



# 2020 Faraday Technology

Corporate Social Responsibility Report



智原 FARADAY

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## About this report

Thank you for taking time to read the 2020 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 2020. 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, in order to achieve the goal of sustainable development.

### Scope

The reporting period is between January 1 and December 31, 2020, 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 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 issuance

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:** June 2021

**Next release date:** Expected June 2022

### 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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**Website:** <https://www.faraday-tech.com/tw/content/CSR/StakeholderEngagement> (Stakeholder Engagement)



## Message from the business operator

The world went through ups and downs throughout 2020. Due to the impact of macroeconomic instability caused by the pandemic and currency fluctuations, consumer demand has become uncertain. Facing of all challenges in 2020, Faraday was able to develop strategies early in order to protect existing long-term clients. Aside from continuous growth of Faraday's overall revenue, the number of ASIC orders have also been stable, enabling the company to remain competitive and industry-leading. In recent years, the ASIC market has been thriving amid the China-US trade war and the emerging Internet of Things (IoT) trends. Not only has the order value of Faraday NRE been increasing for 6 consecutive years, the company's mass production revenue has also grown 2 years in a row. With the efforts of all employees, the annual collective revenue reached 5.5 billion NTD with basic earnings per share of 1.08 NTD.

### The 2020 main operating results of Faraday are as follows:

- The annual mass production revenue increased 18% and reached 3.6 billion NTD, which indicates continuous growth for 2 consecutive years. The Company entered its next growth cycle as it saw a significant increase in its mass production. In 2020, there were new business opportunities on top of existing projects. The contribution of new businesses is expected to become the Company's driving force in 2021, contributing more than half of the revenue. These businesses are mostly niche applications that Faraday has worked on over the years, characterized by a long life cycle and not a boom and bust cycle, which is also the Company's long-term goal. In addition, better service for customers is expected in the future through supports from several major clients in hopes of achieving steady and better sales performance.
- The number of ASIC orders remains strong, while the order value of NRE reached a high level for 6 consecutive years. Despite the impact of the pandemic in 2020, Faraday has maintained an excellent order performance. The partnership between Faraday and its clients remains steady as they continue to grow together with the help of a complete self-developed intellectual property core (IP). There has been a continuous increase in the average revenue per order of Faraday's ASIC cases due to the upgrades in manufacturing process and design, which is a strong advantage when it comes to design service. ASIC orders have been growing in many rapidly-developed areas, including automation applications, audiovisual multimedia, artificial intelligence (AI), network communication and a multitude of niche products. Most of them are practical applications which Faraday focuses on.
- The ASIC and IP of Faraday complement each other. From its mainstream process to advanced process,

Faraday consistently develops IP resolutions through different platforms, enabling it to manage the risk of ASIC design, as well as boost its competitiveness and establishment of IP. The Company utilizes vertical integration which also serves as its unique competitive advantage, through the self-developed ASIC IP mode that generates considerable synergy and return on investment. In 2020, the revenue of IP was 840 million NTD, which remained strong.

- Faraday not only seeks perfection in terms of sales performance and technology, but also dedicated to fulfill its corporate social responsibility. In 2019, the Company established a Corporate Sustainability Commission in charge of developing sustainable corporate strategies and initiatives, with the purpose of strengthening corporate governance, protecting the environment and implementing social responsibility. The Company has been committed to "corporate governance, supply chain sustainability, environmental sustainability, employee-friendly workplace, social feedback" as its main goals, along with its vision of "human-orientation, co-existence with the environment, co-prosperity with the society". It cooperates with stakeholders in order to achieve sustainable growth for both the company and the society. Faraday is also the first ASIC design service company in support of TCFD (Task Force on Climate-related Financial Disclosure), and one of the top 30 supporting companies listed on the official website of TCFD.

Faraday continues to innovate and invest in research and development. In 2020, its significant technological breakthroughs and achievements included:

- The Company's ASIC design platform successfully created more than 10 AIoT designs, adopting the 28 nm to 55 nm process of United Microelectronics Corp. as well as edge computing devices with speech and image recognition, wearable devices, smart home appliances and many other AIoT applications.
- Successfully rolled out the programmable SerDes PHY of 28Gbps on the 28 nm HPC process platform of United Microelectronics Corp; it not only shortens the design cycle of chips significantly, but also assists in driving the development of fast Ethernet of 100G, PCIe 4.0, 5G and most xPON photonic network infrastructure.
- Successfully completed the IP verification of Gigabit Ethernet GPHY on the 40LP process platform of United Microelectronics Corp. and allowed authorized use for clients.





## Message from the business operator

- Successfully released the latest development platform of SoCreativeIV™ A500 SoC, adopting the 28 nm HPC process of United Microelectronics Corp. and integrating the quad-core microprocessor of ARM Cortex-A53 whose speed can reach 1.4GHz; it is equipped with several types of high speed IO transmission interface, providing an eclectic verification plan of platform development in 5G, network communication, AIoT, high-resolution projectors, multimedia and multi-function printers and many other high-efficiency applications.
- Successfully introduced the display IP interface into many novel monitors of ASIC; the chip applications include 4K/8K full HD projectors, Pico display devices of mini-projectors, car augmented reality head-up displays, etc.

Rolled out the development platform of Ariel™ Internet SoC which adopted eFlash techniques of Infineon SONOS; compared to the previous generation 55nm Uranus+™ platform, the development platform of Ariel SoC is able to reduce 35% of the operating power consumption, which complements the low power consumption SoC design requirement of smart Internet of Things, AIoT, industrial internet of things (IIoT), smart grid, wearable devices and portable devices.

The 22 nm basic component IP has been used by several clients. The IC product applications include internet surveillance camera SoC, true wireless stereo headphone SoC, Internet of Things SoC and voice-activated artificial intelligence processor.

The memory compiler of 28 nm embedded high voltage (eHV) process has been adopted by several large-scale chip companies selling mobile device OLED display drivers. Several projects are taped out one after another, offering the advantages of power consumption, function and area for related driving chips and accelerating the integrated design.

In the following year, despite the uncertainty over the industry and overall environment, Faraday aims to accelerate its revenue contribution through long-labored niche applications. The Company will continue to maintain demand for novel applications, and in the meantime, proceed to optimize its IP layout, commissioned design, product applications and client portfolio in order to drive the virtuous circle of company operations and continue creating competitive advantages and long-term value for the Company and its clients. In the end, we would like to thank you again for your long-term support for Faraday Technology. All staff members will continue to work hard so as to create maximum value for our shareholders.

Chairman  
Chia-Tsung Hung

President  
Kuo-Yung Wang

## About Faraday

In 1993, Faraday was founded in Taiwan as Asia's first fabless ASIC design service and IP vendor. Faraday was founded in Hsinchu Science Park, Taiwan, by 1993; providing ASIC service (Application-Specific Integrated Circuit) and authorization service of intellectual property (IP), as Asia's first vendor. Successively set up the R&D and marketing base in the US, Japan, China, India, and Vietnam to provide timely service to worldwide customer. Faraday is listed on the Taiwan Stock Exchange (TWSE) under ticker number 3035.

1<sup>st</sup>  
founded

Asian ASIC vendor

No. 1

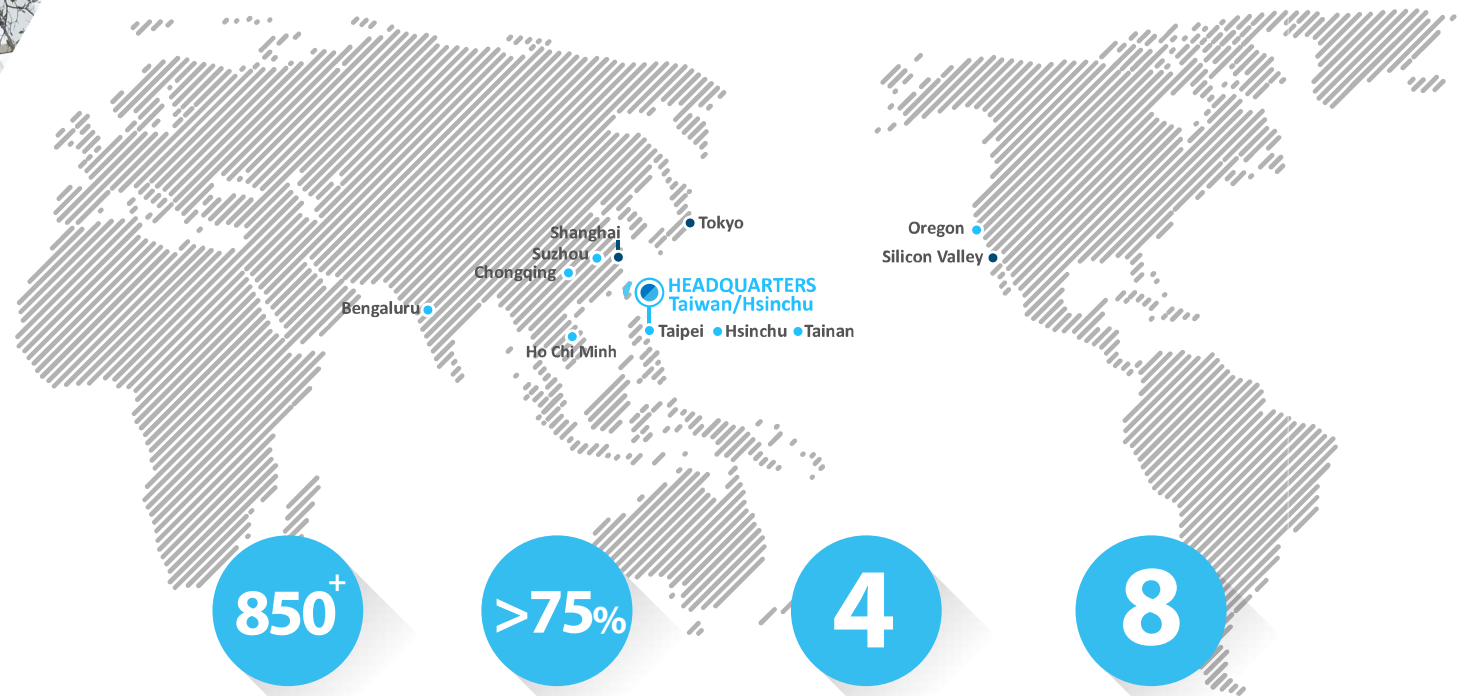
Asian IP vendor

TOP  
3

Fundamental IP vendor







850<sup>+</sup>

Headcount

>75%

R&D and engineering  
expertise

4

Sales and service  
locations

8

R&D center

Faraday ASIC team creates a complete design flow, automatic system, and SoC development platform. With more than 25-year experience, it has delivered thousands of successful designs along with hundreds of million ASIC chips shipped annually worldwide. Faraday is one of the few leading ASIC vendors with a comprehensive self-developed IP portfolio. We have thousands of silicon-proven IPs helping customers lower integration risk. Meanwhile, Faraday provides IP customization service to meet customers' specific requirement, in terms of power, size, and performance, and so on.

Faraday has conducted strong long-term partnership with the foundry, package, and testing vendors, to strengthen product development and mass production efficiency.

With successful chips shipped by the cooperation of Faraday and supply chain partner, the wide ASIC application field includes consumer electronics, multimedia, flat-panel display, communication network, computer peripheral storage equipment, and so on; hundreds of million ASIC chips are shipped annually worldwide.

# Milestone

2020

- Led industry to adopt TCFD framework for corporate sustainability
- Launched Ariel™ SoC Platform to drive IoT development
- Released licensable Gigabit Ethernet PHY on UMC 40LP platform

2019

- Showcased SoCreativeIV™ SoC platform
- Launched FIE3240 SoC platform for IoT applications
- Led industry with 28G Programmable SerDes at 28nm for Networking ASIC
- Launched a Complete Set of 22nm Fundamental IP

2018

- ASIC service leveraging Samsung FinFET platform
- The first tape-out at the FinFET process
- Unveiled the Industry's Smallest USB 2.0 OTG PHY IP

2017

- World's first ISO 26262 certified ASIC service company
- Announced world's smallest footprint 40eHV and 40LP SRAM compiler
- World's First Automotive ASIC Qualified for AEC-Q100 and AEC-Q006
- Launched the FPGA-to-ASIC turnkey service

2016

- MIPI IP Subsystem Shipment up to fifteen million
- Delivered 12.5G SerDes PHY & V-by-One PHY on UMC 28nm HPC process
- Announced Uranus™ SoC Development Platform on 55ULP eFlash process

2015

- Delivered a complete set of UMC 55nm eFlash cell libraries and memory compilers
- Announced the silicon-proven imaging subsystem consisting of a single combo PHY IP of MIPI, LVDS, sub-LVDS, and HiSpi

2014

- Delivered a complete set of UMC 28nm cell libraries and memory compilers

2013

- Strengthening its ASIC Design Service Sales Network North America with 10 more agents
- Announced its Dual-core Cortex-A9-based SoC Platform to accelerate SoC Development in Cloud Computing
- Announced the silicon-proven MIPI CSI-2 and DSI solutions

2012

- Delivered a 340 million gate-count SoC at 40nm process
- Extended license for ARM® Cortex™-A9 processors and Mali™-400 MP GPUs
- Optimized a complete IP portfolio for UMC processes ranging from 0.11um to 28nm nodes

2011

- Introduced the high-performance IQ ADC/DAC IP solutions for wireless communications in 55nm
- Cooperated with the customer to launch its 4-port USB 3.0 host controller chip

2010

- Assisted the customer to get the certification of USB 3.0 host controller
- Introduced its high-performance 1GHz ARMv5 compliant processor- FA726TE
- All Faraday's USB 3.0 PHY and controller solutions got certified with logo on products
- Announced USB 3.0 PHY in UMC 0.11um aluminum process

2009

- SATA 3 PHY & controller first to achieve compliance in UMC's 90nm process
- Offered 55nm/65nm/0.13um miniIO™ with around 40% area-saving and robust ESD performance
- Pioneered to launch the USB 3.0 PHY in UMC 0.13um
- Launched PCIe2.0 at 90nm with passing the compliance test

2008

- Offered the miniaturized cell library miniLib™ in 90nm and 65nm
- Announced the first commercially available 1GHz memory compiler in UMC 90nm
- Offered the first memory compiler in UMC 65nm LL process

2007

- Introduced the ARMv5 compliant ultra-low power core FA606TE and high performance processor FA626TE
- Launched silicon-proven DDR2 memory physical interface IP
- Implemented ultra-small ARM926EJ-S™ hard core in UMC 0.13um process
- Received the Frost & Sullivan Award for "Customer Service Innovation" in the area of VLSI design services

2006

- Introduced a New MP3 Player SoC- FIE7010

2005

- Announced 0.18um Ultra-High-Density Silicon IP platform- "miniIP™"
- Introduced industry's smallest USB 2.0 PHY IP
- Announced low power dissipation platform solution- PowerSlash™

2004

- Introduced the first silicon-proven TFT LCD T-CON Platform FT-300
- Announced its first generic platform SoCreative!™
- Awarded "Outstanding Financial Performance Fabless Company" by FSA

2003

- Launched its second ARM based CPU core FA526
- Introduced its USB OTG IP
- Introduced its first SoC platform solution "IA-Composer™"
- Introduced 0.18um IPs for "Serial ATA II PHY" and Controller

2002

- Launched its first ARM based CPU Core FA510
- Developed a comprehensive IP portfolio for UMC 90nm process and beyond

2001  
1993

2001 Introduced 0.13um libraries for UMC process

1999 Listed on Taiwan Security Exchange (TAIEX:3035)

1997 ISO 9001 certified

1993 Founded in Hsinchu Science Park, Taiwan, as the first fabless ASIC design service provider in Asia



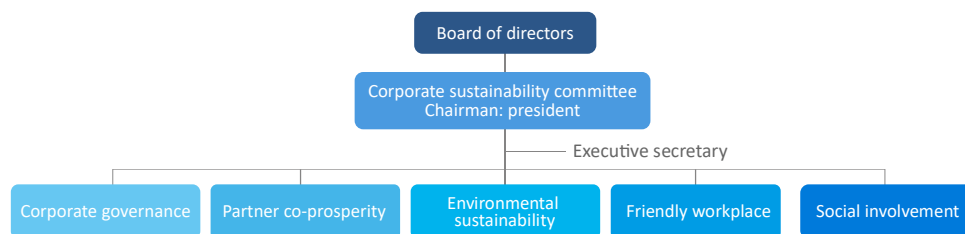


## Composition and Functions of the Corporate Sustainability Committee

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; partner co-prosperity; 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 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 goals 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 interests, 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.
Partner co-prosperity	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.
Friendly Workplace	Responsible for formulating employee benefits, creating a diverse and inclusively friendly workplace, valuing labor rights, and offering training and development as needed.
Friendly workplace	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.
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, anticorruption, 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, supply chain sustainability, 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

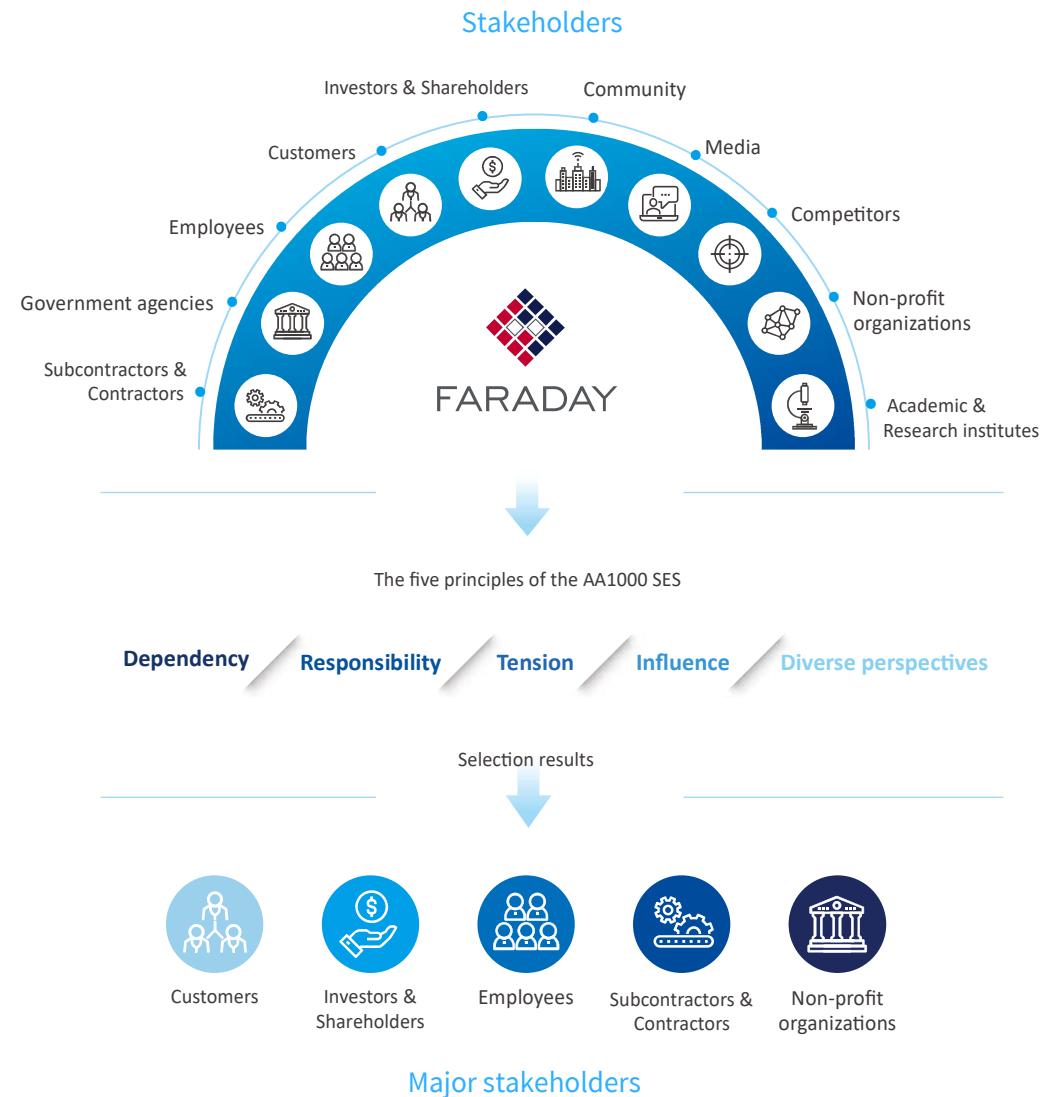
Since the foundation of Faraday, we have upheld the management principles of honesty, transparency, and responsibility, and we have set integrity as our fundamental policy. By dedicating ourselves to pursuing sustainable development and growth for the company, we create reasonable benefits and value 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 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.





