FARADAY

2019 Faraday Technology
Corporate Social Responsibility Report

Contents/

About this report /

Thank you for taking time to read the 2019 Corporate Social Responsibility Report published by Faraday Technology Co., Ltd. (hereinafter referred to as Faraday). The content of this report upholds the principles of sincerity, pragmatism and transparency, and approaches to the general public; specifically describes Faraday's fulfillment and actions on corporate social responsibility in 2019. Through this report, stakeholders who are concerned can have a clearer understanding of Faraday's investment and achievements in the economic, environmental and social aspects. We will also take this to continuously self-examine and respond in good faith to the expectations of stakeholders, to achieve the goal of sustainable development.

Scope

The reporting period is between January 1 and December 31, 2019, including Faraday's practices, performance metrics and data of economic, environmental and social dimensions in corporate governance, operating performance, sustainable environment, partnerships, employee rights and social care. In addition to the financial data about the affiliated companies and subsidiaries of Faraday in various countries, this report scope is also set to the information of the operating bases in Hsinchu, including Faraday headquarters, and the offices in Taipei and Tainan (excluding overseas operating bases).

Reporting principles

This report collects the internal and external issues relevant to corporate governance, economic, environmental and social aspects of Faraday; helps understand the issues that stakeholders are concerned about based on materiality analysis; formulates the structure of this report and the key topics of the disclosure. In addition, this report is compiled according to the core options (Core) of the GRI Standards, issued by the Global Sustainability Standards Board (GSSB), on its preparation and disclosure of the content.

The statistical data disclosed in the report are compiled and provided by the various authorized units of Faraday. The financial performance data is public information prepared by certified accountants and is consistent with the company's annual report. The calculation and evaluation for environmental performance are derived from public government information with further computation.

Report audit and verification

Internal audit: The content of this report is provided by the authority and responsibility team after being approved by the top management of each department. Compiled by the corporate sustainability committee, checked by each authority and responsibility unit manager about the correctness of the content, confirmed by the chairman of the corporate sustainability committee. And then reported to the chairman of Faraday. External verification: In order to strengthen the correctness and credibility, this report was verified by SGS Taiwan Ltd., an external independent and credible firm, based on AA1000 AS (2008) Type 1, Moderate level assurance and the core option (Core) of the GRI Standards. The SGS ASSURANCE STATEMENT is attached in the appendix of this report.

Report assurance

Faraday publishes a corporate social responsibility report every year, and provides a downloadable electronic version from the corporate sustainability section of Faraday's official website (https://www.faraday-tech.com/tw/content/CSR/CorporateSustainability).
Initial release date: September 2020
Current release date: September 2020
Next release date: expected September 2021

Your feedback

Faraday sincerely welcomes stakeholders to continuously communicate with us, and provide valuable comments and suggestions through the following contact methods.
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E-mail: csr@faraday-tech.com
Website: www.faraday-tech.com/tw/content/CSR/StakeholderEngagement (Stakeholder Engagement)

Message from the President /

The application-specific integrated circuit (ASIC) market showed vigorous development in 2019. Great growth in business opportunities and fabrication technologies have been driven by the rise in artificial intelligence (AI) and the Internet of Things (IoT), as well as by the US-China trade conflict. There is also extremely limited space for IC design service companies, with a high bar to entry, which has meant boundless opportunities for ASIC companies. Faraday has a complete technology roadmap, as well as a vertically-integrated operation model centered on Faraday's proprietary IP. This has helped the company not only maintain excellent performance through its mature processes, but also make huge gains through advanced processes. Through the combined efforts of all employees, Faraday had consolidated revenue of NT$5.31 billion in 2019, and basic earnings per share of NT$1.40. Faraday's main operating accomplishments for the year included:

- Revenue from non-recurring engineering (NRE) continued growing, to NT$1.37 billion – a new historic high.
- Niche applications now account for more than 80% of mass production revenue. Scoring victories in a diverse, highly-customized market is Faraday's strong suit, and is an application that will be advantageous for Faraday's long-term development.
- Annual IP revenue was NT$880 million, a 12-year record high.

In the 26 years since our founding, we have deeply understood that the key to corporate sustainability is *people*. We pay special attention to the training and development of our talents, and we have robust training resources and learning environments in place. In line with the company's operational goals and strategy, we have established a comprehensive training development system and outline, to do our utmost to help grow and maintain highly adept technology talent. The company has been highly honored to win both the National TrainQuali Prize and the SGS ISO 9001 Plus Award: QMS Competence Management Benchmark.

In carrying out our social responsibility, Faraday is concerned with the rights and interests of stakeholders. As we pursue sustainable operations and profit, we also care deeply about our influence on the environment, society, and governance, while continuing to enhance our sustainable performance. In 2019, we established a corporate sustainability committee, aimed at strengthening the company's governance capacity, protecting the environment, and doing our utmost to carry out our corporate responsibility. Faraday is committed to the vision of "Global, environmentally-friendly values that put people at the core, help us live in harmony with the environment, and help us win glory in partnership with society". We make "Corporate governance, a Sustainable Supply Chain, Environmental Sustainability, Friendly Workplace, and Social Involvement" our key goals, as we cooperate with our stakeholders to mutually pursue corporate and socially-sustainable growth.

In the world today, we face a globally-extreme climate, a worsening natural environment, and other issues. Confronting these problems, Faraday's environmental sustainability plans include working hard to develop low power consumption, green energy product designs; and deepening the United Nations Sustainable Development Goals (SDGs), to expand environmental protection and public welfare activities that help society's disadvantaged. In terms of economics, Faraday will continue to work hard in our business models, value integration, application products, and customer deployment. By using our vertically-integrated operation model, and focusing on Faraday's own IP platforms, we continue to create outstanding, long-term value for the company, our customers, and all stakeholders.

Steve Wang
Faraday Tech President

About Faraday/

Faraday is a leader in application-specific integrated circuit (ASIC) and silicon intellectual property (IP) R&D and sales. Faraday was founded in 1993 as Asia's first ASIC vendor, and is also one of the few ASIC vendors with a comprehensive self-developed IP database.

1st founded
Asian ASIC vendor

No.1
Asian IP vendor

TOP 3
Fundamental IP vendor

Shanghai
Suzhou
Chongqing
Tokyo
Oregon
Silicon Valley
Bengaluru
HEADQUARTERS
Taiwan/Hsinchu
Taipei • Hsinchu • Tainan
Ho Chi Minh

850⁺
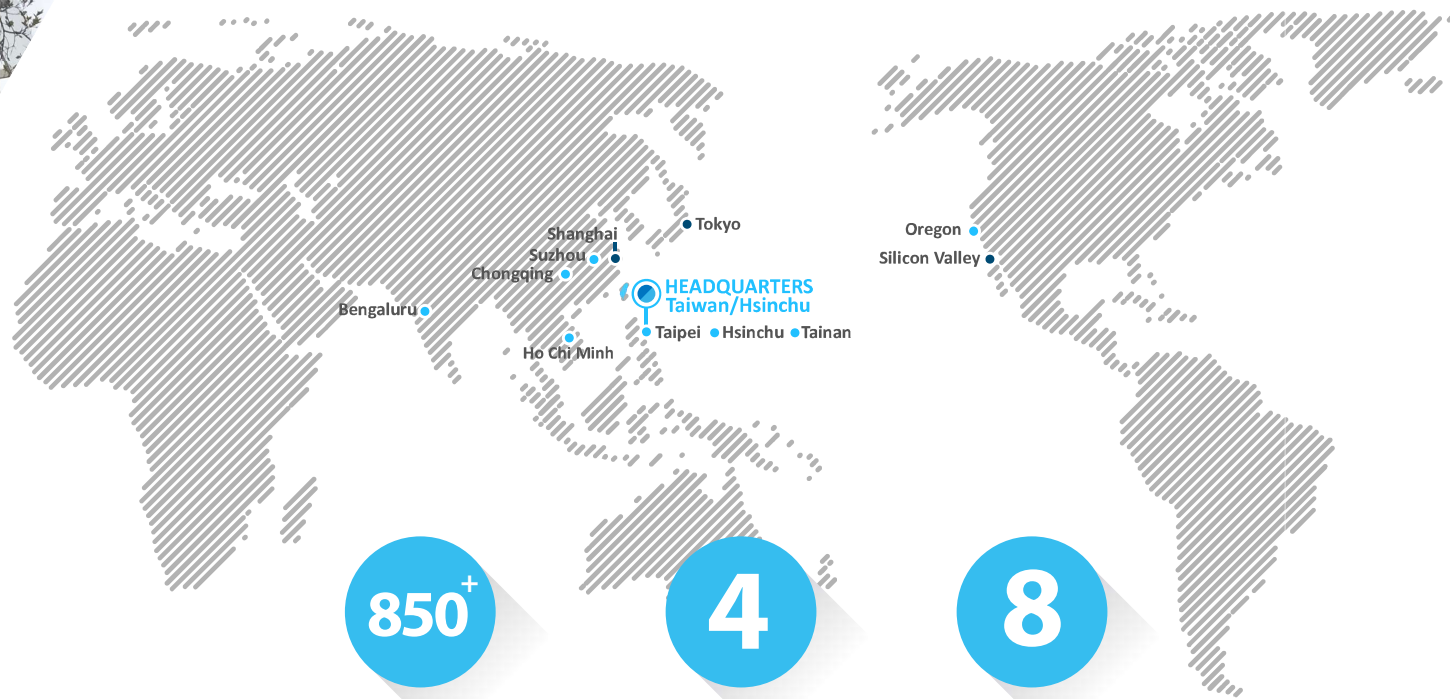
Employees worldwide

4

Global sales offices

8

Design centers

Faraday's headquarters is located in Hsinchu Science Park, and design centers and global sales offices in the US, Japan, China, India, and Vietnam. Faraday has more than 850 employees worldwide, 75% or more of whom are R&D and engineering specialists.

Faraday's operational model is to provide customized SoC/ASIC design services and complete IP solutions. The company has extensive technical capacity and experience in IP development; a plentiful IP database; and high-performance SoC platforms. From setting specifications for front-end design, to enhancing quality of mass production, we provide

customers with efficient consultation and assistance at every stage. This helps customers enormously reduce development risks, lower investment of design resources, shorten product launch time to market, and create maximum possible benefits for customers.

Acknowledged for capabilities and expertise in successful designs over a wide range of applications, Faraday has carried out thousands of ASIC designs, including consumer electronics, multimedia, display technology, data communication, networking, and peripheral storage devices. On average, hundreds of millions of Faraday chips are shipped every year.

Composition and functions of the Corporate Sustainability Committee /

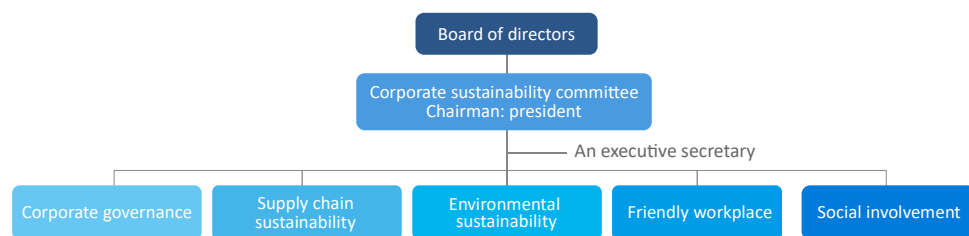In carrying out our social responsibility, Faraday is concerned with the rights and interests of stakeholders. As we pursue sustainable operations and profit, we also care deeply about our influence on the environment, society, and governance, while continuing to enhance our sustainable performance. In 2019, the corporate sustainability committee was established. It was tasked with setting the company's corporate sustainability strategy and vision, in order to strengthen the company's governance capacity, protect the environment, and do the utmost to carry out corporate responsibility. The committee is chaired by the president, guided by the highest principle of sustainable corporate growth. The committee meets every half-year to review how effective the company has been in implementing corporate sustainability, and makes annual reports on implementation results to the board of directors.

The corporate sustainability committee comprises five working groups: Corporate governance; supply chain sustainability; environmental sustainability; friendly workplace; and social involvement. These five groups aim to carry out tasks on CSR development. The membership of corporate sustainability committee consists of professionals from different functional departments, all of whom are AVP-level or above, acting as group leaders. An executive secretary is assigned to coordinate the working groups and promote the subjects of corporate sustainability.

To make the company's corporate sustainability development strategy a reality, each group formulates corporate sustainability implementation targets based on its authority and responsibility. The sustainability committee meets every half-year, to assess implementation effectiveness for all the corporate sustainability targets based on previous issues, as well as to compile CSR targets and plans for the next phase. Through continuous improvement, they work to achieve the goal of sustainable development.

The functions of the working groups are as follows:

Group	Functions
Corporate governance	Strengthens board of directors' functions and advocates for shareholder interest s, integrates relevant departments in setting all manner of corporate governance regulations and systems. In compliance with integrity, assists in optimizing and implementing internal corporate governance mechanisms. Provides customer-oriented service and value, while paying heed to stakeholders' rights, interests , and topics of concern. Guarantees transparency of disclosed information and relevant legal compliance. the ethical management unit within the corporate governance group is responsible for creating a culture of trust and complying with the principle of integrity.
Supply chain sustainability	Enhances customer service and quality-related tasks. Optimizes service quality, raises customer satisfaction rate, while also maintaining customer interests and relevant business confidentiality. Responsible for developing a sustainable supply chain and establishing long-term partnerships with subcontractors, based on quality, cost leadership, delivery & supply, service teams, and sustainability.
Environmental sustainability	Carries out company-wide tasks related to environmental protection, safety, energy & water conservation, and greenhouse gas (GHG) management. Coordinates supply chain partners in building a green supply chain, to mutually maintain a friendly industrial environment.
Friendly workplace	Responsible for formulating employee benefits, creating a diverse and inclusively friendly workplace, valuing labor rights, and offering training and development as needed.
Social involvement	Implements Faraday's external interactions with communities and society as a whole. On the principles of Education, Environmental Friendliness, and Caring for the Disadvantaged, Faraday continues to work hard on industry-academia collaboration, campus programs, and social activities including environmental friendliness, caring for the disadvantaged, and rural education.

Sustainable vision and commitment

Faraday's corporate sustainability vision develops based on economic, environmental, and societal orientations. Through unified resource planning, Faraday has built long-term partnerships with customers, subcontractors, and social groups, and done our utmost to fulfill our duty as a corporate citizen and maintain our standards of safety, health, and environmental friendliness. We have also established our corporate governance principles in consideration of the Responsible Business Alliance (RBA) Code of Conduct, to guarantee human rights, worker care, workplace safety, anti-corruption, environmental protection, and other concerns.

Faraday is committed to the vision of "Global, environmentally-friendly values that put people at the core, help us live in harmony with the environment, and help us win glory in partnership with society". We make "Corporate governance, a Sustainable Supply Chain, Environmental Sustainability, Friendly Workplace, and Social Involvement" our key goals. With our stakeholders, we collaborate and mutually pursue sustainable growth for the corporation and society alike.
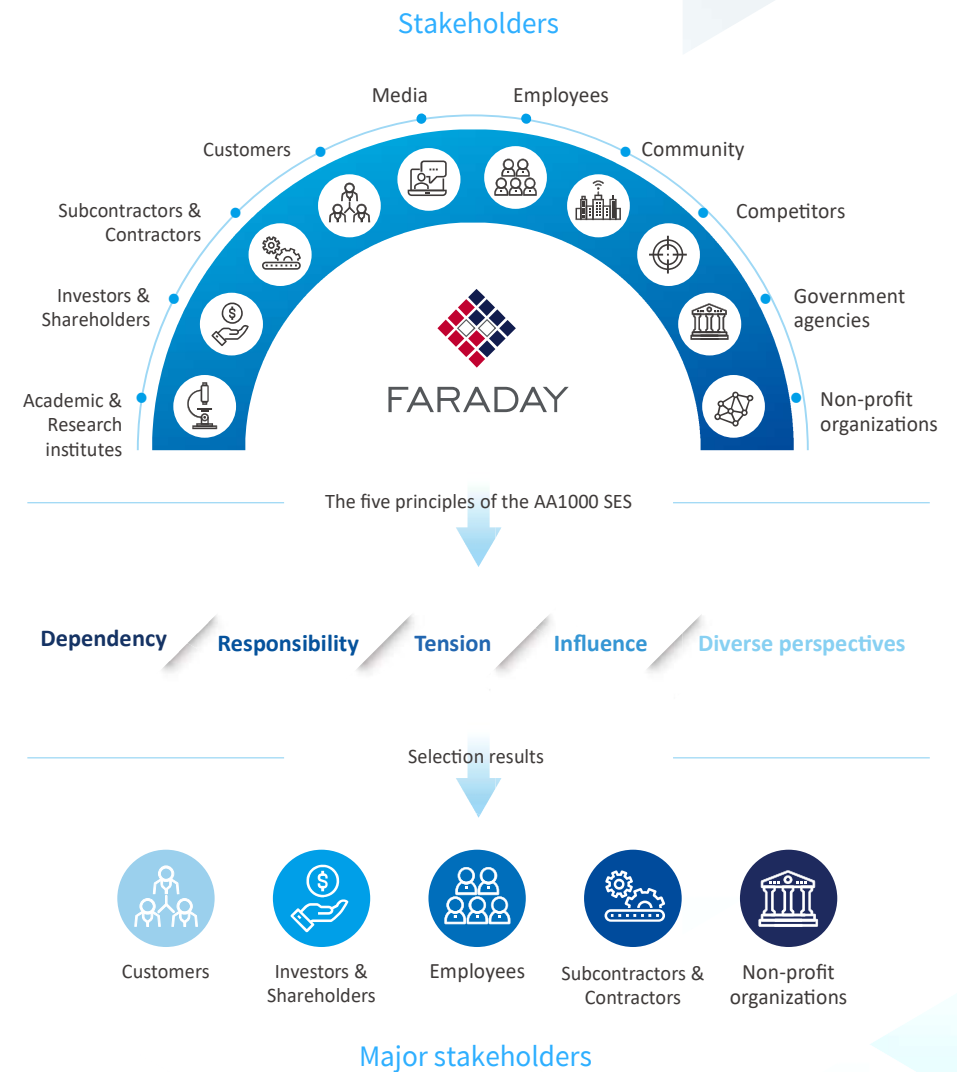
Stakeholder engagement /

Since the foundation of Faraday, we have upheld the management principles of honesty, transparency, and responsibility, and we have set integrity as our fundamental policy. By dedicating ourselves to pursuing sustainable development and growth for the company, we create reasonable benefits and value for shareholders, employees and society alike. We build multiple transparent, effective, timely communication channels with all stakeholders, which has won us the trust and support of our stakeholders. We stay constantly alert of stakeholders' desires, suggestions, and needs for the company, which serve as a reference and basis for setting the company's development plans for future corporate social responsibility and future operations, and in turn helps realize our corporate social responsibility value and positive influence.

Identifying stakeholders

Faraday is a listed company; the company's operational development involves multiple stakeholders. The company employs the principle of materiality, following the GRI standards, and with consideration of the five principles (dependency, responsibility, tension, influence, and diverse perspectives) in the AA1000 Stakeholder Engagement Standard (SES) 2015. Through rules of thumb, the company's major stakeholders are identified.

- Groups or individuals to whom the company's decisions have legal, commercial, or operational responsibilities.
- Any groups or individuals on whom the company's operations have an impact.
- Any groups or individuals who can have an impact on the company's operational performance.

Through an analysis based on the above principles, the stakeholders' given priority consideration by the company are: Customers; employees; investors/shareholders; subcontractors/contractors; and government agencies.

Stakeholders

Media   Employees
Customers   Community
Subcontractors & Contractors   Competitors
Investors & Shareholders   Government agencies
Academic & Research institutes   Non-profit organizations

FARADAY

The five principles of the AA1000 SES

Dependency   **Responsibility**   **Tension**   **Influence**   **Diverse perspectives**

Selection results

Customers   Investors & Shareholders   Employees   Subcontractors & Contractors   Non-profit organizations

Major stakeholders

Methods and frequency of communication with stakeholders

Stakeholder	Relationship to the organization	Topics of concern		Communication methods and frequency	
Customers	Customers are Faraday's ideal strategic partners. We uphold a customer-oriented spirit in developing all manner of products and services, dedicating ourselves to help customers succeed.	· Customer service management · Competitiveness in R&D, innovation & quality · Sustainable supply chain management	· Customer confidentiality & information security · Green product design	· Phone/email (daily) · Customer satisfaction surveys (quarterly) · Quality meetings (monthly/quarterly) · Customer meetings (irregular)	· Customer audits (irregular)
Employees	Faraday's most important resource, creating maximum value for the company.	· Employee salary & benefits · Employee-employer relationships & friendly workplace · Workplace safety & health · Employee career development · Corporate governance & operational results	· Competitiveness in R&D, innovation & quality · Integrity & legal compliance · Customer service management · Customer confidentiality & information security	· Employee forum(quarterly) · Labor and management conference (quarterly) · Workplace safety & health committee (quarterly)	· The welfare committee (every half-year) · Training committee (quarterly) · Performance interviews (annual) · Email comment box/bulletin board (irregular)
Investors & Shareholders	Providing the funding that Faraday needs for business operations.	· Corporate governance & operational results · Risk management · Competitiveness in R&D, innovation & quality	· Integrity & legal compliance · Customer confidentiality & information security · Employee salary & benefits	· Shareholder general meeting (annual) · Investor roadshows (quarterly) · Meetings (irregular) · Phone/email (irregular)	
Subcontractors & Contractors	Providing the resources and services needed for the company's operations, to grow alongside Faraday.	· Corporate governance & operational results · Risk management · Integrity & legal compliance · Customer service management · Sustainable supply chain management	· Competitiveness in R&D, innovation & quality · Customer confidentiality & information security · Environmental protection policy	· Phone/email (daily) · Subcontractor audits (quarterly/annual) · Quality meetings (monthly/quarterly) · Customer complaint channels (irregular)	
Government gencies	Utilizing the infrastructure and governmental services provided by the government; obeying governmental laws.	· Integrity & legal compliance · Competitiveness in R&D, innovation & quality · Customer confidentiality & information security · Environmental protection policy	· Climate change & energy management · Waste management · Workplace safety & health · Risk management	· Market Observation Post System (irregular) · Official letters exchanged (irregular) · Various meetings (irregular) · Labor inspections (irregular)	

01

Collecting sustainability issues

Using the GRI sustainability reporting principles, the ISO 26000 social responsibility guidelines, the UN Global Compact, domestic & foreign programs related to sustainability, and benchmark competitors' topics of concern as the basis on which to collect issues; a total of 33 sustainability issues were collected.

02

The various constituent members of the sustainability committee analyzed, organized, and compared all the issues, then set 17 sustainability topics.

Organizing sustainability issues

03

Investigating topics of concern to stakeholders

Via questionnaires, an understanding of different stakeholders' level of concern with each of the sustainability issues was gained, to give stakeholders a chance to express what their sustainability needs are.

There were 11 questionnaires from customers, 36 from employees, 12 from investors/shareholders, 18 from suppliers/contractors, and 6 from government agencies, for a total of 83 questionnaires.

04

Through the sustainability report and taskforce members, each issue's impact on the company's internal operations was analyzed, and the most material issues were selected.

Analyzing issues' impacts on corporate operations

05

Prioritizing material issues

The scores for each issue's level of concern to stakeholders and degree of impact on the company's operations were multiplied together to derive a total; issues were then ordered by their disclosure priority.

06

Results were analyzed; then, after discussion by internal colleagues, which sustainability issues require disclosure were finally decided.

The sustainability committee did an administrative investigation covering issues material to economics, the environment, and society.

Discussing and investigating

07

Setting management goals

Medium- and long-term management goals were set for all material issues, and an annual review is done regarding the results.
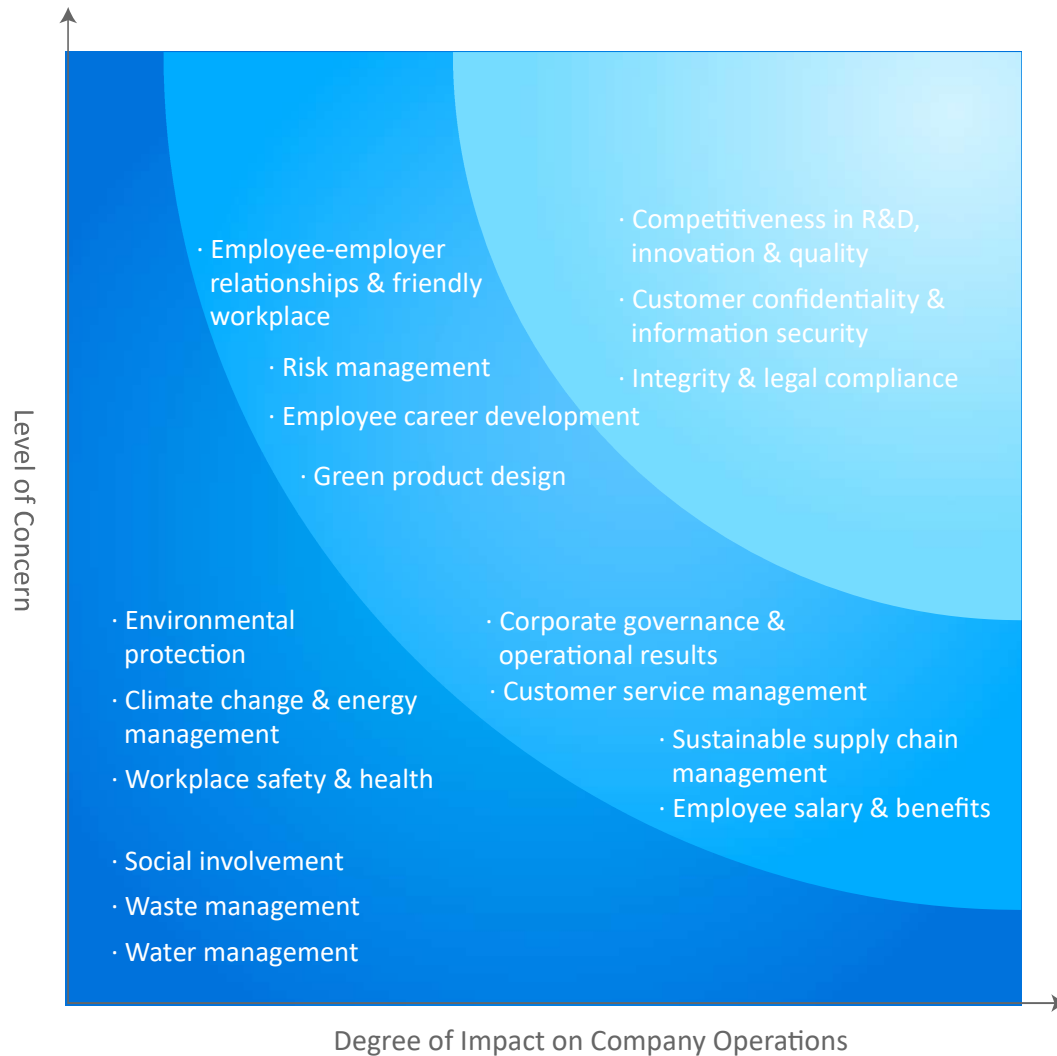
Issues of concern to stakeholders

● Direct impact   ○ Indirect impact

Area	Issue	Meaning for Faraday	Relevant GRI issue	Internal		External				Relevant chapter(s)
				Faraday	Employees	Customers	Investors/ Shareholders	Subcontractors/ Contractors	Government agencies	
Economic	Corporate governance & operational results	Faraday is dedicated to pursuing sustainable operations and long-term benefit, in order to maintain a leading position in the industry and to create value for stakeholders.	201-1	●	●		●	○		1.2
	Risk management	Establishing robust corporate risk management mechanisms and enhancing the company's ability to respond to crises has become a necessary underpinning for corporate sustainable operations and maintaining corporate competitiveness.	201-2	●	●	○	○	○		1.4 , 4.2
	Integrity & legal compliance	Compliance with the law's fundamental principles related to sustainable development; operations with integrity are, further, the basic operational environment for creating the company's sustainable development.	205-3 , 206-1	●	●	●	●	●	●	1.3
	Customer service management	The Customer Mindset is the core of Faraday's corporate culture; doing the utmost to enhance the company's and the customers' competitiveness is the fundamental key to long-term operations.	Self-defined	●	●	●		○	●	3.1
	Sustainable supply chain management	Collaboration with global business partners enhances the overall value chain's sustainability record, and lowers potential risks for society and the environment.	308-1 , 414-1	●		○		●	●	3.4
	Competitiveness in R&D, innovation & quality	Continuous innovation helps strengthen core competitiveness and make sustainable development a reality.	Self-defined	●	●	●	○	○	○	2.1 , 2.2
	Customer confidentiality & information security	Protection of confidential information is Faraday's commitment to customers, shareholders, employees, subcontractors and other partners; the company makes sure business secrets and partner privacy is safeguarded.	418-1	●	●	●		●		3.2
Environmental	Green product design	In considering product lifecycles, Faraday is dedicated to reducing our environmental footprint, and lowering products' impacts on the environment and society, as well as energy usage. At the same time, by carefully evaluating our choice of low-risk raw materials, Faraday complies with the Hazardous Substance-Free Product Standard.	416-1 , 302-5	●		●		●	●	2.3
Societal	Employee-employer relationships & friendly workplace	Guaranteeing employees' basic rights and providing a harmonious work atmosphere is Faraday's duty & responsibility.	401-1 , 401-2 401-3 , 202-2 405-2	●	●				○	5.1 , 5.3
	Employee career development	Faraday considers talent cultivation and development to be extremely important, and the company has robust training resources and learning environments. In compliance with the company's operational goals and policies, Faraday has established a comprehensive training and development system and roadmaps. Through dedication to growing and maintaining high-capacity technical talents, Faraday further strengthens the company's intellectual capital and overall competitiveness.	404-1 , 404-3	●	●				○	5.2
	Employee salary & benefits	Providing salaries that are overall competitive and better-than-legally- mandated benefits builds employee coherence and morale, and has become the source of momentum for the company's sustainable development.	201-3 , 202-1	●	●		○		●	5.3

Determining stakeholders' issues of concern

Level of Concern (vertical axis)

Degree of Impact on Company Operations (horizontal axis)

· Employee-employer relationships & friendly workplace

· Competitiveness in R&D, innovation & quality

· Customer confidentiality & information security

· Risk management

· Integrity & legal compliance

· Employee career development

· Green product design

· Environmental protection

· Corporate governance & operational results

· Climate change & energy management

· Customer service management

· Workplace safety & health

· Sustainable supply chain management

· Employee salary & benefits

· Social involvement

· Waste management

· Water management

With regard to the Stakeholders' Level of Concern and the Degree of Impact on Company Operations, and via matrix analysis, material issues are identified. Issues that are high in both Level of Concern and in Degree of Impact on Company Operations are then identified as issues for high-priority disclosure.

