each year at the Board Meeting.

FocalTech's Code of Ethics for Honest Management and Practice approved by the Board of Directors on October 26, 2018 is publicly disclosed on the company website. Other than that, an implementation plan is also formulated every year.

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

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

Code of Ethics for Honest Management and Practice Self-inspection

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

In addition, we prohibit

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

Risk Control

The Risk Management Policies and Procedures was established with the approval of the Board of Directors in 2021.

The Company has implemented annual risk assessment and reported to the Board of Directors since 2018, including identified risks and countermeasures.

The scope of risk identification includes strategic planning, operational management, information technology, human resources, financial operations, and other issues.

From 2022 onward, separate assessments will be conducted on the issues of information security, environmental sustainability, climate risk, and human resources with an aim to discuss the respective response and optimization measures.

Information Security

The top executive of the information department serves as the convener to review the information security governance policies of each subsidiary and to oversee their operations. Failure to properly manage information security will result in data loss and theft. The Company's Information Security Policy along with relevant operation regulations serves as the guideline and the top executives reports regularly to the Board of Directors on the implementation of information security risk management.

In addition, the protection of trade secrets is implemented in accordance with the Company's internal control system.

1. New employees are required to sign a written document of confidentiality obligations when on boarding and leaving, which includes confidentiality, non-compete agreement, intellectual property and invention agreement.
2. The Patent Application Management and Incentive Regulations was established and a Patent Review Committee consisting of at least three first-level executives was formed.

Internal Regulations

- The Patent Application Management and Incentive Regulations (established 2006, revised in 2015.)
- The Code of Ethics for Honest Management and Practice (established 2018)
- The Information Security Policy (established 2020)
- The Internet and Electronic Media Operation Management Regulations was revised to include information security prevention measures.

No monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations in 2021.

Reporting Channels and Whistleblower Protection

The reporting channel policy was established in 2016 and available on the Company website. A dedicated mailbox *whistleblower@focaltech-electronics.com* is available for all internal and external stakeholders to reflect their relevant opinions. These opinions will be directed to both the convener of the Audit Committee (an independent director) and Audit Senior Officer.

Adhering to the principle of identity protection and non-retaliation of the whistleblower, FocalTech conducts investigations in a strictly confidential manner, and forms an investigation task force when deemed necessary. The task force handles received reports and subsequent investigations in a confidential and rigorous manner.

No substantiated allegation of corruption was recorded in 2021.