## Methods and frequency of communication with stakeholders

Stakeholder	Relationship to the organization	Topics of concern	Communication methods and frequency
 <p>Customers</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>-Customer service management</li> <li>-Competitiveness in R&amp;D, innovation &amp; quality</li> <li>-Sustainable supply chain management</li> <li>-Customer confidentiality &amp; information security</li> <li>-Green product design</li> <li>-Risk management</li> <li>-Integrity &amp; legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>-Phone/email (daily)</li> <li>-Customer satisfaction surveys (quarterly)</li> <li>-Quality meetings (monthly/quarterly)</li> <li>-Customer meetings (irregular)</li> <li>-Customer audits (irregular)</li> </ul>
 <p>Employees</p>	<p>Faraday's most important resource, creating maximum value for the company.</p>	<ul style="list-style-type: none"> <li>- Talent attraction and retention</li> <li>- Employee diversity and inclusion</li> <li>- Employee safety and health</li> <li>-Employee career development</li> <li>- Corporate governance</li> <li>- Risk management</li> <li>-Competitiveness in R&amp;D, innovation &amp; quality</li> <li>-Integrity &amp; legal compliance</li> <li>-Customer service management</li> <li>-Customer confidentiality &amp; information security</li> </ul>	<ul style="list-style-type: none"> <li>-Employee forum (quarterly)</li> <li>-Labor and management conference (quarterly)</li> <li>-Workplace safety &amp; health committee (quarterly)</li> <li>-The welfare committee (bi-monthly)</li> <li>-Training committee (quarterly)</li> <li>-Performance interviews (annual)</li> <li>-Email comment box/bulletin board (irregular)</li> </ul>
 <p>Investors &amp; Shareholders</p>	<p>Providing the funding that Faraday needs for business operations.</p>	<ul style="list-style-type: none"> <li>-Corporate governance</li> <li>-Risk management</li> <li>-Competitiveness in R&amp;D, innovation &amp; quality</li> <li>-Integrity &amp; legal compliance</li> <li>-Customer confidentiality &amp; information security</li> <li>- Talent attraction and retention</li> </ul>	<ul style="list-style-type: none"> <li>-Shareholder general meeting (annual)</li> <li>-Investor roadshows (quarterly)</li> <li>-Meetings (irregular)</li> <li>-Phone/email (irregular)</li> </ul>
 <p>Subcontractors &amp; Contractors</p>	<p>Providing the resources and services needed for the company's operations, to grow alongside Faraday.</p>	<ul style="list-style-type: none"> <li>-Corporate governance</li> <li>-Risk management</li> <li>-Integrity &amp; legal compliance</li> <li>-Customer service management</li> <li>-Sustainable supply chain management</li> <li>-Competitiveness in R&amp;D, innovation &amp; quality</li> <li>-Customer confidentiality &amp; information security</li> <li>-Environmental protection policy</li> </ul>	<ul style="list-style-type: none"> <li>-Phone/email (daily)</li> <li>-Subcontractor audits (quarterly/annual)</li> <li>-Quality meetings (monthly/quarterly)</li> <li>-Customer complaint channels (irregular)</li> </ul>
 <p>Government agencies</p>	<p>Utilizing the infrastructure and governmental services provided by the government; obeying governmental laws.</p>	<ul style="list-style-type: none"> <li>-Integrity &amp; legal compliance</li> <li>-Competitiveness in R&amp;D, innovation &amp; quality</li> <li>-Customer confidentiality &amp; information security</li> <li>-Environmental protection policy</li> <li>-Climate change</li> <li>-Waste management</li> <li>-Employee safety &amp; health</li> <li>-Risk management</li> <li>-Sustainable supply chain management</li> <li>-Green product design</li> </ul>	<ul style="list-style-type: none"> <li>-Market Observation Post System (irregular)</li> <li>-Official letters exchanged (irregular)</li> <li>-Various meetings (irregular)</li> <li>-Labor inspections (irregular)</li> </ul>

## Investigating sustainability topics

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.

The various constituent members of the sustainability committee analyzed, organized, and compared all the issues, then set 18 sustainability topics.

### Organizing sustainability issues

02

### 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 12 questionnaires from clients, 47 from employees, 14 from investors/shareholders, 28 from suppliers/contractors, and 8 from government agencies, for a total of 109 questionnaires.

03

### Analyzing issues' impacts on corporate operations

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.

04

### 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.

05

### Discussing and investigating

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.

06

### Setting management goals

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

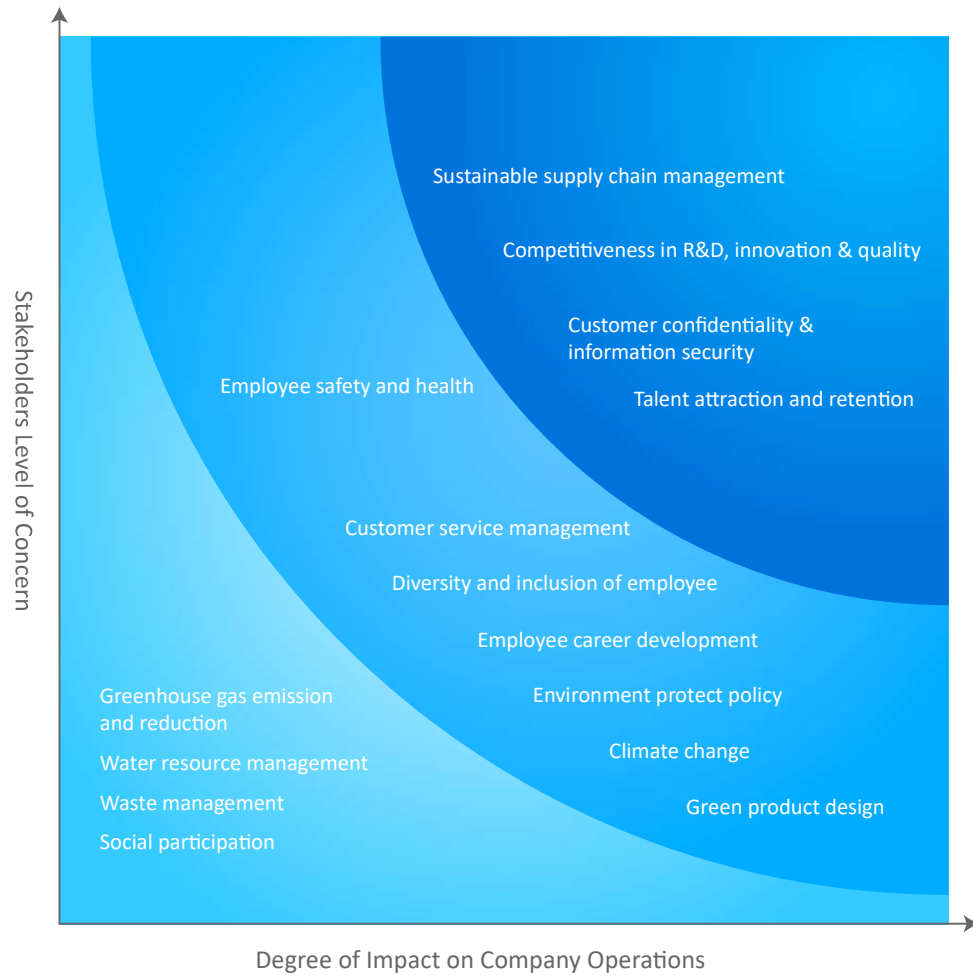
07

## Issues of concern to stakeholders

● Direct impact ○ Indirect impact

Area	Issue	Meaning for Faraday	Relevant GRI issue	Internal		External				對應章節
				Faraday	Employee	Customer	Investors/ Shareholder	Subcontractors/ Contractors	Government agencies	
Economic	Corporate governance	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, 205-1	●	●	●	●	○		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.	419-1	●	●	○	●	○	●	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.	418-1	●	○	●		●		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.	201-1, 308-1, 308-2, 414-1, 414-2	●		●		●	●	3.4
	Competitiveness in R&D, innovation & quality	Continuous innovation helps strengthen core competitiveness and make sustainable development a reality.	Customized	●	●	●	●	●	●	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	Environment protect policy	Committed to reducing the environmental footprint, planning sustainable products	307-1	●				●	●	4.1
	Climate change	Respond to climate change, timely grasp the opportunity to identify, and business/finance impact analysis, committed to creating sustainable environmental development	201-2	●					●	4.2
	Greenhouse gas emission and reduction	Good greenhouse gas emissions and energy management can improve operational performance, and reduce environmental load	305-1, 305-2, 305-5							4.3
	Water resource management	Water is the foundation of semiconductor industry production, effective water resource management can strengthen competitiveness.	303-3	○						4.3
	Waste management	Reduce product life cycle, environment load at each stage is key target to promote environmental protection.	306-3	●					●	4.5
	Green product design	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.	302-5, 416-1, 416-2	●		●			●	2.3
Societal	Employee safety and health	Fully use the innovative technology of Faraday main business, share the benefit from innovation with society, make more people to benefit from the opportunity by technology diffusion, and drive a better future.	403-1 , 403-3 403-5 , 403-6 403-7	●	●				●	5.4
	Employee diversity and inclusion	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.	202-2, 401-1, 401-2, 401-3, 405-2	●	●					5.3
	Talent attraction and retention	Provide competitive overall salary and better-than-legally welfare system, unite cohesion of employees, to be the drive for sustainable development of the company.	201-3, 202-1	●	●			○		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
	Social participation	Fully use the innovative technology of Faraday main business, share the benefit from innovation with society, make more people to benefit from the opportunity by technology diffusion, and drive a better future.	203-1	○						6

## Determining stakeholders' issues of concern



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.

Fixed long-term major issues: Corporate governance, risk management, integrity & legal compliance

**The top four major issues:** Sustainable supply chain management, competitiveness in R&D, innovation & quality, customer confidentiality & information security, and talent attraction and retention.

**Major issues:** Employee safety and health, customer service management, diversity and inclusion of employee, employee career development, environment protect policy, climate change, and green product design.

**Secondary issues:** Greenhouse gas emission and reduction, water resource management, waste management, and social participation.



## Material issue management policies

The delineation results give 14 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 2020	2020 actual performance	Effectiveness evaluation	Response mechanisms	
						Short-term goals (2021)	Medium- and long-term goals (2023)
Competitiveness in R&D, innovation & quality	Continuing innovation breakthroughs may increase revenues.	<ul style="list-style-type: none"> <li>As required by the market and as advanced processes continue to evolve, deploy a robust IP solution library and ASIC design workflow</li> <li>Remain devoted to technology innovations; via a reward system that encourages R&amp;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&amp;D innovation, and lay a solid foundation for sustainable corporate operations</li> </ul>	Patent applications ≥13	Total of 13 patent applications for 2020	✓	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
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	<ul style="list-style-type: none"> <li>Complaints regarding breaches of customer confidentiality or loss of customer data: 0</li> <li>Information security policy announcements: 4 times/year</li> <li>Information security policy classes: Paired with new recruit training, 100% implementation</li> </ul>	<ul style="list-style-type: none"> <li>Complaints regarding breaches of customer confidentiality or loss of customer data: 0</li> <li>Information security policy announcements: 4 times/year</li> <li>Information security policy classes: Paired with new recruit training; 100% implementation</li> </ul>	✓	<ul style="list-style-type: none"> <li>Complaints regarding breaches of customer confidentiality or loss of customer data: 0</li> <li>Information security policy announcements: 4 times/year</li> <li>Information security policy classes: Paired with new recruit training; 100% implementation</li> </ul>	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	<ul style="list-style-type: none"> <li>Strengthen advocacy regarding ethical management concepts and policies</li> <li>100% handling rate for disciplinary action and whistleblowing regarding unethical conduct</li> </ul>	<ul style="list-style-type: none"> <li>Via intranet and training, advocate ethical management concepts and policies</li> <li>Disciplinary action and whistleblowing regarding unethical conduct: 0</li> </ul>	✓	<ul style="list-style-type: none"> <li>Strengthen advocacy regarding ethical management concepts and policies</li> <li>100% handling rate for disciplinary action and whistleblowing regarding unethical conduct</li> </ul>	Strengthen advocacy regarding ethical management concepts and policies; implement legal compliance and risk control mechanisms
Corporate governance	Operational performance directly affects the company's costs and profit	<ul style="list-style-type: none"> <li>Proactively participate in corporate governance evaluations and further perfect information disclosure</li> <li>Strengthen board of directors' functions and guarantee shareholder equity</li> <li>Reinforce the communication and information exchange between independent directors, CPAs and internal auditors</li> </ul>	<ul style="list-style-type: none"> <li>Be ranked in the 21<sup>st</sup>~35<sup>th</sup> percentile of listed companies in terms of corporate governance evaluation results</li> <li>Director attendance no lower than 85%</li> <li>Strengthen completeness and timely updating of content in the Corporate Governance and Investor Relations sections of the company website</li> <li>Complete and timely updating of the English version of the company website</li> </ul>	<ul style="list-style-type: none"> <li>Be ranked in the 21<sup>st</sup> to 35<sup>th</sup> percentile of listed companies in terms of corporate governance evaluation results</li> <li>Director attendance no lower than 85%</li> <li>Corporate governance section constantly updated and expanded</li> <li>Reported material information in English; disclosed interim financial reports in English and established an English version of the company website</li> </ul>	✓	<ul style="list-style-type: none"> <li>Be ranked in the top 21<sup>st</sup> percentile of listed companies in terms of corporate governance evaluation results</li> <li>Director attendance no lower than 85%</li> <li>Strengthen completeness and timely updating of content in the Corporate Governance and Investor Relations sections of the company website</li> <li>Complete and timely updating of the English version of the company website</li> </ul>	<ul style="list-style-type: none"> <li>Proactively participate in corporate governance evaluations and further perfect information disclosure</li> <li>Strengthen board of directors' functions and guarantee shareholder equity</li> <li>Reinforce the communication and information exchange between independent directors, CPAs and internal auditors</li> </ul>
Risk management	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", "Environment", and "Society". With reference to each risk, the company formulates appropriate management methods and crisis response methods, in hopes of lowering uncertainties in business operations to the bare minimum.	<ul style="list-style-type: none"> <li>Listed professional safety and health training as part of new recruits' required classes</li> <li>Holding at least one disaster drill per year</li> </ul>	<ul style="list-style-type: none"> <li>Listed professional safety and health training as part of new recruits' required classes; in 2020, 70 people were trained.</li> <li>565 people were involved in holding disaster drills</li> </ul>	✓	<ul style="list-style-type: none"> <li>List professional safety and health training as part of new recruits' required classes</li> <li>Hold at least one disaster drill per year</li> </ul>	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 86%	Customer satisfaction 86.1%	✓	Customer satisfaction 86%	Continue improving customer satisfaction
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	<ul style="list-style-type: none"> <li>Set evaluation standards for existing and new suppliers; require suppliers to receive ISO9001 and ISO14001 certification in terms of quality and environmental management; also, when introducing new suppliers, prioritize those with QC080000 and OHSAS18001 certifications (or equivalent)</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers</li> <li>&gt;75% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification</li> <li>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</li> <li>Onsite audits for 70% or more of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers</li> <li>80% of all wafer, packaging, and testing providers achieved OHSAS 18001 certification</li> <li>100% of suppliers completed signing the Declaration of Non-use of Conflict Minerals</li> <li>70.8% onsite audits for suppliers</li> </ul>	✓	<ul style="list-style-type: none"> <li>Maintain 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers</li> <li>&gt;80% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification</li> <li>Maintain 100% supplier completion rate for signing the Declaration of Non-use of Conflict Minerals</li> <li>Onsite audits for 90% or more of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Maintain 100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers</li> <li>When introducing new suppliers, prioritize those with OHSAS18001 certifications, in order to continually require that all wafer, packaging, and testing providers achieve OHSAS 18001</li> <li>Maintain 100% supplier completion rate for signing the Declaration of Non-use of Conflict Minerals</li> <li>100% onsite audits of suppliers annually, in accordance with the audit plan</li> </ul>