A total of 11 material themes

The leading three material issues were: Competitiveness in R&D, innovation & quality; customer confidentiality & information security; and integrity & legal compliance.

Other material issues were: Corporate governance & operational results; customer service management; sustainable supply chain management; employee salary & benefits; employee-employer relationships & friendly workplace; employee career development; risk management; and green product design.

Material issue management policies /

The delineation results give 11 material issues. As required by the GRI standards, the chapters of this report disclose the management programs, and the current status and methods of each program. In addition, medium- and long-term management goals have been set for each of the material issues.
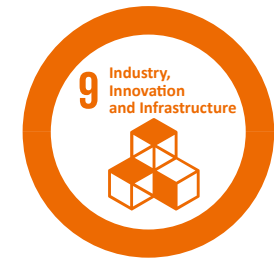
Material issue	Potential impacts	Directions for implementation and response	Targets for 2019	2019 actual performance	Effectiveness evaluation	Response mechanisms	
						Short-term goals (2020)	Medium- and long-term goals (2023)
Competitive-ness in R&D, innovation & quality	Continuing innovation breakthroughs may increase revenues	• As required by the market and as advanced processes continue to evolve, deploy a robust IP solution library and ASIC design workflow • Remain devoted to technology innovations; via a reward system that encourages R&D innovation, and a patent application system that is integrated with the company's operational goals, form both virtuous circles for, and a corporate culture of, R&D innovation, and lay a solid foundation for sustainable corporate operations	Patent applications >= 15	Total of 18 patent applications for 2019	✓	Patent applications >= 15	Remain devoted to technology innova-tions; via the reward system that encourages R&D innovation, and the patent application system that is integrated with the company's operation-al goals, form both virtuous circles for, and corporate culture of, R&D innovation, and lay a solid foundation for sustainable corporate operations
Customer confidentiality & information security	If there are leaks of trade secrets or partner privacy, the company's reputation will be damaged	Promotion 1) training and education regarding confidentiality and regulations; 2) an information classification system; 3) a partner confidentiality system; 4) data protection technologies and management; and 5) implementation details for information security anomaly analysis and warnings, to create the most secure, strictly-controlled information security safeguards	• Complaints regarding breaches of customer confidentiality or loss of customer data: 0 • Information security policy and case study training	• Complaints regarding breaches of customer confidentiality or loss of customer data: 0 • A total of 614 person-hours for 2019	✓	• Complaints regarding breaches of customer confidentiality or loss of customer data: 0 • Information security policy announcements: 4 times/year • Information security policy classes: Paired with new recruit training; 100% implementation	Continue promoting and building up the partner confidentiality system, data protection technologies & management, and implementation details for information security anomaly analysis and warnings. Create the most secure, strictly-controlled information security safeguards.
Integrity & legal compliance	Violations of legal statutes not only affect the company's image and reputation, but may also result in financial risks resulting from fines faced	Through regular training and education, continue to strengthen the cognition and learning display of managers and employees' work ethics	Strengthen advocacy regarding ethical management concepts and policies	• Via intranet and training, advocate ethical management concepts and policies • Disciplinary action and whistleblowing regarding unethical conduct: 0	✓	• Strengthen advocacy regarding ethical management concepts and policies • 100% handling rate for disciplinary action and whistleblowing regarding unethical conduct	Strengthen advocacy regarding ethical management concepts and policies; implement legal compliance and risk control mechanisms
Corporate governance & operational results	Operational performance directly affects the company's costs and profit	• Proactively participate in corporate governance evaluations and further perfect information disclosure • Strengthen board of directors' functions and guarantee shareholder equity • Reinforce the communication and information exchange between independent directors, CPAs and internal auditors	• Be ranked in the 50th percentile or better of listed companies in terms of corporate governance evaluation results • Director attendance no less than 80% • Strengthen content in the corporate governance/disclosure section of the company website • Strengthen disclosure of information in English	• Ranked in the 36th to 50th percentile of listed companies in terms of corporate governance evaluation results • Director attendance >80% • Corporate governance section constantly updated and expanded • Reported material information in English; disclosed interim financial reports in English and established an English version of the company website	✓	• Be ranked in the 21st to 35th percentile of listed companies in terms of corporate governance evaluation results • Director attendance no lower than 85% • Strengthen completeness and timely updating of content in the Corporate Governance and Investor Relations sections of the company website • Complete and timely updating of the English version of the company website	• Proactively participate in corporate governance evaluations and further perfect information disclosure • Strengthen board of directors' functions and guarantee shareholder equity • Reinforce the communication and information exchange between independent directors, CPAs and internal auditors
Risk manage-ment	Operational or supply chain risks getting out of control will cause inability to deliver or financial imbalance, affecting the company's reputation and revenues	Faraday identifies and consolidates significant risks that the company may face in its operations, in terms of the three main areas of Corporate Governance, the Environment, and Society. With reference to each risk, the company formulates appropriate manage-ment methods and crisis response methods, in hopes of lowering uncertainties in business operations to the bare minimum.	Raise employee risk awareness	• Listed professional safety and health training as part of new recruits' required classes; in 2019, 108 people were trained • 498 people were involved in holding disaster drills	✓	• List professional safety and health training as part of new recruits' required classes • Hold at least one disaster drill per year	Continue to raise employee risk awareness; create a broad and deep risk management culture
Customer service management	Customer satisfaction and praise directly influence operational results	Provide customers with IP & ASIC solutions that are competitive, and with superior products, to enhance the company's competitiveness with customers and customer satisfaction	Customer satisfaction at least 85%	Customer satisfaction 86.2%	✓	Customer satisfaction 86%	Continue improving customer satisfaction

Material issue	Potential impacts	Directions for implementation and response	Targets for 2019	2019 actual performance	Effectiveness evaluation	Response mechanisms	
						Short-term goals (2020)	Medium- and long-term goals (2023)
Sustainable supply chain management	A stable supply chain brings with it stable economic benefits, helping to lower the risks of operational interruptions and impacts from increased costs	• Set evaluation standards for existing and new suppliers; require suppliers to receive ISO9001 and ISO14001certification in terms of quality and environmental management; also, when introducing new suppliers, prioritize those with QC080000 and OHSAS18001 certifications (or equivalent) • Through both regular and random evaluations, audits and reviews of suppliers, guide, continuously track, and improve supplier quality. In order to meet Faraday's requirements in terms of production management, labor rights, ethics, occupational health and safety, and quality, simultaneously win glory in partnership with our partners and meet requirements for environmental sustainability.	• 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers • >75% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification • Do Conflict Minerals Reporting Template (CMRT) supplier evaluations in accordance with the Responsible Minerals Initiative (RMI) and require suppliers to sign the Declaration of Non-use of Conflict Minerals • Onsite audits for 70% or more of suppliers	• 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers • 76.9% of all wafer, packaging, and testing providers achieved OHSAS 18001 certification • 100% of suppliers completed signing the Declaration of Non-use of Conflict Minerals • 73% onsite audits for suppliers	✅	• Maintain 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers • 76% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification • Maintain 100% supplier completion rate for signing the Declaration of Non-use of Conflict Minerals • Onsite audits for 70% or more of suppliers	• Maintain 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers • When introducing new suppliers, prioritize those with OHSAS18001 certifications, in order to continually require that all wafer, packaging, and testing providers achieve OHSAS 18001 • Maintain 100% supplier completion rate for signing the Declaration of Non-use of Conflict Minerals • Onsite audits for 80% or more of suppliers annually, in accordance with the audit plan
Green product design	If we are unable to provide products that comply with green regulations, this will result in lost orders and adverse revenue effects	Carefully evaluate and select raw materials with low hazard levels, in order to comply with the Hazardous Substance-Free Product Standard.	• Develop ultra-low power consumption 22 nm fundamental IP solutions • 100% of suppliers complete signing the Commitment Not to Use Environmental Substances	• Completed ultra-low power consumption 22 nm fundamental IP solutions • 100% of suppliers completed signing the Commitment Not to Use Environmental Substances	✅	• Develop 22 nm functional IP solutions • 100% of supplier completion rate for signing the Commitment Not to Use Environmental Substances	• Continue to develop ultra low power consumption-related designs • Carefully evaluate and select raw materials with low hazard levels, in order to comply with the Hazardous Substance-Free Product Standard.
Employee-employer relationships & friendly workplace	Ensure that employees' employment and labor rights are protected, which can create harmonious and inclusive operating benefits and enhance the company's competitiveness	• Maintain open and transparent communication channels and complaint mechanisms • Implement workplace maternal care measures • Provide health promotion activities that meet employee needs • Provide a diverse benefit system and leisure facilities	• Provide open and transparent communication channels and complaint mechanisms • 100% handling rate for employee complaint events • Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period	• Held Employee forum and Labor and management conference every quarter • Employee complaint event: 0 • Created 4 nursing rooms, each with a refrigerator and sink • Follow-up for female employees during pregnancy: 100%	✅	• Provide open and transparent communication channels and complaint mechanisms 100% handling rate for employee complaint events • Implement workplace maternal care measures; provide nursing areas, facilities, and equipment that meet requirements; complete 100% evaluations for the maternal health protection period	• Establish harmonious employer-employee relationships and improve communication channels to avoid employer-employee disputes and workplace illegalities • Guarantee a workplace environment of gender equality and opportunities for development
Employee career development	It will strengthen the company's competitiveness and lead to the company's sustainable growth by training superior talents	Guarantee that employees have comprehensive training resources and learning environments. Realize employees' potential and reinforce the company's core technologies	Implement the training effectiveness in core skill training, with key course training completion rate achieving 100% for the required training targets	Key course training completion rate for the required training target: 100%	✅	• Implement the training in reinforcing core skills, with key course training completion rate achieving 100% for the required training targets • Build a global training platform and enhance the proportion of training resources in English	Guarantee that employees have comprehensive training resources and learning environments. Realize employees' potential and reinforce the company's core technologies
Employee salary & benefits	Loss of outstanding talent directly affects the company's competitiveness	Provide a competitive salary and benefits program	Provide a competitive salary and benefits program	• Listed as a component stock in the TWSE's 2019 Taiwan High Compensation 100 Index • Better-than-legally-mandated vacations	✅	Provide a competitive salary and benefits program, to attract and keep outstanding talents	Enhance the company's overall operational efficiency, to safeguard the sustainability of overall compensation

Sustainable Development Goals (SDGs) /

In September 2015, the United Nations announced the 17 Sustainable Development Goals (SDGs), as part of the 2030 Agenda for Sustainable Development. Reaching these sustainable development goals will depend on inter-national strength; but the enterprise will also play a critical role. In correspondence with this, our corporate sustainability committee has identified 8 goals linked and bridged to the SDGs while implementing the CSR process, the committee has linked and bridged together the UN SDGs. They have identified eight SDGs that connect to the company's operational development goals and practical actions. Real progress has been made toward these eight SDGs, thereby creating the benefit of aligning the company's sustainability goals with the UN's.

UN SDG

4 Quality Education **8 Decent Work and Economic Growth** **5 Gender Equality** **10 Reduced Inequalities** **9 Industry, Innovation and Infrastructure**

Faraday sustainability principle

As one of the world's leading high-tech R&D companies, talents are not only one of the company's resources, but the entire basis for the company's sustainable development. The importance that Faraday places on talent is amply reflected in the workplace environment and conditions that the company provides. We attract and keep talent through high salaries and benefits; we also place particular import on employees' physical & mental health, and personal development. All of this is intended to help talent sustainably develop within the company. In addition, harmonious employer-employee relationships are also beneficial to the company's long-term stable growth. Faraday's multiple internal communication mechanisms help employee suggestions be heard; and quick responses from relevant responsible parties help build a positive, unhindered culture of communication, and make an enlightened work atmosphere a reality.

Faraday has global talent deployment, innovative R&D momentum, and proactive recruitment of outstanding talent. Our core values in recruitment are "talent first" and identification with the corporate culture. We treat talents of all genders, religions, ethnicities, nationalities, and political parties equally.

- Faraday upholds the sustainable management principle of "Seeking excellence, sharing success". We are dedicated to silicon IP solutions and SoC/ASIC design R&D and innovation.
- Through plentiful IP innovation experience and a business model of comprehensive ASIC service, Faraday creates synergy for R&D and innovation with partners, to mutually create sustainable business opportunities.

Faraday sustainability results

- Diverse training resources
  The company provides a diverse learning environment and systematic training resources, which include: An expert training commission; an internal-instructor team; overseas agent trainings; seminars on advanced foreign technology; e-Course online learning systems; an internal/external training management system; and more.

- Talent development program
  We at Faraday do our utmost to grow and maintain our talent. With a talent-matched growth stage and performance development program, individual-development plan, and a mentor/buddy program to supplement all of it, the company's overall competitiveness is consolidated.

- Awarded in the 2nd National TrainQuali Prizes; honored with the SGS ISO9001 Plus QMS Knowledge Management Benchmark Award.

- Selected as a constituent stock in the TWSE RAFI Taiwan High Compensation 100 Index for six years in a row.

- Permanent new women employees accounted for 17.4% of all permanent women employees at year-end. (Due to Taiwan having more men in STEM fields than women.)

- In 2019, Faraday's permanent employment turnover rate was 10.3%, with rates among men and women at 10.4% and 9.9%, respectively, a non-significant difference. The company's turnover rate is lower than the average in Taiwan, and falls within a reasonable, healthy margin.

- R&D and innovation together form one of Faraday's core competitive strengths. R&D engineering talent accounts for more than 75% of the company's total employees. In recent years, R&D investment has surpassed 25% of annual revenue.

- More than 3,000 IP solutions have been delivered in a wide variety of applications.

UN SDG

Faraday sustainability principle

✓ **Green product design**
Faraday cares about our products' effects on people's lives and on the environment. Thus, all the way from design and development, to raw material extraction, to production, to use, to products being discarded and reaching the end of their life cycle — complies with legal regulations' requirements regarding users' health and safety.

✓ Responding to the risks and opportunities that climate change brings.

Based on the management principles of honesty, transparency, and responsibility, we have set integrity as our fundamental policy. We have also established strong corporate governance and risk management mechanisms, to create an operational environment of sustainable development.

Faraday sustainability results

✓ 100% of subcontractors have completed signing the Commitment Not to Use Environmental Substances.

✓ Ultra-low power consumption design: IoT MCU solutions.

✓ Ultra-low power consumption SoC: 22 nm component IP solutions.

✓ Introduced the TCFD framework: Disclosing information in the four major areas of corporate governance; strategy; risk management; and indexing and goals. Providing investors and other stakeholders with the consistent information they need, and joining with suppliers and partners to implement environmentally-sustainable development.

The corporate governance group, within Faraday's corporate sustainability committee, has established the Ethical management unit, specifically responsible for implementing the company's governance measures such as operational integrity, anti-corruption, anti-bribery and legal compliance.

1/ Corporate governance

- Management
- Operational performance
- Integrity & legal compliance
- Risk management

1 / Corporate governance

Faraday follows the Company Act, the Securities and Exchange Act, and other relevant laws of the Republic of China. In addition, Faraday has laid down the Corporate Governance Best Practice Principles, the Operational Integrity Regulations, the Insider Trading Prevention Regulations, and the Risk Management Policy to form a basis for compliance for the effective corporate governance framework. This helps to guarantee shareholders' rights and interests, strengthen board of directors functions, respect the rights and interests of stakeholders, and enhance information transparency. All of this is designed to utilize effective corporate governance operations in carrying out our sustainable corporate operations responsibilities, and to enhance the company's operational effectiveness.

Management policies

Targets for 2019	2019 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2020)	Medium- and long-term goals (2023)
Be ranked in the 50th percentile or better of listed companies in terms of corporate governance evaluation results	Ranked in the 36th to 50th percentile of listed companies in terms of corporate governance evaluation results	✓	Be ranked in the 21st to 35th percentile of listed companies in terms of corporate governance evaluation results	• Proactively participate in corporate governance evaluations and further perfect information disclosure • Strengthen board of directors' functions and guarantee shareholder equity • Reinforce the communication and information exchange between independent directors, CPAs and internal auditors • Strengthen advocacy regarding ethical management concepts and policies; implement legal compliance and risk control mechanisms • Continue to raise employee risk awareness; create a broad and deep risk management culture
Director attendance no less than 80%	Director attendance >80%	✓	Director attendance no lower than 85%	
Strengthen content in the corporate governance/disclosure section of the company website	Corporate governance section constantly updated and expanded	✓	Strengthen completeness and timely updating of content in the Corporate Governance and Investor Relations sections of the company website	
Strengthen disclosure of information in English	Reported material information in English; disclosed interim financial reports in English and established an English version of the company website	✓	Complete and timely updating of the English version of the company website	
Strengthen advocacy regarding ethical management concepts and policies	• Via intranet and training, advocate ethical management concepts and policies • Disciplinary action and whistleblowing regarding unethical conduct: 0	✓	• Strengthen advocacy regarding ethical management concepts and policies • 100% handling rate for disciplinary action and whistleblowing regarding unethical conduct	
Raise employee risk awareness	• Listed professional safety and health training as part of new recruits' required classes; in 2019, 108 people were trained • 498 people were involved in holding disaster drills	✓	• List professional safety and health training as part of new recruits' required classes • Hold at least one disaster drill per year	

Shareholder structure

March 31, 2020 Unit: Shares

Shareholder type / Quantity	Government agencies	Financial institutions	Other juridical persons	Individuals	Foreign institutions & persons	Total
Number	1	15	141	52,944	96	53,197
Shares held	1,096,000	28,864,568	35,146,924	125,511,184	57,931,637	248,550,313
Shareholding percentage	0.44%	11.61%	14.14%	50.50%	23.31%	100.00%

Other juridical persons 14.14%

Financial institutions 11.61%

Government agencies 0.44%

Shareholding percentage

Foreign institutions & persons 23.31%

Individuals 50.50%
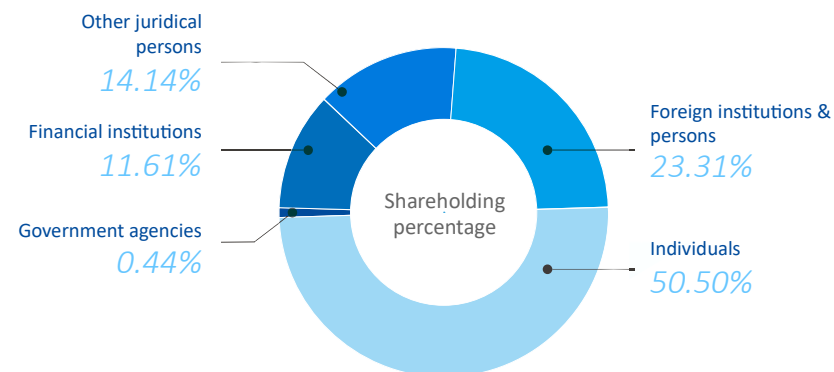
Note: For the 2020 list of major shareholders, please see the company's 2019 Annual Report, section IV, "Capital Raising", subsection 1, "Capital and shares".

1.1/Management

Faraday upholds treating upstanding operations, transparency of information, and shareholder equity as our priorities. The board of directors is made up of specialists from the tech world possessed of managerial experience. In accordance with the competent authorities' laws and regulations, the audit and compensation committees have been established under the board of directors. These committees help the board to carry out its oversight and responsibilities, and to establish the company's internal corporate governance mechanisms, thus making implementation of tasks related to corporate governance a reality.

Board of directors elections and terms

Faraday has seven to eleven directors; the board of directors is authorized to set the number of directors via board resolution. Directors serve for three years, and are elected by those with disposing capacity at the shareholder meeting. The company's articles of incorporation clearly lay out that the directors (including independent directors) are elected via a candidate nomination system. Independent director candidates' professional qualifications, shareholding ratios, limits on concurrent employment, nominations, and election methods follow the relevant legal requirements stipulated by the Company Act and by the Securities and Exchange Act. Directors' elections and terms take into consideration the overall configuration of the board of directors. Directors are all equipped with the knowledge, skills and character required to carry out their professional duties.

Board of directors membership

When electing the board of directors (including independent directors), the company not only considers directors' (including independent directors') personal professional backgrounds; diversity is also an important factor. Out of a total of nine directors (including three independent directors), two of them are women (including one woman independent director). Their professional backgrounds cover management, engineering, and finance. Also, as tech industry executives, the members of the board of directors have backgrounds in industry-academia, academia, and diverse other fields of knowledge. All directors are at least 50 years of age. All of this allows them to provide professional opinions from a variety of different perspectives; they are of unparalleled benefit to enhancing the company's operational record and management effectiveness. Information on the directors is as follows:

Title	Name	Gender	Major academic/work history	
Chairman	Chia-Tsung Hung	Male	Chairman, UMC / Bachelor of Accounting, Tamkang University	
Director	Ying-sheng Chen	Male	VP, UMC / Bachelor of Electrical Engineering, Feng Chia University	
	Chung Laung Liu (Note)	Male	Chairman, TrendForce President and Honorary Chair Professor, National Tsing Hua University Academician, Academia Sinica	Sc.D. of Massachusetts Institute of Technology
	Kuo-Yung Wang	Male	President, Faraday Technology / Master of Industrial Engineering, National Tsing Hua University	
	Shih-Chin Lin	Male	COO, Faraday Technology / Master of Electrophysics, National Chiao Tung University	
	Wun-Ju Tseng	Female	CFO, Faraday Technology / Bachelor of Corporate Management, National Chengchi University	
Independent Director	Ling-Ling Wu	Female	Professor, Information Management Department, National Taiwan University / PhD of Psychology, Chicago University	
	Ning-Hai Jin	Male	Chairman, Blueocean Optoelectronics Technology / Master of Engineering Science, University of Michigan	
	Bing-Kuan Luo	Male	Independent Director, Shandong Dadi Chinese Salt Industry Director and Supervisor, GenDing Consultant, Ministry of Economic Affairs Vice Chairman, Yang Hwa Technology	PhD of Management, Shanghai Fudan University

Note: Took office after the May 28, 2020 general shareholder meeting supplemental election.

Board of directors operations

Charged with

- Setting effective, appropriate internal control systems
- Appointing and dismissing the company's managers
- Verifying the company's management strategy and operational plans
- Setting the budget and accounts
- Overseeing how the company faces major risks
- Creating operational reports
- Making proposals regarding earnings distribution and loss make-up
- Making proposals regarding increase or decrease of capital
- Drafting important policies and contracts
- Choosing CPAs

Attendance

In 2019, the board of directors held four meetings. The board of directors' attendance rate (including attendance in person and by proxy) was 100%.

Audit committee operations

Charged with

- Adoption and amendment of internal control systems
- Assessment of internal control system effectiveness
- Handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others
- Matters bearing on director personal interest
- Material asset and derivatives transactions
- Material monetary loans, endorsements, and provision of guarantees
- Offering, issuance, and private placement of any equity-type securities
- Hiring and dismissal of attesting CPAs, and compensation given thereto
- Appointment and discharge of financial, accounting, and internal auditing officers
- Annual financial reports and semi-annual financial reports

Attendance

All three positions on the committee are occupied by independent directors, and they meet at least once per quarter. They engage in extensive communication with the company's internal auditing department and attesting CPAs. In 2019, the audit committee met four times; the committee members' attendance rate (including attendance in person and by proxy) was 100%.

Compensation committee operations

Charged with

- Regularly evaluating and setting director and executive compensation packages
- Establishing policies, systems, standards, and structures for director and executive compensation packages
- Regularly reviewing and evaluating director and executive performance

Attendance

All three positions on the committee are occupied by independent directors, and they meet at least twice per year. In 2019, the compensation committee met twice; the committee members' attendance rate (including attendance in person and by proxy) was 100%.

Management team

The Faraday management team possesses many years of experience in the industry; they integrate their extensive experience with the company's goals, and regularly report on the company's operational strategies and outlook to the board of directors, in hopes of creating maximum value for shareholders.

Chairman & Strategy Officer — Chia-Tsung Hung
Bachelor of Accounting, Tamkang University
Chairman, UMC

President — Kuo-Yung Wang
Master of Industrial Engineering, National Tsing Hua University
VP, UMC

COO — Shih-Chin Lin
Master of Electrophysics, National Chiao Tung University
Senior Director, UMC

Senior VP — Chien-Ming Chen
PhD of Information Engineering, National Tsing Hua University
Deputy Director, TSMC

VP — Jhy-Heng Wang
PhD of Electrical Engineering, National Taiwan University
R&D Director, Apache

VP — Kun-Cheng Wu
Master of Information Engineering, National Chiao Tung University
Manager, ITRI

SAVP — Wen-Ju Tseng
Bachelor of Business Management, National Chengchi University
Financial Officer, UMC

SAVP — Chi-Shun Lui
Master of Electrical Engineering, National Taiwan University
R&D VP, Prolific

SAVP — Rong-Xing Lai
Master of Electrical Engineering, National Cheng Kung University
Marketing Manager, Silicon Integrated Systems

SAVP — Chen-Sing Jian
Master of Electrical Engineering, National Taiwan University
Director, Mediatek

SAVP — Guo-Hua Li
Master of Physics, Tamkang University
Senior Director, UMC

1.2/ Operational performance

Financial performance

Faraday's primary operational results for 2019:

✓ Revenue from non-recurring engineering (NRE) continued to grow, reaching NT$1.37 billion – a new historic high. The value of new NRE projects (design wins) has continued to grow, five years in a row. Not only has Faraday maintained a stable number of wins, but the company has also continued to increase NRE design value. This allows higher differentiation in project earnings potential and value, and has allowed all units' R&D resources to be utilized to their maximum capacity. We have had huge gains in many fast-developing areas, such as artificial intelligence (AI), 5G infrastructure, cloud storage, networking, and a huge number of niche products. ASIC development is centered on IP solutions, which is one of Faraday's competitive strengths. Faraday uses platform-based methods to develop silicon IP solutions in every manufacturing process. Our competitive strength, driven by this kind of vertically-integrated operational model, will continue to increase with IP deployment. This will give the company considerable synergy and return on investment in terms of R&D resource management, while simultaneously creating value for customers and lowering mass production risks.

✓ Mass production revenues have returned to an upward trajectory. The proportion of niche products is growing, and strategic effects are clear. Faraday has recently been working hard to expand applications, with strategic deployment in all areas. In addition to already having accumulated more than 25 applications, we are also working proactively to tap into local demand in all areas. This has helped the company to have diverse development in customers, applications, and manufacturing processes alike. In 2019, niche-style applications already accounted for more than 80% of mass production revenues. Gaining market wins from both diversification and customization is one of Faraday's strengths, and many of these wins are superior applications that Faraday has developed over the long term.