Material issue	Potential impacts	Directions for implementation and response	Targets for 2020	2020 actual performance	Effectiveness evaluation	Response mechanisms	
						Short-term goals (2021)	Medium- and long-term goals (2023)
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.	<ul style="list-style-type: none"> <li>Develop ultra-low power consumption 22 nm fundamental IP solutions</li> <li>100% of suppliers complete signing the Commitment Not to Use Environmental Substances</li> </ul>	<ul style="list-style-type: none"> <li>Completed ultra-low power consumption 22 nm fundamental IP solutions</li> <li>100% of suppliers completed signing the Commitment Not to Use Environmental Substances</li> </ul>	✓	<ul style="list-style-type: none"> <li>Develop 22 nm functional IP solutions</li> <li>100% of supplier completion rate for signing the Commitment Not to Use Environmental Substances</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop ultra-low power consumption-related designs</li> <li>Carefully evaluate and select raw materials with low hazard levels, in order to comply with the Hazardous Substance-Free Product Standard.</li> </ul>
Employee diversity and inclusion	Ensure that employees' employment and labor rights are protected, which can create harmonious and inclusive operating benefits and enhance the company's competitiveness	<ul style="list-style-type: none"> <li>Maintain open and transparent communication channels and complaint mechanisms</li> <li>Implement workplace maternal care measures</li> <li>Provide health promotion activities that meet employee needs</li> <li>Provide a diverse benefit system and leisure facilities</li> </ul>	<ul style="list-style-type: none"> <li>Provide open and transparent communication channels and complaint mechanisms</li> <li>100% handling rate for employee complaint events</li> <li>Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period</li> </ul>	<ul style="list-style-type: none"> <li>Held Employee forum and Labor and management conference every quarter</li> <li>Employee complaint event: 0</li> <li>Follow-up for female employees during pregnancy: 100%</li> </ul>	✓	<ul style="list-style-type: none"> <li>Provide open and transparent communication channels and complaint mechanisms</li> <li>100% handling rate for employee complaint events</li> <li>Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period</li> </ul>	<ul style="list-style-type: none"> <li>Establish a harmonious employer-employee relationships and improve communication channels to avoid employer-employee disputes and workplace illegalities</li> <li>Guarantee a workplace environment of gender equality and opportunities for development</li> </ul>
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	<ul style="list-style-type: none"> <li>Implement the training in reinforcing core skills, with key course training completion rate achieving 100% for the required training targets</li> <li>Build a global training platform and enhance the proportion of training resources in English</li> </ul>	<ul style="list-style-type: none"> <li>Key course training completion rate for the required training target: 100%</li> <li>Build a global training platform and enhance the proportion of training resources in English               <ul style="list-style-type: none"> <li>— e-Course Englishization ratio: 90.7%</li> <li>— e-Course global completion ratio: 100%</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>Implement the training in reinforcing core skills, with key course training completion rate achieving 100% for the required training targets</li> <li>Build a global training platform and enhance the proportion of training resources in English</li> </ul>	Guarantee that employees have comprehensive training resources and learning environments. Realize employees' potential and reinforce the company's core technologies
Talent attraction and retention	Brain drain will directly affect the company competitive-ness.	Provide competitive salary and welfare system	Provide competitive salary and welfare system	<ul style="list-style-type: none"> <li>Constituent stock in 2020 "Taiwan High Compensation 100 Index" announced by Taiwan Stock Exchange</li> <li>Better-than-legally-mandated leave system</li> </ul>	✓	Provide competitive salary and welfare system, talent attraction and retention	Enhance overall business performance, ensure sustainable overall salary
Employee safety and health	Safety and health accident will damage to business reputation and lost time	<ul style="list-style-type: none"> <li>Implement workplace maternal care measures</li> <li>Plan related disaster drill to minimize the safe and health uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period</li> <li>Plan to hold one disaster drill per year</li> </ul>	<ul style="list-style-type: none"> <li>Follow-up for female employees during pregnancy: 100%</li> <li>Held disaster drill: one time</li> </ul>	✓	<ul style="list-style-type: none"> <li>Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period</li> <li>Holding at least one disaster drill per year</li> </ul>	<ul style="list-style-type: none"> <li>Complete the risk evaluation during maternal health protection: 100%</li> <li>Holding at least one disaster drill per year</li> </ul>
Climate change	Respond to climate change, the operational risks in the financial industry	Task Force on Climate-Related Financial Disclosures, TCFD	Responsively support the architecture of Climate-Related Financial Disclosures	<ul style="list-style-type: none"> <li>Already responsively supported the architecture of Climate-Related Financial Disclosures, is world's First ASIC design service company and top 30 of Taiwan listed in the supporters of the TCFD official website.</li> </ul>	✓	Continuously and responsively support the architecture of Climate-Related Financial Disclosures	Responsively support the architecture of Climate-Related Financial Disclosures
Environment protect policy	If not committed to contribute the issue of sustainable environment, the damage will affect the sustainable growth of company.	In product R&D and manufacture, focus on the hazardous substance and waste management	<ul style="list-style-type: none"> <li>Packaging material is 100% Lead-free and Halogen Free.</li> <li>Regular recycling of scrapped IC (At least one time per year)</li> </ul>	<ul style="list-style-type: none"> <li>Packaging material is 100% Lead-free and Halogen Free.</li> <li>Regular recycling of scrapped IC (At least one time per year): one time</li> </ul>	✓	<ul style="list-style-type: none"> <li>Continuously meet 100% packaging material of Lead-free and Halogen Free.</li> <li>Continuous management of scrapped IC</li> </ul>	<ul style="list-style-type: none"> <li>Packaging material is 100% Lead-free and Halogen Free.</li> <li>Regular recycling of scrapped IC (At least one time per year)</li> </ul>

## 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 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

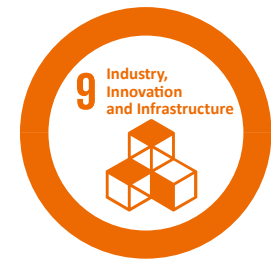


As one of the world's leading high-tech R&D companies, talents are not only one of the company's resources, but the entire basis for the company's sustainable development. The importance that Faraday places on talent is amply reflected in the workplace environment and conditions that the company provides. 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  
sustainability  
principle



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; 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 2<sup>nd</sup> National Training Quality 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.

- ✓ 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.

- ✓ 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: 22nm fundamental 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.



### Operational performance - finance performance

The annual growth rate of mass production revenue was 18%, reached the revenue of NT\$3.6 billion, and achieved the sustainable growth for two consecutive years.

18%



### Operational performance - finance performance

The annual IP revenue of 2020 was NT\$840 million, keeps a high level.

840  
million

### Operational performance - finance performance

The number of ASIC project received keeps a high level, and the order amount of Faraday design service NRE is historic high for six consecutive years.



6  
Years

### Corporate governance - management policy

In 2020, be ranked in the 6<sup>th</sup> ~ 20<sup>th</sup> percentile of listed companies in terms of corporate governance evaluation results



6%~20%

Excellent

### Management - board of directors performance review

The overall performance review of boards of directors and functional committee all meet the review standards.

### Operational performance - stock dividend policy

Annual dividends have been steady. No less than 70% of the dividend yield rate is provided in recent five years.

70%

# 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 function of the board of directors, 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.

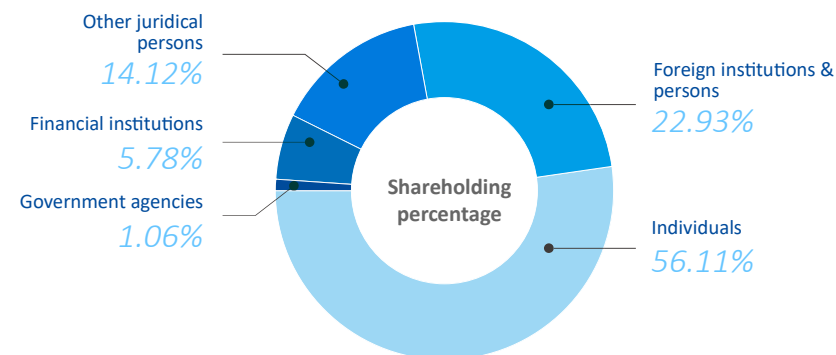
## Management policies

Targets for 2020	2020 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2021)	Medium- and long-term goals (2023)
Be ranked in the 21 <sup>st</sup> ~ 35 <sup>th</sup> percentile of listed companies in terms of corporate governance evaluation results	Be ranked in the 6 <sup>th</sup> ~ 20 <sup>th</sup> percentile of listed companies in terms of corporate governance evaluation results		Be ranked in the top 20 <sup>th</sup> percentile of listed companies in terms of corporate governance evaluation results	<ul style="list-style-type: none"><li>Proactively participate in corporate governance evaluations and further perfect information disclosure</li><li>Strengthen board of directors' functions and guarantee shareholder equity</li><li>Reinforce the communication and information exchange between independent directors, CPAs and internal auditors</li><li>Strengthen advocacy regarding ethical management concepts and policies; implement legal compliance and risk control mechanisms</li><li>Continue to raise employee risk awareness; create a broad and deep risk management culture</li></ul>
Director attendance no lower than 85%	Director attendance no lower than 85%		Director attendance no lower than 85%	
Strengthen the English information disclosure	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	<ul style="list-style-type: none"><li>Via intranet and training, advocate ethical management concepts and policies</li><li>Disciplinary action and whistleblowing regarding unethical conduct: 0</li></ul>		<ul style="list-style-type: none"><li>Strengthen advocacy regarding ethical management concepts and policies</li><li>100% handling rate for disciplinary action and whistleblowing regarding unethical conduct</li></ul>	
Raise employee risk awareness	<ul style="list-style-type: none"><li>Listed professional safety and health training as part of new recruits' required classes; in 2020, 70 people were trained.</li><li>565 people were involved in holding disaster drills were trained.</li></ul>		<ul style="list-style-type: none"><li>List professional safety and health training as part of new recruits' required classes</li><li>Hold at least one disaster drill per year</li></ul>	
			Total	

## Shareholder Structure

March 27, 2021 Unit: Shares

Shareholder Type Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Individuals	Foreign Institutions & Persons	Total
No.	2	20	153	56,642	129	56,946
Shares Held	2,640,000	14,345,678	35,096,326	139,476,893	56,991,416	248,550,313
Shareholding Percentage	1.06%	5.78%	14.12%	56.11%	22.93%	100.00%



Note: For the 2021 list of major shareholders, please refer to the company's 2020 Annual Report – Section IV, "Capital Raising", subsection 1, "Capital and shares" (IV)

# 1.1 Management level

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 performance evaluation

Faraday Technology passed the "Board of Directors Performance Evaluation Method" in July, 2020, and implements self-performance evaluation on the board of directors, functional committees and individual directors once per year, and submits the evaluation results to the board of directors to continuously enhance the effectiveness of the board of directors. The 2020 overall board of directors and functional committee self-evaluation and director member self-evaluation are based on internal questionnaire self-evaluation. The evaluation period is from January 1st, 2020 to December 31st, 2020. The questionnaire mainly covers the following aspects: The participation level on company operation, the improvement of decision-making quality, the composition and structure of members, the selection and continuous education, and internal control are disclosed by the directors (members) according to the previous disclosure of the self-evaluation results. The performance evaluation of the overall board of directors and functional committees meets the evaluation standards [Excellent], showing that the overall operation can be evaluated as perfect.

## 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 female (including one female 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
	Ying-Sheng Chen	Male	VP, UMC/ Bachelor of Electrical Engineering, Feng Chia University
Director	Chung Laung Liu <sup>(Note)</sup>	Male	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, Management School, 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: Dr. Chung Laung Liu took office after the May 28<sup>th</sup>, 2020, general shareholder meeting supplemental election and finished the terms from November 9<sup>th</sup>, 2020.

# 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 2020, the board of directors held six meetings (A). 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 2020, 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 2020, the compensation committee met four times; 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 2020:

- ✓ The annual growth rate of mass production revenue was 18%, reached the revenue of NT\$3.6 billion, and achieved the sustainable growth for two consecutive years. With the accumulated projects that successively went into mass production, Faraday also enters the next growth cycle. In 2020, the transition from the old project to the new project continued, the contribution of new project mass production rapidly increased; it is expected to be key project in 2021 and will contribute more than half of revenue. These projects are most niche applications that Faraday has cultivated for long time; with the feature of long life cycle and less effected by the business cycle fluctuation, it is also the goal to be pursued by company for a long time. In addition, customer constitution are more quality customers, the customer base of future mass production will be supported by several key customers, the business will be expected to continuously increase with stacked growth.
- ✓ The number of ASIC project received keeps a high level, and the order amount of Faraday design service NRE is historic high for six consecutive years. In 2020, Faraday's business in the projects received still made impressive performance even by the impact of pandemic. Faraday has strong relationship with customer, with complete self-developed IP, Faraday is able to grow up with customer. Faraday's ASIC project received continuously improved no matter in process or design value, it results in continuous growth of average order amount; this is also the strong drive of design service growth. Faraday wins ASIC projects in many rapid-developed areas, including automation application, multimedia, Artificial Intelligence (AI), network communication and many niche application products, most are advantage application focused by Faraday.
- ✓ 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. Faraday's ASIC and IP business are complementary to each other. Faraday develops IP solution by using of platform from main process to advanced process. Not only Faraday can control ASIC design risk, but also can increase the competitiveness of project received with IP deployment.

The business model of such vertical integration is Faraday unique competitive advantage, and the business model of ASIC self-developed IP also contributes the considerable benefits and ROI. The annual IP revenue of 2020 was NT\$840 million, keeps a high level.

### Products by percentage of revenue

Unit: NTD thousands

Product class	2020		2019	
	Revenues	Percentage	Revenues	Percentage
ASICs and wafer products	3,591,723	65.36%	3,055,045	57.58%
NRE	1,064,960	19.38%	1,368,757	25.79%
IP component and technology royalties	838,624	15.26%	882,549	16.63%
Total	5,495,307	100.00%	5,306,351	100.00%

### Combined 2020 revenue and profits

Category	Value
Net sales revenue	5,495,307
Operating costs	2,895,681
Gross profit	2,599,626
Operating expenses	2,450,514
Operating profit	149,112
Non-operating revenue and expenses	164,123
Employee salaries and benefits	1,598,942
Payments to capital providers (share earnings)	273,405
Payments to the government (taxation excludes deferred taxes)	57,238
Social investment such as donations to social welfare organizations	550
Retained earnings	491,085



### Stock dividend policies

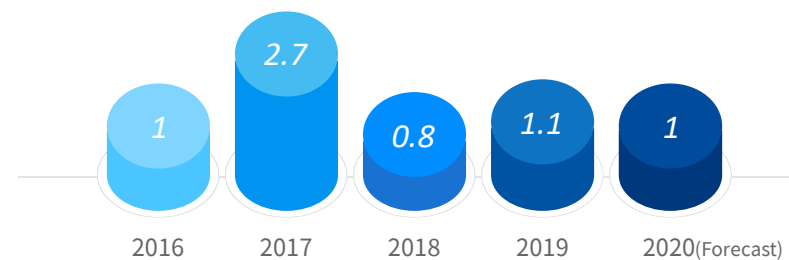
Faraday's stock dividend policy requires examining the company's current and future investment environment, capital requirements, international and domestic competition, capital budgeting, and other factors. It simultaneously requires maintaining shareholder interest, and balancing dividends with the 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 per cent (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



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. No less than 70% of the dividend yield rate is provided in recent five years.



# 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.

## 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.

The main points of the ethical management procedure and guidelines are as follows:



Prohibition against offering or accepting bribes



Prohibition against infringing intellectual property rights



Prohibition against illegal political donations



Prohibition against disclosure of confidential information



Prohibition against improper charitable donations or sponsorship



Prohibition against unfair competitive conduct



Prohibition against unreasonable gifts, hospitality, or other improper benefits



Prohibition against insider trading

## 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 interest.

### Protection on whistleblowers

- Top Principle: Confidential, fair, and objective
- Unless consented by the whistleblower, the name of the whistleblower or any other facts that may disclose his/her identity cannot be stated on public documents.
- The whistleblower's name, organization, address, phone, and e-mail address must be kept in completely confidential.
- All inquiries and investigations must be done with the whistleblower's anonymity guaranteed.

### 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](mailto:whistleblower@faraday-tech.com)
- Mail: Auditing unit manager, No.5, Li-Hsin Rd. III, Hsinchu Science Park, Hsinchu City, Taiwan 30078

## 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 every year. 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 2020 are as follows:



### Code of Conduct & Workplace Ethics

- Include "Code of Conduct & Workplace Ethics" into the employment contract and training material for new recruit
- Signing rate for "Code of Conduct & Workplace Ethics" of new recruit: 100%



### Legal compliance declaration

- Declare and announce the concepts on ethical management in employee forum, labor and management conference, and new recruit training
- Added real-time updates on internal websites to disclose and remind ethical issues in 2020



### Training

- New recruit training, and training and propaganda on related ethical management every year
- Training course of ethical management in 2020: 667 employees in total



### Periodic evaluations

- Business unit proceeds the regular self-check and self-evaluate legal compliance
- Audit unit proceeds the regular audit
- Unethical conduct and anti-competition behavior in 2020: 0



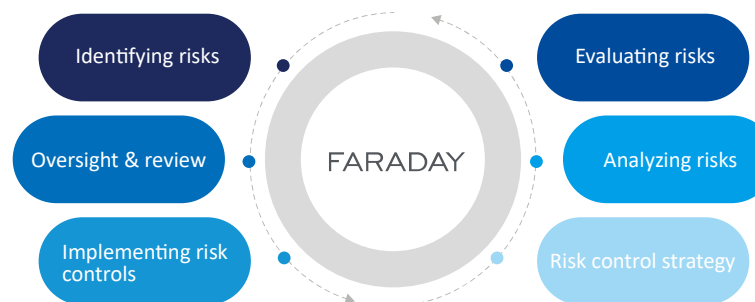
### Whistleblower procedure and protection

- Establish a specific whistleblower procedure and handle by the dedicated unit
- All flows should strictly follow the whistleblower protection principle.
- External whistleblowing in 2020: 0; direct reports by employee in 2020: 0

# 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.

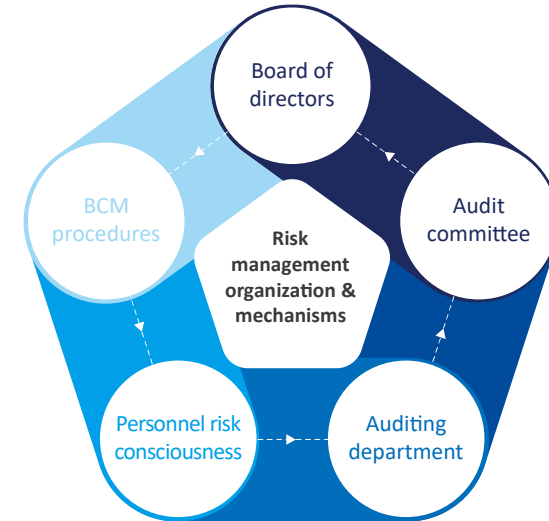




## Risk management organization

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

- The board of directors are 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 extant 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.



## 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", "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 and 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 diversified investment, our group manages the price risk of equity securities and other investments. The investment portfolio information of equity securities needs to be regularly provided to top management of our group for review and approval.
	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.	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>	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.	<ul style="list-style-type: none"> <li><b>Exchange rate risk:</b> 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.</li> <li><b>Interest rate risk:</b> 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.</li> <li><b>Equity price risk:</b> The group holds listed securities, unlisted securities, and other investments. Each includes categories measured at fair value through other comprehensive income.</li> </ul> <p>The group invests diversely, to manage price risks from equity securities and other investments.</p>	<ul style="list-style-type: none"> <li><b>Exchange rate risk:</b> 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.</li> <li><b>Interest rate risk:</b> Reducing investment contract periods for low-liquidity investment products.</li> <li><b>Equity price risk:</b> Information on the equity security investment portfolio is periodically provided to the group's upper level management for review and approval.</li> </ul>	<ul style="list-style-type: none"> <li><b>Exchange rate risk:</b> If the NT Dollar had appreciated/depreciated by 10% against the US Dollar, the group's 2020 profit and loss would be reduced/increased by NT\$10,709,000 while the 2019 profit and loss would be reduced/increased by and NT\$15,254,000. If the NT Dollar had appreciated/depreciated by 10% against the Renminbi, the group's 2020 profit and loss would be reduced/increased by NT\$118,690,000, while the 2019 profit and loss would be reduced/increased by NT\$100,512,000.</li> <li><b>Interest rate risk:</b> The cash flow risk from interest rate fluctuations is extremely low.</li> <li><b>Equity price risk:</b> The group manages the price risk of the equity and other investment by multiple investment options. Information for equity combo investment should be periodically reviewed and approved by the group's upper level management.</li> </ul>
	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.	<ul style="list-style-type: none"> <li>Establishing outside-in information security measures to avoid malicious hacking, viruses, ransomware emails, and other external threats.</li> <li>Setting up appropriate protective measures by level of classification.</li> <li>Building employees' consciousness regarding information security through trainings and regular announcements.</li> <li>Regularly evaluating the appropriateness and effectiveness of information security tasks.</li> <li>Setting plans to continually strengthen protective measures, in order to minimize information security risks.</li> <li>Employees sign non-disclosure agreements.</li> <li>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.</li> </ul>	The security of the company's intellectual property, trade secrets, and internal data is assured.

## Risk management, opportunities, and benefits

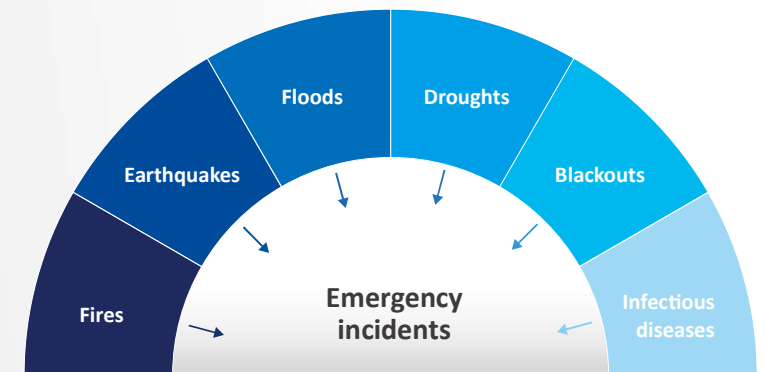
Risk Area	Risk Topic	Impact	Management Method	Crisis Response Methods	Opportunities and Benefits
Environment	Climate change risk	In order to slow down extreme climate change, the entire world is taking note of whether enterprise is complying with environmental protection trends and standards.	Environmental protection procedures.	Global environmental trends are reviewed annually; environmental protection measures are set in accordance with operational requirements; and internal training and education is 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.