✓ Faraday is one of the few ASIC producers to have a self-developed IP database. Our robust database includes more than 3,000 IP solutions, covering a wide variety of applications. Faraday has continued to invest resources into proprietary IP development for many years, so that we can have not only IP technology but also IP sales. This unique industry positioning has vastly increased the competitiveness of our ASIC services. Annual IP revenue for 2019 was NT$880 million, a 12-year record high.

Products by percentage of revenue

Unit: NTD thousands

Year / Product class	2019		2018	
	Revenues	Percentage	Revenues	Percentage
ASICs and wafer products	3,055,045	57.58%	2,831,260	57.72%
NRE	1,368,757	25.79%	1,291,760	26.34%
IP component and technology royalties	882,549	16.63%	781,638	15.94%
Total	5,306,351	100.00%	4,904,658	100.00%

Combined 2019 revenue and profits

| Category	Value Unit: NTD thousands
Net sales revenue	5,306,351
Operating costs	2,506,809
Gross profit	2,799,542
Operating expenses	2,401,242
Operating profit	398,300
Non-operating revenue and expenses	18,555
Employee salaries and benefits	1,640,107
Payments to capital providers (share earnings)	198,840
Payments to the government (taxation excludes deferred taxes)	80,610
Social investment such as donations to social welfare organizations	100
Retained earnings	377,139

Stock dividend policy

Faraday's stock dividend policy requires examining the company's current and future investment environment, capital requirements, international and domestic competition, capital budgeting, and other factors. It simultaneously requires maintaining shareholder interest, and balancing dividends with the company's long-term financial planning. Every year, in accordance with the law, the board of directors drafts a dividend plan that it submits to the shareholder meeting. As the company's industrial development is currently in a growth stage, and there will be no lack of expansion plans and capital demands in the future, within the allocated dividends for the year, the cash dividends are set to be no lower than ten percent (10%) of the total dividend.

If the company's final accounts for the year show a profit, it is allocated according to the below priorities:

- Payment of taxes.
- Covering losses.
- 10% set aside as a legal reserve.
- Special reserve required by law to be set aside or reversed.
- The remainder plus the previous period's unallocated surplus is the shareholder dividend. Save for any portion that is reserved for later years' dividend resolution, the shareholder dividend is resolved by the shareholder meeting.

In accordance with the regulations of the Company Act, legal reserve contributions shall be made until the total amount reaches the total paid-in capital. The legal reserve may be used to cover losses. When the company has no losses, then 25% of the amount by which paid-in capital exceeds the legal reserve may be issued as new stock or cash to shareholders, in proportion to their original shareholding percentages. When the company allocates dividends, it must, in accordance with legal requirements, set aside a special reserve for the current year's net other shareholder equity deduction; after this, when there is a reversal to the other shareholder equity deduction, dividends may be issued for the amount of the reversal.

Recent dividend allocations

Unit: NTD
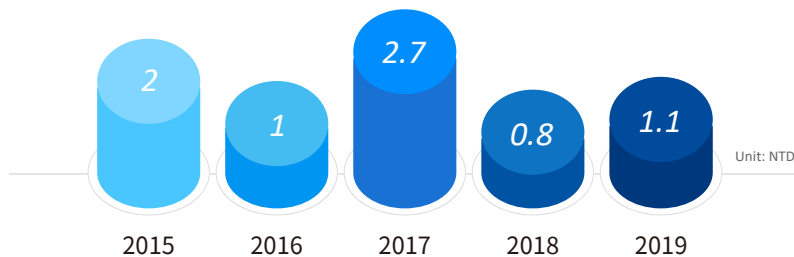
Note: Disposal of security-related assets for 2017 is displayed as a discontinued business unit. This caused net profits to be relatively high, and dividend allocation to also be relatively high. Other than that, annual dividends have been steady.

R&D investment

Faraday continuously innovates and invests in R&D resources. The company's major breakthroughs and accomplishments for 2019 include:

- Successfully collaborated on and delivered many factory automation-related ASIC solutions, which are used to support real-time Ethernet, EtherCAT, Profibus and PLC controllers. The projects used Faraday value-added ASICs and customized IP services to optimize product power consumption, efficiency, and life cycle management. Faraday projects meet the factory automation needs of Industry 4.0 and the industrial internet of things (IIoT).
- The Faraday RISC-V ASIC solution successfully helped a new generation of edge AI and IoT system on a chip (SoC) designs go into mass production using UMC's 55ULP process. This meets the special performance needs found in battery power supply IoT end-user systems.
- Faraday successfully completed more than 10 ASIC designs for telecommunication applications. These primarily use the UMC 28HPC and 40LP processes, with products used in applications ranging from access points & switches, to server adapters, to residential gateways.
- Pioneered 28 nm, 28G programmable SerDes designed specifically for networking ASICs. The IP has already been successfully certified for UMC's 28 nm process, which will mean driving development based on 100G fast Ethernet and multi-xPON fiber infrastructure.
- The number of Faraday's SoC ASIC design projects has continued to grow, three years in a row. These are primarily based on 28 nm and 40 nm processes. As compared to more advanced ones, the barriers to entry for these two processes are relatively low. The corresponding IP deployment is robust and low-risk, providing customers with SoC cost advantages for better competitiveness.
- Brought out a complete line of fundamental IP solutions based on UMC's 22 nm process. The 22ULP/ULL fundamental IP solutions have already been successfully silicon proven, and include a variety of standard cell libraries, ECO libraries, IO libraries, PowerSlash™ low power consumption cells, and memory compilers. This allows for huge reductions in power consumption, and thus meets the next generation of SoC design needs.
- Successfully rolled out the FIE3240 FPGA development and certification platform for the SoCreative!™ IoT platform series. The FIE3240 reprogrammable platform has a high degree of flexibility and expandability, and supports SoC designs based on ARM Cortex-M processors. This meets the need for development based on various AIoT chip architectures.
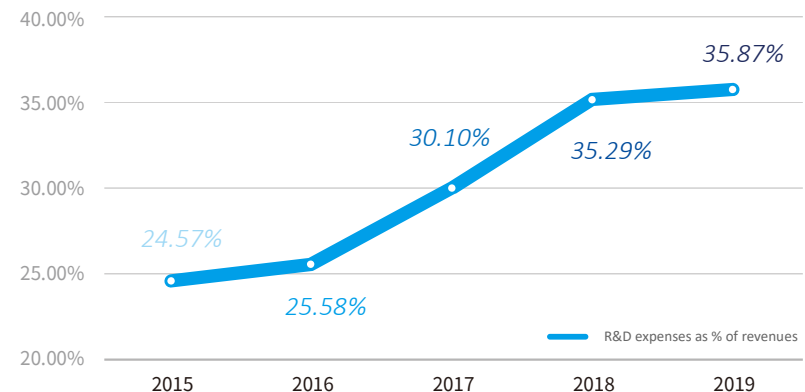
1.3/Integrity & legal compliance

Ethical management policy

The Ethical Management Unit, within the company's corporate governance group and under the aegis of the corporate sustainability committee, is expressly responsible for implementing the company's corporate governance tasks related to ethical management, anti-corruption, anti-bribery, and legal compliance. The unit also reports on the implementation status of such to the board of directors every year. In addition, the company's Ethical Management Best Practice Principles are set by the ethical management unit, and any formulation, amendment, or annulment of these principles must be passed by the board of directors. The company's board of directors has a duty as good caretakers to oversee the company and prevent unethical conduct, in order to guarantee the implementation of ethical management policy. In order to further strengthen the company's ethical management, the auditing unit also includes compliance with the principles within its scope, and periodically reports to the board of directors regarding efforts made to remedy lapses.

Ethical management procedures and guidelines

The Company abides by the operational philosophy of honesty, transparency, and responsibility, bases policies on the principle of good faith, and establishes good corporate governance and risk control and management mechanisms so as to create an operational environment for sustainable development. The Company engages in commercial activities in a fair and transparent manner based on the principle of ethical management. The Company has established a risk assessment mechanism against unethical conduct, analyzes and assesses on a regular basis business activities within our scope of business that are at a higher risk of being involved in unethical conduct, establishes prevention programs accordingly, and reviews their adequacy and effectiveness on a regular basis. Prior to any commercial transactions, the Company takes into consideration the legality of agents, suppliers, clients, or other trading counterparties, and whether any of them are involved in unethical conduct, to avoid any dealings with persons involved in such. Faraday also makes a statement to trading counterparties about the Company's ethical management policy and related rules, and the company clearly refuses to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

Reporting systems for unethical conduct

In order to implement the core value of operational integrity, in accordance with the Operational Integrity Regulations and with the Operational Integrity Practices & Conduct Guidelines, and in order to guarantee the legal rights of whistleblowers, the company has established a system for reporting unethical conduct. If any behavior is discovered that contravenes the company's Operational Integrity Regulations or Operational Integrity Practices & Conduct Guidelines, it may be reported. All reported incidents are quickly handled after being accepted; and the investigation process is fair, just, and proceeds according to the relevant regulations. All reported incidents are also handled in a confidential manner; the whistleblower's identity and report contents are kept secret, or appropriate protective measures are taken in accordance with the law. With reported incidents, if investigation reveals there to be violations of relevant laws or of the company's operational integrity policies or regulations, the reported person is required to immediately stop the relevant behavior, and appropriate penalties are imposed. Where the issue is serious, the person is dismissed or fired in accordance with the relevant laws and company management policies; and where necessary, damages are sought through legal means in order to maintain the company's reputation, rights, and interests.

Whistleblowing and handling procedures

- Whistleblower submits report via operational integrity violation reporting channel
- Relevant business unit accepts the report:
  - Reported incident involves general workers: Reported to the president.
  - Reported incident involves director or upper level management: Reported to independent director or supervisor.
- Responsible unit and manager or personnel reported to immediately ascertain the relevant facts. When necessary, other relevant departments render assistance; the person reported on shall be given an opportunity to lodge their opinion.
- If the person reported on is found via investigation to have violated relevant laws or the company's management policies, the reported person is required to immediately stop the relevant behavior, and appropriate penalties are imposed. Where the matter is serious, the person will be dismissed or fired in accordance with the relevant laws and the company's management policies; and where necessary, damages are sought through legal means in order to maintain the company's reputation, rights, and interests.
- The investigating unit retains written copies of the reporting acceptance, investigation process, and investigation results, for a period of five years. The record-keeping may be done in electronic format. In the event of lawsuits related to the report content before the retention period has expired, the relevant materials continue to be retained until the expiration of the lawsuit.
- When the circumstances of a reported incident are determined via investigation to be true, the company's relevant unit is tasked with reviewing the relevant internal control mechanisms and operating processes, and with providing proposals for improvement in order to prevent similar conduct from occurring in the future.
- The unit so tasked reports the circumstances of the reported incident, the method of handling, the follow-up review, and improvement measures to the board of directors.

Information provided with whistleblowing reports

In principle, whistleblowing reports are done via real names, with anonymous reports as the exception; at a minimum, the following information shall be provided:
- The whistleblower's name, address, telephone number, and e-mail address where they can be reached.
- The defendant's name or other information sufficient to distinguish their identifying features.
- Specific facts for investigation, such as documents, items, descriptions of the event, relevant personnel, amount of money involved, etc.

Whistleblowing channels

Anyone who finds that the company's personnel may be involved in unethical conduct can report through the following channels:
- Phone: +886-3-5787888 ext. 88119
- Email: whistleblower@faraday-tech.com
- Mail: Auditing unit manager, No.5, Li-Hsin Rd. III, Hsinchu Science Park, Hsinchu City, Taiwan 30078, R.O.C.

Protection for whistleblowers

- All reported incidents are processed in a confidential manner, and handled from a standpoint of speediness, fairness, and objectivity. The whistleblower's identity and report contents are kept secret, or appropriate protective measures are taken in accordance with the law.
- The company takes appropriate protective measures regarding the whistleblower, including but not limited to: Except as agreed upon by the whistleblower, no public documents may list the whistleblower's name or any information sufficient to identify them; the whistleblower's name, work unit, address, phone number, email address, etc. must be kept in strict confidence; and when the truth of the whistleblower's claims is investigated, such investigation proceeds on the condition of not revealing the whistleblower's identity.
- When the whistleblower is an employee, the company guarantees that the employee will not receive any undue punishment as a result of lodging the report. However, if the report is fraudulent or malicious, the reporter is subject to disciplinary action; where the matter is serious, the person is dismissed or fired.

Performance of ethical management policies

The company works hard to implement the ethical management policies and bring them into effect. All employees sign the Code of Conduct & Workplace Ethics, and commit to abide by the company's regulations. The company also periodically undertakes training and legal compliance education for all employees. The company continually follows up on and reviews the administrative measures, in order to enhance the effectiveness of the company's ethical management. Relevant implementation results for 2019 are as follows:

- Code of conduct & workplace ethics

  In order to maintain the integrity of the company, the company has formulated the specific Code of Conduct & Workplace Ethics for employees to follow when performing company business, and has incorporated the Code into the employment contract and training courses for new recruits. All new recruits read the contents in detail, sign off on the Code of Conduct & Workplace Ethics, and promise to abide by the company's policies and regulations.
- Training & education

  The company conducts education, training and advocacy of ethical management and the Code of Conduct & Workplace Ethics when new recruits report for duty, so that employees can fully understand the company's determination, policies, prevention programs, and the consequences of violations of unethical conduct. The primary focuses for 2019 were ethical management; prohibiting unethical conduct and harm to stakeholder's rights and interests; the duty to keep the company's intellectual property confidential; etc.
- Declaration of legal compliance

  The Ethical Management Unit has implemented education for all employees, which is coupled with promotion at the labor and management conference and new recruit trainings. The company intranet also has up-to-the-minute disclosures and integrity reminders.
- Periodic evaluations

  Business activity in all company locations undergoes risk evaluation for issues related to corruption. Each business management unit undertakes self-inspections and self-evaluations for legal compliance, in order to achieve effective control and implementation. The auditing unit performs independent audit, to ensure the operation of the overall system, and to mutually prevent the occurrence of unethical conduct. There was no occurrence of corrupt or anticompetitive conduct in 2019.

- Whistleblower procedure and protection

  In the Ethical Management Procedures and Guidelines, the company establishes a specific whistleblower procedure, in order to proactively prevent unethical conduct and to encourage personnel, both internal and external, to report unethical conduct and other improper acts. The auditing unit is assigned as the unit responsible for accepting whistleblowing reports, and for accepting reports of unethical conduct. The stakeholder section of the company's website provides employees, shareholders, stakeholders, and external persons with effective communication methods. If reported issues involve a director or a senior executive, the matter is reported to an independent director or supervisor. A whistleblower protection procedure is also established, which keeps the whistleblower's identity and contents of information confidential, and takes appropriate protection measures in accordance with the law to ensure that the personnel is protected from inappropriate actions due to whistleblowing. In 2019, there were 0 external whistleblowing and 0 direct reports by employees; there were no cases of unethical conduct.

1.4/ Risk management

Risk management policy

Before risks ever occur, Faraday performs risk identification, risk evaluation, and risk impact analysis. With high-risk impact items, the company sets out crisis response methods and implements them. The Faraday board of directors and executives regularly oversee and review the risk management policies and continuously refine the risk management mechanisms, in order to effectively keep risks within acceptable limits. After many revisions, the Risk Management Policy was passed at the April, 2020 board of directors meeting. It serves as the highest guiding principle for risk management.
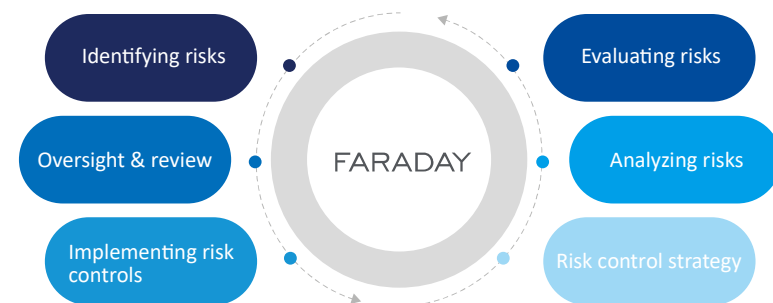
Risk management organization

Faraday's risk management organizational structure includes the board of directors, audit committee, audit office, and management.

- The board of directors is Faraday's highest-level strategic decision-makers for risk management. They are in charge of determining the company's risk management policies and structures, and of setting the company's risk management culture. The board bears ultimate responsibility for all risk management.
- The audit committee is made up of all independent directors. They meet at least once per quarter; they implement proper presentation of the company's financial reports. They also certify selection, independence, and effectiveness of CPAs; effective implementation of the company's internal controls; and the company's compliance with relevant laws and regulations. They are in charge of controlling the company's extent and potential risks.
- The auditing department implements auditing tasks in a spirit of independence, and provides suggestions for improvement in a timely manner.
- Risk control mechanisms and business continuity management (BCM) procedures guarantee that when an emergency occurs, the management in every department is able to quickly grasp the situation, and to take timely and effective response measures, in order to lower the impacts of the risk on company operations and relevant stakeholders.

Board of directors

BCM procedures

Audit committee

Risk management organization & mechanisms

Personnel risk consciousness

Auditing department
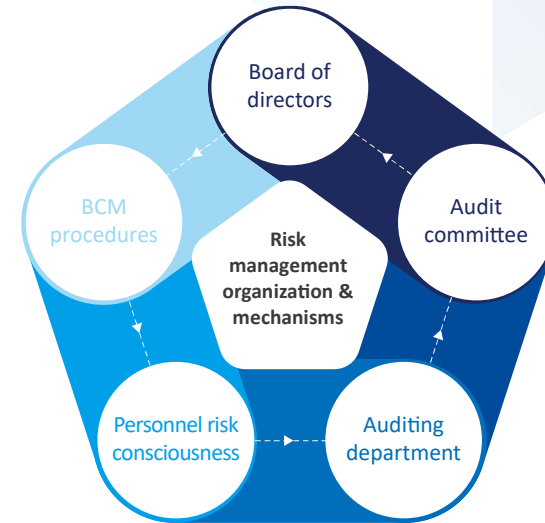
Risk management categories

Faraday collects, makes reference to competitors, identifies, and consolidates significant risks that the company may face in its operations, in terms of the three main areas of Corporate Governance, the Environment, and Society. With reference to each risk, the company considers its controllability, degree of impact, and likelihood of occurrence. Through this process, seven risk categories have been noted, for which appropriate management methods and crisis response methods have been formulated in hopes of lowering uncertainties in business operations to the bare minimum.

Corporate governance

- Strategic risk
- Credit risk
- Market risk
- Information security risk

Environment

- Climate change risk

Society

- Supply chain risk
- Infectious disease risk

Risk management, opportunities, and benefits

Risk area	Risk topic	Impact	Management method	Crisis response methods	Opportunities & benefits
Corporate governance	Strategic risk	Strategically expanding subsidiaries and staffing, in order to benefit product development technologies, and to enlarge both projects taken on and productivity. Possible risks are turnover risk for working capital, and workplace idling risk due to the economy not performing as predicted.	The Oversight Regulations for Subsidiary Companies have been established; also, equity security investment portfolios must be regularly submitted to upper management for review and approval.	Diversified investment, to cope with price risks for equity securities and other investments.	With regard to listed company shares within equity instrument investments as measured at fair value through other comprehensive income, when that level of equity security values increase or decrease by 1%, the group's 2019 equity would go up or down by NT$0; and the group's 2018 equity would go up or down by NT$190,000.
	Credit risk	The risk of contract default damages arising with customers, suppliers, competitors, and others with whom the company has business dealings, when due to the nature of the party itself or other factors, the party does not fulfill its contractual obligations.	• Risk evaluations for all transaction counterparties take into holistic consideration factors such as their financial status, their credit rating with the credit rating agency, previous transaction experiences, the current economic climate, and the group's internal evaluation standards. At appropriate times, the group also employs credit enhancement instruments (e.g., advance sales income) to lower credit risks with particular counterparties. • The group's financial department manages credit risks for the group's bank deposits, fixed income securities, and other financial instruments in accordance with group policies.	All units respond to credit risks in accordance with credit risk policies, processes, and controls.	Because the group's transaction counterparties are chosen through internal control processes, and are banks with good credit, investment-grade financial institutions, corporate organizations, and government agencies, there are no major credit risks.
	Market risk	Unfavorable market price fluctuations can cause risks for items both on and off the balance sheet. "Market prices" include interest rates, exchange rates, stock prices, and product prices.	• **Exchange rate risk:** Natural hedges and long-dated forward exchange contracts are used to manage exchange rate risk. Long-dated forward exchange contracts are used for values in certain currencies. • **Interest rate risk:** The group's interest rate risk primarily arises as a result of fixed deposits with floating interest rates. The group generally uses short-term fixed deposits, and thus the cash flow risk from interest rate fluctuations is extremely low. Unfavorable market price fluctuations can cause risks for items both on and off the balance sheet. "Market prices" include interest rates, exchange rates, stock prices, and product prices. • **Exchange rate risk:** Natural hedges and long-dated forward exchange contracts are used to manage exchange rate risk. Long-dated forward exchange contracts are used for values in certain currencies. • **Interest rate risk:** The group's interest rate risk primarily arises as a result of fixed deposits with floating interest rates. The group generally uses short-term fixed deposits, and thus the cash flow risk from interest rate fluctuations is extremely low. • **Equity price risk:** The group holds listed securities, unlisted securities, and other investments. Each includes categories measured at fair value through other comprehensive income. The group invests diversely, to manage price risks from equity securities and other investments.	• **Exchange rate risk:** A portion of the group's foreign-currency funds receivable and funds payable are designed to be denominated in the same currency, to adapt to exchange rate risk. • **Interest rate risk:** Reducing investment contract periods for low-liquidity investment products. • **Equity price risk:** Information on the equity security investment portfolio is periodically provided to the group's upper level management for review and approval.	• **Exchange rate risk:** If the NT Dollar had appreciated/depreciated by 10% against the US Dollar, the group's 2019 profit and loss would be reduced/increased by NT$15,254,000, while the 2018 profit and loss would be reduced/increased by NT$116,528,000. If the NT Dollar had appreciated/depreciated by 10% against the Renminbi, the group's 2019 profit and loss would be reduced/increased by NT$100,512,000, while the 2018 profit and loss would be reduced/increased by NT$68,697,000. • **Interest rate risk:** The cash flow risk from interest rate fluctuations is extremely low. • **Equity price risk:** With regard to listed company shares within equity instrument investments as measured at fair value through other comprehensive income, when that level of equity security values increase or decrease by 1%, the group's 2019 equity would go up or down by NT$0; and the group's 2018 equity would go up or down by NT$190,000.
	Information security risk	External hacking attack or leakage of trade secrets, damaging the company's intellectual property, trade secrets, and internal information security.	Information security manuals.	• Establishing outside-in information security measures to avoid malicious hacking, viruses, blackmail emails, and other external threats. • Setting up appropriate protective measures by level of classification. • Building employees' consciousness regarding information security through trainings and regular announcements. • Regularly evaluating the appropriateness and effectiveness of information security tasks. • Setting plans to continually strengthen protective measures, in order to minimize information security risks. • Employees sign non-disclosure agreements. • When sensitive information is provided to third parties and customers, all are required to sign non-disclosure agreements and agree to the duty of confidentiality.	The security of the company's intellectual property, trade secrets, and internal data is assured.

Risk area	Risk topic	Impact	Management method	Crisis response methods	Opportunities & benefits
Environment	Climate change risk	In order to slow down extreme climate change, the entire world is taking note of whether the enterprise is complying with environmental protection trends and standards.	Environmental protection procedures.	Global environmental trends are reviewed annually; environmental protection measures are set in accordance with operational requirements; and internal training and education are done to make sure employees are aware of the impacts of climate change, understand the company's primary directions for environmental protection for the year, and that they comply with environmental protection policies in their work and business.	Faraday's green competitiveness is increased, helping to create differentiation value.
		Disasters such as floods, droughts, storms, earthquakes, etc., as a result of global climate change, that cause damage harmful to the company's operational environment.	Business continuity management procedures.	• Establishing an emergency response command center, which is headed by the president or highest-ranking executive at the time of the disaster. The center carries out disaster damage-mitigation tasks. • Faraday has already established a supply chain sustainability evaluation system, which includes carbon and water risk management and material supply emergency response plans within the scope of evaluations. • The supply chain spans the globe.	Continual review and refinement, combined with guaranteeing that when disasters or their impacts occur, maximum operational goals can be maintained and restored, to obtain and preserve the maximum interests of customers and stakeholders.
Society	Supply chain risk	Suppliers are unable to supply raw materials or services, leading Faraday to be unable to supply products or services to customers.	Business continuity management procedures.		
	Infectious disease risk	Widespread infectious disease-causing operational interruptions such as harm to personnel, labor shortages at suppliers, or shipping delays.	Business continuity management procedures.		

Business continuity management procedures

When emergency incidents occur as a result of disaster, Faraday immediately sets up an emergency response command center, which is headed by the president or highest-ranking executive at the time of the disaster. All departmental-level executives are members of the command center, which carries out tasks related to minimizing disaster damage.

Operational status

- Faraday takes risk management measures required for risk management planning in accordance with the Risk Management Policy.
- In 2019, the Faraday Technology Corporation Fire Control Plan was established and received approval for implementation from the Hsinchu City Fire Bureau Second Battalion. The plan covers: 1) Prevention management policies; 2) self-defense fire prevention activities; 3) holiday and nighttime fire prevention management mechanisms; 4) earthquake prevention & response measures; 5) measures for handling natural gas disasters; and 6) fire prevention training. In accordance with the plan, Faraday carried out a fire prevention & protection drill in March and April, 2019. This used disaster scenario training to help employees become familiar with response measures, so that in the event of a disaster, they will be able to minimize impacts in the shortest possible time.
- In order to raise employee risk awareness, a broad and deep risk management culture has been created to internalize risk management as part of employees' everyday habits. The company has listed professional safety and health training as part of incoming employees' required classes; in 2019, 108 people were trained, and 498 people were involved in holding disaster drills. In addition, when every new recruit reports for duty, and after that on an annual basis, they undergo information security policy and case study training. In 2019, a total of 614 person-hours were devoted to this.

Floods Droughts Earthquakes Blackouts Fires Infectious diseases

Emergency incidents

Operational impact analysis → Business continuity strategy → Business continuity response → Return to operations → Continuous improvement & prevention
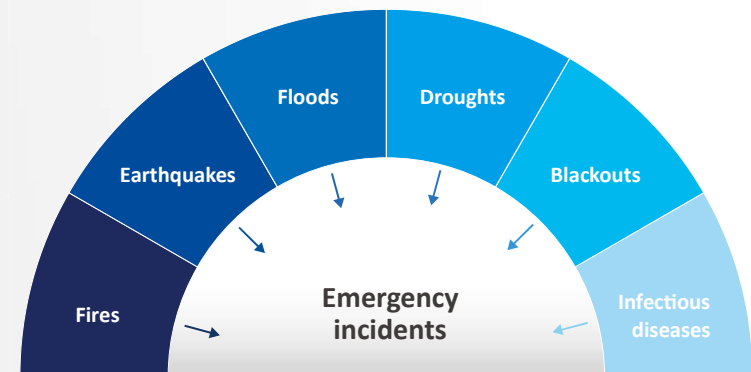
2/ R&D and innovation

- Competitive strength in quality

- Innovative technology

- Green product design

- Intellectual property management

- R&D results

- Professional association and organization membership

2/ R&D and innovation

Management policies

Targets for 2019	2019 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2020)	Medium- and long-term goals (2023)
Patent applications >= 15	Total of 18 patent applications for 2019	✓	Patent applications >= 15	Remain devoted to technology innovations; via the reward system that encourages R&D innovation, and the patent application system that is integrated with the company's operational goals, form both virtuous circles for, and a corporate culture of, R&D innovation, and lay a solid foundation for sustainable corporate operations
Develop ultra-low power consumption 22 nm fundamental IP solutions	Completed ultra-low power consumption 22 nm fundamental IP solutions	✓	Develop 22 nm functional IP solutions	Continue to develop ultra-low power consumption-related designs
100% of suppliers complete signing the Commitment Not to Use Environmental Substances	100% of suppliers completed signing the Commitment Not to Use Environmental Substances	✓	100% of supplier completion rate for signing the Commitment Not to Use Environmental Substances	Carefully evaluate and select raw materials with low hazard levels, in order to comply with the Hazardous Substance-Free Product Standard.

Self-developed IP solutions for a wide variety of applications

Faraday is Asia's first, and still one of the few ASIC producers to simultaneously have a robust self-developed IP database, with plentiful project development experience and technical capacity. Faraday upholds the sustainable management principle of "Seeking excellence; sharing success". We are dedicated to silicon IP solutions and SoC/ASIC design R&D and innovation. Our robust database includes more than 3,000 IP solutions, in a wide variety of applications silicon and mass-production proven through a large number of ASIC projects.

Comprehensive ASIC services; simplified SoC development

Our high-efficiency ASIC design process effectively reduces back-end automatic place and route (APR) work scheduling and platform-based SoC comprehensive design services, and helps to further perfect our IP solutions. Faraday ASIC designs have a wide variety of applications, helping customers to shorten chips' time to market, while simultaneously lowering risks and enhancing cost-effectiveness. Through plentiful IP innovation experience and a business model of comprehensive ASIC services, Faraday creates synergy for R&D and innovation with partners, to mutually create sustainable business opportunities.

2.1/Competitive strength in quality

Faraday has a strong quality management system. We were the first producer to receive the SGS ISO 9001:2015 certification, and a SGS ISO 9001 Plus Award.

Faraday is the first ASIC producer to receive the "Road vehicles – Functional safety" ISO 26262 process certification; and we have further helped customers to complete the AEC-Q100 and AEC-Q006 reliability certifications. Faraday has worked hard to put in place relevant professional know-how and technical services, to respond to the automotive market's demand for high quality and reliability. By helping customers quickly pass certifications, we provide customers with automotive ASIC solutions that maintain both product quality and chip reliability.

In terms of partner operations, Faraday has established strong collaborative relationships with world-class semiconductor suppliers. This helps guarantee that from IP, to electronic design automation (EDA), to fabs, to package solutions, we can provide our customers with the best product quality, ample supply, and on-time delivery. As a result of this, Faraday has become a leading producer in the semiconductor market. We supply the widest, most competitive array of solutions in the semiconductor field.

IP Partners

ANDES TECHNOLOGY · cadence · arm · CEVA · CITY SEMICONDUCTOR · eMemory · NSCore · PLDA · Rambus · SECURE-iC · SILEX INSIGHT · Silicon Creations

EDA Partners

cadence · Mentor Graphics · SYNOPSYS · Dorado

Production Partners

Amkor Technology · Ardentec · ASE GROUP 日月光集團 · GREATEK · Gr · KYEC · PDMC · SAMSUNG · SPIL · TCE · TF 通富微電 · UMC · Wavetek · Winstek

2.2/ Innovative technology

R&D and innovation together form one of Faraday's core competitive strengths. R&D engineering talent accounts for more than 75% of the company's total employees; in recent years, R&D investment has surpassed 25% of annual revenue.

Recent R&D investment

Line chart showing R&D expenses as % of revenues: 2015: 24.57%, 2016: 25.58%, 2017: 30.10%, 2018: 35.29%, 2019: 35.87%
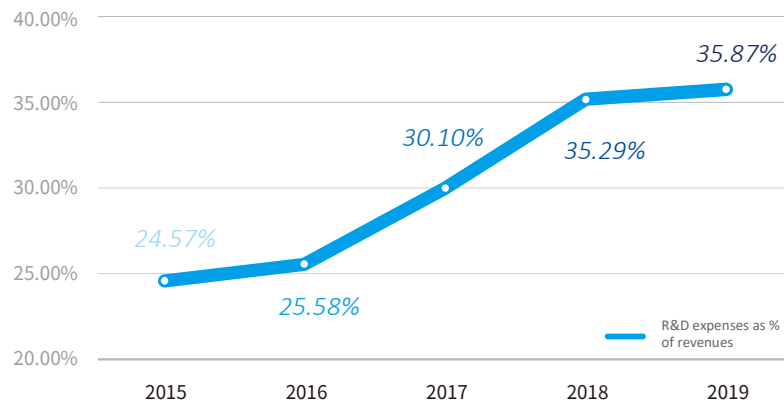
Faraday is focused on innovative technology. Among the wide variety of IP applications created by our R&D team, major IP solutions include: I/O; cell libraries; memory compilers; ARM-compliant CPUs; LPDDR4/4X; DDR4/3; MIPI D-PHY; V-by-One; USB 3.1/2.0; 10/100 Ethernet; Giga Ethernet; SATA3/2; PCIe Gen4/3; 28G reprogrammable SerDes; and hundreds of other peripheral digital and mixed-signal IP solutions.

Our complete customized ASIC design services for customers extend from front-end to mass production. We at Faraday put everything into advanced process development and using the latest ASIC design methods and tools. Through ideal solutions, we custom-create the chips our customers need.

On one hand, we provide customers with a flexible ASIC design platform and innovative ASIC collaboration, to promote win-win for both customers and Faraday.

On the other hand, we possess strategic foundry partnerships with UMC and Samsung. Faraday has developed fundamental cells and IP solutions with every kind of functionality that advanced processes require, in order to supply the ASIC design services needs of the mainstream market and FinFET processes. Customers can choose to use advanced processes as required by their needs, or use mainstream processes with a wide variety of applications and high-cost effectiveness.

>14 nm processes Advanced applications
SAMSUNG
AI · Cloud · HPC

Cutting-edge technology
- Providing leading edge technologies
- Combining third-party & proprietary IP solutions
- Innovative applications

40/28/22 nm SoC
UMC
Data communication · Projector · MFP

Mainstream technology
- Wafer solutions with ideal price-performance ratios
- Primarily proprietary IP; can be customized; low design risk
- Multiple applications

<55 nm+ processes MCU-related
UMC
AIoT · Smart grid · Security

✔ Design based on UMC processes
Faraday and UMC have worked together to develop many standard cells and I/O libraries, covering logic and mixed-signal specialty processes all the way from 0.5 μm to 22 nm. Customers can choose from different processes, voltage options, and mixed-mode technologies, to meet their needs in IoT, MCU, smart grid, multi-function printer (MFP), projector, and networking applications.

✔ Design based on Samsung processes
Faraday has collaborated with Samsung and successfully taped-out many ASIC projects on FinFET platforms, with solutions for many next-generation applications, such as AI, 5G/infrastructure networking, blockchain, cloud storage, high-performance computing (HPC), augmented & virtual reality (AR & VR), and high-end imaging. We provide value-added, customized ASIC design solutions combined with a complete line of IP solutions, to help customers realize innovative products based on FinFET process technologies.

Samsung has brought a revolutionary innovation to the foundry industry through its 3D-structured FinFET technology. This has been the most important technological milestone in the past decade, bringing outstanding transformations for the post-14 nm process transition and superior performance/power/scaling benefits.

2.3/ Green product design

Green product management

Faraday cares about our products' impacts on people's lives and the environment. As a result, all the way from design and development, to raw material extraction, to production, to use, to products being discarded and reaching the end of their life cycle, products provided by Faraday comply with legal regulations' requirements regarding users' health and safety. Specifically in terms of raw material extraction and production, Faraday has established a green supply chain in accordance with the EU Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS) and with the EU Chemicals Policy (REACH). Faraday has implemented green procurement, and has also set the Green Environmental Friendliness Policy & Procedures and the Regulations for Environmental Substance Management Procedures. These Faraday policies require that all production subcontractors sign the Commitment Not to Use Environmental Substances, which forbids them from using substances that harm the environment. The policies also require that subcontractors and their superior-tier subcontractors implement monitoring and control for hazardous substances in raw materials and manufacturing. Finally, subcontractors are required to provide third-party test results to guarantee green product and international regulatory compliance.

Green supply chain

MCU-related

Source management
- Environmental Substance Commitment required
- Standards-compliant green subcontractors
- Environmental substance usage regulations
- Green materials

Everyday management
- Green documentation
- SGS certification report
- Customer commitments to be green
- Substance content lists

Green procurement

Green product verification

Monitoring & controls for hazardous substances

Improving product power efficiency

Low-power consumption design: IoT MCU solutions
With the development of 32-bit CPUs, the breadth of applications for Internet of Things (IoT) and micro-controller unit (MCU) devices has grown to include smart meters, wireless sensors and wearable devices. For IoT/MCU applications, based on the high-performance, low-power consumption qualities of the 55ULP and 40ULP eFlash technology, Faraday provides cost-competitive IP and ASIC solutions that include the PowerSlash™ library, memory IP, versatile functional IP solutions, low-power consumption design methods and the Uranus+™ SoC development platform. Whether it's front-end design or back-end integration, we are able to assist customers in accelerating their IoT/MCU SoC development.

Faraday PowerSlash™ IP solutions work across a wide variety of voltages, from 0.81V to 1. 32V. The unique Turbo Mode helps MCU cores to reduce dynamic power consumption by 40% at nominal clock rates.

Low-power consumption SoC: 22 nm fundamental IP solutions
Faraday has brought out a complete line of fundamental IP solutions based on UMC's 22 nm ultra-low power (ULP) and ultra-low leakage (ULL) processes. The 22ULP/ULL fundamental IP solutions have already been successfully silicon proven, and include multi-Vt standard cell libraries, ECO libraries, IO libraries, the PowerSlash™ kit, and memory compilers, for huge reductions in power consumption, thus meeting the next generation of SoC design needs.

Faraday's 22ULP/ULL fundamental IP is designed with enhanced routing, as well as optimal power, performance and area (PPA) to address low-power SoC requirements. Compared to 28 nm capabilities, the 22 nm cell library can reduce chip die area by 10% or decrease power consumption by more than 30% at the same performance rate. In addition, the standard cell libraries can work under a wide voltage range — from 0.6V to 1.0V — and support always-on components in SoC with ultra-low leakage; the versatile IO libraries include generic IO, multi-Vt IO, RTC IO, OSC IO, and analog ESD IO. The memory compilers feature dual power rail functions, multiple power-saving modes, and read/write assist functions.

With Faraday's long-term collaboration with UMC and extensive ASIC experience, we are able to provide customers with professional IP adoption services based on UMC's processes. The new logic library and memory compiler IP solutions we've launched based on UMC's 22 nm technology can help customers grasp business opportunities by developing cost-advantageous, low-power SoC to deploy IoT, AI, telecomms, multimedia, and other emerging applications.

2.4/ Intellectual property management

Faraday strives for technological innovation. The R&D team has developed comprehensive and diverse IP solutions. In order to protect Faraday's technical R&D results and strengthen our competitiveness, we have a reward system that encourages R&D innovation, and a patent application system that is integrated with the company's operational goals. These systems form both virtuous circles for, and corporate culture of, R&D innovation; the systems also lay a solid foundation for sustainable corporate operations.

- There is a department responsible for IP management, as well as systematic patent management mechanisms and processes, to effectively manage all innovation proposals made in the R&D department.
- R&D department is assisted to review and optimize quality of patent applications, in order to enhance the patent application approval rate.
- A diverse incentive system, as well as awards for patent approval, encourage technical R&D personnel to make patent applications.
- Internal e-Course online IP classes reinforce correct notions regarding major cornerstones of patent application law for R&D personnel.
- Based on the progress and needs of technical development, technical retrieval & analytical reports are provided to strengthen R&D capacity.

Diverse award system

e-Course online IP classes

Optimized patent application quality

Technical retrieval & analytical reports

Department responsible for IP management

IP risk alerts and controls

Technical innovation and intellectual property form the cornerstone of the company's competitive strength. In response to potential risks and industry-related technical issues that are implied within personnel turnover, Faraday adopts proactive management and tracking measures:

- Trade secrets, patent rights, and other principles of patent ownership are emphasized in new recruit training, as are legal concepts such as respecting intellectual property.
- The company's intranet includes a dedicated link to Information Security Education, which explains in detail information security restrictions, confidential information protection measures, and matters for employee awareness and compliance.

- An information security system has been established that implements data input-output permissions. Through a multi-track review mechanism, alerts are given before anything happens, classified information leaks are avoided, and data with unknown sources is stopped before it can get in.
- Major industry issues related to technology are tracked and reported on; occasional data exploration and analysis is done with technologies related to the R&D Department's goals; and an R&D Department Alert and Assistance Risk Plan has been established.

2.5/ R&D results

"Both quality and quantity" is Faraday's strategy and goal for patent application deployment. The company does regular patent property surveys and analyses, in order to effectively keep abreast of our patent property situation, and make sure our resources are efficiently used. We also continuously invest in R&D human and material resources, with a focus on industry technology development related to the company's operational goals and strengthening our intellectual property protection. All this helps to enhance the visibility and competitive advantages of our R&D capacity.

- More than 800 global patents granted (including more than 325 patents in the US)
- More than 160 patent applications currently in process.

Year	Patents
2019	812
2018	791
2017	772
2016	747

2.6/ Professional association and organization membership

	Organization name
Industry organizations	• Allied Association for Science Park Industries
	• Association of Quality Managers
Industry research & technical development	• Global Semiconductor Alliance (GSA)
	• MIPI Alliance
	• JEDEC Solid State Technology Association
	• Peripheral Component Interconnect Special Interest Group (PCI-SIG)
	• USB Implementers Forum (USB-IF)

Major technical breakthroughs and accomplishments

Faraday continually innovates and invests in R&D resources. The company's major breakthroughs and accomplishments for 2019 include:

IIoT — Successfully collaborated on and delivered several factory automation-related ASIC solutions, which are used to support real-time Ethernet, EtherCAT, Profibus and PLC controllers. The projects use Faraday value-added ASICs and customized IP services to optimize power consumption performance, efficiency, and life cycle management. Faraday projects meet the factory automation needs of Industry 4.0 and the industrial internet of things (IIoT).

AI — The Faraday mass-production proved RISC-V ASIC solution based on the UMC 55ULP process successfully supported a new generation of end-user AI/IoT SoC designs. This meets the special performance needs found in battery power supplies for IoT end-user systems.

10+ — Faraday successfully completed more than 10 ASIC designs for data communications applications. These primarily use the UMC 28HPC and 40LP processes, with products used in applications ranging from access points & switches, to server adapters, to residential gateways.

28G SerDes — Led the industry with 28 nm, 28G programmable SerDes for networking ASIC. The silicon-proven IP on UMC's 28HPC process, which enables the infrastructure of 100G Ethernet and most xPON applications.

3x — The number of Faraday's SoC ASIC design projects has doubled, three years in a row. These are primarily based on 28 nm and 40 nm processes. As compared to more advanced ones, the barriers to entry for these two processes are relatively low. The corresponding IP deployment is robust and low-risk, providing customers with SoC cost advantages for better competitiveness.

22nm — Announced a complete line of fundamental IP solutions based on UMC's 22 nm process. The 22ULP/ULL fundamental IP solutions have already been successfully silicon proven, and include a variety of multi-Vt standard cell libraries, ECO libraries, IO libraries, Power-Slash™ kits, and memory compilers. This allows for huge reductions in power consumption, and thus meets the next generation of SoC design needs.
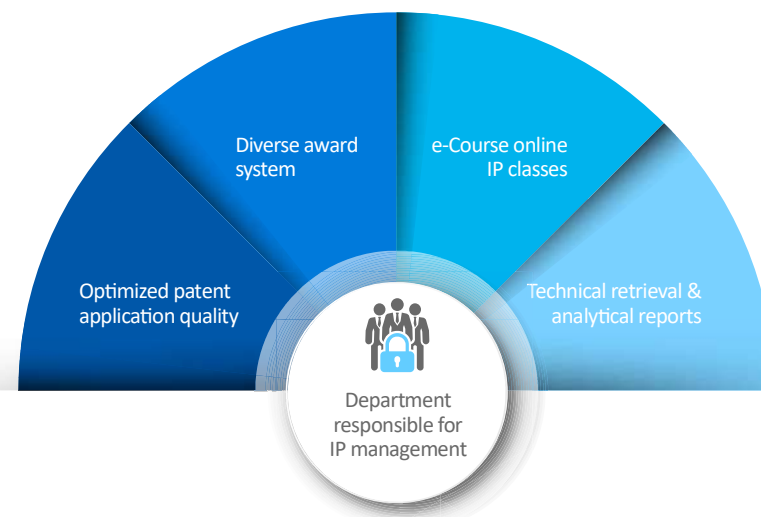
AIoT — Successfully launched the FIE3240 FPGA platform for the SoCreative!™ IoT SoC platform series. The FIE3240 reprogrammable platform has a high degree of flexibility and expandability, and supports SoC designs utilizing ARM Cortex-M processors. This platform can fulfill diverse AIoT application needs.

3/ Winning glory with our partners

- Customer service
- Customer confidentiality & information security
- Supply chain status
- Sustainable supply chain management

3/Winning glory with our partners

Management policies

Targets for 2019	2019 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2020)	Medium- and long-term goals (2023)
Customer satisfaction at least 85%	Customer satisfaction 86.2%	✓	Customer satisfaction 86%	Continue improving customer satisfaction
Complaints regarding breaches of customer confidentiality or loss of customer data: 0	Complaints regarding breaches of customer confidentiality or loss of customer data: 0	✓	Complaints regarding breaches of customer confidentiality or loss of customer data: 0	Continue promoting and building up the partner confidentiality system, data protection technologies & management, and implementation details for information security anomaly analysis and warnings. Create the most secure, strictly-controlled information security safeguards.
Information security policy and case study training	A total of 614 person-hours for 2019	✓	● Information security policy announcements: 4 times/year ● Information security policy classes: Paired with new recruit training; 100% implementation	
100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers	100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers	✓	Maintain 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers	Maintain 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers
>75% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification	76.9% of all wafer, packaging, and testing providers achieved OHSAS 18001 certification	✓	76% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification	When introducing new suppliers, prioritize those with OHSAS18001 certifications, in order to continually require that all wafer, packaging, and testing providers achieve OHSAS 18001
Do Conflict Minerals Reporting Template (CMRT) supplier evaluations in accordance with the Responsible Minerals Initiative (RMI) and require suppliers to sign the Declaration of Non-use of Conflict Minerals	100% of suppliers completed signing the Declaration of Non-use of Conflict Minerals	✓	Maintain 100% supplier completion rate for signing the Declaration of Non-use of Conflict Minerals	Maintain 100% supplier completion rate for signing the Declaration of Non-use of Conflict Minerals
Onsite audits for 70% or more of suppliers	73% onsite audits for suppliers	✓	Onsite audits for 70% or more of suppliers	Onsite audits for 80% or more of suppliers annually, in accordance with the audit plan

3.1/Customer service

At Faraday, we treat our customers with great respect. We deeply believe that only if we see our customers as crucial strategic partners will we achieve win-wins and mutually beneficial cooperative relationships. Thus, whether in terms of development, design, or production support, we do our utmost to satisfy our customers' needs and desires.

We need to maintain a timely understanding of customers' needs, and to stimulate interaction and information exchange with customers. In order to meet these ends, not only do we hold periodic visits and meetings with customers, but we also do annual customer satisfaction surveys. Through review and analysis of questionnaires, we gain a better understanding of our customers' wants and needs; and on the basis of these, we can then map out the strategy and improvement plans. This helps ensure that customer needs are properly handled and met, and to promotes the company's continuous improvement.

Real-time communication via email/ messaging · Customer service platform · Customer satisfaction surveys · Customer visits/audits · Regular meetings/visits · Customer communications platform
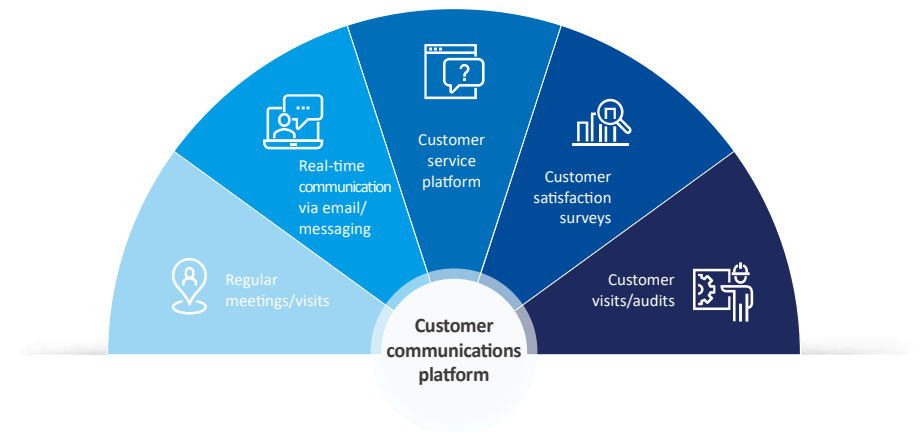
eService customer service platform

In order to help customers receive optimal service, Faraday has established a customer service platform (eService system). When a customer has a question or suggestion regarding products or services, they can first log into the eService platform; once they do so, a specialized staff member will refer their issue to the responsible department. Dedicated personnel then reply with the results to the customer. The eService system also automatically sends the customer a satisfaction survey, to ascertain the customer's level of satisfaction with how the matter was handled, and to provide the customer with optimal, timely service.
https://www.faraday-tech.com/eserviceii

Customer satisfaction surveys

In order to guarantee that customers are satisfied with the products and services that Faraday provides, as well as to collect customers' suggestions for internal review and implementation, we have established the Satisfaction Survey Management Procedure. Through this system, we periodically perform review and evaluation of customer satisfaction, and propose corresponding improvement plans; then, in management review meetings, a review and related improvement measures are proposed.

Three aspects of customer satisfaction surveys:

- Silicon IP quality/service/competitiveness
  - Survey focus: Major key silicon IP solutions
- Electronic design automation tools & processes
  - Survey focus: Major design tools and key processes
- ASIC design & production
  - Quality: Wafers; assembly; testing; and reliability
  - Delivery: Design integration; production planning
  - Cost: Competitiveness
  - Service: Customer returns analysis; questionnaires

Customer satisfaction survey management procedure:

- ▼ Choose survey respondents: Based on survey focuses, confirm the list of survey respondents
- ▼ Send out surveys: Questionnaires are sent out by the survey system
- ▼ Collect customer surveys: Dedicated personnel collect customer surveys
- ▼ Summary analysis of satisfaction: Analyzing analyze the three corresponding survey items
- ▼ Continuous improvement: Based on analysis results, perform continuous improvement

Choose survey respondents

Send out surveys

Collect customer surveys

Summary analysis of satisfaction

Continuous improvement

Average customer satisfaction results

Average customer satisfaction in 2019 was 86.2%, an improvement over the 85.3% rate for 2018. However, there were components within this that deserved continuous improvement or single-item improvement. The total quality management committee tasked the relevant department with implementing improvements, to realize quality management and enhance customer satisfaction.

Improvement performance:

In 2018, in line with customer hopes, we implemented an improvement program for production and delivery times for engineering samples and mass-production products. We established regular deadline planning/review meetings for the project management, production management, and engineering units, which greatly improved on-time delivery rates. 2018's rate of 75% was improved to 88% in 2019, which also helped this focus on the customer satisfaction survey jump to 3rd place in overall satisfaction.

84.6 % *85.3 %* *86.2 %*

2017   2018   2019

Average customer satisfaction

3.2/ Customer confidentiality & information security

Safeguarding trade secrets and customer privacy

Faraday cares deeply about the security and confidentiality of information and assets related to our operations and our partners (including customers, subcontractors, agents, employees, etc.). For this reason, we have formulated confidential document and information management procedures, as well as procedures related to patent management. We have simultaneously established the Faraday Information Security Manual.

Information Security Policy

The president has clearly laid out the Faraday Information Security Policy, which commits us to implement information security controls, and to protect partners' and operational secrets, in order to minimize information security risks and consolidate corporate sustainability.

Faraday Information Security Policy

To build customer trust, by firmly committing to the information security policy.

To protect business confidentiality, by exactingly implementing information security control.

To consolidate sustainable operations, by substantially reducing information security risk.

Faraday Technology Corporation

President/

Information Security Manual

Faraday cares deeply about the security and confidentiality of information and assets related to our partners (including employees, customers, subcontractors, agents, etc.) and operations. For this reason, established the Faraday Information Security Manual, with reference to the ISO27001 standard, with contents that cover organizational, technical and concrete environmental controls. The manual includes the Information Security Policy; information security organization; asset management; access management; information security legal compliance; human resource security; concrete and environmental security management; introduction and maintenance of information security systems; internet communications and task administration; and information security incident reporting and business continuity management. In addition, the manual adopts the plan, do, check, action (PDCA) cyclical operating mode to establish, implement, maintain, and improve the information security management system (ISMS). Through the application risk management process, the ISMS protects the confidentiality, completeness, and availability of information, to appropriately manage risk, and avoid threats, both internal and external, while also lowering risks from information tasks, and guaranteeing customers' interests.

Administration

Operations

- Information Security Policy
- Information security organization
- Asset management
- Access management
- Compliance with information security law
- Human resource security
- Concrete, environmental security management
- System introduction and maintenance
- Internet communications and task administration
- Business continuity management

Technical   Organizational   Concrete

Information security management committee

In 2019, the inter-departmental, multi-functional information security committee was established. The president acts as committee chair; the chair appoints the VP of operations as on information security management representative, who leads the company's IT department and various information security working groups. Together, they are responsible for establishing, implementing, and continuously improving the information security management system. They are also responsible for reporting on information security management system implementation results and items for improvement to the executives. The information security management committee is made up of the following:

```
┌──────────────────────────────────┐
│  Information security  committee   │
│            Chairman                │
└──────────────────────────────────┘
                    │
                    ├────────────────────────┐
                    │      ┌─────────────────────────────┐
                    │      │  Information security         │
                    │      │  management representative    │
                    │      └─────────────────────────────┘
```

| IT information security representative | HR information security representative | Legal affairs | Emergency response team | Document management center | Audit working group |
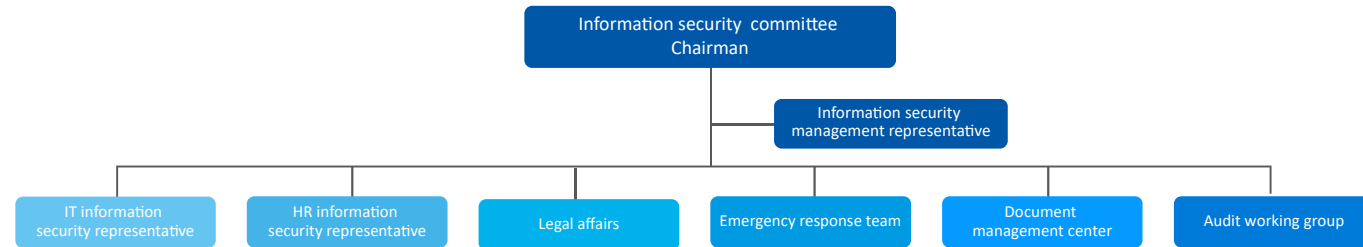
Information security implementation

As a leader in ASIC design service and IP R&D and sales, since the establishment of the company, Faraday has always put a great deal of import on information security management systems, and invested a great deal of human and material resources into this area. We have put in place 1) education regarding confidentiality and regulations; 2) an information classification system; 3) a partner confidentiality system; 4) information protection technologies and management; and 5) implementation details for information security anomaly analysis and warnings. This means we have the most secure, strictly-controlled information security guarantees. Up to the present, we have received no complaints regarding breaches of customer confidentiality or loss of customer data.

Education regarding confidentiality and regulations

- Legal education and compliance
- Information security classes

Information classification system

- Differentiated confidentiality levels
- Information classification controls

Partner confidentiality system

- Information security management committee
- Partner confidentiality agreements
- Non-competition mechanism
- Information security system

Information protection and management

- Access controls
- Data transmission/use/storage controls
- Concrete, environmental controls
- Business record storage

Information security anomaly analysis and warnings

- Information security risk management
- Monitoring of information security indicators
- Information security anomaly reporting
- Monitoring, analysis and threat warnings for behaviors harmful to information security

Putting information security technology controls in place

By putting in place information security monitoring systems and implementing weakness scanning, both external hacking penetration and internal leaks are prevented. Data software and hardware controls include setting up information security protection and network security systems for the internet and personal devices, such as desktop computers, laptop computers, tablets and smartphones. This helps keep personal data, confidential internal information, and both customers' and subcontractors' information safe.

Control	Mechanism
Account and password protection	Mandatory password complexity and regular password changing system
Personnel account and permissions	• When employees leave their positions, their accounts and permissions are turned off the same day
	• Periodic review and evaluation of account permissions
Access control	• Access logs periodically reviewed
	• Remote access permissions periodically reviewed
	• Permissions for printing, outgoing email and remote access turned off for soon-to-leave employees
Internet controls	• Internet connection controls for data equipment
	• Intra/extranet and R&D environment internet compartmentalization and access controls
Threat detection and prevention	• Regular security upgrades
	• Automatic virus pattern updates and deployment
System usability	• System anomaly handling SOP and regular drills
	• Critical system anomaly backup systems established and strengthened
Confidential information protection	• Outgoing email review
	• Use log review
	• Connection controls for USB peripheral devices

Information security training

In order to enhance Faraday personnel consciousness and awareness of information security, the Personnel Information Security Requirements and Training Management Procedures have been established as a basis for administration.