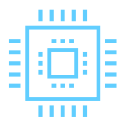
### Operational status

- The "Risk Management Policy" was passed at the April, 2020 board of directors meeting, and was reported to the board of directors at the October, 27th, 2020 on the topics of risk management operation and the relevant risks on climate change and the opportunity information disclosure.
- In 2020, October, 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 October and November, 2020. 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 cultivated to internalize risk management as part of employees' everyday habits. The company has listed professional safety and health training as part of incoming employees' and relevant members' required classes; in 2020, 104 employees were trained. In addition, in October, 2020, the company has invited the team leader of the Hsinchu Fire Station and the police officer of Hsinchu Police Office to hold the fire prevention and safety training & traffic accident prevention declaration, 67 employees were trained; in December, 2020, CPR+AED training course were held, 115 employees were trained.
- To enhance the information security awareness of the employees, implement information security policy class and case study with new recruit training and proceed every quarter; including PC usage guideline, intellectual property protection, information security and confidentiality regulation. In 2020, 1082 employees were trained in total.



### Product quality (Low DPPM general plan)

Faraday is devoted in providing product quality that meet customer expectation, leads industry to release Low DPPM general plan, which is applied in automotive and general ASIC products. Through Four phases of design, production manufacturing, verification, and system application, before product development, it has already completed the check plan for each to-be-confirmed item and the setting of the to-be-reached index. To take or Taking automotive product as example, in 2020, it achieves the performance of zero customer returns for DPPM that shows Faraday's core value, specialized technology, and production control capability.



# 0

DPPM

### Low power consumption SoC (22 nm fundamental IP solutions)

22 nm process launches complete fundamental component IP solution, Faraday fundamental IP solution is designed with enhanced routing, as well as optimal power, performance, and area to address low-power SoC requirement. Compared to 28-nm capability, the 22-nm process can improve process technology performance by 10%, decrease power consumption by 30%, and reduce die size by 10%.

# 30%

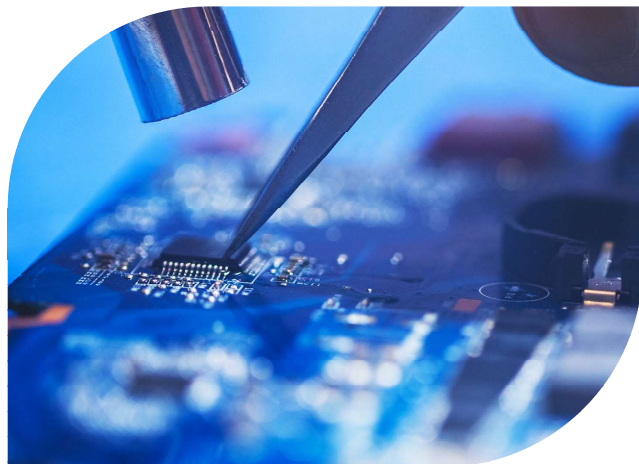
### Commitment Not to Use Environmental Substances

Carefully evaluate and select raw materials with low hazard levels, in order to comply with the Hazardous Substance-Free Product Standard. 100% of Faraday's supplier completion rate for signing the Commitment Not to Use Environmental Substances

# 100%

### System-level ESD (electrostatic discharge) service

Provide signal quality simulation from chip to system-end to judge the most suitable design solution, and provide ESD suppression design guideline that customer needs to consider when designing system board; improve the verification success rate of customer system-level ESD test; meet the requirement of product quality and reliability verification; to assist customers in shortening production lead times.



# 13

cases

## System-level ESD service

## ISO9001:2015 certification

### Quality system

Faraday guides the subsidiary of Artery Technology, Ltd. (MCU professional brand manufacturer) to achieve ISO9001:2015 certification in October, 2020. It fully shows the planning and execution capability of Faraday in quality management system; also express the determination of Faraday group in the implementation of ISO management. With high-efficiency quality management system to implement quality management and improvement, we promise and respond to customer's quality need.

### Patent

Total of 13 patent applications for 2020, current total number of patents: 857



# 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

## Management Policy

Targets for 2020	2020 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2021)	Medium- and long-term goals (2023)
Patent applications≥15	Total of 13 patent applications for 2020	✓	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	22 nm process launches complete fundamental component IP solution	✓	Develop 22 nm functional IP solutions	Continuously develop low-power related designs
100% of suppliers complete signing the "Commitment Not to Use Environmental Substances"	100% of suppliers complete signing the "Commitment Not to Use Environmental Substances"	✓	100% of suppliers complete 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 vendors to simultaneously have a comprehensive self-developed IP database, with rich project development experience and technical capability. 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 design service company 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 devotes ourselves 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 contain both product quality and reliability.

### 2020 actual performance

#### 1. Quality System:

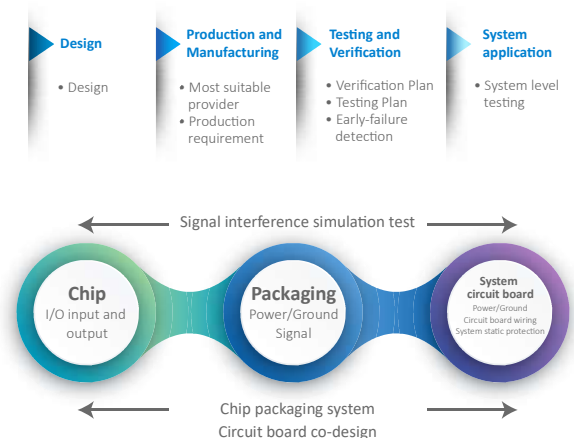
Artery Technology Co., Ltd., a subsidiary of Faraday Technology Co., Ltd., is a professional MCU brand Company, obtained ISO9001:2015 certification in October 2020, which fully demonstrates Faraday Technology's planning and execution capabilities in the quality management system, and also reflects the determination of Faraday to implement ISO management; with high-efficiency management system to execute and improve quality management for promising and responding to customers' quality requirement.

#### 2. Product quality:

Faraday Technology is committed to providing product quality that meets customer expectations. Faraday leads the industry in launching a low DPPM universal solution, suitable for automotive and general ASIC products. Through the four phases of design, manufacturing, testing and verification, and system application. Before product development, already finished the inspection plan for the various to-be-confirmed items and the setting of the to-be-reached index. Take automotive products as an example, the achievement of 0 DPPM non-customer return in 2020 has already explained the core value of Faraday Technology with expertise in technology and production control capabilities.

#### 3. Innovative service:

Faraday Technology has been deeply involved in the field of ASIC products and is familiar with the system collaborative design requirements that customers really need to be assisted. Therefore, in 2020, Faraday led the ASIC design service industry to propose system-level electrostatic discharge services, providing signal quality simulation from the chip to the system board to judge the most suitable design solution, and provide design guidelines for the electrostatic discharge suppression that customers need to consider when designing the system version. Improve the success rate of customer's system-level electrostatic discharge test verification, meet the requirement of product quality and reliability verification for helping customers to smoothly accelerate the importing of mass production.





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 foundry, 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



## EDA Partners



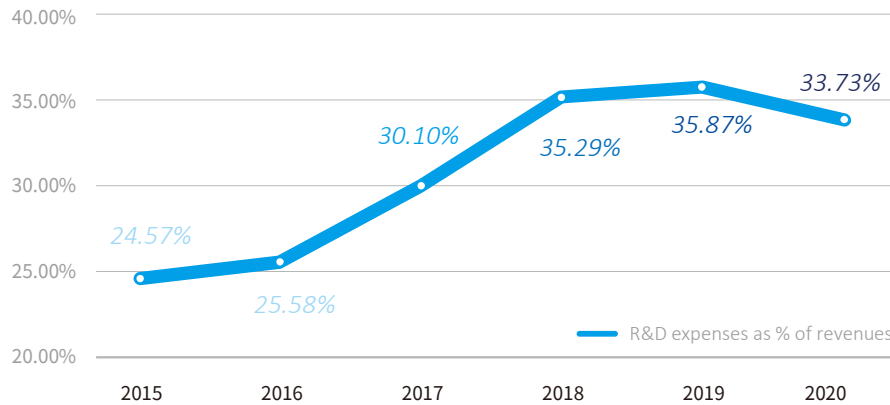
## Production Partners



## 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



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; 28 G 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-wins 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  
**SAMSUNG**

Advanced applications

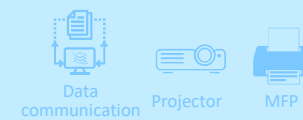


Cutting-edge technology

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

40/28/22 nm  
**UMC**

SoC



Mainstream technology

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

<55 nm+ processes  
**UMC**

MCU-related



### ✓ Design Based on UMC Processes

Faraday and UMC have worked together to develop many standard cell and I/O libraries, covering logic and mixed-signal specialty processes all the way from 0.5  $\mu\text{m}$  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

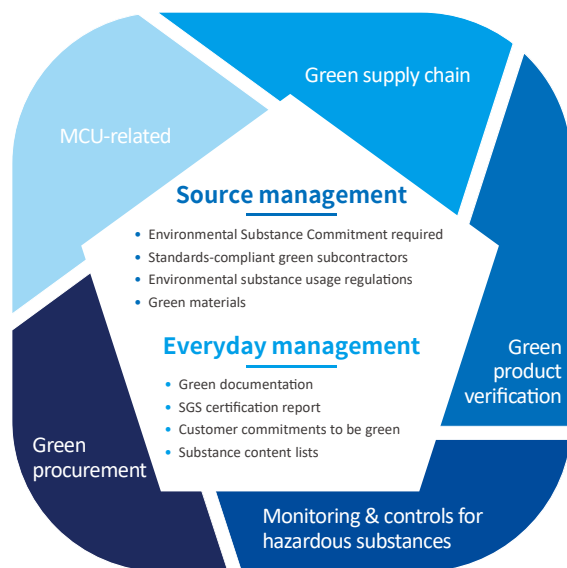
Faraday has collaborated with Samsung and successfully taped-out many ASIC projects on FinFET platforms, with solutions for many next-generation applications, such as AI, 5G/infrastructure networking, block chain, cloud storage, high-performance computing (HPC), augmented & virtual reality (AR & VR), 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 their 3D-structured FinFET technology. This has been the most important technology 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. In addition, subcontractors are required to provide third-party test results to guarantee green product and international regulatory compliance.



### 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 microcontroller unit (MCU) devices has grown to include smart meters, wireless sensors and wearable devices or 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 0.81 V to 1.32 V. 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 22 ULP/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.

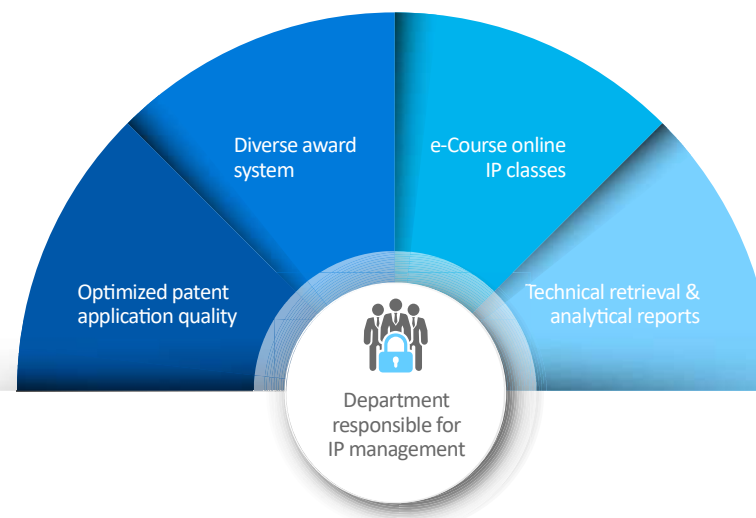
Faraday's 22ULP/ULL fundamental IP is designed with enhanced routing, as well as optimal power, performance and area (PPA) to address low-power SoC requirements. Compared to 28 nm capabilities, the 22 nm cell library can reduce chip die area by 10% or decrease power consumption by more than 30% at the 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, telecoms, 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 a corporate culture of, R&D innovation; the systems also lay a solid foundation for sustainable corporate operations.

- There is a department responsible for Intellectual Property management, as well as systematic patent management mechanism and processes, to effectively manage all innovation proposals made in the R&D department.
- Assist R&D department in reviewing and optimizing 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 eCourse 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.



### 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 employee 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 850 global patents granted (including more than 340 patents in the US)
- More than 190 patent applications currently in process



### Major technical breakthroughs and accomplishments

Faraday continually innovates and invests in R&D resources. The company’s major breakthroughs and accomplishments for 2020 include:

#### AIoT

Faraday’s ASIC design platform has successfully delivered more than ten AIoT designs; these designs mainly use UMC’s 28 nm to 55 nm process, including AIoT applications such as edge computing for voice and image recognition, wearable devices, and smart home appliances.

#### 28G SerDes

Successfully launched 28 Gbps programmable SerDes PHY in UMC’s 28 nm HPC process platform. In addition to greatly shortening the cycle period of chip design, it also helps drive the development of 100G high-speed Ethernet, PCIe 4.0, 5G, and most xPON optical network infrastructure.

#### 40LP

Successfully completed Gigabit Ethernet physical layer (GPHY) IP verification in the UMC 40LP process platform and can provide customer authorization for use.

#### A500

Successfully released the latest SoCreative!V™ A500 SoC development platform, which adopts UMC’s 28 nm HPC process and integrates an ARM Cortex-A53 quad-core microprocessor, with a speed of up to 1.4 GHz and a variety of high-speed IO transmission interfaces, such as 5G, Networking Communication, AIoT, high-resolution projectors, multimedia, and multi-function printers that provide a comprehensive platform development and verification program.

#### Display

Successfully imported display interface IP to a number of emerging display ASICs. Chip applications include 4K/8K ultra-high-quality projectors, micro-projector Pico display devices, and automotive AR augmented reality head-up displays.

#### Ariel™

Launched the Ariel™ IoT SoC development platform using Infineon’s SONOS eFlash technology. Compared with the previous generation 55nm Uranus+™ platform, the Ariel SoC development platform can reduce operating power consumption by 35%, meeting the requirements of Smart AIoT, the Industrial Internet of Things (IIoT), Ultra-low power SoC design requirements for smart grids, wearable devices and portable devices.

#### 22nm

The 22 nm fundamental component IP has been adopted by many customers. The applied IC products include network surveillance camera SoC, true wireless Bluetooth headset SoC, IoT SoC, and mobile voice-activated artificial intelligence processor.

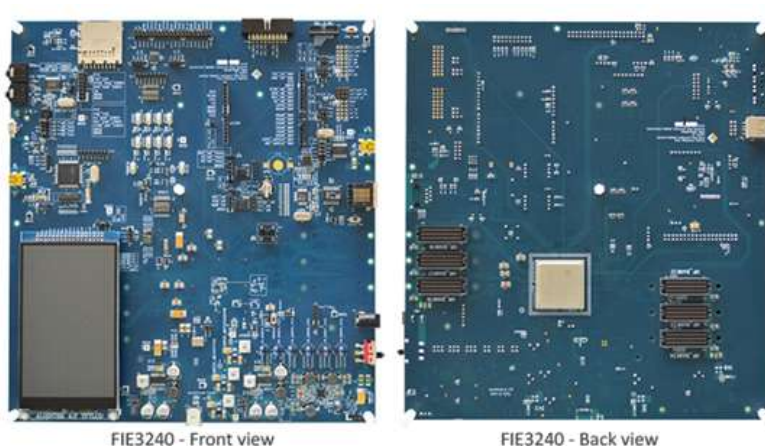
#### 28nm eHV

The 28 nm embedded high-voltage (eHV) process memory compiler has been adopted by many mobile device OLED display driver chip manufacturers, and a number of projects have been taped out to provide related driver chips with power consumption, performance and area advantages and accelerate integration design.



## A new IoT SoC platform: Accelerating early-stage ASIC development

We have successfully introduced the FIE3240 FPGA platform for the SoCreative!™ IoT SOC platform series. The programmable FIE3240 platform offers enhanced flexibility and expandability, and supports SoC designs utilizing ARM Cortex-M processors. This platform can fulfill diverse AIoT application needs.

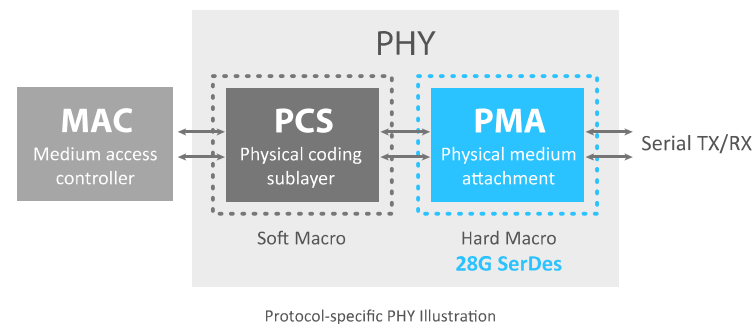


The Faraday FIE3240 platform is equipped with the industry-standard expansion interface to integrate DDR, USB, Ethernet, MIPI, and LCD controllers; multi-voltage I/O banks are also provided to directly connect various peripheral components for fulfilling multiple application needs on IoT. In addition, PCIe can be used through the USB Type-C interface to connect to a second SoCreative!™ FIE3240 or A500 platform, in order to meet the need for expanded design. This SoC platform also integrates a full range of software support such as IDE tools, SDK (software development kit), secure boot, and more, which helps customers shorten development schedules and focus more on application and algorithms.

In order to realize the vision of a trillion-device network in a fast-changing marketplace, developers need proven and scalable solutions to achieve fast implementation. Through Faraday's newly-launched FIE3240 platform, customers can simplify the Cortex-M based SoC development processes; bring low-power IoT applications to market faster; and better grab opportunities in the IoT, AI edge computing, wearable devices, printers, and smart meters.

## Pioneered 28 nm, 28 G programmable SerDes designed dedicated for networking ASICs

Faraday's 28 Gbps multi-protocol programmable SerDes PHY IP is the only 28 Gbps SerDes solution for UMC's 28nm process, providing excellent power consumption, performance, and area performance for system-level design. This SerDes PHY can optimize the system-on-chip (SoC) design to implement infrastructure applications for 100G Ethernet, PCIe 4.0, 5G, and most fiber optic networks.



This full-duplex, high-performance SerDes solution has a scalable physical connection layer PMA, supports copper-clad and backplane channels up to 28 Gbps data transmission rate, and has a total insertion loss of more than 30dB in a variety of interconnection protocols; such a high standard The design is compatible with the standard entity coding sub-layer PCS and controller to meet the enterprise-level performance requirements of network communication.