- Reminders on information security awareness: Reminders and announcements related to information security are implemented in a timely manner through various channels, in order to enhance staff consciousness of information security.
- Information security education:
  - When new recruits are on boarded, they sign an employee professional ethics service agreement and receive training related to information security, in order to understand the company's Information Security Policy and requirements.
  - When every newly hired recruit is on boarded, and after that on an annual basis, they undergo information security policy and case study training. In 2019, a total of 614 person-hours were devoted to this. Through ongoing training, Faraday employees' consciousness about information security is enhanced and internalized in their tasks, in order to create the most secure, confidential information security protections possible.

Information security audit system

The information security review team conducts regular internal review of information security, confirms the implementation of information security management practices, and takes implements improvement measures based on the results of the review to continuously effectuate Faraday's information security management system.

3.3/ Supply chain status

Material issues contained within this section are as follows:

Faraday provides customers with complete IC design and turnkey services. During the production process, after IC design is completed internally by Faraday, the follow-up production processing—from wafer to assembly and testing- is all outsourced. The process requires working closely with subcontractors at every stage, integrating and adjusting the inter-subcontractor processes, in order to completely integrate the operation of the entire supply chain.

```
        Faraday
        (IC deisgn)
   ┌──────┬──────┬──────┐
Wafer fab  Wafer testing  Assembly  Final testing
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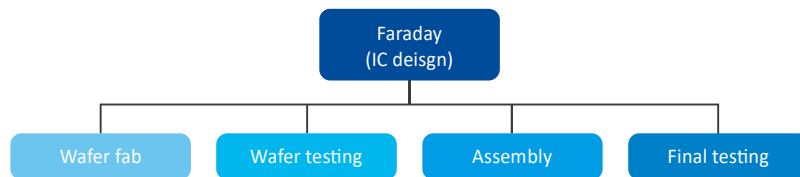
The subcontractors we currently collaborate with all comply with Faraday's requirements for product quality, and they provide us with production control capacities that lend us competitive strength. Through continuous monitoring, they provide products that meet both Faraday's and customers' expectations.

3.4/ Sustainable supply chain management

Faraday divides sustainable supply chain management into two phases. Phase one is evaluations of new subcontractors; phase two is the management of approved subcontractors. Only once a selected subcontractor has passed the new subcontractor evaluation will they be included within the approved subcontractor management process.

New subcontractor evaluation

To select partners, Faraday uses the standards in the Outsourced Producer Evaluation & Assessment Regulations as the basis for evaluating the potential subcontractor's quality, cost, and production flexibility, in order to determine if the subcontractor is sufficiently competitive. Through the Quality System & Process Checklist, we confirm whether the subcontractor's quality system is sufficiently mature, and whether their engineering capacity and environmental, health & safety (EHS) management capacity meet Faraday's requirements.

- Quality system: ISO9001 is a mandatory requirement
- Environmental management system: ISO14001 is a mandatory requirement
- EHS system: OHSAS18001/ISO45001 and QC080000 are bonuses

First phase

Supplier competitiveness
- Cost
- Quality
- **Production flexibility**

Second phase
- Quality system maturity
- Engineering capacity
- Production control capacity
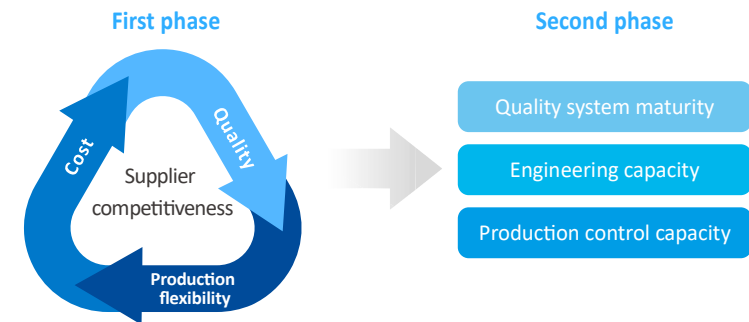
- In 2019, all approved subcontractors (15 in total) met the ISO9001 quality system management and ISO14001 environmental management standards.
- 80% of subcontractors had also obtained OHSAS 18001 or equivalent occupational health & safety management systems certification.

Statistics on approved subcontractors' certification status:

	Required targets		Bonuses	
	ISO9001	ISO14001	OHSAS18001 / ISO 45001	QC080000
Fab (4)	100%	100%	100%	100%
Assembly (5)	100%	100%	80%	80%
Testing (5)	100%	100%	60%	40%

Note: There is currently only one assembly house in China that does not have OHSAS18001 or ISO45001. Because of the different types of industries, the testing house has no strong demand for these two certifications, the certification rate is low.

Approved subcontractor management

Once a new subcontractor has passed the new subcontractor evaluation process, then they enter the sustainable supply chain management phase. In this phase, we emphasize four aspects:


Production management

In terms of production management, Faraday holds regular quality meetings with subcontractors, and monitors all aspects of production indicators, yield, receiving and rejection rates, production defect rates, etc., in order to guarantee that production quality meets Faraday's requirements. When a subcontractor indicator cannot be met, the subcontractor is required to carry out improvements.

Production line audits

Every year, Faraday sets a subcontractor audit schedule for approved subcontractors. Domestic subcontractors undergo onsite confirmation of their production line management status and production records. With overseas subcontractors, if there were no customer complaints in the previous year and there have been no major production anomalies three years in a row, written audits may be used.

Onsite audit rate for domestic and overseas subcontractors, 2018–2019

2018: 79% (15/19)   2019: 73% (16/22)
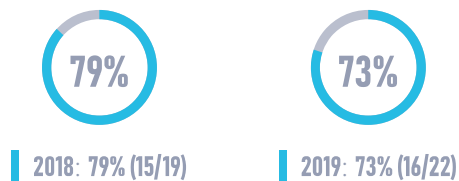
The onsite audit rate decreased for 2019 primarily due to an increase in the number of subcontractor locations (1 additional wafer testing provider; 2 additional final testing providers), thus increasing the denominator. However, there were actually no major changes to the major production site audit schedule.

Continuous improvement

In 2018, Faraday began evaluating the environmental sustainability of the supply chain, in hopes of doing our part to make a contribution in this area. However, because all the turnkey services provided by Faraday have outsourced production, reductions in environmental impact require cooperating with subcontractors in order to create substantive effects. Following the evaluation, we proposed two things that can be subject to continuous improvement: Process waste reduction, and energy savings during baking.

Process waste reduction:

Based on the principles of "eliminate, combine, reduce, and simplify" (ECRS) and based on collaboration with partners, Faraday has reduced the number of steps for transport from the assembly house to testing from 6 steps to 2, thus reducing time wastage.

Stage	Original process	Anti-static box process
Assembly	**Step 1** Place a complete (or partial) stack within a small cardboard box, then add bubble wrap (if the shipment contains 20 cardboard boxes, then this step needs to be repeated 20 times)	**Step 1** Place a complete (or partial) stack within the anti-static box, then add bubble wrap (1 anti-static box can hold 6 complete (or partial) stacks)
	2 Seal the small cardboard box, then affix outer box label to each cardboard box (if shipment contains 20 cardboard boxes, then this step needs to be repeated 20 times)	
	3 Place small cardboard boxes in a large outer box Each large outer box can hold 6 small cardboard boxes	**2** Cover the anti-static box, then affix outer box label
	4 Seal the large cardboard box; affix outer box label to each box	
Testing	**5** Testing IQC opens large and small boxes	**3** Once IQC inspection is done, arrange testing
	6 Transfer to anti-static box and arrange testing	

90%

Time saved during outer packing-up process
90% efficiency increase

78%

Time saved during testing packing removal process
78% efficiency increase

37,271

Reduction in one-use cardboard boxes for 2019
Up to 37,271 units

At the same time, we have changed the packing-to-testing process from using the original one-use cardboard boxes to using reusable, environmentally-friendly boxes. When the boxes are scrapped, they can also be recycled, reducing resource waste and environmental impacts.

Since the packing waste reduction program was introduced, in 2019 we saved 37271 cardboard boxes; going forward, this will also mean a reduction in one-time use of cardboard boxes.

Process energy savings program

Once an IC has gone through assembly and has completed testing, it must go through baking to remove moisture inside the IC to prevent IC popcorning in the later surface mount technology (SMT) process. As a result, every single IC has to undergo baking at 125°C for 8 hours before it can be shipped, in order to guarantee product quality.

Faraday has established an IC baking humidity curve model, and we have completed shortening the certification time required during pre-shipping baking. By doing this, we have shortened the baking time required to as little as one-half of what was originally required, allowing us to both maintain product quality and reduce energy used during the baking process.

Introducing this practice at all testing subcontractors meant that, for 2019, the energy savings was 77,158 KWh, for a savings of 39,274 Kg of CO_{2e}.

IC dehumidification curve model

FZC0AA066CD LQFP 28X28 5hrs
FZC0AA115BB PBGA 31X31
FSH0AS002DA TFBGA 19X19 8hrs
FSR0HS041FE EPAD LQFP 14X14 4hrs
FZC0ZA020AA PBGA 23X23 4hrs
FSA4FA002DA TFBGA 13X13 4hrs
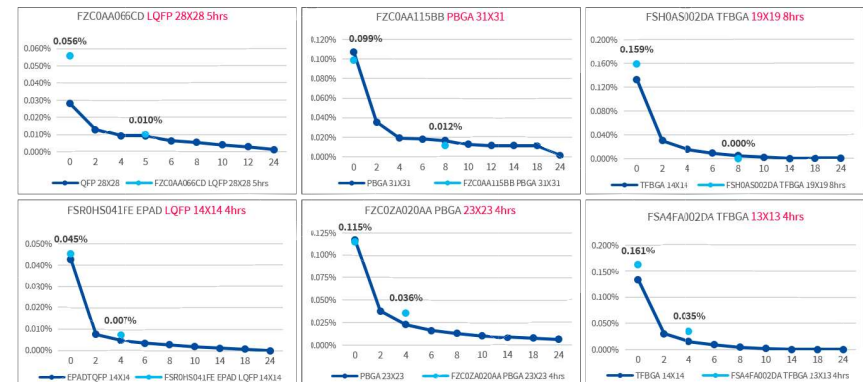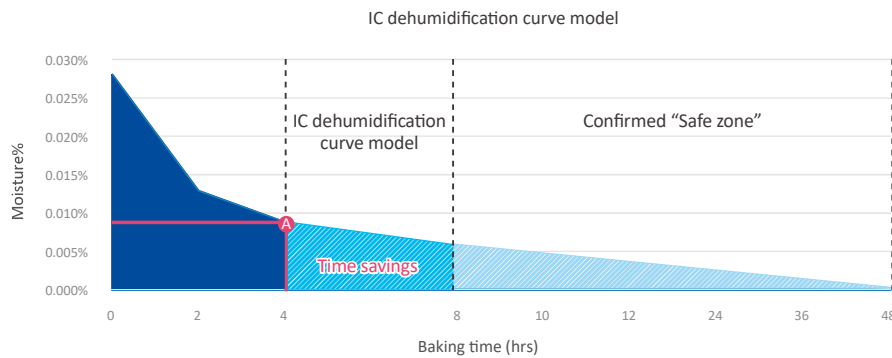
Regular approved subcontractor evaluations

Every quarter, Faraday performs evaluations of approved subcontractors who account for 10% or more of our production, in accordance with the Outsourced Producer Evaluation & Assessment Regulations. By evaluating the quality, costs, on-time delivery and service of our approved subcontractors, we evaluate whether or not there is room for continuous improvement.

Category	Evaluation
Quality	FT feedback regarding incoming material inspection quality (LRR and DPPM)
	Defects that result in production line halt/rework/delivery schedule being affected
	Customer complaints (on-time response rate, number of defects and report quality)
	Quarterly rejection rate performance
Cost	Competitiveness
	Cost reduction target achievement
On-time delivery	On-time delivery rate
	On-time delivery competitiveness
Service	Ability to meet NRE/urgent mass production/special requirements
	Amount of support for and compliance with assembly engineering
	Amount of support for and compliance with production engineering/audits
	Reliability & certification compliance

Faraday applies different handling methods, depending on the subcontractor's grade.

Score	Grade	Handling method
90+	A⁺	Procurement department can maintain original procurement rate or adjust as required
70~89	A	Procurement department can maintain original procurement rate or adjust as required
60~69	B	First, production quality management unit does analysis; then, if necessary, subcontractor required to make improvements
59 or less	C	Production quality management unit coordinates with relevant units to determine whether or not to continue procurement; if procurement is to continue, subcontractor is required to make improvements, and if not, the subcontractor's approval status is canceled.

Based on 2018–2019 statistics, for 2018, 80% or more of subcontractors met at least an A grade, and for 2019, all approved subcontractors received at least an A.

	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A⁺	14%	33%	8%	33%	44%	22%	6%	50%
A	71%	56%	77%	47%	56%	78%	94%	50%
B	14%	11%	15%	20%	0%	0%	0%	0%
C	0%	0%	0%	0%	0%	0%	0%	0%

Conflict mineral management policies

Tantalum, tin, tungsten, and gold are materials required for the functioning of electronic products; they are often used in resistors, capacitors, CPUs, hard drives, memory, motherboards, connectors, and more. However, in recent years, investigations by international organizations have revealed that in the Democratic Republic of the Congo and neighboring countries in central Africa, specifically in mining areas controlled by non-governmental and illegal military groups, illegal metals acquired through forced labor and abuse of child labor frequently constitute the primary source of funds by which local military rebels purchase arms. Such groups use this military might to foment military conflict and rebellion, which creates an environment of human rights violations and environmental degradation. As a result, these kinds of metal have become known internationally as "conflict minerals".

Faraday requires subcontractors to sign the Declaration of Non-use of Conflict Minerals, and to follow the spirit of the Responsible Business Alliance (RBA) regulations. Faraday only does procurement from subcontractors who are environmentally and socially responsible. We do this in order to avoid illegal mining that results in worker oppression, compulsion through military force, abuse of child labor, environmental destruction, and other problems.

Conflict mineral production management plan and results

Raw materials procured from smelters and refiners approved by the Responsible Minerals Initiative (RMI):

2019 targets	2019 results	Effectiveness evaluation	Response mechanisms	
			Short-term goals(2020)	Mid- and long-term goals(2023)
Based on the RMI's Conflict Minerals Reporting Template (CMRT), investigate subcontractors and require them to sign the Declaration of Non-use of Conflict Minerals	100% of subcontractors signed the Declaration of Non-use of Conflict Minerals	✔	Maintain 100% of raw material procurement being from RMI-approved smelters and refiners	Maintain 100% of raw material procurement being from RMI- approved smelters and refiners

- For the raw materials used in Faraday products, none of their metal or mineral sources are mined in areas controlled by non-governmental or illegal military groups in the Democratic Republic of the Congo or its neighboring countries.

Declaration of Non-use of Conflict Minerals	Signed **10**	Not signed **0**

- Declaration of Non-use of Conflict Minerals: Wafer fabs; assembly providers

Green product production results

Based on customer demand, the products supplied by Faraday meet the limits presented in the EU RoHS Directive, and the REACH requirements. In 2019, there were no RoHS or REACH violations that resulted in customer complaints or returns.

Commitment Not to Use Environmental Substances	Signed **14**	Not signed **0**

- Commitment Not to Use Environmental Substances: Wafer fabs, assembly providers, testing providers

A note about RoHS and REACH:

Environmentally-controlled substances include both RoHS and REACH:

The RoHS Directive formally took effect on July 1st, 2006. It primarily applies to regulating standards for materials and creation of electronic and electrical products; the Directive is aimed at making them more beneficial to human health and environmental protection. The standards are aimed at eliminating six substances: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls, and polybrominated diphenyl ethers. A major focus of the regulations is that lead content may not go above 0.1%.

June 4th, 2015, the Official Journal (OJ) of the European Union announced Directive (EU)2015/863, amending the RoHS 2.0 regulations to formally include bis(2-ethylhexyl) phthalate (DEHP), butyl benzyl phthalate (BBP), dibutyl phthalate (DBP) and diisobutyl phthalate (DIBP) within the Annex II restricted substance list. As of this point, the Annex II list contained ten heavily-controlled substances. Following the announcement of this amendment directive, the various European Union member states were required to adopt laws to comply with the Directive by December 31st, 2016, and by July 22nd, 2019, all electrical and electronic products (save medical devices and monitoring and control instruments) imported into the EU were required to meet those requirements. Beginning July 22nd, 2021, medical devices (including in-vitro medical devices), and monitoring and control instruments (including industrial monitoring and control instruments) will also be included within the scope of the regulations.

REACH (Registration, Evaluation, and Authorization of Chemicals; No 1907/2006/EC) is a European Union directive to integrate management of chemical substances entering EU borders. In order to meet REACH directive requirements, when a product contains more than 0.1% (w/w) of a substance of very high concern (SVHC) as defined in the REACH directive, consumers must be provided with information on SVHC content in the product.

4/ Environmental sustainability

- Environmental protection policy
- Climate change response
- Energy use and greenhouse gas inventory
- Waste management

4.1/ Environmental protection policy

In compliance with laws related to the environment and international regulations, Faraday carefully safeguards our natural environment; and in our implementation of operational activities and internal management, we do our utmost to achieve the goals of environmental sustainability.

- **Pollution prevention**
  Faraday is an IC design services company. No production or manufacturing occurs onsite, and thus there are no concerns about waste water, waste gases, toxins, or chemicals. We prohibit waste in all forms, including water and energy. We also give regular reminders to employees about the energy-saving policy, and continuously improve our "maintain, replace, save, recycle, and reuse" procedures.
- **Hazardous substances**
  Faraday has established environmentally-controlled substance standards for our products and packing materials. These standards abide by legal regulations, protect the earth, and reduce effects on the ecosystem.
- **Waste disposal**
  Faraday disposes of wastes produced during organizational operations and from hygiene facilities in accordance with the law. Reports are made on the Environmental Protection Agency's Industrial Waste Report and Management System in a timely way, to guarantee compliance with the competent authority's regulations.

4.2/ Climate change response

Introducing the TCFD framework

The #1 risk listed in the 2019 Global Risk Report, published by the World Economic Forum (WEF), was extreme weather events. In order to respond to the impacts of climate change on the company's operations, and to concretely disclose climate change information, Faraday has adopted the Task Force on Climate-related Financial Disclosure (TCFD) framework. This is overseen by the corporate sustainability committee, under the board of directors. As guided by the president, who serves as chairman of the committee, the committee regularly reviews performance and reports results to the board. This helps the board and upper management to understand the effects of climate change on the company. In addition, in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures, as announced by the TCFD, the company discloses information in the four major areas of corporate governance; strategy; risk management; and indexing and goals. This provides investors and other stakeholders with the consistent information they need, and joins with suppliers and partners in implementing environmentally-sustainable development.

Governance
Overseen by the corporate sustainability committee, under the board of directors; as guided by the president, who serves as committee chairman, the committee regularly reviews performance and reports the results to the board.

Strategy
- Continuous implementation of the company's greenhouse gas monitoring and energy reduction plan.
- Helping customers to produce green energy products that are environmentally friendly is Faraday's constant goal; through developing low power consumption technologies and by adopting production and packing processes that use green, hazard-free substances, we continue to strengthen our customer service and competitive edge.

Risk management
In order to raise the level of concern about climate change risks, we have made plans to include climate change risk factors within the company's risk standards, to be analyzed alongside other extant operational risks.

Indexing and goals
We have set reduction goals for greenhouse gases, energy resources, and waste.

Risk/opportunity differentiation and financial impact analysis

In accordance with the framework laid out in the TCFD Recommendations, published by the Financial Stability Board (FSB) in June 2017, we have implemented inventories and disclosures for climate change risk and opportunity management. This will help stakeholders to more systematically grasp climate change risks and opportunities, as well as financial impacts.

Climate change risk differentiation and financial impact analysis

Risk category	Facet of risk	Climate change risk identification	Potential impact on operations and finances	Management measures for identified climate change risks
Physical risks	Acute risk	Typhoon/hurricane frequency and strength increase; severe storm frequency and strength increase	If typhoons and floods are massive and the effect is long-lasting, this may cause damage to our physical facilities, speeding up asset depreciation and increasing physical facility maintenance costs.	For physical facilities, we keep constant tabs on whether the basement pumps are functioning normally. Every time a typhoon or severe storm warning is sent out, we perform preventive measures (e.g., sandbagging, and window & door reinforcement).
	Chronic risk	Changes in rainfall patterns and severe weather result in water restrictions at company locations	If the water supply is cut off and the stored water supply is insufficient, this will result in the chiller and other major physical facilities being unable to run, which will in turn prevent the physical plant and server rooms that support R&D and design work from working. A water supply cutoff may thus result in company operations halting.	Within company grounds, there is only general-use water, with no water needed for production; our stores of water are sufficient to supply general use for three days or more. When municipal water is insufficient, water trucks are called in to supplement.
		Rising average temperatures result in risks of electricity brownouts or blackouts at company locations	Rising average temperatures will cause physical plant air conditioning and physical facility costs to increase. If there are interruptions in the power supply, this will result in physical facilities and physical plant and server rooms that support R&D and design work being unable to run, and cause interruptions to company operations.	All electricity for physical plant and server room operations is provided through uninterruptible power supplies (UPS). When the municipal power supply is interrupted, the UPS batteries can supply power for a short time. A power generator system also has sufficient fuel stores to supply power to the physical plant and server rooms for ten hours or more; while the power generator is active, fuel tankers can be used to supplement the reservoir, which can support operations for many days.
		Water restrictions, brownouts or blackouts can result in supply chain interruptions or risks of raw material shortages	If rain falls in smaller enough quantities as to result in local water resource shortages, or power shortages, these can both affect the stability of the supply chain, which may result in customer complaints or increased operating expenses.	In addition to globalizing our supply chain, we have also introduced business continuity management procedures. Through these, we do continuous review and improvements. This helps ensure that, when disasters or impacts occur, we are able to fully maintain and return to the maximum possible operational goals; by doing so, we strive to maintain maximum customer and stakeholder equity. With regard to raw material supply problems, Faraday has also established a supply chain sustainability evaluation system, which includes within its scope of evaluation carbon and water risk management, as well as material supply emergency response plans.
		Government carries out energy reduction policies	The Bureau of Energy's laws related to energy reductions required that from 2015 to 2019, average energy usage had to drop by at least 1% per year.	Faraday abides by all laws and regulations. Every year, we submit an energy-saving plan and carry it out. From 2015 to 2019, our average annual energy usage dropped by 1.24%. For the next five years, we will continue to work hard on energy savings and carbon reduction. We will also comply with future government regulations and energy savings requirements, and reduce our power usage and carbon emissions.
Transition risks	Policy and Legal risk	Greenhouse gas emission regulations	In response to Taiwan's greenhouse gas reduction and management regulations, the company will need to increase physical plant/company location energy efficiency. There may also be effects from potential carbon tax/carbon trading systems, which will increase operating expenses.	Faraday has not been listed in either round 1 or round 2 of the "public and private premises possessing stationary pollution sources designated and officially announced by the central competent authority" required to submit reports in accordance with the Air Pollution Control Act Article 21, Paragraph 1. There is thus no risk of violating legal regulations. However, we will continue to pay close attention to foreign and domestic regulatory changes, stay abreast of legal trends, and remain prepared.
	Technology risk	Low-carbon technology transformation	Global progress toward low-carbon transformation will mean going paperless, and accelerating physical plant and physical facility replacement to enhance energy efficiency. This will result in increased operating expenses.	The company has internally adopted technology, and made adjustments to traditional processes and systems, to go paperless and create a smart work environment. Examples include introducing eEPR, eRD, and Skype for Business. This has resulted in a digital transformation. When implementing company-wide maintenance, we also review replacement needs; and we make advance plans to replace old equipment, which helps us deal with equipment that is emitting more carbon and growing less efficient.
	Market risk	Changes in customer behavior	Customers are becoming more conscious of sustainability. Their demands for low-carbon products and services are growing, and this may result in more low-carbon services and affect revenues.	The company's market development department keeps a close watch on market trends and customer demand. As such, the department lays out green product development projects (e.g., low power consumption design) to respond to customer behavior and market changes.
	Reputation risk	Increases in negative stakeholder feedback due to shifting customer preferences	High carbon emission and low climate change resistance may affect customer trust in the company. This will cause the company's reputation to be tarnished, and further affect company revenues.	We have introduced the TCFD framework, to promote climate-related financial disclosures and communication with customers and stakeholders. This maintains customer and stakeholder trust in the company.

Climate change opportunity differentiation and financial impact analysis

Opportunity category	Climate change opportunity identification	Potential impact on operations and finances	Management measures for identified climate change opportunities
Resource Efficiency	Resource recycling	Lowered operating expenses	In order to reduce the use of single-use cardboard boxes during transport, we have required suppliers to adopt environmentally friendly boxes with Faraday products.
Energy Source	Policy incentives	Lowered operating expenses	When replacing equipment, we comply with government incentive policies and apply for relevant energy savings subsidies.
Resilience	Adopting energy-saving measures	Lowered operating expenses	Faraday has completed shortening the certification time required during pre-shipping baking. We have guided all testing providers to introduce this technique, which has meant shortening baking time required to as little as one-half of what was originally required, thus reducing energy usage.
Products and Services	Developing and innovating new products and services	Increased operating revenues via increased demand for low power consumption products and services	Helping customers produce green products that are environmentally friendly has been Faraday's constant concern; through our rigorous development of low power consumption technologies, and adopting manufacturing processes and packing that are green and free of hazardous substances, we continue to strengthen our customer service and competitive edge.
	Shifting customer preferences	Putting out green product design choices that match customer preferences, to maintain or increase sales volume	Faraday has brought out ultra-low power (ULP) and ultra-low-leakage (ULL) fundamental IP solutions based on UMC's 22 nm process. These fundamental IP solutions have already been successfully silicon proven, and allow for huge reductions in power consumption, to meet the next generation of SoC design needs. These help customers grasp business opportunities by developing cost-advantageous, low-power SoC to deploy in IoT, AI, data communication, multimedia, and other emerging applications.
Markets	Finding new business opportunities	Responding to government green energy policies, finding new business opportunities as a result, and thus increasing operating revenue	In order to meet our energy reduction goals and promote low-carbon transformation, national governments are proactively promoting smart meter-based infrastructure. Faraday has also proactively deployed precisely the IP solutions and ASIC R&D needed for smart meter chips; we have entered the high-voltage smart grid supply chain, and will continue to strengthen our capacity in IP/ASIC solutions needed for smart meters.

4.3/ Energy use and greenhouse gas inventory

Faraday is an ASIC and IP R&D and marketing leader. Our production is outsourced to dedicated foundries, and thus the company's internal energy requirements are primarily for general uses such as air conditioning, lighting, and server equipment. The primary power source used is electricity; other energy consumption is extremely minimal.

Power consumption data

In 2019, Faraday used a total of 6,423,395 KWh, a 512,947 KWh increase over 2018. The primary reason for the increase in electricity use is headquarters operations and advanced process growth programs; the purchase of 100 high-efficiency servers added c. 436,500 KWh of power usage.

Water consumption data

100% of Faraday's water comes from the Taiwan Water Corporation. Water used is primarily for general purposes; none is used for production. In 2019, total water usage was 20,650 KL, an increase of 1,523 KL over 2018. In regard to this, Faraday will continue to roll out a variety of water reduction measures and education, turn off the landscape water feature and a portion of the landscape sprinkler system, in hopes of reducing and controlling water resource usage.

2017–2019 power usage

2019	2018	2017
23,124	21,278	21,147

Note 1. Electricity conversion rate is 1 KWh = 0.0036 GJ.
Note 2. Statistics are limited to the Hsinchu location and the Taipei and Tainan offices.

2017–2019 water usage

2019	2018	2017
20,650	19,127	21,523

Note 1. Hsinchu is the primary Faraday operating location; water usage statistics are limited to the Hsinchu location.
Note 2. The Taipei and Tainan offices are part of multi-tenant office buildings. Because their water usage is low and water bills are included within their building maintenance fees, separate data was not available and was thus not included within the statistics.

Energy intensity

2019 energy intensity was 9,791.76 KWh/person, an increase of 196.88 KWh/person over 2018. Water intensity was 32.99 KL/person, an increase of 0.41 KL/person over 2018. Faraday will continue to roll out and implement all manner of measures and education for energy saving and carbon reduction, in hopes of gradually reducing resource usage.

Year	2019	2018	2017
Total employees	656	616	581
Power usage (KWh/year)	6,423,395	5,910,448	5,874,208
Energy intensity (KWh/person)	9,791.76	9,594.88	10,110.51
Persons at Hsinchu location	626	587	555