### Technical features:

- Supports OIF-CEI-28G VSR/SR and OIF-CEI-25G LR protocol specification
- Supports the first to the fourth generations of PCIe and meets the PIPE 4.4.1 specification supporting PCS soft-macro
- Supports 25 Gb to 100 Gb Ethernet: 25G/50G/100G-KR4&CR4
- Supports high-speed ADC/DAC and FPGA interface of JESD204B/C specification
- Supports xPON applications: Sym/Asym GPON, Sym/Asym 10GPON, Sym EPON, Sym 10GEAPON
- PMA hard core optimized for multiple protocols, equipped with PVT compensation
- With multiple interfaces, supporting the third-party PCS/MAC to directly connect to PMA
- Provides soft PCS IP suitable for PCIe 4.0 applications
- PMA data width is suitable for 16/20/32/40 bits
- Full duplex channel configuration of x1, x2, and x4
- Ultra-low power 4 TAP FIR voltage mode driver with programmable amplitude
- Built-in AC coupling capacitor, adaptive CTLE/VGA equalizer and 14 TAP DFE in the receiver
- Multiple internal/external loops (TX to RX, RX to TX, RX loop after S2P with RX clock)
- Built-in chip internal eye diagram scanning to facilitate system testing
- Built-in low-power consuming status
- Built-in PRBS and programmable pattern generator and checker
- Used for connection training, the FOM
- Provides automatic calibration and BIST engine used for performance adjustment and self-diagnosis
- Supports deviations up to 600 ppm and SSC up to 5000 ppm

## Geared up for data communication applications in ASIC development

Faraday has demonstrated success in providing complete high-speed interface integration and testing in networking ASIC and SoC projects. With demand for 10G to 100G network switches and multiple gigabit server adapter applications at an all-time high, we at Faraday have repeatedly proven our ability to help customers in these markets drastically reduce their R&D resource expenditures and shorten time-to-mass-production. In addition, we have developed comprehensive, silicon-proven IP solutions for today's communication applications. These include the industry's only 28G SerDes PHY on a 28nm HPC process in order to meet demand for high-speed I/O in low-latency, high-bandwidth data transmission; ternary content addressable memory (TCAM) for rule table lookup; temperature detection controllers (TDC) for system reliability enhancement; and extreme low jitter PLL's for high-accuracy timing requirements.

Modern data communication market growth mainly depends on high-bandwidth network infrastructure, and Faraday has responded with compelling hardware and system-level solutions. We have delivered more than 10 successful ASIC design projects in the data communication market. These projects, implemented primarily on UMC 28 nm HPC process or 40 nm LP process; cover applications such as access, aggregation switches, server adaptors, and home gateways.

We continue to make heavy R&D resource investment in this field, and have achieved some remarkable results in collaboration with many worldwide leading communication vendors. We are certain that Faraday will help more customers achieve market successes.

## RISC-V ASIC solution successfully brings about mass production for AIoT SoC

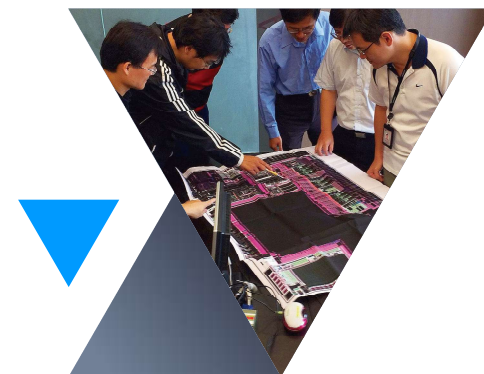
Faraday has more than 25 years of service experience in end-to-end ASIC design. We have further built up a robust line of CPU enhancement and IP customization technologies, supporting ultra-low power consumption scenarios such as dynamic voltage and frequency scaling (DVFS), power mode switching, and fast system wake-up. Faraday also provides SoC software services, allowing RISC-V RTOS, software libraries, and drivers to work seamlessly with SoC hardware to perform specific interfacing, sensing and power management functions.

Our mass-production proven RISC-V ASIC solution has been successfully applied for a new generation of end user AI IoT SoC designs. This solution encompasses full system-level design services, such as RISC-V core IP integration, SoC design verification, as well as a full-featured reference design kit consisting of real-time operating system (RTOS) and drivers for peripherals. Faraday has assisted major customers in mass-producing RISC-V-based AI SoCs using the UMC 55 nm ULP process, thus meeting the special performance needs found in battery power supplies for IoT end user systems.

Faraday's mass production-proven RISC-V based ASIC solutions are tailored for customers who want to have robust SoC design capabilities to create SoC differentiation in the burgeoning RISC-V market. We have seen many RISC-V ASIC design opportunities, especially in a variety of edge AI, IoT/AIoT, and networking applications. Faraday looks forward to implementing more next-generation innovations to benefit our customers and the market.

## 2.6 Professional association and organization membership

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



## Customer satisfaction

Three aspects of customer satisfaction survey:

1. IP quality/service/competitiveness
  2. Electronic design automation tools & processes
  3. ASIC design and production
- Faraday values customer feedback, for the items that deserved continuous improvement, the total quality management committee tasked relevant department with implementing improvements, to realize quality management and enhance customer satisfaction.

# 3 aspects

## Complaints regarding breaches of customer confidentiality or loss of customer data

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.



# 0 case

## Subcontractor quality system and environmental certification

All Faraday subcontractors must have ISO9001 and ISO14001 certification.



# 100%

## Approved subcontractor management

All approved subcontractors are managed according to four aspects.

1. Production management
2. Regular auditing
3. Continuous improvement
4. Regular evaluations



# 4 aspects

# 100%

## Environment protection

Faraday requires subcontractors to sign the following commitment:

1. Commitment of Non-use of Environmental Substances
2. Declaration of Non-use of Conflict Minerals

## Continuous improvement

Through 1. Reasonably prolong material shelf life 2. Simplify packaging 3. Shorten the shipping/baking time, Faraday can achieve the balance between environmental protection and maintaining product quality.

# 3 Winning glory with our partners

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

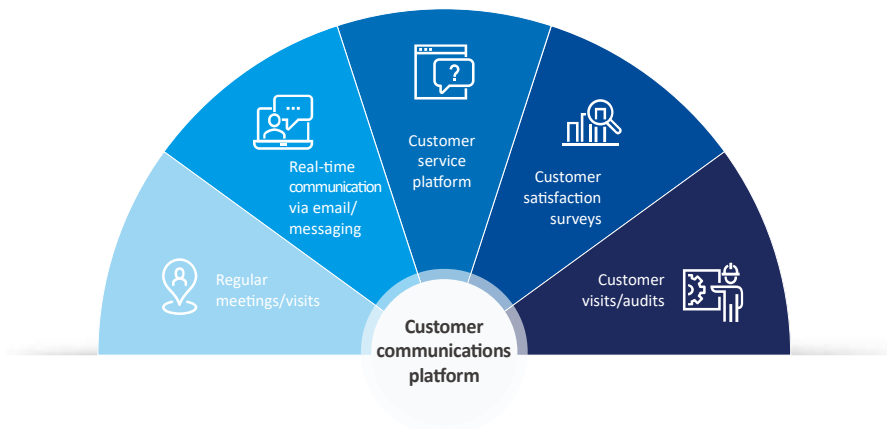
## Management policies

Targets for 2020	2020 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2021)	Medium- and long-term goals (2024)
Average customer satisfaction 86%	Customer satisfaction 86.1%	✓	Average customer satisfaction 86%	Continue improving average 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.
<ul style="list-style-type: none"> <li>Complaints regarding breaches of customer confidentiality or loss of customer data: 0</li> <li>Information security policy announcements: 4 times/year</li> <li>Information security policy classes: Paired with new recruit training, 100% implementation</li> </ul>	<ul style="list-style-type: none"> <li>Complaints regarding breaches of customer confidentiality or loss of customer data: 0</li> <li>Information security policy announcements: 4 times/year</li> <li>Information security policy classes: Paired with new recruit training; 100% implementation</li> </ul>	✓	<ul style="list-style-type: none"> <li>Information security policy announcements: 4 times/year</li> <li>Information security policy classes: Paired with new recruit training, 100% implementation</li> </ul>	
100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers	100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers	✓	100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers	100% ISO9001 and ISO14001 certification rate for wafer, packaging, and testing providers
>75% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification	>80% of all wafer, packaging, and testing providers achieve OHSAS 18001 certification	✓	>80% 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"	✓	100% of suppliers completed signing the "Declaration of Non-use of Conflict Minerals"	100% of suppliers completed signing the "Declaration of Non-use of Conflict Minerals"
Onsite audits for 70% or more of suppliers	70.8% onsite audits for suppliers	✓	Onsite audits for 90% or more of suppliers	100% onsite audits 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 strategy and improvement plans. This helps ensure that customer needs are properly handled and met, and promotes the company's continuous improvement.



### 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 service, 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.

## 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



## Average customer satisfaction results

Average customer satisfaction in 2020 was 86.1% to meet the target. Faraday takes customer very seriously, upholds the faith to grow up with customer; for the items that deserved continuous improvement or single-item improvement. The total quality management committee tasked relevant department with implementing improvements, to realize quality management and enhance customer satisfaction.



Customer feedback  
collection



Grow up with customer



Internal continuous  
improvement



Customer satisfaction  
enhancement



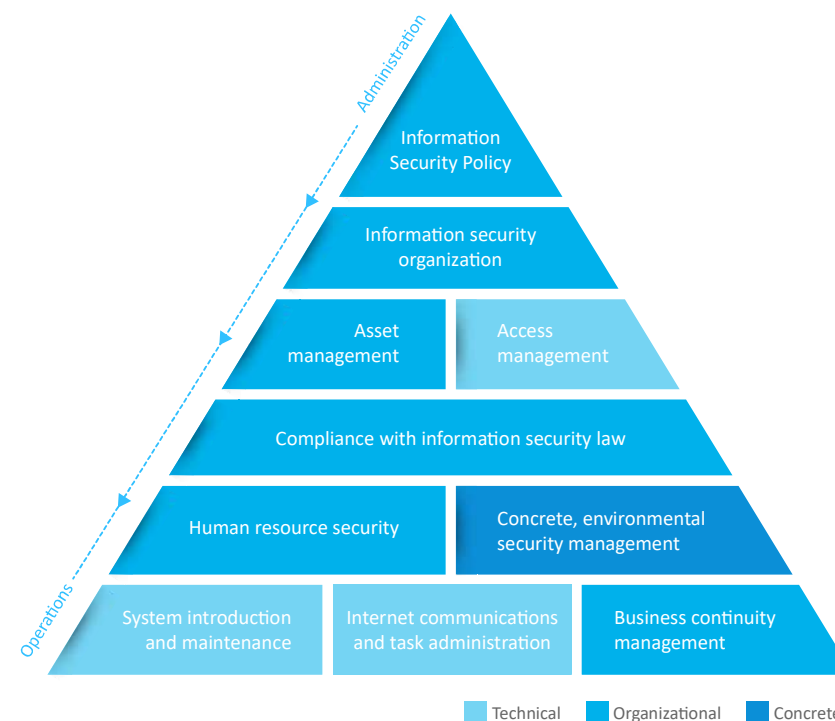
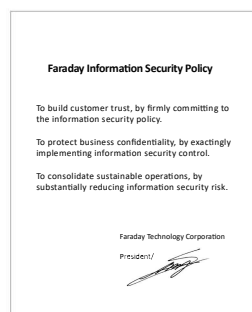
## 3.2 Customer confidentiality & information security

### 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, and so on). For this reason, we have formulated confidential document and information management procedures, as well as procedures related to patent management, on how to protect confidential information, including business secret and Intellectual property rights, to ensure that customer confidentiality is fully protected. We have simultaneously 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 to 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 to avoid threats, both internal and external. The ISMS lowers risks from information tasks, protects trade secrets, and maintains cooperating partners' confidentiality.

### Information Security Policy

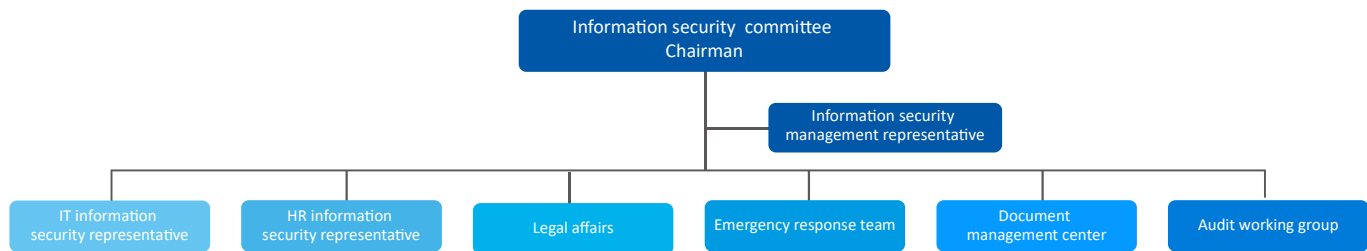
The president has clearly laid out the "Faraday Information Security Policy", which commits us to implement information security controls, and to protect partners' and operational secrets, in order to minimize information security risks and consolidate corporate sustainability.





### 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 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 implementation

As a leader in ASIC design service and IP R&D and sales, since the establishment of the company, Faraday has always attached great importance to 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

### Information Security Management

By creating information security control mechanism and regularly appointing external expert for implementing weakness scanning to prevent from external hacking penetration and internal leaks. With the bi-weekly information/security meeting report, report the current external information security incident to information security representative, for continuously review and enhance information security protection of internal system. Information software/hardware equipment control 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	<ul style="list-style-type: none"> <li>When employees leave their positions, their accounts and permissions are turned off the same day</li> <li>Periodic review and evaluation of account permissions</li> </ul>
Access control	<ul style="list-style-type: none"> <li>Access logs periodically reviewed</li> <li>Remote access permissions periodically reviewed</li> <li>Permissions for printing, outgoing email and remote access turned off for soon-to-leave employees</li> </ul>
Internet controls	<ul style="list-style-type: none"> <li>Internet connection controls for data equipment</li> <li>Intra/extranet and R&amp;D environment internet compartmentalization and access controls</li> </ul>
Threat detection and prevention	<ul style="list-style-type: none"> <li>Regular security upgrades</li> <li>Automatic virus pattern updates and deployment</li> </ul>
System usability	<ul style="list-style-type: none"> <li>System anomaly handling SOP and regular drills</li> <li>Critical system anomaly backup systems established and strengthened</li> </ul>
Confidential information protection	<ul style="list-style-type: none"> <li>Outgoing email review</li> <li>Use log review</li> <li>Connection controls for USB peripheral devices</li> </ul>

### Information security training

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

### 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.

### Implementation status of information security protection

#### Information security training

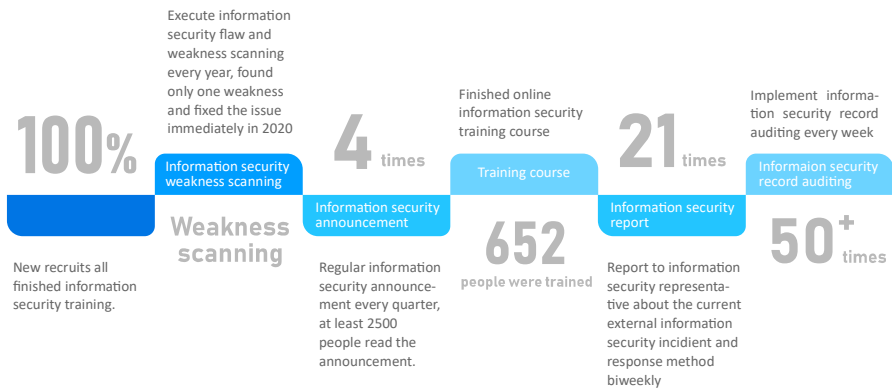
- Information security propaganda
- New recruit information security training

#### Information security management

- Information security threat and vulnerability scanning
- Information security report
- Evaluation and introduction of information security program

#### Information security audit

- Execute information audit and handling procedure
- Information security record auditing

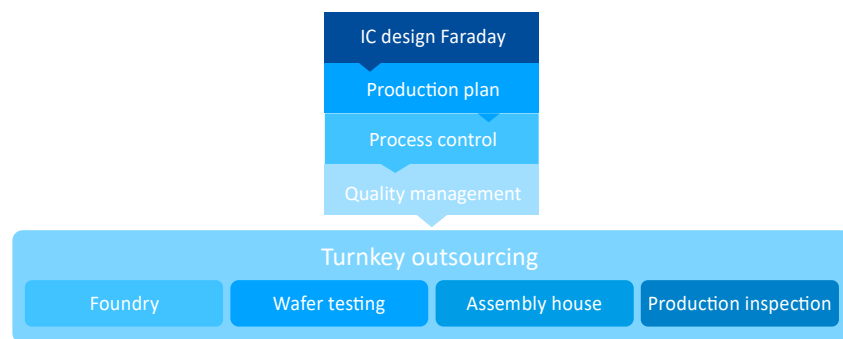


Complaints regarding breaches of customer confidentiality from competent authority or non-competent authority in 2020: 0

## 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 Faraday finishing IC design, the follow-up production processing—from wafer to assembly and testing—is all outsourced. The process requires working closely with subcontractors at every stage, and integrating and adjusting the inter-subcontractor processes in order to completely integrate the operation of the entire supply chain.



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.

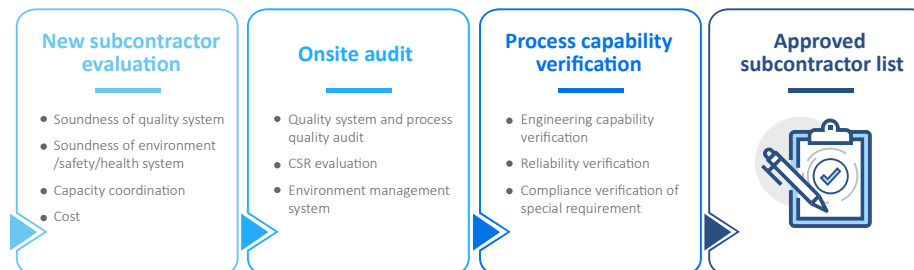
## 3.4 Sustainable supply chain management

Faraday divides sustainable supply chain management into two phases. Phase one is evaluations of new subcontractors; phase two is management of approved subcontractors.

### New subcontractor evaluation

Faraday uses the standards in "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 systemized "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, which are beneficial to the follow-up evaluation.
- RBA item (such as using child labor, forced labor, and so on) will also be included into evaluation. If the subcontractor's behavior does not meet the requirement or conform to the spirit, Faraday will not regard as approved subcontractor.



- In 2020, all approved subcontractors (15 in total) met the ISO9001 quality system management and ISO14001 environmental management standards.

### ISO9001 \ ISO14001



80% of subcontractors had obtained OHSAS 18001 or equivalent occupational health & safety management systems certification. Supplement: Only one new subcontractor was included in 2020; it was filtered and included by the environmental principles and social principles. (Percentage of 100%)

After all items met the requirement, Faraday will include new subcontractor in the approved subcontractor list for management.

### Approved subcontractor management

Faraday and subcontractors are like long-term partnership. At this phase, Faraday uses sustainable supply chain management. Four aspects are our focuses:

1. Production management
2. Subcontractor auditing
3. Continuous improvement
4. Regular evaluations

Through the four main spindles (Quality, Cost, Delivery, Service; QCDS), continuously review subcontractors' level of compliance.



### Production management

In 2020, the whole world was influenced by the COVID-19; and the current management mode also faced great challenge. Since the outbreak of COVID-19 pandemic in January, 2020, we announced at the very first time of early February to change all subcontractor auditing and regular meeting by online meeting, to prevent from personnel contact and avoid the spread of the epidemic. Meanwhile, all subcontractors are required to provide the response action to the epidemic according to continuous business plan.

Under the epidemic heat-up situation, Faraday do the subcontractor management by online meeting; all communications and information transfer will not be influenced, the information and monitoring data that need to be provided by subcontractor also not be influenced and proceed as usual.

### Subcontractor auditing

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 for three consecutive seasons, written audits may be used. In addition, Faraday will also confirm the labor rights of all audited subcontractors, and the safety and health for the working environment.