Water resource usage (KL/year)	20,650	19,127	21,523
Water intensity (KL/person)	32.99	32.58	38.78

Note 1. Energy intensity: Annual power usage/total number of employees. Statistics are limited to the Hsinchu location and the Taipei and Tainan offices.
Note 2: Water intensity: Annual water usage/number of persons at Hsinchu location. The Taipei and Tainan offices are part of multi-tenant office buildings; because their water usage is low and water bills are included within their building maintenance ees, separate data was not available and was thus not included within the statistics.

Greenhouse gas emission

Faraday adopts the operational control method, with the Hsinchu location as the primary greenhouse gas (GHG) emission inventory site. Classed into direct emissions (scope 1) and indirect emissions (scope 2), total 2019 emissions of GHGs amounted to 3,331.74 metric tons of CO_{2e}/year. Of this, scope 1 GHG emissions were 62.23 metric tons of CO_{2e}/year, accounting for 1.87% of total emissions; scope 1 emissions were primarily fugitive CH_4 from the septic tanks. Scope 2 GHG emissions were 3,269.51 metric tons of CO_{2e}/year, accounting for 98.13% of all emissions. The company's primary source of GHG emissions is externally-purchased power.

Faraday continuously improves our inventorying of GHG emissions and implements relevant management. In accordance with inventory results, we proactively promote GHG reduction measures. Through continuous improvement plans and actions, we lower Faraday's environmental and climate impacts as a result of global warming from GHG emissions, and we do our part for corporate social responsibility.

[Scope 1] 2019 direct source inventory results:
Total emissions were 62.23 metric tons of CO_{2e}, accounting for 1.87% of the total

Emission type	Emission source	GHG type				Emission amount (metric tons of CO_{2e}/year)
		CO_2	CH_4	N_2O	HFCs	
Stationary sources	Liquefied petroleum gas (LPG)	✓	✓	✓		9.66
	Diesel fuel	✓	✓	✓		1.96
Mobile sources	Gasoline	✓	✓	✓		0.00
Fugitive sources	Septic tanks		✓			50.6
	Refrigerant				✓	0.00
	Fire extinguishers	✓				0.00

Total 62.23

Note 1. 2019 data for company car gasoline usage was not available; it is expected that this will be listed within the 2020 statistics.
Note 2: Global warming potential (GWP) values are taken from the IPCC's Fourth Assessment Report (2007): CO_2 = 1, CH_4 = 25, N_2O = 298.
Note 3: GHG emission calculations were carried out in accordance with the EPA's GHG Emission Ratio Management Form (version 6.0.4).
Note 4: Hsinchu is Faraday's primary business location; statistics are limited to Hsinchu operations.
Note 5: The Taipei and Tainan offices are part of multi-tenant office buildings; they do not produce any LPG or gasoline/diesel usage.

[Scope 2] 2019 indirect source inventory results:
Total emissions were 3,269.51 metric tons of CO_{2e}, accounting for 98.13% of the total

Emission type	Emission source	GHG type				Emission amount (metric tons of CO_{2e}/year)
		CO_2	CH_4	N_2O	HFCs	
Indirect energy emissions	Taipower (externally purchased)	✓				3,269.51

Total 3,269.51

Note 1: Using the Bureau of Energy's announced 2019 ratio for energy production vs. carbon emission of 0.509 Kg CO_{2e}/KWh.

2018-2019 total Faraday GHG emissions in metric tons CO_{2e}/year (scope 1 & 2)

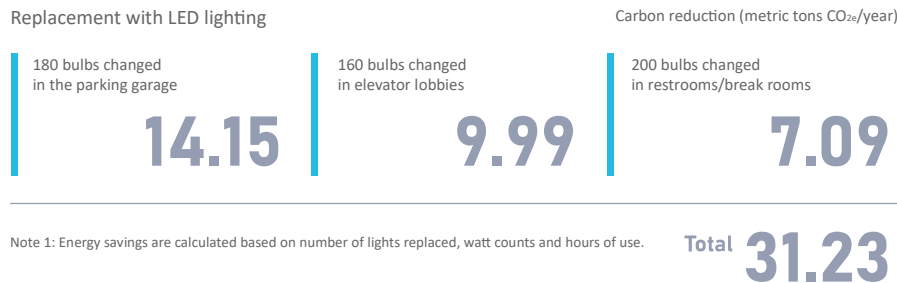| Year	GHG type	CO_2	CH_4	N_2O	HFCs	PFCs	SF_6	Total	Biomass emissions
2019	Emission amount (metric tons CO_{2e}/year)	3,281.12	50.61	0.01	0.00	0.00	0.00	3,331.74	0.00
	As percentage of total emissions	98.48	1.52	0.00	0.00	0.00	0.00	100.00	-
2018	Emission amount (metric tons CO_{2e}/year)	3,281.12	48.3	0.00	0.00	0.00	0.00	3,198.57	0.00
	As percentage of total emissions	98.48	1.51	0.00	0.00	0.00	0.00	100.00	-

Note 1: Using the Bureau of Energy's announced 2019 ratio for energy production vs. carbon emission of 0.509 Kg CO_2/KWh, and the 2018 ratio of 0.533 Kg CO_2/KWh.

Annual energy reduction program and results

We at Faraday deeply believe that, while pursuing corporate growth, how to reduce energy and carbon has become a major issue of global concern. We therefore changed the traditional lighting in our offices to energy-saving lights in 2019, in order to save energy and carbon. In 2019, total electricity savings were 61,352 KWh, energy savings was 220.867 GJ, and carbon reduction was 31.2 tons of CO_{2e}.

We have simultaneously continued to pay attention to climate change trends and legal compliance. Through purchases of energy-efficient equipment and energy-saving policies and measures, we have saved water and electricity usage. We have also given occasional guidance regarding carbon reduction (such as reminding employees to turn off power to their computers and screens when leaving work, and security staff turning off unnecessary lights and air conditioning during their rounds) in order to reduce water and power usage. All this has helped us achieve energy savings and carbon reduction. In our future purchasing, we will prioritize products with energy labels.

Specific power reduction programs and results for 2019

Replacement with LED lighting — Carbon reduction (metric tons CO_{2e}/year)

180 bulbs changed in the parking garage
14.15

160 bulbs changed in elevator lobbies
9.99

200 bulbs changed in restrooms/break rooms
7.09

Note 1: Energy savings are calculated based on number of lights replaced, watt counts and hours of use.

Total **31.23**

Specific 2019 water savings measures

- Water to the landscaped pool was turned off.
- We have continued to give guidance on energy/water-saving measures, to remind employees to save resources.
- Regular inspection of water facilities has been strengthened, availability has been enhanced, and timely repairs have been carried out when there is damage.
- We have ensured the availability of the restrooms' automatic sensing faucets to put controls on water usage, to save water while maintaining hygiene.
- We have ensured the availability of dual flush functions for restroom toilets, to make sure there are no water leaks.
- Sink flow rates have been reduced, to prevent unnecessary waste.

2020 continued energy savings plan

- Change 210 compact fluorescent lights (52W) in offices to LED lights (12W), for an estimated energy savings of 25,000 KWh/year.

Other ongoing energy-saving measures

- Hiring specialized organization to perform office lighting and CO2 environmental testing every six months; go green in a major way, to enhance the working environment's sustainability and comfort.
- Decide each cooling tower's fan activation based on the tower's return water temperature.
- Use split, energy-saving devices for air conditioning chillers and motors.
- Perform regular inspection and maintenance of air conditioning, to keep air conditioning equipment in a high-efficiency operating state.
- Choose air conditioners, refrigerators, and other home electronics that comply with energy savings labels.
- Put time controls in place for fresh air intakes, restroom vents, and air conditioning in open-plan and partitioned office areas, to reduce air conditioning loss and unneeded power usage.
- Choose electronic, high-efficiency lamps and lighting for offices.
- Use natural lighting for emergency stairs, paired with timed lighting controls.
- Use time controls and every-other-light lighting in the parking garage.
- Reduce operating hours of intake/outlet fans in the parking garage, so that they are not turned on except at beginning and end of work day.
- Drinking water dispensers controlled electronically, with dispensers set on holidays to only have one machine on per area.
- Security staff to do office checks every two hours, starting at 8 pm, to turn off unnecessary lights and air conditioning.
- Automated energy savings measures: Air conditioning turned off each hour during afternoon break and at quitting time.
- Energy savings guidance:
  - Set office air conditioners to 26°C or higher, and consider putting up insulation where there is sun exposure.
  - Take stairs, no elevator, when going up or down only two floors
  - When meetings finish, turn off meeting room lights, air conditioning, and projectors
  - When employees are leaving for the day, they should turn off their computers and monitors

4.4/ Waste management

Faraday carries out waste management in accordance with the Waste Disposal Act and with the Enterprise Waste Disposal Plan. We have also had a Class B waste disposal technician in place, who is responsible for disposal and management matters related to enterprise waste. In addition to following regulations related to waste disposal and EPA requirements, such operations also include reporting the production, storage, elimination and quantities of such waste disposal online. In addition, we follow the methods described in the Enterprise Waste Disposal Plan in contracting EPA-certified, standards-compliant providers to do waste clearance and disposal. In 2019, there were no major contractor violations discovered. In the future, the company will continue to move toward reducing resource usage, lessen waste production, and promote recycling and reuse. By working hard to reduce our environmental burden, and meeting our trash reduction and recycling & reuse goals, we will promote sustainable resource usage and do our part for global environmental friendliness.

With general industrial waste and hazardous industrial waste created by the company, we do regular employee education and implement employee trash and recyclable sorting. During the process of cleaning staff collection, they re-check all layers of implementation and control with regards to recycling, in order to help reduce everyday garbage. Statistics show that for 2019, the headquarters produced c. 10.628 metric tons of waste. Of these, non-hazardous waste accounted for 8.856 metric tons, while hazardous waste accounted for 1.772 metric tons.

Category / Year	Non-hazardous waste			Hazardous waste		Total (unit: metric tons)
	Waste paper (unit: metric tons)	Waste metal (unit: metric tons)	Waste plastic (unit: metric tons)	Waste IC (unit: metric tons)	PC/monitor waste (unit: metric tons)	
2019	7.754	0.446	0.656	0.783	0.989	10.628
2018	7.909	0.430	0.745	0.454	0	9.538
2017	9.583	0.661	0.561	2.133	0	12.938
Disposal method	Outsourced elimination Recycling/reuse			Outsourced elimination Physical disposal	Outsourced elimination Recycling/reuse	

Note 1: Outsourced disposal businesses are all public and private waste elimination/disposal organizations permitted by the competent authority to eliminate and dispose of the waste type in question.

Note 2: General waste produced at the Hsinchu location is entrusted to the Hsinchu Science Park Bureau for elimination and transportation. Waste disposal quantities were unavailable; they are expected to be added into the 2020 statistics.

Note 3: Hsinchu is Faraday's primary business location; statistics are limited to Hsinchu operations.

Note 4: PC/monitor waste was reported as 205 units, evaluated and calculated via identical standards.

Note 5: The Taipei and Tainan offices are part of multi-tenant office buildings; general garbage is handled with other businesses as a unit by the buildings' management committees.

Note 6: Definition of major contractor violation: Any single fine greater than NT$1 million.

5/ Friendly workplace

- An outstanding team

- Employee career development

- A friendly workplace that puts people at the core

- Occupational safety and health

As one of the world's leading high-tech R&D companies, our talents are not only one of the company's resources, but the entire basis for our sustainable development. The importance that Faraday places on talent is amply reflected in the workplace environment and conditions that we provide. We commit to providing a safe and healthy working environment; giving employees respect and esteem; helping employees balance work and life; and providing good salaries and benefits. Faraday has been selected as a constituent stock in the TWSE RAFI Taiwan High Compensation 100 Index for six years in a row. We attract and keep talent through high salaries and benefits; we also place particular import on employees' physical & mental health, and personal development. All of this is intended to help talent sustainably develop within the company. In addition, harmonious employer-employee relationships are also beneficial to the company's long-term stable growth. Faraday's plentiful internal communication mechanisms help employee suggestions be heard; and quick responses from relevant responsible parties help build a positive, unhindered culture of communication, and make an enlightened work atmosphere a reality.

Management policies

Targets for 2019	2019 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2020)	Medium- and long-term goals (2023)
Implement the training effectiveness in core skill training, with key course training completion rate achieving 100% for the required training targets	Key course training completion rate for the required training target: 100%	✓	• Implement the training in reinforcing core skills, with key course training completion rate achieving 100% for the required training targets • Build a global training platform and enhance the proportion of training resources in English	• Guarantee that employees have comprehensive training resources and learning environments. Realize employees' potential and reinforce the company's core technologies • Enhance the company's overall operational efficiency, to safeguard the sustainability of overall compensation • Establish a harmonious employer-employee relationships and improve communication channels to avoid employer-employee disputes and workplace illegalities • Guarantee a workplace environment of gender equality and opportunities for development
Provide a competitive salary and benefits program	• Listed as a component stock in the TWSE's 2019 Taiwan High Compensation 100 Index • Better-than-legally-mandated vacations	✓	Provide a competitive salary and benefits program, to attract and keep outstanding talents	
• Provide open and transparent communication channels and complaint mechanisms • 100% handling rate for employee complaint events	• Held Employee forum and Labor and management conference every quarter • Employee complaint event: 0	✓	• Provide open and transparent communication channels and complaint mechanisms • 100% handling rate for employee complaint events	
Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period	• Created 4 nursing rooms, each with a refrigerator and sink • Follow-up for female employees during pregnancy: 100%	✓	Implement workplace maternal care measures; provide nursing areas, facilities, and equipment that meet requirements; complete 100% evaluations for the maternal health protection period	

5.1/An outstanding team

Complete & comprehensive human resources

✓ Global deployment

As a member of the high technology industry, Faraday plays an important role and occupies an important position within the global high-tech industry chain. Having observed the rise of emerging economies around the world and the changing nature of global human resources, we have proactively laid out a global talent blueprint. In accordance with this plan, we have enlisted specialized talents from around the world, to build up talent banks at locations around the world that suit our future needs. Our goal is that global talent interaction and collaboration will accelerate the timeliness of R&D and technology support, and in so doing, promote long-term growth potential for the company. In 2019, we proactively established new Design centers in India and Vietnam. Currently, Faraday has eight Design centers and four Global sales offices around the world; overseas employees account for 24% of our total workforce.

✓ Human resource structure

We at Faraday know that our employees are the company's largest asset and the most critical factor in our success. We have created a workplace that is inspiring and which sparks innovation, to let every employee give maximum play to their abilities in their specialized fields. We have a deep faith that putting the best talents in the best positions, and then taking good care of those talents, is an important mission for the company.

In fast-changing tech industry, a healthy human resource structure and continuous injection of outstanding talent is a major factor for Faraday to be able to maintain our competitive strength. In response to our operational growth, we have continued to inject resources into talent development. In each of the past three years, our Taiwanese employee labor force has grown by 6%.
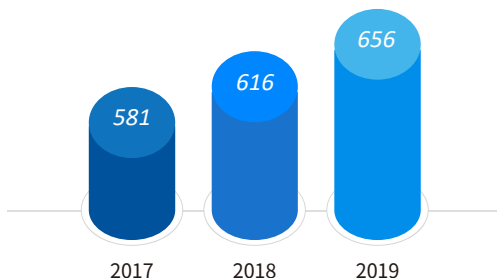
As of the end of 2019, Faraday had a total of 656 employees in Taiwan, 98% or more of which were permanent. Of these, 74% were men, and 26% were women. The employee gender disparity is primarily due to factors such as the character of the technology industry and the employment market. In terms of age distribution, the primary age bracket is 30–50, accounting for 72% of employees. In terms of employee function, non-managerial employees account for 76% of the total, and managers account for 24%. 100% of senior executive level management (associate vice president or above) are hired from Taiwan.

In accordance with Article 38 of Taiwan's People with Disabilities Rights Protection Act, the company "shall employ people with disabilities with the capability to work and the number of employees with disabilities shall be no less than 1 percent of the total number of the employees". In order to protect the work rights of people with disabilities, the company proactively complies with government policies. In accordance with the law, we employ a total of 4 disabled employees (including 2 who are severely disabled, 1 who is moderately disabled, and 1 who is mildly disabled); the employment ratio complies with the legal requirements.

2019 human resource structure:

Classification	Type		Gender		Total
			Male	Female	
Employees [3]	By contract type	Permanent employees [1]	481	161	642
		Temporary employees [1]	6	8	14
		Temporary employees [1]	487	169	656
	By employment type	Full-time [2]	486	169	655
		Part-time [2]	1	0	1
		Total by employment type	487	169	656
	Age distribution	30 or younger	96	40	136
		30-50 years old	347	124	471
		50 or more	44	5	49
		Total by age distribution	487	169	656
	By employee function	Managerial	126	33	159
		Non-managerial R&D	287	66	353
		Non-managerial Engineering	53	26	79
		Non-managerial Admin & sales	21	44	65
		Non-managerial subtotal	361	136	497
		Total by employee function	487	169	656
Laborers [4]			8	11	19

Note:
1. Permanent employees: Employees who have signed indefinite term contracts; Temporary employees: Employees who have signed definite term contracts.
2. Full-time employees: Employees with regular working hours; Part-time employees: Employees paid an hourly wage who work less than regular working hours.
3. Total of 656 employees: Includes 626 at the Hsinchu headquarters, 18 in the Taipei office, and 12 in the Tainan office.
4. Laborers: Cleaning, security, café, employee cafeteria, and IT outsourcing staff (only account for 2.8% of the total; not included within the statistics below)

When viewed in terms of employee function and education level, non-managerial R&D and engineering employees account for 86.9% of the total; and permanent employees with master's or doctoral degrees account for 74.2% of all permanent employees. This clearly illustrates Faraday's continued investment and strength in innovative tech talent.

Non-managerial function

- Admin & sales *13.1%*
- Engineering *15.9%*
- R&D *71.0%*

Permanent employee education level

- Bachelor *22.1%*
- Associate + high school *3.7%*
- Ph.D *2.2%*
- Master *72.0%*
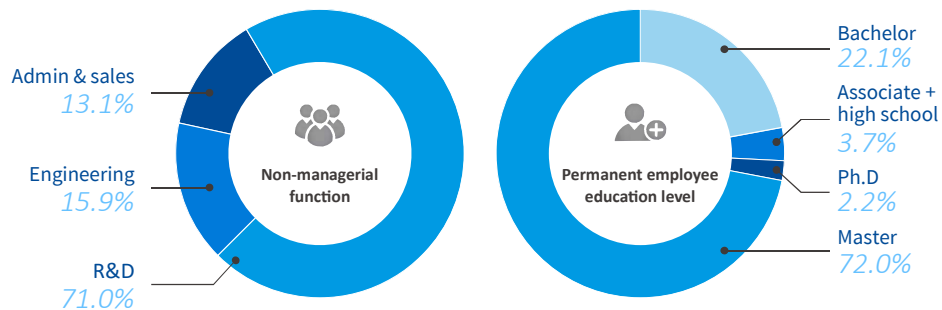
Talent hiring and retaining talent

✔ **Diverse recruitment methods**

In order to continue to attract outstanding talents to join Faraday in the highly competitive talent market, we actively use diverse recruitment channels to recruit talents, including corporate websites, job banks, various talent recruitment activities, social media, employee referrals, intern programs, etc. We value the efficiency and qualification in talent recruitment. For the results of effective recruitment, we use structured interviews, professional appraisal processes and adaptability assessments to allow professional selection to be more accurate and effective in connecting target talents.

In order to reinforce Faraday's R&D capacity, we uphold the forward-looking perspectives to cultivate the campus, effectively promote the company's corporate image, and attract outstanding talents from key schools, while also building up bilateral cooperation platforms to promote academic exchange opportunities.

In 2019, Faraday continued our collaboration program with schools, went onto campuses, and gave talks at major schools. Our hope is to win mutual glory through Industry-academia collaboration, and to help young students get to know the high-tech industry and Faraday's values from a technical level, so they can make the right career choices for themselves.

**Corporate website
Job banks
Social media**

Efficiently promote the company and attract talents throung the internet

Continuing to use a forward-looking perspective to cultivate campuses, effectively market the company's corporate image, and attract outstanding talents from key schools

**Campus recruiting
Keynote speeches**

**Industry-academia collaboration
Governmental cooperation**

Increase the innovative talents through R&D Substitute Service and Industry-academia collaboration projects.

Expand talent pool through employee referrals and intern program

**Employee referrals
Intern program**

Age and gender distribution of new recruits

Faraday proactively recruits outstanding talents in line with our global talent deployment and innovative R&D momentum. Our core values and criteria in talent recruitment are "talent first" and identification with the corporate culture. We equally treat talents of all genders, religions, ethnicities, nationalities, and political parties. In 2019, we recruited a total of 100 new permanent employees, with 72 of these being men and 28 women. The phenomenon of incoming men outnumbering incoming women continues to be because the employees recruited by the company are primarily from STEM fields, and in Taiwan's STEM programs, men generally outnumber women. Incoming permanent employees account for 15.6% of all permanent employees.

Mentor/buddy program for new recruits

In order to comprehensively assist new recruits to adapt to the workplace, Faraday has established a complete Mentor/buddy program for new recruits, through the exclusive "Newcomer Guidelines" webpage, so that new recruits can get the information and assistance they need in a timely way. The supervisor assigns colleagues in the department as dedicated mentors/buddies to give immediate help in work and life; supervisors and the HR unit will also conduct interviews with new recruits to understand their adaptation status and give feedback and assistance. This helps new recruits quickly become familiar with the company's environment and culture, and quickly acquire the knowledge and experience they need. This shortens the learning curve and increases new recruit retention.

Age and gender distribution of departing employees

In 2019, Faraday's permanent employee turnover rate was 10.3%, with rates among men and women at 10.4% and 9.9%, respectively, a non-significant difference. The company's turnover rate is lower than the average in Taiwan and falls within a reasonable, healthy range.

Exit interviews

As stable and outstanding talent forms the bedrock on which the company develops, Faraday cares deeply about the opinions and needs of employees. Through employees' feedback, the company constantly reviews the strategies for talent management and retention. For departing employees, supervisors and the HR unit will conduct exit interviews. In these interviews, they learn why the employee has decided to leave, and ask the employee to give suggestions for the company. These serve as a major basis for setting even better-targeted retention strategies in the future. We look forward to continuously improving the retention program to retain and bring in more outstanding talents for the company.

Category	Number of people/ Proportion	
	Male	Female
New recruits	72	28
	100	
New recruitment rate	15.0% [2]	17.4% [2]
	15.6% [1]	
New recruits age distribution — 30 or younger	36	16
New recruits age distribution — 30-50 years old	36	12
New recruits age distribution — 50 or more	0	0

Note :
1. New recruitment rate: Number of new recruits/total number of permanent employees at year-end
2. Male (female) new recruitment rate: Number of new permanent male (female) employees/total number of permanent male (female) employees at year-end

	On the reporting day	In 3 months	In 3-6 months
	Regulations and environment orientation	Specialized training by job function and regular evaluation/certification	Workplace culture sharing and expectations
	• Management regulations announcement • Department and work environment orientation • Welcome Lunch	• Dedicated mentor/buddy • e-Course online training and evaluation • On-job-training certification • Weekly report verification • Periodic 1-1 talk with managers • HR new recruit interview	• Senior executive level management's expectations for the new recruit • Communication and teamwork • Performance dedication and result delivery

Category	Number of people/ Proportion	
	Male	Female
Departing employees	50	16
	66	
Turnover rate	10.4% [2]	9.9% [2]
	10.3% [1]	
Departing employee age distribution — 30 or younger	12	6
Departing employee age distribution — 30-50 years old	37	10
Departing employee age distribution — 50 or more	1	0

Note :
1. Turnover rate: Number of permanent employees/total number of permanent employees at year-end
2. Male (female) turnover rate: Number of permanent male (female) employees/total number of permanent employees at year-end
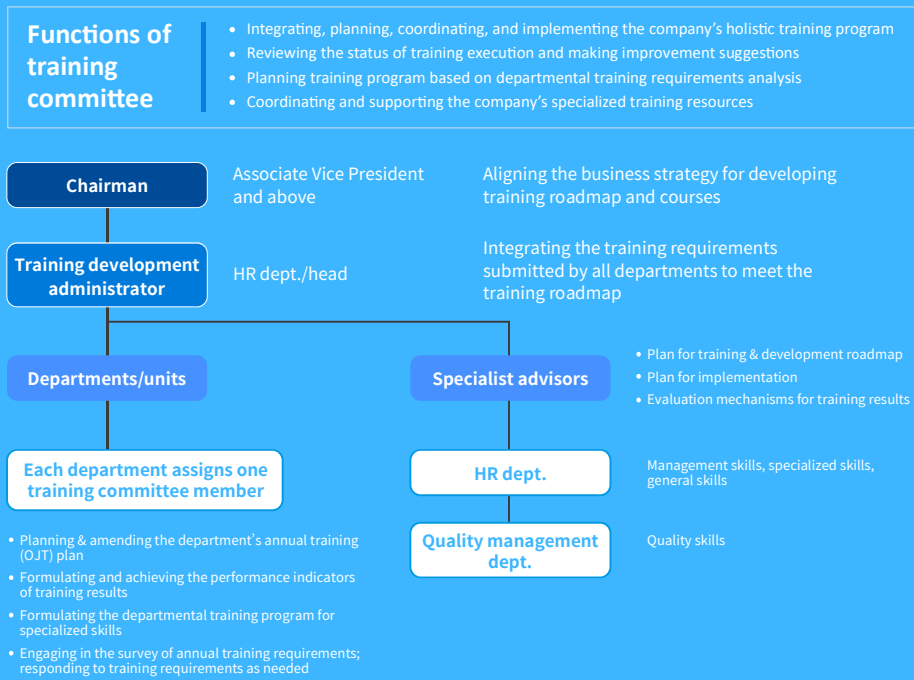
5.2/ Employee career development

Talent is a critical element for success in R&D and innovation. Because of this, Faraday has continued to spare no effort in talent cultivation. The atmosphere thus shaped of sharing specialized R&D skills and interdisciplinary self-study is a major strategy within Faraday's talent cultivation management. Whether in specialized skills, general skills, or management skills, the company provides robust programs. We have established an internal training committee, which provides on-the-job training and curriculum planning for various technical talents. Through caring about departmental talent development, we build up the company's intellectual property and overall competitiveness.

A training development program aligned with business strategy

A Training committee mechanisms

In order to take on talent development, effectively put our training resources to work, and ensure that our training strategy is aligned with the company's future directions for development, Faraday has established the training committee. This committee is in charge of integrating, planning, coordinating, implementing and overseeing the operation of the company's holistic training program, in order to realize resource synergy for excellent results. The committee chairman position is occupied by senior executives, and the chairman appoints training administrators by course category. The committee holds a quarterly meeting; the various department directors and training committee members are invited to attend the meeting. The meeting agenda mainly includes: Integrating the training resource and developing the annual training program; reviewing the status of quarterly training execution; previewing the upcoming training items; reviewing course syllabus and target audience; making improvements and decisions on issues that may have arisen.

Functions of training committee
- Integrating, planning, coordinating, and implementing the company's holistic training program
- Reviewing the status of training execution and making improvement suggestions
- Planning training program based on departmental training requirements analysis
- Coordinating and supporting the company's specialized training resources

Chairman — Associate Vice President and above — Aligning the business strategy for developing training roadmap and courses

Training development administrator — HR dept./head — Integrating the training requirements submitted by all departments to meet the training roadmap

Departments/units

Specialist advisors
- Plan for training & development roadmap
- Plan for implementation
- Evaluation mechanisms for training results

Each department assigns one training committee member

HR dept. — Management skills, specialized skills, general skills

Quality management dept. — Quality skills

- Planning & amending the department's annual training (OJT) plan
- Formulating and achieving the performance indicators of training results
- Formulating the departmental training program for specialized skills
- Engaging in the survey of annual training requirements; responding to training requirements as needed

B A training & development system consolidated for various types of talents

In order to nurture the fundamental knowledge, skills and characteristics for the company's policies and business strategy, our training & development system is designed with the human resource development policy, and with the positions needed at various levels. The system divides the training audience into general employee, junior supervisor, medium-level manager, and senior executive. Training modes are divided into off-the-job training (OFF-JT), on-the-job training (OJT), and self-inspiration, including diverse course contents and instruction methods. The system primarily serves as a training framework for long-term training development, on which all manner of courses can be built. Referring to this framework, the courses in every annual training plan are built by the requirements of business operation.

Audience	OFF-JT			OJT	Self-inspiration
	Management competency	Core competency	Professional competency		
Senior executive	Advanced-level program	• Competency development program • Performance development program	• Specialized R&D training • Quality management training • Labor safety training • Professional external training course	• Task assignment • Job instruction • Job rotation • Instructor system	• Reading • Language learning • On-the-job training
Medium-level manager	Intermediate-level program				
Junior supervisor	Basic-level program				
General employee		Mentor program			
		New recruit training			

Group workshop, Practical implementation, e-Course, Study group, Library

C Diverse learning opportunities

Responding to short/mid/long-term business strategies and directions, the training committee annually adjusts the key focus on different training categories which are generated from our training & development system framework. In recent years, training categories have been primarily divided into: New recruit training; specialized R&D training; employee health & safety training; management training; general training; mentor program; and external training (foreign/domestic training). Each category has curriculum policies (target audience, goals, and content), and different programs can be classed into different categories by curriculum characteristics.

Training category	Target audience	Goals	Content
New recruit training	New recruits	Customized courses are designed depending on the employee's position requirements and professional experience. This helps newcomers quickly acclimatize to the organizational culture and internal processes.	Customized new recruit training program
			Mentor/buddy program
			New recruit training system: General knowledge courses; e-Course readings and online tests; OJT follow-up and certification; writing weekly reports
			Guidance Handbook for Mentor: Mentor and manager logs; new recruit interviews; review records
			New recruit back-training course
Specialized R&D training	R&D/engineering/ sales/quality unit employees	Transmitting and sharing key skills; interdisciplinary skill exchange and programs	R&D skill courses
			Engineering skill courses
			Quality management skill courses
Employee health & safety training	All employees	Raising employee consciousness about workplace safety; lowering risks	New recruit health & safety training