### Onsite audit rate for domestic and overseas subcontractors, 2019–2020



The onsite audit rate decreased for 2020 primarily due to that subcontractor locations increased to two locations, 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. After evaluation, we proposed two items that can be subject to continuous improvement: Process waste reduction, and energy savings during baking. These two projects won the Quality Potential Award by “Association of Quality Manager (AQM)” in 2020.

In 2020, Faraday reviewed the current material using status, and also found that no doubts about the quality of most materials after the extended verification and reliability experiment of current material. Therefore, trigger the protect for evaluation on extending the service life of materials. Through this project, Faraday reasonably prolong the expiration date of file wafer and service life of loadboard and lead-frame to reduce the material waste.

Item	Benefit	Actual Benefit
Dice on wafer blue tape	Avoid unnecessary scrapping dice on wafer blue tape	In comparison to 2016~2019, reduce scrapping about 25.4K in 2020
Substrate	Extend the shelf life, reduce the material consumption and expired scrapping by extended verification, reduce the factors affecting delivery	In comparison to 2016~2019, after introducing this method in 2020, reduce 12 extended verification tasks every year
Lead-frame	Reduce the times of extended verification, reduce the factors affecting delivery	In comparison to 2016~2019, after introducing this method in 2020, reduce 11 extended verification tasks every year

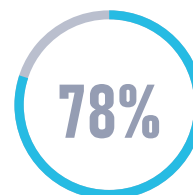
### Process waste reduction

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	 <p><b>Step 1</b> Place a complete (or partial) stack within a inner box, then add bubble wrap (if the shipment contains 20 inner box, then this step needs to be repeated 20 times)</p> <p><b>2</b> Seal the inner box, then affix carton label to each carton (if shipment contains 20cartons, then this step needs to be repeated 20 times)</p> <p><b>3</b> Place inner boxes in large outer box Each carton can hold 6 inner boxes</p> <p><b>4</b> Seal carton; affix outer box label to each box</p>	 <p><b>Step 1</b> 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)</p> <p><b>2</b> Cover the anti-static box, then affix outer box label</p>
Testing	<p><b>5</b> Testing IQC opens large and inner boxes</p> <p><b>6</b> Transfer to anti-static box and arrange testing</p>	<p><b>3</b> Once IQC inspection is done, arrange testing</p>



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



**Time saved during testing packing removal process**  
78% efficiency increase



**Reduction in one-time use cardboard boxes (units)**

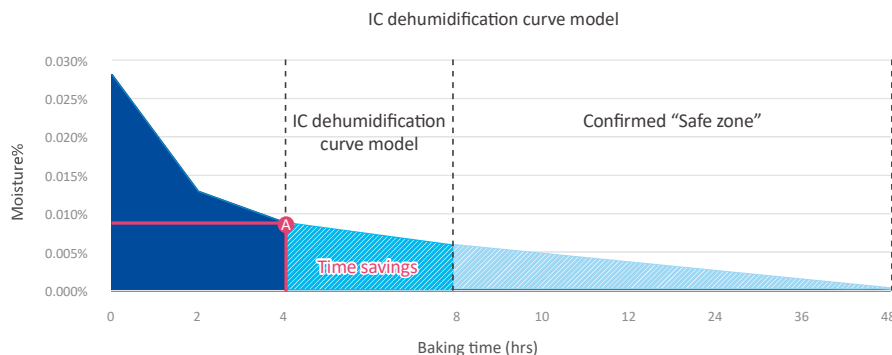
At the same time, we have changed the packing-to-testing process from using the original one-use cardboard boxes to using reusable, environmentally-friendly boxes. When the boxes are scrapped, they can also be recycled, reducing resource waste and environmental impacts.

Since the packing waste reduction program was introduced, in 2019 we saved 37,271 cardboard boxes; in 2020, we also met the target of zero use for one-time use of cardboard boxes.

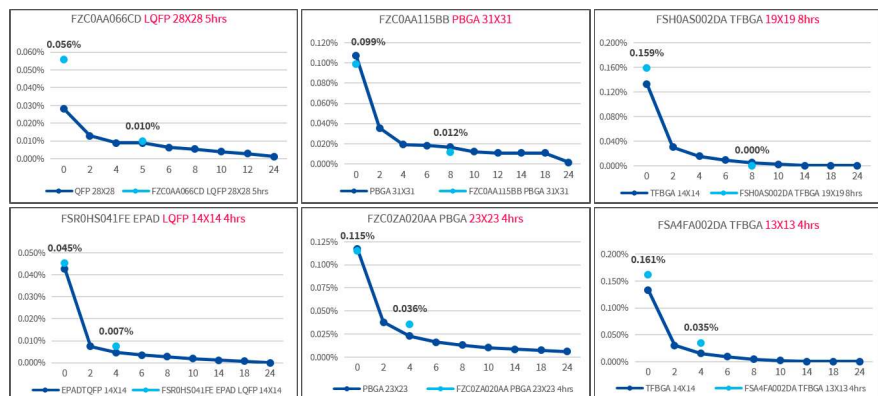
## Process energy savings program

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 popcorn 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.



In addition to the test subcontractor in the previous year, also introduced this practice at the back-end inspection packaging supplier in 2020; for 2020, the energy savings was 59,699 KWh, for a savings of 30,387 Kg of CO<sub>2</sub>e.



	2020	2019
Energy savings (KWh)	59,699	77,158
Carbon emission reduction (Kg CO <sub>2</sub> e)	30.4	39.27
Reduce energy consumption	2.1x10 <sup>11</sup> Joule	2.7x10 <sup>11</sup> Joule

- 2019 data is based on the Bureau of Energy's 2019 ratio for energy production vs. carbon emission of 0.509 Kg CO<sub>2</sub>e/KWh.
- 2020 data (temporary) is based on the Bureau of Energy's 2019 ratio for energy production vs. carbon emission of 0.509 Kg CO<sub>2</sub>e/KWh.



### Regular approved subcontractor evaluations

Every quarter, Faraday performs evaluations of approved subcontractors who account for 10% or more of our production, in accordance with “Qualification and Performance Review of Subcontractor”. By evaluating the quality, costs, on-time delivery and service of our approved subcontractors, we evaluate whether or not there is opportunity for continuous improvement.

Category	Evaluation
Quality	Product quality
	Delay delivery
	Compliant
	Yield
Cost	Competitiveness
	Cost-reduction target
Delivery	On-time delivery rate
	On-time delivery competitiveness
Service	Coordination
	Engineering coordination
	Audit coordination

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

Score	Grade	Handling method
90+	A <sup>+</sup>	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	Subcontractor required to make improvements
59 or less	C	Coordinates with relevant units to determine whether or not to continue procurement; if not, the subcontractor’s approval status is canceled.

Based on 2019~2020 statistics, for 2019, all approved subcontractors received at least an A; for 2020, the subcontractors are with flat performance without significant difference.

	2020				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A <sup>+</sup>	63%	60%	43%	52%	44%	22%	6%	50%
A	31%	40%	57%	48%	56%	78%	94%	50%
B	6%	0%	0%	0%	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):

2020 targets	2021 results	Effectiveness evaluation	Response mechanisms	
			Short-term goals(2021)	Mid- and long-term goals(2024)
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 9

Not signed 0

## 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 2020, there were no RoHS or REACH violations that resulted in customer complaints or returns.

Commitment of Non-use Environmental Substances

Signed 14

Not signed 0

- Commitment of Non-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 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-ethyl-hexyl) 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.

## Carbon reduction

Total carbon reduction was 114.86 tons of CO<sub>2</sub>e.

114.86 tons  
CO<sub>2</sub>e



## Annual average energy usage drop rate

From 2015 to 2020, average annual energy usage dropped by 1.29%

1.29%

## Waste resource recycling & reuse

Waste resource recycling was 8.85 metric tons.



8.85 tons

# 4 Environmental sustainability

- Environmental protection policy
- Climate change response
- Energy use and greenhouse gas inventory
- Waste management
- Execution plan for energy saving and carbon reduction



0

## Environmental incident and penalty

No environmental incident and penalty in 2020

100%

## Achievement rate for energy-saving equipment and update

Three planned energy-saving equipment have all updated as scheduled



LET'S **SAVE**  
**THE WORLD**  
TOGETHER

## 4.1 Environmental protection policy and guideline

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. Irregularly, we also give 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 (such as 100% adopting lead-free and halogen-free packaging material). 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; waste clearance and disposal are outsourced by legal environmental protection vendors. 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

### Support TCFD (Task Force on Climate-Related Financial Disclosures)

The #1 risk listed in the 2019 Global Risk Report, published by the World Economic Forum (WEF), was extreme weather and natural disasters. In response to corporate’s responsibility and attention towards climate warming, Faraday is committed to supporting TCFD, follows four main elements listed in “Recommendations of the Task Force on Climate-related Financial Disclosures”: governance; strategy; risk management; and indexing and goals, to disclosure how Faraday responds to climate change and its corresponding risk and opportunity.

### Governance

Overseen by the corporate sustainability committee, under the board of directors; regularly reports the implementation effectiveness to the board at least once a year

- Continuous implementation of the company's greenhouse gas monitoring and energy reduction plan
- Faraday is devoted to 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.

### Strategy

### 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.

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

### Indexing and goals



## 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 more than a few 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 evaluations 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 2024, 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 2020, our average annual energy usage dropped by 1.29%. 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 Risks	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 efficiency.
	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 use of single-use cardboard boxes during transport, we have required suppliers to adopt reusable 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	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.
	Shifting customer preferences	Putting out green product design choices that match customer preferences, to maintain or increase sales volume	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.
Markets	Finding new business opportunities	Responding to national 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 2020, Faraday used a total of 6,837,524 KWh, an increase of 414,129 KWh over 2019. The primary reason for the increase in electricity use is related to epidemic prevention measures in response to COVID-19. The whole floor of 5F office has been opened by March to disperse the intensity of employees on each floor, which results in the increase in electricity use.

#### 2018~2020 power usage

##### Externally-purchased power (KWh)

2020 6,837,524 | 2019 6,423,395 | 2018 5,910,448

GJ

2020 24,615 | 2019 23,124 | 2018 21,278

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.

### 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 2020, total water usage was 21,453 KL, an increase of 803 KL over 2019. The water consumption increased slightly due to the opening of the whole floor of 5F office, which resulted in the increase in water consumption of air conditioning cooling tower; the epidemic prevention measures in response to COVID-19, raising the disinfection frequency of public area by bleaching water, promotion of washing hands frequently. In regard to this, Faraday will continue to roll out a variety of water reduction measures and promotion, turn off the landscape water feature and a portion of the landscape sprinkler system, in hopes of reducing and controlling water resource usage year by year.

#### 2018~2020 water usage

##### Externally-purchased water (KL)

2020 21,453 | 2019 20,650 | 2018 19,127

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

2020 energy intensity was 11,209 KWh/person, an increase of 1,417 KWh/person over 2019. Water intensity was 37.05 KL/person, an increase of 4.06 KL/person over 2019. Faraday will continue to roll out and implement all manners of measures and promotion for energy saving and carbon reduction, to meet the target of more than 1% annual average power-saving rate, in hopes of gradually reducing resource usage year by year.

Year	2020	2019	2018
Total employees	610	656	616
Power usage (KWh/year)	6,837,524	6,423,395	5,910,448
Energy intensity (KWh/person)	11,209.06	9,791.76	9,594.88
Persons at Hsinchu location	579	626	587
Water resource usage (KL/year)	21,453	20,650	19,127
Water intensity (KL/person)	37.05	32.99	32.58

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 fees, separate data was not available and was thus not included within the statistics.

## Greenhouse gas inventory

Faraday adopts the operational control method, with the Hsinchu location as the primary greenhouse gas (GHG) emission inventory site. Classified into direct emissions (scope 1) and indirect emissions (scope 2), total 2020 emissions of GHGs amounted to 3,540.74 metric tons of CO<sub>2</sub>e/year. Of this, scope 1 GHG emissions were 60.44 metric tons of CO<sub>2</sub>e/year, accounting for 1.77% of total emissions; scope 1 emissions were primarily fugitive CH<sub>4</sub> from the septic tanks. Scope 2 GHG emissions were 3,480.30 metric tons of CO<sub>2</sub>e/year, accounting for 98.29% 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] 2020 direct source inventory results: Total emissions were 60.44 metric tons of CO<sub>2</sub>e, accounting for 1.77% of the total

Emission type	Emission source	GHG type				Emission amount (metric tons of CO <sub>2</sub> e/Year)
		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	
Stationary sources	Liquefied petroleum gas	✓	✓	✓		9.01
	Diesel fuel	✓	✓	✓		1.83
Mobile sources	Gasoline	✓	✓	✓		1.96
Fugitive sources	Septic tanks		✓			47.64
	Refrigerant				✓	0.00
	Fire extinguishers	✓				0.00

Total **60.44**

Note 1: Global warming potential (GWP) values are taken from the IPCC's Fourth Assessment Report (2007): CO<sub>2</sub>=1、CH<sub>4</sub>=25、N<sub>2</sub>O=298 °

Note 2: GHG emission calculations were carried out by the reference of Greenhouse Gas Inventory standards (ISO 14064-1:2006).

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

Note 4: The Taipei and Tainan offices are part of multi-tenant office buildings; they do not produce any LPG or gasoline/diesel usage.

[Scope 2] 2020 indirect source inventory results: Total emissions were 3,480.30 metric tons of CO<sub>2</sub>e, accounting for 98.29% of the total

Emission type	Emission source	GHG type				Emission amount (metric tons of CO <sub>2</sub> e/Year)
		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	
Indirect energy emissions	Taipower (externally purchased)	✓				3,269.51

Total **3,480.30**

Note 1: Using the Bureau of Energy's announced 2019 ratio for energy production vs. carbon emission of 0.509 Kg CO<sub>2</sub>e/KWh.

2019~2020 total Faraday GHG emissions in metric tons CO<sub>2</sub>e/year (scope 1 & 2)

Year		GHG type						Total	Biomass emissions
		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	PFCs	SF <sub>6</sub>		
2020	Emission amount (metric tons CO <sub>2</sub> e/year)	3,493.01	47.66	0.07	0.00	0.00	0.00	3,540.74	0.00
	As percentage of total emissions (%)	98.65	1.35	0.00	0.00	0.00	0.00	100.00	-
2019	Emission amount (metric tons CO <sub>2</sub> e/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	-

Note 1: Using the Bureau of Energy's announced 2019 ratio for energy production vs. carbon emission of 0.509 Kg CO<sub>2</sub>e/KWh.

## 4.4 Execution plan for energy saving and carbon reduction



### Execution plan and result for energy saving in 2020

Investment amount of energy saving plan is NT\$3.1 million, the details are listed below:

- Changed compact fluorescent lights (52W) in offices to LED lights (12W): 120 in total, total electricity saving was 14,112 KWh, total carbon reduction was 7.18 tons of CO<sub>2</sub>e.
- Changed four RF MIS air cooled water chillers (40W) to four RF MIS air cooled water chillers (35W), total electricity saving was 68,000 KWh, total carbon reduction was 34.61 tons of CO<sub>2</sub>e.



- Changed 200KVA UPS in MIS server room to 200KW UPS with higher efficiency, total electricity savings was 143,550 KWh, total carbon reduction was 73.07 tons of CO<sub>2</sub>e.



### 2020 water saving specific measures:

- Continued turning off water to the landscaped pool.
- 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.
- Cooperating with Science Park policy to take water-saving measures since September, 2020; keep daily water consumption record, meet the water-saving target of 7% in a single month during 2020/9 ~ 2020/12.

### 2021 continuous energy-saving plan

Type	Item	Description	Estimated annual electricity saving (KWH)
Lighting	Use LED light to replace light steel frame lamp	Changed light steel frame lamp (32W*3) on 8F to LED lights (18W*3): 120 in total	15,000
Air conditioning	Replace the old cooling fins of cooling tower with the new one	Replace the four old 450 tons of cooling fins with the new ones, enhance the heat-dissipation efficiency of cooling water, to reduce the condensing temperature of water chiller by 1°C can save 2.5 % electricity of air condition water chiller	17,000
Electricity	Change one UPS	Change 200KVA UPS on 5F to 75KW UPS with higher efficiency	37,000

Total **69,000**



### Other continuous energy-saving measures:

- **Energy-saving equipment and update:**
  - Choose air conditioners, refrigerators, and other home electronics that comply with energy-saving labels.
  - Use split, energy-saving devices for air conditioning chillers and motors.
  - Decide each cooling tower's fan activation based on the tower's return water temperature.
  - Replace the lighting for offices with LED lamps and tubes.
- **Energy-saving measure and management**
  - 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.
  - 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.
  - Automated energy-saving measures: Air conditioning turned off each hour during afternoon break and at quitting time.
- **Regular detection and inspection**
  - 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.
  - Perform regular inspection and maintenance of air conditioning, to keep air conditioning equipment at a high-efficiency operating state.
  - Security staff to do office checks every two hours, starting at 8pm, to turn off unnecessary lights and air conditioning.
- **Regular energy-saving promotion**
  - Set office air conditioners to 26°C or higher, and consider putting up insulation where there is sun exposure
  - Take stairs, not elevator, when going up or down only two floors
  - When meetings finish, turn off meeting room lights, air conditioning, and projectors
  - When senior supervisors leave their offices, they should turn off the lights and air conditioning.
  - When employees are leaving for the day, they should turn off their computers and monitors.

## 4.5 Waste management

Faraday carries out waste management in accordance with the Waste Disposal Act and with the Enterprise Waste Disposal Plan. We 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 2020, 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 promotion 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 2020, the headquarters produced approximately 26.11 metric tons of waste. Of these, non-hazardous waste accounted for 25.34 metric tons, while hazardous waste accounted for 0.77 metric tons.

In addition, for the wastewater treatment method, Faraday differentiates between the domestic sewage and process wastewater by following "Water Pollution Control Act". There is no wastewater produced from the process, only domestic sewage produced from the workplace which will be discharged into science park sewage treatment system through in-house wastewater disposal facility.

### 2019 ~ 2020 enterprise waste production and disposal statistics

Scope	Item (Unit: metric tons)	2020	2019
Waste	General waste	16.49	N/A
	Resource recycling	8.85	8.86
	Hazardous industrial waste	0.77	1.77

Total **26.11** **10.63**

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. The output weight of 2020 was calculated via the actual output scale.

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

Note 4: 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 5: Definition of major contractor violation: Any single fine greater than NT\$1 million.

## Implementation of response measures to Coronavirus (COVID-19)

The epidemic prevention and response team was quickly organized at the beginning of the epidemic in 2020.

100% implementation of epidemic prevention policy. The epidemic prevention policy includes holding weekly epidemic prevention meetings, and cooperating with the relevant regulations of the government authorities to formulate company's response handling procedures and epidemic prevention policies such as employee health management tracking, epidemic impact assessment, keeping the latest epidemic information, reviewing epidemic prevention measures at any time, and rolling adjustments according to the epidemic situation.



# 100%

## Implementation of workplace maternal care measures

Faraday implements workplace maternal care measures; provides nursing areas and facilities that meet requirements; in 2020, completed 100% evaluations for the maternal health protection period.

# 100%

## Constituent stock in "Taiwan High Compensation 100 Index"

Faraday has been selected as a constituent stock in the "TWSE RAFI Taiwan High Compensation 100 Index" for the seventh consecutive years since 2014.



For the  
**seventh**  
consecutive years

## Working environment for enriching body and mind

Faraday provides multi-functional fitness center and sport field over 35,000 square feet /music café/ecological roof garden for employees in their spare time to timely feel relaxed and relieve work pressure.



# >35,000

square feet

# 79%

## Growth rate for total training hours

Faraday continuously deepens the talent cultivation plan. Total training hours in 2020: 8180.7 hours; the growth rate reached 79% in comparison to the total training hours of 6489.6 hours in 2019.

## Employer-employee disputes

Faraday values the opinions and rights of employees, cares for and listens to the various voices and suggestions of employees at any time; establishes multiple channels for employees to reflect their opinions.  
Employee complaint event in 2020: 0 case

# 0

# 5 Friendly workplace

- An outstanding team
- Talent cultivation
- Inclusive workplace
- Employee safety and health





Talents are not only one of the company's resources, but the entire basis for our sustainable development. Faraday is committed to providing a diverse and inclusive environment, actively planning a global talent blueprint, recruiting professionals from all over the world, and building the worldwide talent tank that meets future requirements. Through the exchange and cooperation from global talents, Faraday looks forward to accelerating research development and timeliness of technical support, and promote long-term growth drive for the company. Faraday has spared no effort in talent cultivation. Under the perfect education and training mechanism, R&D professional technology inheritance and interdisciplinary self-learning atmosphere are important strategies for Faraday to cultivate and manage its talents.

The importance that Faraday places on talent is amply reflected in the workplace environment and conditions that Faraday has provided. We are committed to providing a safe and healthy working environment; to giving employees respect and esteem; to helping employees balance work and life; and to providing good salaries and benefits. Faraday has been selected as a constituent stock in the TWSE RAFI Taiwan High Compensation 100 since 2014 in a row.

We attract and keep talent through high salaries and benefits; we also pay great attention 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 2020	2020 actual performance	Effectiveness evaluation	Response mechanisms	
			Short-term goals (2021)	Medium- and long-term goals (2023)
<ul style="list-style-type: none"> <li>Implement the training in reinforcing core skills, with key course training completion rate achieving 100% for the required training targets</li> <li>Build a global training platform and enhance the proportion of training resources in English</li> </ul>	<ul style="list-style-type: none"> <li>Key course training completion rate for the required training target: 100%</li> <li>Build a global training platform:               <ul style="list-style-type: none"> <li>- e-Course Englishization ratio: 90.7%</li> <li>- e-Course global completion ratio: 100%</li> </ul> </li> </ul>	✓	<ul style="list-style-type: none"> <li>Implement the training in reinforcing core skills, with key course training completion rate achieving 100% for the required training targets</li> <li>Build a global training platform and enhance the proportion of training resources in English</li> </ul>	<ul style="list-style-type: none"> <li>Guarantee that employees have comprehensive training resources and learning environments. Realize employees' potential and reinforce the company's core technologies</li> <li>Enhance overall business performance, ensure sustainable overall salary</li> <li>Establish a harmonious employer-employee relationships and improve communication channels to avoid employer-employee disputes and workplace illegalities</li> <li>Guarantee a workplace environment of gender equality and opportunities for development</li> </ul>
Provide competitive salary and welfare system, talent attraction and retention	<ul style="list-style-type: none"> <li>Constituent stock in 2020 "Taiwan High Compensation 100 Index" announced by Taiwan Stock Exchange</li> <li>Vacation system is superior to the Labor Standards Act.</li> </ul>	✓	Provide competitive salary and welfare system, talent attraction and retention	
<ul style="list-style-type: none"> <li>Provide open and transparent communication channels and complaint mechanisms</li> <li>100% handling rate for employee complaint events</li> </ul>	<ul style="list-style-type: none"> <li>Held Employee forum and Labor and management conference every quarter</li> <li>Employee complaint event: 0</li> </ul>	✓	<ul style="list-style-type: none"> <li>Provide open and transparent communication channels and complaint mechanisms</li> <li>100% handling rate for employee complaint events</li> </ul>	
Implement workplace maternal care measures; provide nursing areas and facilities that meet requirements; complete 100% evaluations for the maternal health protection period	<ul style="list-style-type: none"> <li>Follow-up for female employees during pregnancy: 100%</li> </ul>	✓	Implement workplace maternal care measures; complete 100% evaluations for the maternal health protection period	

## 5.1 An outstanding team

### Globally deployment

In 2020, the globally spreading virus, coronavirus (COVID-19), has caused the world economy recession and the sharply raised unemployment rate. Ensuring the continuity of the operation has always been an important target for Faraday. In this wave of spreading virus, Faraday has positively recruiting professionals from all over the world based on its global deployment over the years, and building the worldwide talent tank and R&D center that meet future requirements. As the epidemic spreads around the world, Faraday's global offices can still support each other so that the company's operations and R&D activities keep continuous operation without interruption. At present, Faraday has set up a total of eight R&D centers and four sales-and-service offices around the world. The number of foreign employees is approximately 26% of the total Faraday global employees, an increase of 2% compared to last year.

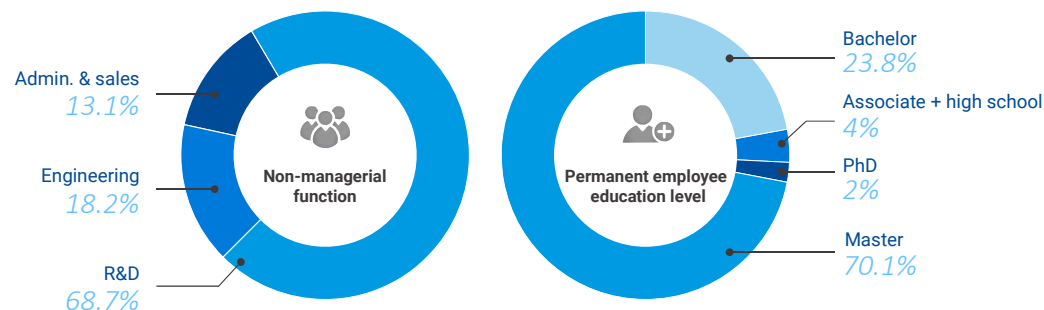
### Human resource structure

We at Faraday know that our employees are the company's largest asset, and the most critical factor in our success. We have a deep faith that putting the best talents in the perfect positions, and then to let every employee give maximum play to their abilities in their specialized fields; make job content with features of challenging, sustainable and learning is an important mission for Faraday.

Faraday is committed to creating a workplace that can inspire creativity, continuous growth, and dream-building; Faraday wishes that every employee has the greatest stage in the field of professional technology, so that talents can continuously learn and cultivate themselves within the company.

In a fast-changing tech industry, a healthy human resource structure and outstanding talents are major factors for Faraday to be able to stay competitive. In response to our operational growth, Faraday continuously invests resources into talent development to ensure a healthy human structure and quality, which can bring unlimited growth drive to the company.

Until the end of 2020, Faraday in Taiwan has a total of 610 employees, and more than 98% are permanent employees. Among the non-managerial employees, R&D and engineering talents has occupied 86.9% of the non-managerial employees; the proportion of permanent employees with a master's degree and PhD degrees are accounted for 72.1% of the total number of permanent employees, which fully demonstrates that Faraday puts highly emphasis and investment on innovative research and development. In terms of employee classification, non-managerial staff take part for 73.8% among all and managerial staff accounted for 26.2%; 100% employment of senior executive level (associate vice president or above) from nationals of the Republic of China.



According to Article 38 of the "People with Disabilities Rights Protection Act" in Taiwan, the number of employees with disabilities who are employed by an enterprise should not be less than 1% of the total number of employees. Among them, recruiting people with severe or above physical and mental disabilities can be counted by two for each recruit. In order to protect the work rights of disabilities, Faraday positively cooperates with government policies and recruits 4 disabilities in total (including 2 severe, 1 moderate, and 1 mild) according to the law. The employment ratio is complied with the law, indicating that Faraday takes care of disadvantaged groups, providing them with fair employment opportunities, and protects their employment rights.





## 2020 human resource structure:

Classification		Type		Gender		Total
				Male	Female	
Employees <sup>(Note 3)</sup>	By contract type	Permanent employees <sup>(Note 1)</sup>		442	154	596
		Temporary employees <sup>(Note 1)</sup>		7	7	14
		Total by contract type		449	161	610
	By employment type	Full-time <sup>(Note 2)</sup>		448	161	609
		Part-time <sup>(Note 2)</sup>		1	0	1
		Total by employment type		449	161	610
	Age distribution	Under 30 years old (included)		79	41	120
		30 ~ 50 years old		314	112	426
		Over 50 years old (included)		56	8	64
		Total by age distribution		449	161	610
	By employee function	Managerial		129	31	160
		Non-managerial	R&D	244	65	309
			Engineering	58	24	82
			Admin. & sales	18	41	59
		Non-managerial subtotal		320	130	450
		Total by employee function		449	161	610
Laborers <sup>(Note 4)</sup>			7	13	20	

Note 1: Permanent employees: Employees who have signed indefinite contracts; Temporary employees: Employees who have signed definite contracts.

Note 2: Full-time employees: Employees with regular working hours; Part-time employees: Employees paid an hourly wage who work less than regular working hours.

Note 3: Total of 610 employees: Includes 579 at the Hsinchu headquarters, 17 in the Taipei office, and 14 in the Tainan office.

Note 4: Laborers: Cleaning, security, café, employee cafeteria, and IT outsourcing staff (only account for 3% of the total; not included within the statistics below)

### ✓ Diverse recruitment methods

Under the concept of pursuing excellence and sharing success, we are actively looking for outstanding talents who are “logical” in thinking, “enthusiastic” in research and development, and “prompt” in action to join Faraday. We positively use diverse recruitment channels to recruit talents, including corporate websites, job banks, various talent recruitment activities, social media, employee referrals, internship program, etc. to recruit outstanding talents. The criteria for selecting talents are based on their own academic ability, teamwork attitude, and cultural compatibility. Through structured interviews, professional appraisal processes, and suitability assessments, it is believed that the professional selection can be more accurate and effective in recruiting target talents, providing perfect position for suitable talents, and ensuring that the quality of selected talents can align with Faraday's long-term operating goals.

### Corporate website Job banks Social media

Efficiently promote the company and attract talents through the internet

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

### Campus recruiting Keynote speech

### Employee referrals Internship program

Expand talent pool through employee referrals and internship program

Increase the innovative talents through R&D Substitute Service and Industry-academia collaboration projects; positively participate in industrial development activities and promote talent interactions

### Industry-academia collaboration Industrial activities

Faraday puts highly emphasis on the development of Taiwan's high-tech industry and talent cultivation, we positively cooperates with government policies and participates in industrial promotion activities. In order to reinforce Faraday's R&D capacity and promote academic exchange opportunities, Faraday steps into campus every year and give keynote speech in key schools; continuously co-works with school for industry-academia collaboration project, builds up bilateral cooperation platforms to jointly contribute for high-tech industry.

In 2020, even with the severe coronavirus (COVID-19) pandemic, Faraday still actively cooperates with the campus epidemic prevention policy and holds a total of 5 campus keynote speeches by both physical and online meetings. Under the premise of co-prosperity between industry and academia, Faraday expects to help young students get to know the high-tech industry and Faraday's values from a technical level, attract talents to join Faraday to make the right career choices.

### ✓ Age and gender distribution of new recruits

Talent first and identification with the corporate culture are the core values for Faraday to recruit talents. In response to the global talent deployment and the reserve of innovative R&D momentum. Faraday positively recruits outstanding talents, treating talents of different genders, religions, races, nationalities, and political parties equally, we recruit employees through a fair and open selection process. The diverse and stable outstanding talents have become the cornerstone for Faraday's growth.

Category		Male		Female	
		Number of new recruits	New recruitment rate <sup>(Note)</sup>	Number of new recruits	New recruitment rate <sup>(Note)</sup>
New recruits	Under 30 years old (included)	22	27.8%	10	24.4%
	30 ~ 50 years old	19	6.1%	5	4.5%
	Over 50 years old (included)	0	0.0%	0	0.0%
	Subtotal	41	9.1%	15	9.3%

Note : New recruitment rate: Number of new recruits in each category/total number of permanent employees in each category at year end

### ✓ Age and gender distribution of departing employees

Category		Male		Female	
		Number of departing employees	Turnover rate <sup>(Note)</sup>	Number of departing employees	Turnover rate <sup>(Note)</sup>
Departing employees	Under 30 years old (included)	15	19.0%	4	9.8%
	30 ~ 50 years old	62	19.7%	19	17.0%
	Over 50 years old (included)	3	5.4%	1	12.5%
	Subtotal	80	17.8%	24	14.9%

Note : Turnover rate: Number of departing employees in each category/ total number of permanent employees in each category at year end

## Talent motivation and development

Faraday positively implements the talent performance management and development system, we provide different work guidance and career development assistance according to various development stages of employees; reviewing employees' performance at work and formulating future development plans through a regular performance review mechanism, which effectively links to company, team, and individual work goals. The inspiring development system can be divided into new recruit caring and guidance system, new recruit evaluation during probationary period, mid-term performance review, annual performance review, and the performance counseling program according to the target and the development stage.



### Mentor/buddy program for new recruits

With Faraday's mentor/buddy program, new recruits can quickly become familiar with company's environment and culture.



### New recruit evaluation during probationary period

Tracking the learning effectiveness for new recruits and comprehensively evaluate their work competency according to the course schedule of the new recruits.



### Mid-year performance review

Review the work progress and adjust the work direction for employees during the training period or the employees who are designated by supervisor.



### Annual performance review

Review the annual work results, formulate future work plans, and discuss the-to-be-developed professional capabilities



### Performance counseling program

Assist employees with poor performance to improve their work performance.



### A Mentor/buddy program for new recruits

In order to comprehensively assist new recruits in adapting to the workplace, Faraday has established a complete Mentor/buddy program for new recruits, through the “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 knowledge and experience they need. This shortens the learning curve and increases new recruits retention.



### B A performance development and management system with two-way transparency

Faraday’s performance management and development system puts emphasis on mutual communication between subordinates and managers. Supervisors engage in one-on-one performance interviews with their subordinates. Through the interview, they could learn their subordinates’ strengths and weaknesses, and then provide timely assist, guidance, improvement, or suggestion in their goal settings to actually achieve the improvement in the work efficiency for individual/organization and the overall performance of the company.

Every employee (Note) must do the annual performance reiew. In 2020, 100% of employees have done annual performance reiew; the review focuses are: achievement review, improvement items and plan, future prospects, and to-be-developed professional competence. The whole review process is mainly controlled by the Performance Management and Development System. Once supervisors conduct performance interviews, they will submit overall evaluations and comments via the system for subordinates to check. Similarly, subordinates can give feedback to their supervisors via the system. After reiew, the system will issue a survey on the execution status, and track the implementation of one-on-one performance interview. Faraday will keep the performance feedback mechanism with two-way transparent communication.

Permanent employees		Employed as of Dec. 31, 2020 <sup>(Note)</sup>			Numbers & percentages of people receiving year-end performance appraisal			
Employee type		Male	Female	Total	Male	Female	Total	Percentage
Managerial		125	31	156	125	31	156	100%
Non-managerial	R&D	236	60	296	236	60	296	100%
	Engineering	55	22	77	55	22	77	100%
	Admin. & sales	16	40	56	16	40	56	100%
	Total	307	122	429	307	122	429	100%
Total		432	153	585	432	153	585	100%

Note: Permanent employees as of Dec. 31, 2020 does not include: The senior vice president or above; employees who had not yet served three months, and employees on leave of absence.

#### Internal portal

#### Online e-review system



### C Motivating promotion system

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. Through regular performance reviews, supervisors are able to identify key talents as candidates for promotion. Directors and above submit recommendations. Promotions will be effective once approved by the President. In response to the organization management 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.

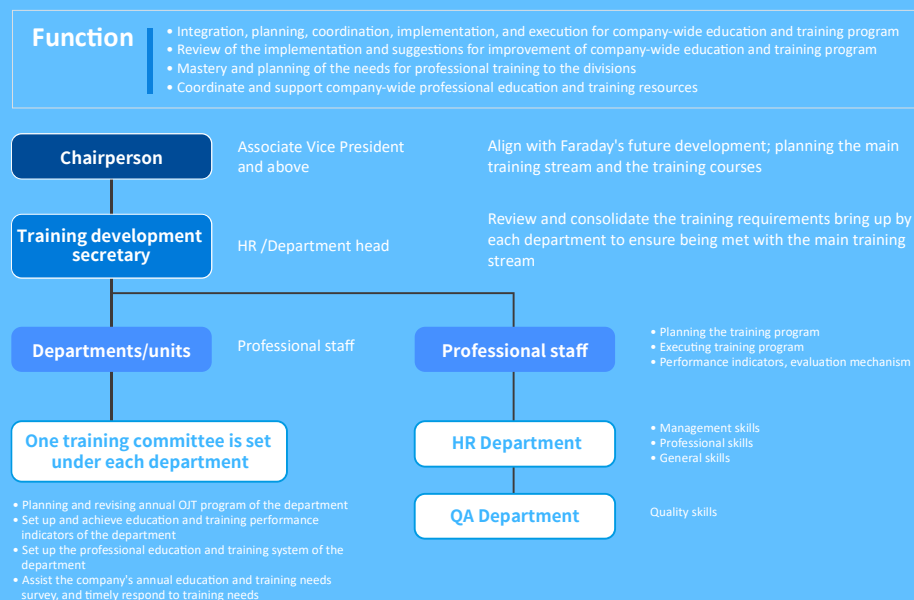
## 5.2 Talent cultivation

Faraday adheres to “interdisciplinary learning” as the cornerstone of the sustainable development of talents; continuously deepens the talent cultivation plan, establishes the R&D professional technology inheritance mechanism and creates interdisciplinary self-learning atmosphere, which are the key success factors for the development of Faraday talents. Faraday provides comprehensive planning in terms of professional skills, general skills or management skills. We set up the training committee and an internal lecturer reward mechanism, it provides on-the-job training and curriculum planning based on professional talents to strengthen the company’s intellectual capital and R&D innovative competitiveness.

### A training & development system connected with policies

#### A Training committee mechanism

Faraday has set up the “Training Committee” to be responsible for the integration, planning, coordination, implementation, and supervision of the entire company's training operations; effectively taking advantages on training resources, and ensuring that the training strategy is aligned with the company's future development direction to give full play to the synergy of resources. The chairperson of the committee is assumed by the company's senior executives, and the chairperson appoints the training officers according to the types of courses. Regular meetings are held every quarter to gather department heads and department training members to attend for discussions. The main agenda of the meeting should be: Integrating and formulating the annual training plan, reviewing the training implementation status of the season, forecasting the training plan for the next season, reviewing course syllabus and target audience, reviewing and improving abnormal issues.



#### B Training and development blueprint consolidated for various types of talents

In order to keep the competitiveness of Faraday talents, training and development blueprint are consolidated according to human resource development policy at various levels, and Internal and external environmental requirements. The system divides 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 manners of courses can be built. Every annual training plan can be flexibly adjusted by company policy to be coupled with the company's policies and business strategy, in order to nurture the fundamental knowledge, skills and characteristics.