			Disaster drills
			Fire safety
			Safety training for response personnel
Management training	Junior supervisor/ medium-level manager/ senior executive	Guiding managers to implement management consensus; further perfecting and developing managerial skills and leadership abilities	Talent acquisition, training, staffing, and retention
			Group leadership, communication, and motivation
			Handling employee errors and conflicts
			One-on-one meeting with senior executives
General training	All employees	Enhancing core competencies; assisting employees in enhancing their fundamental workplace knowledge and abilities	Internal operating system operation courses
			Courses related to the project system
			Courses related to rules & regulations
Mentor program	High-potential talent, as recommended by supervisors	Enhancing oneself and growing the company	Interpersonal communication and teamwork training
			Workshops on all manner of core skills, e.g., communication leadership ability, storytelling ability, discussion of business models, etc.
External training (including foreign/ domestic training)	All employees	Learning and introducing industry trends and new knowledge, to enhance personal and company competitiveness	Employees submit requests for external training based on their professional needs
			Company selects employees to participate in overseas technology conferences, then will bring learning results back to company and share with coworkers.

Learning efficiency enhancement via the online platform
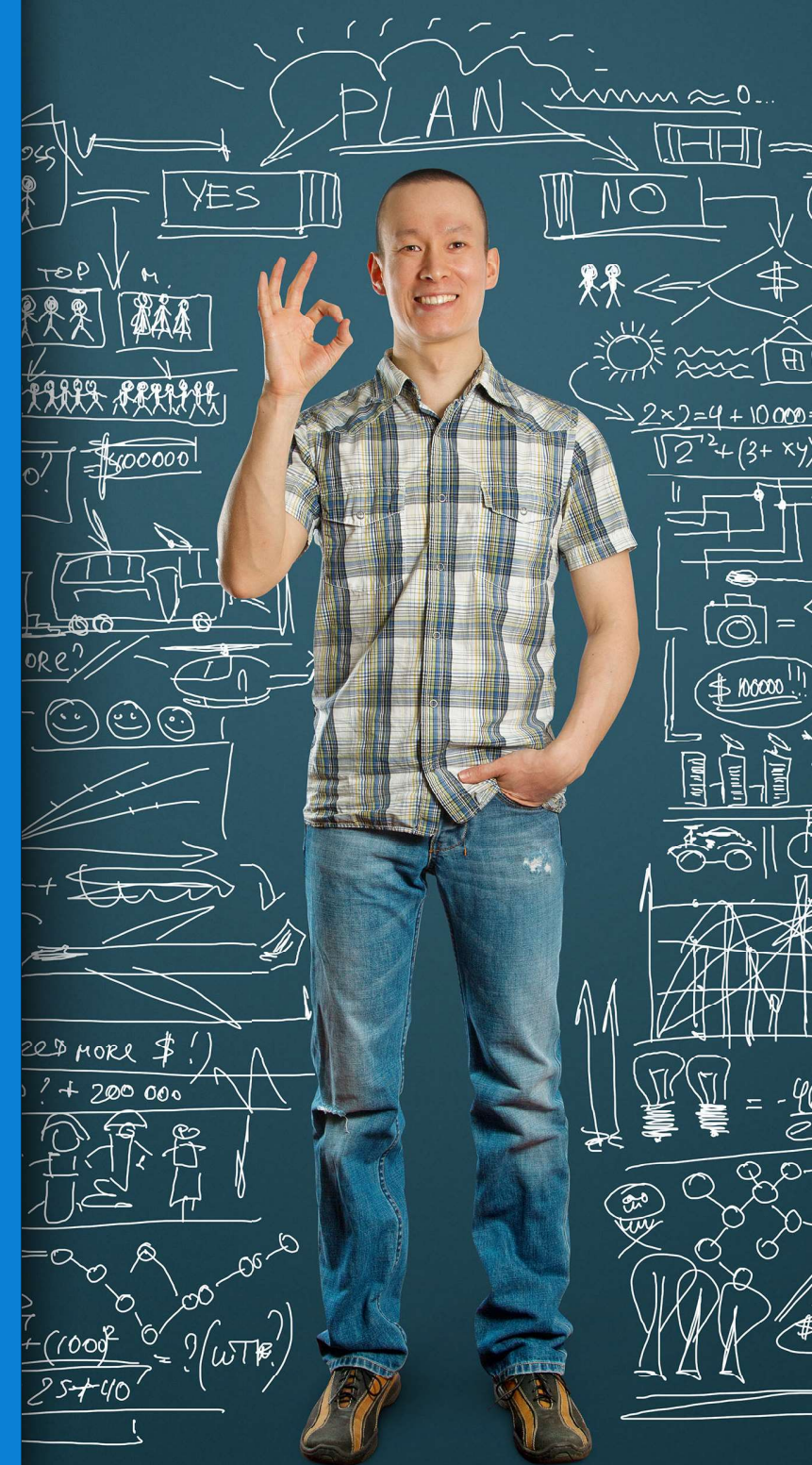
A **Internal/external training application system**

Both internal and external training application systems make the training process more efficient and effective. The process design is comprehensive for accurate assessment of training implementation. The internal training system process includes: course review, target audience review, course announcements, registration approval, satisfaction surveys, post-exams, and final statistical reports. The external training application system process includes: registration approval, training result assessments, and training records filing. The systems contribute to not only well-kept training records but also ideal implementation of training policies.

Internal

- Course review
- Target audience review
- Course announcements
- Registration approval
- Satisfaction surveys and post-exams
- Final statistic report

External

- Registration approval
- Participation criteria review
- Training result assessments
- Training records filing

B **e-Course learning platform**

Faraday's talents are deployed around the world. The online e-Course platform is established to help our global talents mutually share and learn from the training resources. The platform also enhances training efficiency and quality for both learners and instructors. This allows internal instructors to record online course content for relevant departments and new recruits to learn. The training committee periodically reviews the course content and target audiences. They also annually update course content in line with requirements and notify the required training audience to complete the training and ensure the course learning requirements are met. e-Course assessments tasks are sent to employees for feedback collection. Instructors then refer to learners' feedback and make appropriate adjustments to course content.

Course category

- Management regulations
- New-recruits course
- General-staff course
- RD quality key course

Target audience

Training committee sets required trainings
- Assessment and survey tasks
- Definition of culmination: Assessment must meet standards and finish survey

Self-study
- The required training audiences are authorized the access to the course link. They can log in to learn on their own

C **New recruit training system**

To help new recruits quickly adapt to their work, and to help managers effectively track the new recruits' orientation status, new recruit training system is designed for tracking and authenticating new recruits' learning status. Supervisors are required to confirm the orientation training items before the new recruit reports for work. Depending on the new recruit's background, supervisors can adjust the contents or give exemptions. Once new recruits report for work, they will receive all the customized learning tasks, including e-Courses, OJT, quality document readings, and weekly reports. New recruits have to complete the tasks in accordance with the schedule, and supervisors/mentors are required to approve the task completion.

Before new recruit reports for work

Within 3 months during new recruit's probation period

Customized learning program

- e-Courses
- OJT items
- Quality document readings
- Weekly reports

Learning program review and authentication

- Completing learning tasks
- Supervisor review and approve the task completion

Learning records tracking

- New recruits and supervisors can check learning progress and feedback via the system

A training mechanism with continuous improvement to strengthen both implementation & effectiveness

A **Standardized procedure for implementation and tracking**

In accordance with courses decided upon by the Training Committee, the HR department implements the standard course execution process. The HR department summarizes implementation results at regular Committee meetings. For many years now, these regular review meetings and continuous improvement cycles have guaranteed that Faraday's training is able to maintain both comprehensive planning and the benefits of proactive implementation.

Process stage	Department/supervisor responsibilities	Training committee
Survey for annual training requirements	Based on the company's business operation and strategy, both bottom-up and top-down training requirements are proposed.	Review and collate training requirements submitted by all departments, to align the training focuses with company's business strategy
Aggregation and communication for the requirements	Departments should communicate for inter-departmental course requirements, and propose the training goals, target audience, and instructors.	
Proposal for training program and budgets	Training proposal, course items, and budgets are confirmed.	
Training plan amending and approval	Plan might be adjusted based on suggestions from approval flow.	
Implementation for the planned courses	• Those holding the training: lay out the schedules; compile materials; give instruction • Those receiving the training: must complete culmination and give feedback	Periodically review the training course effectiveness; give correction and improvement if necessary
Review on training results and effectiveness	Based on learner and supervisor feedback, courses could be improved for much more effectiveness	

B **A diverse evaluation program for training effectiveness**

Faraday's training courses emphasize effectiveness evaluations and continuous improvement. Depending on the course category, we perform different post-course evaluations. Examples include survey feedback; post-course assessments; behavioral modeling; reflection reports; sharing in workshops; and more. In the e-Course and specialized skill courses, instructors design post-course exams as tasks to evaluate how effectively the learners have learned. The system also sends out a post-course survey; the feedback serves as a basis for making future course adjustments. In courses related to core skills and management skills, in addition to in-class practice, practical homework is also assigned. Workshops are also arranged so that employees can share their implementation results.

Behavior

Management & core skill courses
- Pre-/post-assessment of behavioral indicators
- Self-evaluation & supervisor evaluation pre-/post-assessments
- In-class practice; out-of-class application
- Sharing in workshops

Learning

Specialized & core skill courses
- Post-course assessments
- Relaying training content to coworkers in relevant departments
- Reflection reports

Reaction

Specialized, management & core skill courses
- Satisfaction feedback: course content, materials, and instructing methods
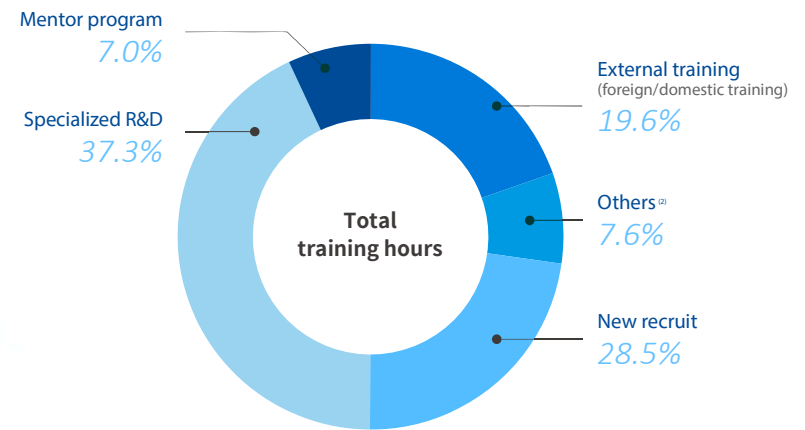
C Training implementation index

Faraday has always given great importance to investing resources in, and producing results from, employee training. The training materials, target audience, and evaluation methods must all be approved by senior executives or the training committee, in order to make sure the courses promote company employees' career development. In 2019, there were 144 internal training sections (including e-Courses) and 143 external training sections, for a total of 287 training sections done. The company considers new recruit cultivation and transmission of specialized R&D skills to be of supreme importance. As a result, the greatest number of course hours was devoted to new recruit trainings and specialized R&D trainings. In addition, the company allocates the same amount of resources to training, regardless of gender; training attendance was 76% male (3,003 registrations) and 24% female (960 registrations), approaching the overall male:female ratio of 531:177 (Note 3). The 2019 average per-employee number of training hours was 9.2 (including e-Courses), with the average also 9.2 regardless of gender. Through specialized course training, not only are employees' professional knowledge and skills enriched, but the goals and missions designated by the company are also achieved.

2019 training implementation status

Internal/external	Training category	Total sections	Attendance [1]			Total training hours [1]
			Male	Female	Total	
Internal	New recruit training	71	1,134	424	1,558	1,852.0
	Specialized R&D training	49	1,525	384	1,909	2,417.6
	Employee health and safety training	14	92	34	126	408.0
	Management training	2	50	-	50	50.0
	General training	1	14	21	35	35.0
	Mentor program	7	97	26	123	455.5
External	Foreign/domestic training	143	91	71	162	1,271.5
	Total	287	3,003	960	3,963	6489.6

Note:
1. Includes the total number of 2019 permanent on-duty and non-returning employees, total training attendance, and total course hours
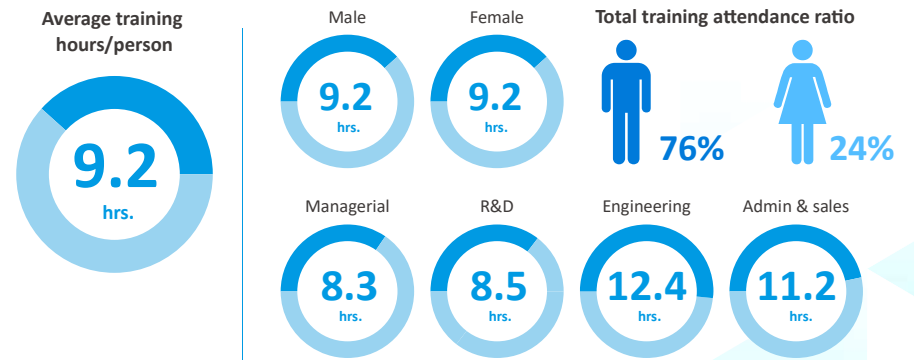

Mentor program
7.0%

Specialized R&D
37.3%

External training
(foreign/domestic training)
19.6%

Others [2]
7.6%

New recruit
28.5%

Total training hours

Note:
2. Includes management training, employee health and safety training, and general training

2019 employee training hours

Category	All employees	Gender		Employee type					Company-wide total
		Male	Female	Managerial	Non-managerial				
					R&D	Engineering	Admin & sales	Total	
a. Total training hours [3]		4,867.9	1,621.7	1,349.8	3,337.8	1,064.0	738.0	5,139.8	6,489.6
b. Number of employees [3]		531	177	163	393	86	66	545	708
c. Average training hours per employee (a/b)		9.2	9.2	8.3	8.5	12.4	11.2	9.4	9.2

Note:
3. Includes the total number of 2019 permanent on-duty and non-returning employees and total training hours for all such employees

Average training hours/person
9.2 hrs.

Male
9.2 hrs.

Female
9.2 hrs.

Total training attendance ratio
76%   24%

Managerial
8.3 hrs.

R&D
8.5 hrs.

Engineering
12.4 hrs.

Admin & sales
11.2 hrs.

Talent-oriented performance development program

A Holistic performance evaluation system

In order to effectively link the work objectives together from company, team, and individual, Faraday has proactively put in place a performance management and development system. Through periodic performance reviews for all employees, we review employees' results and performance in their work, and give suggestions for future development. Depending on the specific employee and their current development stage, the evaluation could be classified into 4 categories: new recruit's probation review, mid-year performance appraisal, year-end performance appraisal, and performance counselling plan. Every permanent employee (Note) is required to undergo an annual performance evaluation. In 2019, the completion rate of year-end performance appraisal was 100%. The key appraisal items include work result review, improved items and plans, future prospects, and professional competencies in need of development.

New recruit's probation review
For new recruits

Year-end performance appraisal
For all permanent employees (note)

Mid-year performance appraisal
For those who are required by their supervisors

Performance counselling plan
For those who are behind in the work performance, supervisors can activate the counselling plan at any time

Permanent employees	Employed as of Dec. 31, 2019 (note)			Numbers & percentages of people receiving year-end performance appraisal			
Employee type	Male	Female	Total	Male	Female	Total	Percentage
Managerial	124	33	157	124	33	157	100%
Non-managerial — R&D	267	58	325	267	58	325	100%
Non-managerial — Engineering	51	23	74	51	23	74	100%
Non-managerial — Admin & sales	18	41	59	18	41	59	100%
Non-managerial — Total	336	122	458	336	122	458	100%
Combined total	460	155	615	460	155	615	100%

Note:
Permanent employees as of Dec. 31, 2019 does not include: The president; employees who had not yet served three months; employees on leave; temporary employees; part-time employees; or employees who left within the evaluation period.

B A performance feedback mechanism with two-way transparency

Faraday's performance management and development system put emphasis on mutual communication between subordinates and managers. Managers must engage in one-on-one performance interviews with their subordinates. Through the interview, they could learn their subordinates' strengths and weaknesses, and then assist in goal-setting, guidance, improvement, and suggestions. With the unhindered communication, the overall performance outcomes from individuals, teams, and company would be strongly linked and enhanced. The entire evaluation is processed through the Performance Management and Development System. Once managers conduct performance interviews, they could submit overall evaluations and comments via the system for subordinates to check. Similarly, via the system, subordinates could give feedback to their managers. At the end of the evaluation process, the system will issue a survey on the execution of one-on-one performance interview tracking. Faraday will continue sustaining the performance feedback channel that maintains transparent communication in performance management.

Internal portal | **Online e-evaluation system**

01 Evaluations announced
- System explanation
- Process notification
- Subject assignment

02 Self-evaluations
- Result discussion
- Items for improvement
- Improvement program
- Future prospects
- Abilities in need of development

03 Supervisor interview and evaluation
- Result feedback
- Goal notification
- Suggestions for development
- Results given

04 Performance confirmation
- Results confirmed
- Signing supervisor confirms and gives feedback
- Employee confirms and gives feedback
- Interviews for follow-up

Goals: Regular evaluations: Result review; self-expectations — Two-way communication & consensus to clearly lay out career development

C Promotion procedure for motivating key talents

Through regular performance evaluations, supervisors are able to identify key talents as candidates for promotion. Faraday has formulated both "Job Grade and Job Title Procedure" and "Promotion Management Procedure", which clearly regulate the conditions for promotions. Promotions are handled on an annual basis. Directors and above submit recommendations. Promotions will be effective once approved by the President. In response to the organization's managerial and talent development requirements, supervisors can make promotion recommendations in line with the relevant regulations and procedures. This procedure encourages talents to work their way up, and to keep making contributions in their specialized domain.

5.3/ A friendly workplace that puts people at the core

Human rights protections

Faraday has always put great emphasis on human rights. We respect international regulations on labor rights, in order to scrupulously abide by the laws in countries where we have a presence. In accordance with the International Bill of Human Rights; ILO Core Labor Rights Conventions; Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; and other internationally-recognized human rights standards, as well as the relevant labor and gender work equality regulations of the jurisdictions in which we operate, we have laid down human rights protections, labor policies, and relevant implementation measures. We have also implemented the Responsible Business Alliance (RBA) Code of Conduct and treat all permanent and temporary employees with respect. We have further implemented prohibitions against coerced labor, child labor, and discrimination, while also guaranteeing humane treatment and freedom of assembly.

- **Prohibiting coerced labor**
  Faraday scrupulously observes government labor laws and international regulations, and does not mandate or force any person to engage in labor against their will. We do not engage in any coercive labor measures toward personnel, such as corporal punishment, mental or physical coercion, verbal abuse of workers, fines or confiscation of identifying documents, or other illegal labor coercion. We simultaneously prohibit forced, bonded (including debt bondage) and indentured labor, and involuntary and exploitative prison labor. All work is done voluntarily, and employees have the right to terminate their employment freely.

- **Prohibiting child labor**
  In accordance with the stipulations of labor laws, the company has established relevant internal regulations. In accordance with the company's Recruitment and Staffing Procedure, we do not hire workers younger than 15 years of age. Starting with the recruitment process, we make sure to only accept applicants who are at least 18, and we perform ID verifications with those who are hired, to make doubly sure that there are no oversights.

- **Prohibiting discrimination**
  In accordance with international labor rights legal requirements, the company lists regulations in all relevant internal documentation committing ourselves to making sure that employees are not subjected to harassment or illegal discrimination. In terms of hiring, wages, training opportunities, promotion & transfer, dismissal, retirement, and other matters, there is no unequal treatment with regard to race, ethnicity, social origin, social class, heritage, religion, physical disability, gender, sexual orientation, family responsibilities, marital status, union membership, political views, age, or discrimination due to other such factors. In addition, we do not require employees to undergo discriminatory medical examinations, except as required by law to determine suitability to engage in particular tasks; and we hire 1% of disabled persons required by the People with Disabilities Rights Protection Act.

- **Humane treatment**
  In scrupulous observance of government law and international regulations, the company has established the Prevention, Reporting, and Punishment Policy of Workplace Violence and Sexual Harassment. These regulations provide employees with a working environment that is professional, mutually respectful, trustworthy, and free from illegal workplace assault and sexual harassment. Cruel treatment of employees, such as sexual harassment, indecency, corporal punishment, mental or physical coercion, verbal abuse, etc., is also strictly forbidden.

- **Freedom of assembly**
  Faraday respects employees' legal right of assembly, and rights to join labor organizations, elect representatives, and participate in union benefits. The company also holds quarterly Labor and management conference, Employee forum, to provide channels for direct communication between employees and management. Employees can communicate with management about working conditions and other labor-related topics, and don't need to worry about retaliation, coercion or harassment in response. The company has also established the Internal Communication Management Procedure, which lays out the various internal communication mechanisms so that every piece of information and communication can be used more effectively.

Salary & benefits

• Competitive salary

Faraday provides remuneration and benefits that are both sustainable, reasonable, and competitive, in hopes of attracting and keeping the very best outstanding talent. The company has been selected as a constituent stock in the TWSE RAFI Taiwan High Compensation 100 Index for six years in a row, from 2014 to 2019. The constituent stocks are primarily selected based on employee salaries, then weighted by fundamental factors such as Total Employee Compensation, Average Per-Employee Compensation Growth, and Net Profit. The HC100 Index accounts for both corporate social responsibility and investment effectiveness. In order to maintain our competitive advantage, Faraday's fixed hiring salaries for all positions are higher than the government-set minimum standards, and there is no unequal treatment due to gender, religion, ethnicity, nationality, or political party.

Faraday's overall compensation system complies with the company's short-, medium- and long-term operational goals, with specifics set on the basis of employees' roles and duties, degree of knowledge and ability, and personal performance. On the basis of the general economy and overall market salary levels, the company makes appropriate adjustments each year. Function and educational background form the minimum salary standard, with personal professional seniority and experience to differentiate the Fixed Salary; Bonuses that dynamically add to salary are differentiated based on personal performance, to give the compensation system sufficient incentive effects.

Overall compensation ratio for men and women by function

By function		Female	Male
Managerial		0.82	1
Non-managerial	R&D	0.84	1
	Engineering	0.86	1
	Admin & sales	0.64	1

Note:
The reason why men's compensation was significantly higher than women's in the admin & sales function is due to differences in duties and responsibilities. More men in this function are senior marketing and sales personnel, with women primarily in administrative, financial, HR, and secretarial administrative management positions.

• Retirement benefits system

In accordance with the Labor Standards Act and with the Labor Pension Act, employees who joined the company on June 30th, 2005 or earlier enjoy the old pension system. According to the old system, 2% of the monthly salary of each employee eligible for the old pension system is deposited per month into a dedicated old-system pension reserve fund. The reserve fund is currently c. NT$120 million, enough to meet the needs of currently-relevant employees.

With the new pension system, 6% of the monthly salaries of employees eligible for the new system is deposited into individual pension accounts. In addition to the set 6% account holder deposit, employees can also voluntarily choose to deposit an additional 0 to 6% into their pension accounts.

• Complete insurance coverage

In accordance with the law, Faraday buys labor insurance, national health insurance, and group insurance for all employees. The group insurance coverage includes life insurance, accident insurance, hospitalization & treatment insurance, and cancer care insurance. All insurance premiums are paid by the company. Employees can also increase their personal insurance coverage level, and can choose to add their loved ones into the company's group insurance at a discounted rate, to enjoy complete coverage along with the employees.

• Better-than-legally-mandated working hours and vacations

Better than the legally mandated 40 hours per week, Faraday sets work schedules at 39.5 hours per week. As soon as employees report for work, they enjoy paid leave better than that mandated in the Labor Standards Act; they receive 3 to 5 paid leave days their first year, depending on the month they report for work. Once seniority requirements are fulfilled, the company also gives full paid leave one year earlier than legally mandated, to give employees more vacation time to schedule.

• Diverse benefit subsidies

Faraday provides diverse benefit subsidies. Every year, there are solid programs and budgets for benefits, such as domestic and foreign travel subsidies, birthday gift voucher, birth/marriage benefits, funeral monetary condolences, discount tickets purchase, regular better-than-legally-mandated health examinations, and robust employee insurance. The welfare committee also regularly holds all manner of activities, to help employees relax, to help secure employees' mental and physical health outside work, and to give employees ways to relieve what work stresses may exist from time to time.

• **Encouraging group activities**

In order to encourage work-life balance for employees and to expand the social field, Faraday welcomes employees to establish all manner of special interest groups. The welfare committee gives these groups subsidies to help them function smoothly. The company's special interest groups are highly diverse. There are many sports groups, including ones for ping-pong, badminton, volleyball, soccer, softball, Wifi ball, kickboxing, and exercise & health management club. In addition, there are reading club, talent development club, botany club, photography club, ukulele club, and more. The groups are many and varied, providing employees with ways to relieve stress and relax with like-minded coworkers.

• **Thoughtful services and facilities**

Faraday is one of the most beautiful companies in the Science Park. We provide a comfortable work environment to help employees focus and be happy in their work. We are certain that only with healthy, happy employees can we be a highly productive enterprise. In addition to providing every employee with a workplace that is safe and hygienic, we also look at things from the employee perspective and provide an environment that is at once professional and fulfilling. We also maintain a spirit of combining benefits, vitality, and public service; through designing a wide variety of activities, we help employees build up creativity and energy to use in their work and lives. The company has a multi-function gym, employee stress relief center, a high-quality art gallery, a music café, the Faraday aerial garden, and a free parking garage. The company also provides a diverse variety of fun groups, annual concerts on the green, Executive Service Day, Faraday family day and Lohas lectures. Through various groups and activities, we enrich the principle of work-life balance.

• **Employee care system**

In order to show we care, to sympathize with employees' feelings and needs, and to create a warm-hearted corporate culture of mutual assistance, we have established an employee care system and a real-time online notification system. When an employee has a major unforeseen incident (such as the employee or a loved one being injured and needing hospitalization, or the death of a loved one), their supervisor and relevant work units are able to give care, consolation, and assistance right away.

- **Parental leave**

Faraday gives real consideration and care to employees who need to care for children. Arranging unpaid leave, job & career re-planning, benefits, subsidies, and more all help employees with childcare needs to balance their families and their jobs.

2019 employee unpaid parental leave applications:

Category	Male	Female	Total
Number of employees eligible for unpaid parental leave in 2019 (A)	53	8	61
Actual number of employees applying for unpaid parental leave in 2019 (B)	0	5	5
Estimated number of reinstatements after taking unpaid parental leave in 2019 (C)	1	4	5
Actual number of reinstatements after taking unpaid parental leave in 2019 (D)	0	1	1
Number of unpaid parental leave employees reinstated in 2018 (E)	0	1	1
Number of unpaid parental leave employees reinstated in 2018 who continued working for one year (F)	0	0	0
Reinstatement rate (D/C)	0%	25%	20%
Retention rate (F/E)	0%	0%	0%

Definitions:
A. Number of employees eligible for unpaid parental leave in 2019: The number of employees who applied for parental leave and maternity leave during the period 2017/01/01~2019/12/31 and were still in their work positions on 2019/01/01
B. Actual number of employees applying for unpaid parental leave in 2019: The number of employees who applied for unpaid parental leave during the period 2019/01/01~2019/12/31
C. Estimated number of reinstatements after taking unpaid parental leave in 2019: The number of employees whose unpaid parental leave expired during the period 2019/01/01~2019/12/31
D. Actual number of reinstatements after taking unpaid parental leave in 2019: The number of employees whose unpaid parental leave expired during the period 2019/01/01~2019/12/31 and who were reinstated in their positions after this date
E. Number of unpaid parental leave employees reinstated in 2018: The number of employees reinstated in their work positions during the period 2018/01/01~2018/12/31
Number of unpaid parental leave employees reinstated in 2018 who continued working for one year: The number of employees reinstated in their work positions during the period 2018/01/01~2018/12/31 and were still in their work
F. positions one year thereafter

Creating harmonious employer-employee communications

Harmonious employer-employee relationships are beneficial to the company's long-term stability and development. Faraday respects employees, and relations between employers and employees are harmonious. We are dedicated to providing open and transparent communication channels. In addition to making communication flow freely between employees and the company, we have also created a highly participatory workplace, and employees are highly invested in the company. Diverse internal communication mechanisms help employee comments to receive full play, and relevant responsible units quickly respond to those comments. This creates a strong culture of free communication, and makes an enlightened work atmosphere a reality. Employee forum with the president; Labor and management conference; employee opinion expression channels; complaint mechanisms; and more forms of communication – all of these help employees relay all manner of issues with work, life and the environment, then have their issues resolved. This creates a diverse, inclusive workplace.

Quarterly/
Employee forum

Following the quarterly investor conference, the president reports on the company's operational status to all employees, shares the company vision and future development strategy, and helps employees communicate freely with management.

On topics such as promoting employer-employee cooperation, coordinating employer-employee relations, improving working conditions, labor benefit packages, etc., employer and employee representatives engage in discussion. This helps give sufficient safeguards for demands regarding workers' rights and interests, and gives labor sufficient chances to be heard.

Quarterly/
Labor and management conference

Anytime/
Employee opinion expression

Via written (mailed) or oral (phone) formats, employees can submit any company-related suggestions or issues they may have to their supervisors and the HR department. The supervisor and HR department then reply to the employee submissions and provide resolution.

Via a dedicated complaint line, employees can report or lodge a complaint about unfair and unreasonable issues that they have encountered in the workplace (e.g., sexual harassment or workplace violence). The relevant unit then does an investigation of fact. The process is objective, fair, and just; all information is kept confidential, and is handled in a non-disclosed manner, to guarantee that all parties receive fair treatment and privacy protections.

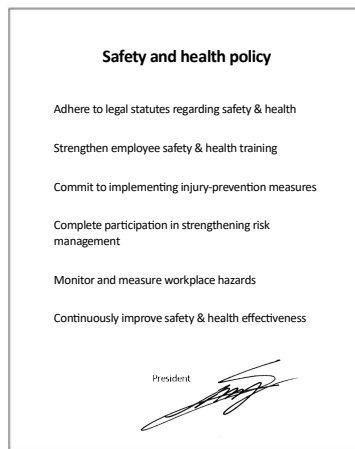**Anytime/**
Complaint mechanisms

5.4/ Occupational safety and health

Faraday follows the Taiwan Occupational Safety and Health Management System (TOSHMS) requirements in regularly reviewing implementation results and discussing deficiencies, in order to prevent and reduce the occurrence of workplace safety incidents. We continuously perform safety evaluations and inspections; implement occupational safety and health management plans; and carry out both scheduled and unscheduled health & safety inspections and audits. In addition, we identify risk factors; we do management of risk evaluations and controls; and supervisors at all levels oversee safety. This allows systematic operations to prevent incidents from occurring, lowers risks to personnel, and enhances workplace safety.

The occupational safety and health management system
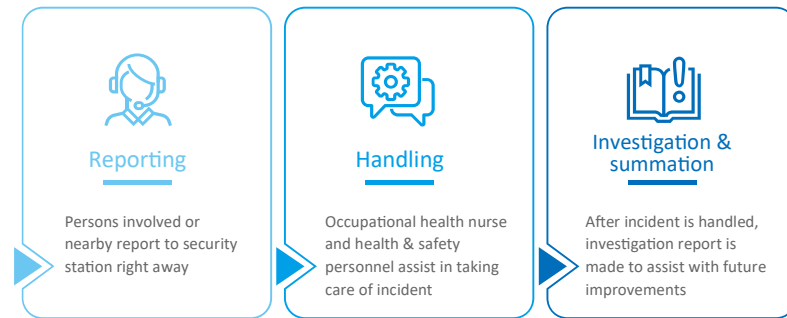
• Safety and health policy

Occupational safety & health is a responsibility that every employee bears. In order to maintain a workplace environment of health and safety, prevent the occurrence of workplace accidents, and express our commitment to continuous improvement in safety and health management, Faraday has set down the following policy declaration:

Safety and health policy

Adhere to legal statutes regarding safety & health

Strengthen employee safety & health training

Commit to implementing injury-prevention measures

Complete participation in strengthening risk management

Monitor and measure workplace hazards

Continuously improve safety & health effectiveness

President

• The occupational safety and health management unit

We at Faraday believe that giving employees a safe and healthy workplace is the company's fundamental duty and responsibility. In order to guarantee employees' rights and interests related to safety and health, to prevent workplace accidents, and to protect employees' safety and health, we have established a safety & health committee in Taiwan. At their quarterly meetings, the committee reviews matters related to occupational safety, health and environment protection implements all manner of tasks related to occupational safety, health and environment protection. In 2019, in addition to being chaired by the president, the committee had one executive secretary and eight committee members. Of these, labor representatives accounted for six positions, or 60% of the ten positions on the committee. In 2020, one new upper management position was added, so labor representatives then accounted for 54.5% of the eleven committee members. They help with monitoring and making recommendations regarding planning for workplace health & safety. Other laborers such as cleaning staff, security personnel, etc. do not have a seat on the committee.

Occupational accidents /Accident incident handling process

Reporting

Persons involved or nearby report to security station right away

Handling

Occupational health nurse and health & safety personnel assist in taking care of incident

Investigation & summation

After incident is handled, investigation report is made to assist with future improvements

• Occupational incident disability statistics

In accordance with the Occupational Safety and Health Administration, Ministry of Labor definition of disabilities due to occupational incidents, if commuting accidents occurring off company grounds are excluded, Faraday had no diseases, injuries, losses of ability, or deaths due to work-related causes in 2019. With regard to sporadic traffic accidents that occur with employees on their way to or from work, we give regular traffic safety advocacy, and hold motor scooter/motorcycle driving safety seminars to prevent and lower the occurrence of accidents.

Type	Calculation parameter	2019	2018	2017
Injury rate (IR)	Male	1.4061	0.4926	0.0000
	Female	0.0000	1.5242	0.0000
	Total IR	1.0498	0.7446	0.0000
Occupational disease rate (ODR)	Male	0.0000	0.0000	0.0000
	Female	0.0000	0.0000	0.0000
	Total ODR	0.0000	0.0000	0.0000
Lost day rate (LDR)	Male	11.0142	4.4334	0.0000
	Female	0.0000	3.8106	0.0000
	Total LDR	8.2231	4.2813	0.0000
Absentee rate (AR)	Male	0.0025	0.0015	0.0008
	Female	0.0060	0.0053	0.0034
	Total AR	0.0034	0.0025	0.0015
Annual deaths		0	0	0

Note:
1. Light injuries (those that can be resolved through on-the-spot care) are not included within the IR.
2. Injury rate (IR) = (Total number of disabling incidents/total hours worked) * 200,000. (That is, the rate per 100 workers × 50 weeks in a year × 40 hours per week.)
3. Occupational disease rate (ODR) = (Total number of occupational diseases/total hours worked) * 200,000. (That is, the rate per 100 workers × 50 weeks in a year × 40 hours per week.)
4. Lost day rate (LDR) = (Total number of work days lost/total hours worked) * 200,000. (That is, the rate per 100 workers × 50 weeks in a year × 40 hours per week.) "Number of work days" refers to 'calendar days', calculated starting the day after the incident.
5. Absentee rate (AR) = (Number of absentee days/total number of work days of all employees for the year) * 100%. This is the actual number of absentee days as a percentage of all days that should have been worked during 2019. "Number of absentee days" includes only those with absences due to injury and sick leave days; it does not include approved vacation days such as national holidays, unpaid leave, training days, maternity leave, paternity leave, or funeral leave.
6. 2018 and 2019 injury incidents were all as a result of traffic accidents while employees were commuting to or from work.
7. The employee numbers reflected in the data above are calculated on the basis of all permanent employees employed as of Dec. 31st, not including laborers.

• Employee safety and health training

Faraday is an IC design and R&D company. We have no production environment, and thus there are minimal concerns about waste water, waste gases, toxins, or chemicals. However, we are deeply conscious that only if we care about safety will we be able to reach our corporate sustainability goals. We are also conscious that employee behavioral safety and attitudes are the key to implementing all our work, so we devote ourselves to stable development on the basis of a "safety first" mindset. We have put in place a preventative management & audit system, to safeguard the working environment and occupational safety, so that employees can put their minds at ease and clients can be worry-free. We periodically hold occupational safety trainings, which focus on situations that may occur in different workplace conditions. These include general health & safety training; disaster drills; fire safety drills; training for the first-aid responders; civil defense group annual training; employee on-the-job trainings for various occupational health & safety issues; and more.

In addition, for personnel of outsourcing providers, our Contracted Work Health & Safety Management Procedures require that they provide the relevant required health and safety certifications and training information, and that they be informed of hazards upon entering plant grounds. This helps to guarantee the safety of contracted personnel within Faraday.

2019 environmental health & safety training status

	New recruit health & safety trainings	Fire safety drills & disaster drills	First-aid responder trainings (initial + reinforcement)	Civil defense annual drills
Times implemented	14	4	0	1
Participants	108	529	0	1

Note:
1. First-aid responder reinforcement trainings occur once every three years. A total of 14 people hold first-aid responders certifications; they are expected to complete reinforcement training in 2020.

Providing a safe and healthy working environment

Faraday provides a healthy & safe working environment, which helps enhance the quality of our products and our services, and increases employees' passion for their work. We also abide by local labor health & safety laws and international regulations regarding social responsibility. This helps prevent workers from suffering workplace injuries while they're on the clock, and further lowers risk factors in the working environment. We also hold regular health talks and implement health examinations in order to safeguard employees' health and safety. We simultaneously have an onsite nurse and doctor who make regular rounds. By analyzing data from health check-ups and work-related factors, they do stratified follow-up management for specific groups. In terms of protecting women, Faraday allows pregnant women and breastfeeding women to stay far from work environments that may be highly hazardous to them. This helps to eliminate or reduce any occupational health or safety risks that may be borne by pregnant women and breastfeeding women. We also provide appropriate locations for breastfeeding mothers.

- ### Workplace safety

Faraday identifies and controls workplace safety hazards that employees are likely to encounter, such as electrical devices and other power, fire, vehicular, slipping, tripping, and drop hazards. Through correct design, engineering, management, control, preventative maintenance, and safe action we control such hazards; and where they cannot be completely controlled, we also provide employees with adequate personal protective equipment. In order to prevent potential hazards from resulting in accidents while employees and contractors are performing their work tasks, we have also formulated management and control regulations. These guarantee health and safety for workers and contractors. The initial design for all software and hardware in the Faraday offices includes protecting employee safety as the first consideration, to make sure that employees receive the greatest possible safeguards during their work. All the company's entrances and exits have card scanner-based access devices. The primary entrances and exits also have security personnel on guard 24 hours a day, to safeguard employee physical safety. All electromechanical and fire prevention devices (such as fire alarms and fire extinguishers) are maintained and inspected in accordance with their mandated schedules, whether that be annual, quarterly, or monthly. This helps to guarantee that they are in a state of utmost readiness at all times.

- ### Environmental hygiene

Faraday has established clean restrooms, employee cafeterias, break rooms and other facilities, and we provide clean and hygienic drinking water, food, and storage facilities. These help employees enjoy a good working environment. We employ professional staff to do daily cleaning, food waste composting, and trash sorting. They also perform regular drinking water machine inspections and environmental cleansing. We have also placed clearly marked recycling bins that comply with environmental laws; and there are regular reminders to all employees about environmental friendliness and our trash sorting regulations.

- ### Annual health examinations

In order to comprehensively guard employees' workplace health, Faraday provides health examinations with better-than-legally-mandated services and frequency. We also have employees fill out a health survey at their annual health examinations, to increase employees' self-awareness, help them understand their psychological condition, and to allow giving further care and follow-up with employees who are at risk. When necessary, they visit with the onsite doctor, who provides consultation and guidance about health matters. Also, after each annual health examination, employees are provided with a one-on-one health consultation with the doctor. In order to help employees better understand their personal health condition, there are also anomaly follow-up health examinations six months after the annual health examinations. This helps to achieve the goal of "Finding problems early, so they can get treated early". In 2019, 540 people were eligible for health examinations. Of these, 528 participated in the employee health examinations, for an achievement rate of 97.8%. Following on from this, those whose results were abnormal had follow-up health examinations.

- ### Maternal health protection

The workplaces are equipped with a total of three standard nursing rooms, which can accommodate four or more employees at once. We regularly follow up on the company's maternal health protection list. A doctor gives appropriate evaluations and advice (such as individual risk assessments, stratified management, and health protections) to employees on the prenatal and postnatal lists. In 2019, there were a total of four persons on the maternal health protection list. The completion rate for individual risk assessments, stratified management, and health protections was 100%.

- ### Prevention & management plan for ailments induced by exceptional workload

Faraday is an IC design company. Our office environment is good and clean, and no specific tasks are performed that are high-risk or have high rates of occurrence for specific diseases. However, to safeguard employee health, we have additionally set and implemented the Prevention & Management Plan for Ailments Induced by Exceptional Workload.

> ✅ In accordance with the Occupational Safety and Health Act, Article 6, "[E]mployers shall adequately plan and adopt the necessary safety and health measures… to prevent ailments induced by exceptional workload, such as working shifts, working at night, and long working hours".
> ✅ **Goal:** To safeguard employees' mental and physical health, and to avoid employee illness as a result of exceptional workloads.
> ✅ **Applicable to:** Illness prevention measures and relevant management shall be adopted for all employees.
> ✅ **Method:**
>
> Ⓐ Through a assessment of personal cerebro-cardiovascular disease and workload, those requiring meetings are screened.
> Ⓑ Face-to-face meetings and guidance are given by a physician who does labor health services or who is specialized in occupational health.
> Ⓒ Based on the record of physician meeting, follow-up suggestions and measures are provided, carried out, and recorded.

6/ Social involvement

- Education
- Environmental friendliness
- Caring for the disadvantaged

6.1/Education

- **Sharing industrial experience**
  Faraday has long participated in industry associations and events. Through forums, we share our industrial experience, and help other organizations in the industry to optimize their operational management. This further helps to advance domestic industry's advantages in sustainable development.

- **Promoting campus education**
  In promoting campus education and technology research, Faraday's president takes the lead. With all these students who visit Faraday, he passionately shares his practical industry experiences, in order to help them learn about the history of the ASIC design service industry and the importance of innovative technology. By doing so, they receive encouragement to work hard and learn well while at school, in hopes that they may one day join the ranks of the industry.
  - For 2018, two on-campus upper level management talks were organized: At National Chiao Tung University's Department of Electrical and Computer Engineering; and at National Formosa University's Department of Industrial Management & Institute of Industrial Engineering and Management.
  - In 2019, five on-campus upper level management talks were organized: At National Tsing Hua University, National Chiao Tung University, National Central University, National Chung Cheng University, and Chienkuo Technology University.

6.2/Environmental friendliness

- **Botany club**
  Faraday has long been concerned with protecting Taiwan's local ecology. Within the company, we've established a botany club. Through talks and field observations, they promote and experience first-hand Taiwan's diverse ecology, helping bring employees and their loved ones a newfound respect for ecological conservation.

- **Eco Echo Award partner**
  In 2017, we became a sponsoring partner in the UMC Eco Echo Awards. For three years now, we have helped to sponsor the award selection. This award helps support and encourage more ecological conservation groups to work together, promote ecological biodiversity and species restoration, and further enhance ecological consciousness. The Eco Echo Award competition has the largest monetary value of any domestic ecological conservation award. Submissions continue to hit new heights; over four years of implementation, we have already supported 19 ecological conservation programs. The fruits of our labors have sprouted all around Taiwan and the outlying islands, becoming a helping hand for local conservation efforts.

  In 2018, there were a total of five winners. They were: The ROC Society of Wilderness' "Mortonagrion hirosei Protection, Survey, Environmental Education and Promotion Project"; the Butterfly Conservation Society of Taiwan's "Boundless Butterfly Journey: the Danainae Migration Project"; Wetlands Taiwan's "Protecting Land Crab Mommies Under the Moonlight – Kaohsiung Coastal Land Crab Survey and Promotion Project"; the Keelung Wild Bird Society's "Shen'ao Elephant Trunk Rock and Peregrine Falcon Protection Project"; and the Penghu Ocean Citizens' Foundation's "Planting Underwater Seeds to Protect the Ocean Project". 2019 was the 4th iteration of the awards. A special Youth Environmental Action Award was added, in hopes of providing youth with opportunities to proactively make their voices heard on environmental issues, and to encourage more young students to get involved in environmental conservation. Through these efforts, we help lay a strong foundation for both the spirit of, and actions for, green environmentalism. Broad-based promotion is bringing with it positive change for Taiwan's ecological environment. Award website: ecoechoaward.com

Faraday promotes community and social interaction. With Education, Environmental Friendliness and Helping the Disadvantaged as our core principles, we continue to devote effort to social welfare promotion events such as technological R&D development collaborations, campus education & promotion, environmental protection, and helping the disadvantaged.

6.3/ Caring for the disadvantaged

Faraday firmly believes that giving back to society cannot be limited to monetary contributions alone. Even more important is to ignite compassion and join small deeds together to become greater efforts. By integrating employees' care and strength, we help employees turn their compassion into something bigger and do their part together to help Taiwanese society; together, we help light beacons of hope for disadvantaged people. Specific philanthropic activities are as follows:

- **Blood donation drives**
  Every year, Faraday has continued to held blood donation drives. By giving to blood banks, we create benefits for even more people who need blood, and perform our corporate social responsibility. Employees have been superbly active in supporting this social good; participation has continued to grow year after year. More than a thousand units have been donated so far. In 2018, there were 110 participants in the blood drive, donating 172 units of blood; in 2019, there were 127 participants, donating a total of 193 units of blood. This amply demonstrates how passionately Faraday employees support public welfare causes.

- **Hsinchu Family Support Center**
  Faraday continues to encourage employees to use their actions to support the Family Support Center, and help care for disadvantaged families and children. By helping families and children feel the warmth of social compassion, we help create happy memories every year for disadvantaged families. In 2018, employees donated a total of NT$64,000 in designated items to the Family Support Center, and purchasing fair tickets worth NT$17,400. In 2019, 67 employees were involved in the Hsinchu Family Support Center Philanthropy Event, for a total of NT$92,000. Of these, 53 donated NT$77,000 in general living expenses, and 14 bought fair tickets worth NT$15,000.

- **Caring for remote villages**
  In Taiwan, many children in remote villages are waiting for the hope to change their futures. In order to help these children extricate themselves from poverty, the Faraday benefit committee has joined with the Child Welfare League Foundation's Remote Village Disadvantaged Children's Philanthropy Project. By providing NT$20,000 in subsidies for living expenses and school supplies, we help children to stay in school, learn diversely, and pursue their dreams. By giving them a chance to see the world, we broaden their horizons, and enhance their sense of self-worth. We also assisted in the benefit sale for Lugu Township's Guangxing Elementary School 6th grade Read and Travel Around Taiwan Graduation Trip. This helped students in remote villages see the diverse ecology of Taiwan, learn about diverse ethnic cultures, and really dig into the cultural roots of the land of Taiwan.

- **Philanthropic benefit sales**
  Public welfare isn't just about helping and donating; it's also about making public welfare part of our lives, to make deprivation disappear. That is why we at Faraday occasionally hold philanthropic benefit sales in the company café, such as benefit sales for the Down Syndrome Foundation ROC's Abrazo Shelter Workshop, and for the Yu-Cheng Social Welfare Foundation's Love Nature Shelter Workshop. Selections have included hand-made cookies, created and packaged by people with Down syndrome; cookies, noodles, sauces, and other products created by the Rejoice Community Supported Agriculture Group; and Hakka floral bags sewn by middle-aged and elderly ladies.

7/ Appendix

- Assurance statement
- GRI Standards content index

ASSURANCE STATEMENT

SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FARADAY TECHNOLOGY CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2019

NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION
SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Faraday Technology Corporation (hereinafter referred to as FARADAY) to conduct an independent assurance of the Corporate Social Responsibility Report for 2019 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the sampled text, and data in accompanying tables, contained in the report presented during on-site verification (2020/07/03~2020/08/07). SGS reserves the right to update the assurance statement from time to time depending on the level of report content discrepancy of the published version from the agreed standards requirements

The information in the FARADAY's CSR Report of 2019 and its presentation are the responsibility of the management of FARADAY SGS has not been involved in the preparation of any of the material included in FARADAY's CSR Report of 2019.

Our responsibility is to express an opinion on the report content within the scope of verification with the intention to inform all FARADAY's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:
- ☒ AA1000 Assurance Standard (2008) Type 1 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008) at a moderate level of scrutiny; and
- ☒ evaluation of the report against the requirements of Global Reporting Initiative Sustainability Reporting Standards (100, 200, 300 and 400 series) claimed in the GRI content index as material and in accordance with.

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant.
Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

STATEMENT OF INDEPENDENCE AND COMPETENCE
The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from FARADAY, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, RBA, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

VERIFICATION/ ASSURANCE OPINION
On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within FARADAY's CSR Report of 2019 verified is accurate, reliable and provides a fair and balanced representation of FARADAY sustainability activities in 01/01/2019 to 12/31/2019.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI Standards in accordance with Core Option and AA1000 Assurance Standard (2008) Type 1, Moderate level assurance.

AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Inclusivity
FARADAY has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, FARADAY may proactively consider having more direct two-ways involvement of stakeholders during future engagement.
Materiality
FARADAY has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.
Responsiveness
The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

GLOBAL REPORTING INITIATIVE REPORTING STANDARDS CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

The report, FARADAY's CSR Report of 2019, is adequately in line with the GRI Standards in accordance with Core Option. The material topics and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material topics and boundaries, and stakeholder engagement, GRI 102-40 to GRI 102-47, are correctly located in content index and report. For future reporting, it is recommended to have more descriptions of FARADAY's involvement with the impacts for each material topic (103-1), and how efforts were given to mitigate the impacts. When reporting on goals and targets for each material topic, the expected results are suggested to be set, if applicable, with quantitative objectives

Signed:
For and on behalf of SGS Taiwan Ltd.

David Huang
Senior Director
Taipei, Taiwan
24 August, 2020
WWW.SGS.COM

GRI 102: General Disclosures

Disclosure Number	Explanation	Corresponding chapter	Page	Remark
102-1	Name of the organization	About Faraday	5	
102-2	Activities, brands, products, and services	About Faraday	5	
102-3	Location of headquarters	About Faraday	5	
102-4	Location of operations	About Faraday	5	
102-5	Ownership and legal form	About Faraday	5	
102-6	Markets served	About Faraday	5	
102-7	Scale of the organization	About Faraday	5	
102-8	Information on employees and other workers	5.1 An outstanding team	55	
102-9	Supply chain	3.3 Supply chain status	41	
102-10	Significant changes to the organization and its supply chain			Version 1
102-11	Precautionary Principle or approach	1.4 Risk management	24	
102-12	External initiatives	4 Environmental sustainability / 4.2 Climate change response	46, 47	
102-13	Membership of associations	2.6 Professional association and organization membership	34	
102-14	Statement from senior decision-maker	Message from the President	4	
102-16	Values, principles, standards, and norms of behavior	1.3 Integrity & legal compliance	23	
102-18	Governance structure	the Corporate Sustainability Committee / 1.1 Management	7, 19	
102-40	List of stakeholder groups	Stakeholder engagement	8	
102-41	Collective bargaining agreements	No unions formed and collective bargaining agreements signed before the end of the reporting period, but periodic communication via labor-management conference and diverse channels were offered instead.		No collective bargaining agreements signed.
102-42	Identifying and selecting stakeholders	Stakeholder engagement	8	
102-43	Approach to stakeholder engagement	Stakeholder engagement	8	
102-44	Key topics and concerns raised	Stakeholder engagement	8	
102-45	Entities included in the consolidated financial statements	About this report	3	
102-46	Defining report content and topic Boundaries	About this report / Stakeholder engagement	3, 8	
102-47	List of material topics	Stakeholder engagement	8	
102-48	Restatements of information			Version 1
102-49	Changes in reporting			Version 1
102-50	Reporting period	About this report	3	
102-51	Date of most recent report	About this report	3	
102-52	Reporting cycle	About this report	3	
102-53	Contact point for questions regarding the report	About this report	3	
102-54	Claims of reporting in accordance with the GRI Standards	About this report	3	
102-55	GRI content index	7.2 Appendix- GRI Standards content index	76	
102-56	External assurance	7.1 Appendix- Assurance statement	75	

GRI 102: Material Topics

Disclosure Title	GRI standards	Disclosure Number	Explanation	Corresponding	Page	Remark
R&D. innovation and competitive strength in quality	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	Self-defined		R&D investment, Intellectual property management, Competitive strength in quality, Product innovation and Safety	2. R&D and innovation 2.1 Competitive strength in quality 2.2 Innovative technology	29, 30, 31	
Customer Privacy and information security	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer	3.2 Customer confidentiality and information security	38	
Integrity and legal compliance	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
	GRI 205: Anti-corruption 2016	103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 206: Anti-competitive Behavior 2016	205-3	Confirmed incidents of corruption and actions taken	1.3 Integrity & legal compliance	23	
		206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			No anti-competitive behavior issues in 2019
Management Approach and operational performance	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its Components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	1.2 Operational performance	21	
Customer service management	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	Self-defined		Customer Service Handling	3.1 Customer service		
Sustainable supply chain management	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	3.4 Sustainable supply chain management	41	
	GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	3.4 Sustainable supply chain management	41	
Employee salary and benefits	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 201: Economic Performance 2016	201-3	Defined benefit plan obligations and other retirement plans	5.3 A friendly workplace that puts people at the core	64	
	GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.3 A friendly workplace that puts people at the core	64	

GRI 102: Material Topics

Disclosure Title	GRI standards	Disclosure Number	Explanation	Corresponding	Page	Remark
Labor/Management Relations and workplace friendliness	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 401: Employment 2016	401-1	New employee hires and employee turnover	5.1 An outstanding team	55	
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.3 A friendly workplace that puts people at the core	64	
		401-3	Parental leave	5.3 A friendly workplace that puts people at the core	64	
	GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	5.1 An outstanding team	55	
	GRI 405: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	5.3 A friendly workplace that puts people at the core	64	
Employee career development	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	5.2 Employee career development	58	
		404-3	Percentage of employees receiving regular performance and career development reviews	5.2 Employee career development	58	
Risk management	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 201: Economic Performance 2016	201-2	Financial implications and other risks and opportunities due to climate change	1.4 Risk management, 4.2 Climate change response	24, 47	
Green product design	GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Stakeholder engagement	8	
		103-2	The management approach and its components	Material issue management policies	13	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 302: Energy 2016	302-5	Reductions in energy requirements of products and services	2.3 Green product design	32	
	GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	2.3 Green product design	32	
Others	GRI 302: Energy 2016	302-1	Energy consumption within the organization	4.3 Energy use and greenhouse gas inventory	49	
		302-3	Energy intensity	4.3 Energy use and greenhouse gas inventory	49	
		302-4	Reduction of energy consumption	4.3 Energy use and greenhouse gas inventory	49	
	GRI 303 : Water 2016	303-1	Water withdrawal by source	4.3 Energy use and greenhouse gas inventory	49	
	GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	4.3 Energy use and greenhouse gas inventory	49	
		305-2	Energy indirect (Scope 2) GHG emissions	4.3 Energy use and greenhouse gas inventory	49	
		305-5	Reduction of GHG emissions	4.3 Energy use and greenhouse gas inventory	49	
	GRI 306: Waste 2016	306-2	Management of significant waste-related impacts	4.4 Waste management	52	
	GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	4.1 Environmental protection policy	47	No non-compliance events concerning environmental laws and regulations occurred in 2019
	GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	5.4 Occupational Safety and Health	68	
		403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	5.4 Occupational Safety and Health	68	
	GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken			No incidents of discrimination occurred in 2019
	GRI 411: Rights of Indigenous	411-1	Incidents of violations involving rights of indigenous peoples			No incidents of discrimination occurred in 2019
	GRI 415: Public Policy	415-1	Political contributions			Faraday stands for political neutrality and non-political contribution to political parties, politicians and related agencies.
	Self-defined		Social Involvement	6. Social Involvement	71	