Audience	OFF-JT			OJT	Self-inspiration
	Management competency	Core competency	Professional competency		
Senior executive	Advanced-level program	<ul style="list-style-type: none"> <li>• Competency development program</li> <li>• Performance development system</li> </ul>	<ul style="list-style-type: none"> <li>• Specialized R&amp;D training</li> <li>• Quality management training</li> <li>• Labor safety training</li> <li>• Professional external training course</li> </ul>	<ul style="list-style-type: none"> <li>• Task assignment</li> <li>• Job instruction</li> <li>• Job rotation</li> <li>• Instructor system</li> </ul>	<ul style="list-style-type: none"> <li>• Reading</li> <li>• Language learning</li> <li>• On-the-job training</li> </ul>
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

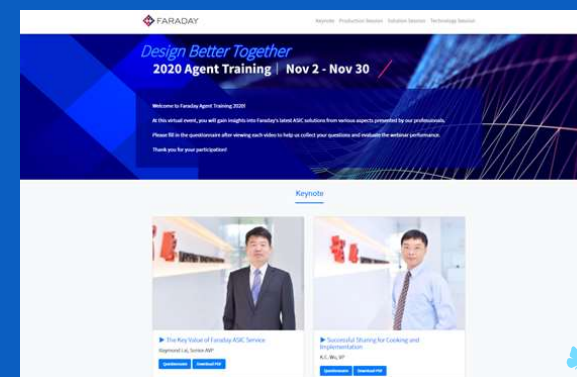
## C Life-wide learning opportunities

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. Training categories have been primarily divided into: New recruits training; specialized R&D training; employee health & safety training; management training; general training; mentor program; and external training (foreign/domestic training), and agent 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	Goals	Content
New recruit training	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: General knowledge courses; e-Course readings and online tests; OJT follow-up and certification; writing weekly reports Mentor/buddy program New recruit back-training course Integrity management course (Company-wide retraining every year) Information security and cases concepts and policies course (Company-wide retraining every year) Human rights policy course (Company-wide retraining every year) Quality awareness course
Specialized R&D training	Transmitting and sharing key skills; cross-department skill exchange and projects	R&D skill courses Engineering skill courses Quality management skill courses New recruit health & safety training Traffic accident prevention Disaster drills Fire safety Occupational security and health general training course
Employee health & safety training	Raising employee consciousness about workplace safety; lowering risks	
Management training	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	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	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)	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.
Agent training	Ensure that the promotion skills and service quality of the agents can even promptly serve customers and promote company's R&D technology	Analysis of company's overall competitive advantage IP technology, process technology Production service

## D Agent training

Faraday puts highly emphasis on customer needs and devotes ourselves to managing long-term customer partnerships. In order to serve customers even promptly and promote company's R&D technology, Faraday sets up agents in global R&D offices and specific key areas to help promote local business and improve customer service efficiency. In order to adhere to the promotion skills and service quality of agents, Faraday will hold an average of 2 to 3 days of global agent training every two years, provide a complete agent course in all aspects including analysis of the company's overall competitive advantage, IP technology, process technology, and production services. Faraday hopes that with the help of the training course, agents can become the best spokesperson in various regions and provide customers with better services. This training program also provides opportunities for agents and headquarter to communicate face-to-face. In 2020, due to the impact of the coronavirus (COVID-19) epidemic, the priority consideration for implementation of training should be epidemic prevention so that Faraday global agent training was carried out by online courses. A total of 19 training topics were instructed by Faraday directors or above level; gathering 20 agents from Europe, the United States, Japan, and South Korea to participate the training, approximately with 105 people in total to participate in the training.



2020 Global agent training (Online training version)

## Efficient learning platform

### A E-Learning online 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. All employees can conduct self-learning via the e-Course platform at all times and places. To ensure the course quality, the training committee periodically reviews course content and target audiences.

HR unit also annually updates 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.

In order to synchronize technical information to global agents in real time, Faraday also sets up an e-Training Course platform to update courses from time to time. The categories include the related courses as company promotion, data-in criteria, and quality and reliability.

### Internal e-learning category

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

### External e-learning category

- Company promotion
- Data-in criteria
- Quality and reliability

### B New employee training system

To help new recruits quickly adapt to their work and to help supervisors effectively track the new recruits' orientation status, Faraday has designed the "New Employee Training System" 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. 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. A clear learning structure and course schedule provide new recruits with a systematic learning process and a solid foundation for research and development.



### C Internal/external training application system

In order to enable the training process to be efficient and effective, Faraday has an internal training application system and an external training application system. To accurately assess the necessity and timeliness of training implementation, the system process is designed strictly. The internal training system process includes: course review, target audience review, course announcements, registration approval, satisfaction surveys and post-exams, and final statistic report; the external training application system process includes: registration approval, participation criteria review, training result assessments, and training records filing. System management can effectively track execution records and implement relevant normative measures.

### Internal training

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

### External training

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



## Quality-oriented training execution results

### A Training execution process to strengthen the effectiveness

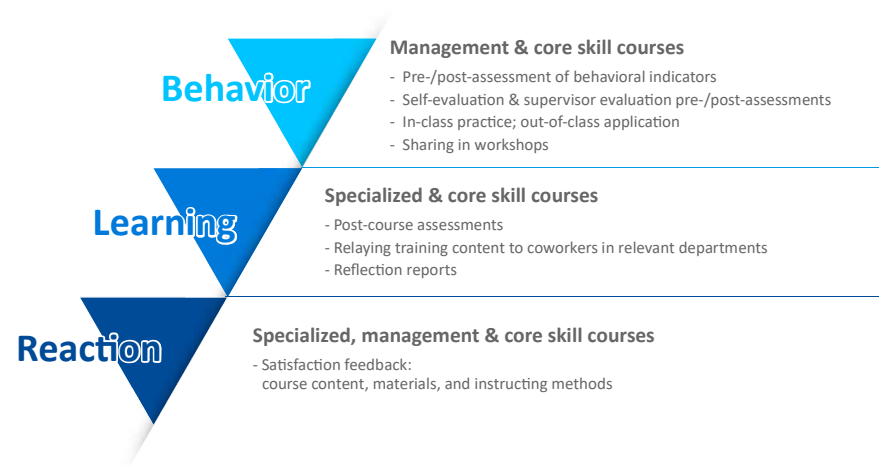
The HR unit implements the daily course start process in accordance with the resolutions of the “Training Committee”, and reports the results of the implementation to the committee on a regular basis. Over the years, through regular meeting reviews and continuous improvement cycles, we have ensured that Faraday’s training can achieve the benefits of both comprehensive planning and active 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	<ul style="list-style-type: none"> <li>Those holding the training: lay out the schedules; compile materials; give instruction</li> <li>Those receiving the training: must complete culmination and give feedback</li> </ul>	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 focuses on the substantial benefits and continuous improvement of training courses. Through questionnaire feedback, after-class tests, behavioral rehearsals, experience reports, workshop sharing sessions, etc., it conducts post-course evaluations according to different types of course objectives.

In e-Course and professional function courses, instructors can 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.



### C Internal excellent lecturer reward system

In order to encourage the inheritance of internal experience, Faraday has specially set up the “Internal Lecturer Appreciation and Reward Regulations” to improve the quality and effectiveness of teaching and to facilitate the inheritance of knowledge, skills, and experience. The reward system has scoring items in the course content, lecturer teaching skills, and textbook content. Faraday Gathering Award, the Golden Master Award, and the Ingenuity Award are set orderly. The trainees and the training administrators will jointly select the winners. The winners were praised and awarded at the Employee Forum to advocate the cross-departmental learning culture of internal inheritance.



## D 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.

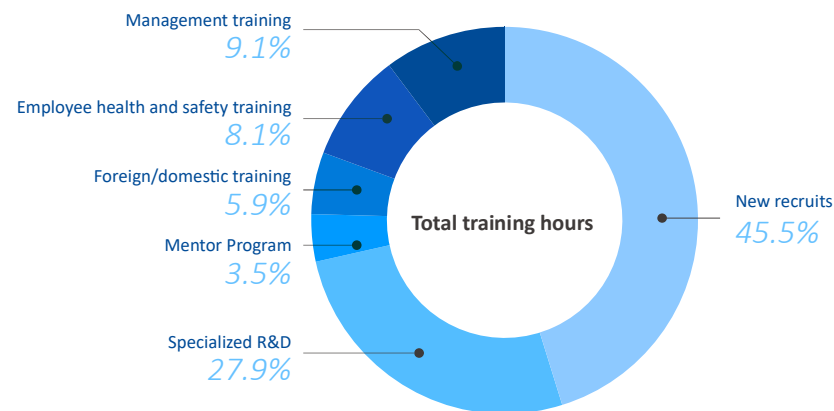
In 2020, there were 199 internal training sections (including e-Courses) and 47 external training sections, for a total of 246 training sections done. The company considers new recruit cultivation and transmission of specialized R&D skills to be of supreme importance. As a result, the greatest number 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 (4,547 registrations) and 24% female (1,445 registrations), The 2020 average per-employee number of training hours was 11.5 hours (including e-Courses), 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.

### 2020 training implementation status

Internal/External training	Training category	Total sections	Attendance <sup>(Note 1)</sup>			Total training hours <sup>(Note 1)</sup>		
			Male	Female	Total	Male	Female	Total
Internal training	New recruits training	83	2,660	889	3,549	2,785	936	3,721
	Specialized R&D training	71	1,288	267	1,555	1,860.8	421.4	2,282.2
	Employee health and safety training	21	175	85	260	455.5	207.5	663
	Management training	16	309	136	445	512.5	235.5	748
	Mentor Program	8	82	35	117	200.5	85.5	286
External training	Foreign/Domestic training	47	33	33	66	267.5	213	480.5
<b>Total</b>		<b>246</b>	<b>4,547</b>	<b>1,445</b>	<b>5,992</b>	<b>6,081.8</b>	<b>2,098.9</b>	<b>8,180.7</b>

Note 1: Includes total number of 2020 permanent on-duty and non-returning employees, total training attendance, and total course hours

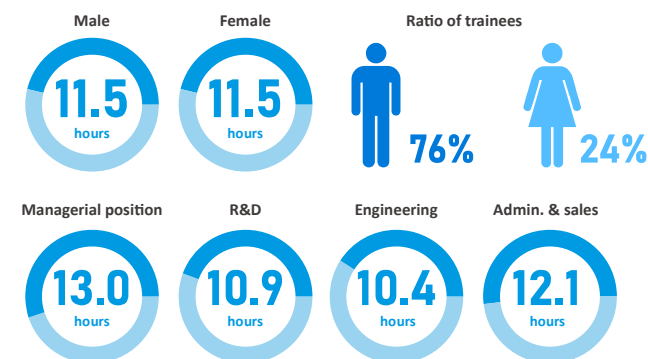


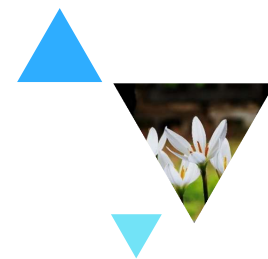
### 2020 employee training hours

Items \ All employees	Gender		Employee type					Total in Company wide
			Managerial Position	Non-managerial position				
	Male	Female		R&D	Engineering	Admin. & sales	Total	
a.Total training hours <sup>(Note 1)</sup>	6,081.8	2,098.9	2,259	4,153.8	970.1	797.8	5,921.7	8,180.7
b.Number of employees <sup>(Note 1)</sup>	530	183	174	380	93	66	539	713
c.Average training hours per employee (a/b)	11.5	11.5	13.0	10.9	10.4	12.1	11.0	11.5

Note 1: Includes total number of 2020 permanent on-duty and non-returning employees and total number of all Faraday employees

### Average training hours of employees





## 5.3 Inclusive workplace

Faraday is a high-tech IC design company. In the organizational culture that emphasizes on innovation and competitiveness, Faraday also cares for society and humanities and emphasis on environmental ecology. Therefore, Faraday takes great care on the work-life balance of employees, provides favorable salary conditions and high-quality working environment; moreover, representatives from various departments form the employee welfare committee, being responsible for planning and implementing various types of activities and welfare measures, and often organizes diverse employee activities and welfare measures to fully encourage employees and promote their physical and mental health.

- **Perfect and diverse working environment**

Faraday provides employees with a safe and comfortable working environment: including spacious and bright office spaces and aisles; public areas are planned with tall and magnificent halls, exhibition halls, music café, staff cafeteria, free parking spaces for cars and motorcycles, nursery room, stress relief center, art gallery, well-equipped multi-functional fitness center and sport field over 35,000 square feet and ecological roof garden-Zhiyuan and other staff rest areas. With thoughtful environmental facilities, Faraday employees can take a good rest and timely relieve work pressure.

- **Multi-functional fitness center and sport field over 35,000 square feet**

Faraday focuses on work balance and physical/mental balance. On the 10th floor of the company, there is a well-equipped and multi-functional fitness center and sport field over 35,000 square feet; planning with outdoor basketball courts, indoor badminton courts, billiards courts, table tennis courts, gymnasiums, rhythm classrooms, basketball-shooting machines, and shower rooms; facilities are diverse and complete. Every year does budget planning for regular maintenance and replacement of venue and equipment; the equipment is purchased every year by employee's suggestion. The gymnasiums replaced 2 sets of treadmills and purchased 1 set of multifunctional Smith machine, wall-mounted horizontal bars, barbells and kettlebells sets, TRX training ropes, and sandbags in 2020. Gymnasium's facilities in Faraday is comparable to the completeness of general gymnasiums in the market that can fully meet the various fitness needs of employees. The multi-functional fitness center and sport field is also equipped with a number of male and female shower rooms, allowing employees to freshen up after exercising. In addition to providing perfect and complete venue and equipment, Faraday also positively encourages employees to make good use of these facilities to promote their physical and mental health. At the same time, the venue is often used to hold various ball games and group recreational activities for employees to moderately release their work pressure.

- **Ecological roof garden**

Faraday is committed to providing employees with a comfortable working environment. Many comfortable resting places are available for employees in the office. There are vast greenland, planting, and ecological gardens on the 1st floor of headquarter in Hsinchu Science Park, and an ecological roof garden built on the 10th floor. Hundreds of plants and flowers, and a pavilion are also set up. Employees can take a walk to watch the flowers and plants any time, relaxing mood and releasing eye fatigue. Because of the successful ecological greening, hundreds of flowers and plants have grown well, and here also attracts a variety of insects and birds come to build nests and inhabit. This ecological garden has been exactly cultivated as a small ecosystem for employees to feel as comfortable as in the nature.

- **Music café**

At the back side of the lobby on 1st floor of Faraday, there sets a stylish music café with high space that is comparable to a 5-star hotel. Through the entire floor-to-ceiling glass, the large greenland greets into eyes, providing a high-quality social space for guests, customers, and employees. Light food, coffee, and tea are provided all day; the light meals are also provided at lunch time. When employees are tired, they can order a drink, a light food, or invite 3 to 5 colleagues to relax in the café.

- **Employee care system**

Faraday takes employees as our most important partner of business. In addition to being committed to building a LOHAS and healthy working environment, we also focus on human caring, and are devoted to creating a warm-hearted corporate culture of mutual assistance, to provide a working environment for employees to feel at ease. Faraday has established an employee care system and 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, colleagues, and relevant work units are able to give care, consolation, and assistance right away.



## 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. Faraday's overall compensation system complies with the company's operational performance, with specifics set on the basis of employees' duties and personal performance. The overall reward plan has both short-term and long-term balance, and considers the effect of balancing the external market and internal management.

The company makes appropriate adjustments on a regular basis every year based on the overall economic indicators and the overall salary level of the market. The company has been selected as a constituent stock in the TWSE RAFI Taiwan High Compensation 100 Index for seven years in a row from 2014, maintaining a competitive advantage in terms of average employee salary, total employee salary and salary growth.

Faraday's fixed hiring salaries for all positions are higher than the government-set minimum standards, and we design a salary system that meets requirement and standard according to government laws, industrial practices, and talent market conditions; there is no unequal treatment due to gender, religion, ethnicity, nationality, or political party.

Overall compensation ratio for men and women by function

By function		Female	Male
Non-managerial position	R&D	0.85	1
	Engineering	0.85	1
	Admin & sales	0.62	1
Managerial position		0.80	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 reserved fund is currently prepared as NT\$130 million which is 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.

### • 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, catastrophic illness insurance, accident insurance, accidental & treatment 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, and employees can get off work 30 minutes earlier on Friday to avoid bumper to bumper traffic and enjoy weekend holidays earlier. 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.

### • Parental leave

Faraday gives substantial concern and care to employees who has nursery requirement, including implementing maternal care in workplace, providing breastfeeding/nursing facilities, arranging unpaid leave, job & career re-planning, and relevant benefits & subsidies, helps employees with childcare needs to maintain a balance between family and work.

#### 2020 employee unpaid parental leave applications:

Category	Male	Female	Total
Number of employees eligible for unpaid parental leave in 2020 (A)	71	14	85
Actual number of employees applying for unpaid parental leave in 2020 (B)	0	1	1
Estimated number of reinstatements after taking unpaid parental leave in 2020 (C)	0	2	2
Actual number of reinstatements after taking unpaid parental leave in 2020 (D)	0	1	4
Number of unpaid parental leave employees reinstated in 2019 (E)	0	1	4
Number of unpaid parental leave employees reinstated in 2019 who continued working for one year (F)	0	1	4
Reinstatement rate of parental leave (D/C)	-	50%	50%
Retention rate of parental leave (F/E)	-	100%	100%

#### Definitions:

A. Number of employees eligible for unpaid parental leave in 2020: The number of employees who applied for parental leave and maternity leave during the period 2017/01/01 ~ 2020/12/31 and were still in their work positions on 2020/01/01.

B. Actual number of employees applying for unpaid parental leave in 2020: The number of employees who applied for unpaid parental leave during the period 2020/01/01 ~ 2020/12/31.

C. Estimated number of reinstatements after taking unpaid parental leave in 2020: The number of employees whose unpaid parental leave expired during the period 2020/01/01 ~ 2020/12/31.

D. Actual number of reinstatements after taking unpaid parental leave in 2020: The number of employees whose unpaid parental leave expired during the period 2020/01/01 ~ 2020/12/31 and who were reinstated in their positions after this date.

E. Number of unpaid parental leave employees reinstated in 2019: The number of employees reinstated in their work positions during the period 2019/01/01 ~ 2019/12/31.

F. Number of unpaid parental leave employees reinstated in 2019 who continued working for one year: The number of employees reinstated in their work positions during the period 2019/01/01 ~ 2019/12/31 and were still in their work positions one year thereafter.

## Human rights protection

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 proceeded human rights protections, labor policies, and relevant implementation measures.

Faraday also implements the "Responsible Business Alliance" (RBA) Code of Conduct and respect all permanent and temporary employees. We have further implemented prohibitions against coerced labor, child labor, and discrimination; while also guaranteeing humane treatment and freedom of assembly.



### Prohibiting coerced labor

- Do not mandate or force any person to engage in labor against their will
- Do not engage in any coercive labor measures toward personnel
- Prohibit forced, bonded (including debt bondage) and indentured labor, and involuntary and exploitative prison labor



### Prohibiting child labor

- Do not hire workers younger than 15 years of age
- Only accept applicants who are at least 18
- Perform ID verifications with those who are hired, to make doubly sure that there are no oversights



### Prohibiting discrimination

- Committing employees to avoid harassment and illegal discrimination
- Do not require employees to undergo discriminatory medical examinations
- Hire the 1% of disabled persons required by the People with Disabilities Rights Protection Act



### Humane treatment

- Established the Prevention, Reporting, and Punishment Policy of Workplace Violence and Sexual Harassment
- 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 strictly forbidden



### Freedom of assembly

- Respects employees' legal right of assembly, and rights to join labor organizations, elect representatives, and participate in union benefits
- Holds quarterly Labor and management conference, Employee forum
- Established the Internal Communication Management Procedure, which lay out the various internal communication mechanisms so that every piece of information and communication can be used more effectively

## Creating harmonious employer-employee communication

Harmonious employer-employee relationships are beneficial to the company's long-term stability and development. Faraday values the opinions and rights of employees, cares for and listens to the various voices and suggestions of employees at any time. We establish multiple channels for employees to reflect their opinions and are dedicated to provide open and transparent communication channels among supervisors, employees, and peers. 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. The relations between employers and employees are harmonious.

Faraday internal diverse two-way 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 welfare committee; occupational security and healthy committee; employee opinion expression platform; 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 and inclusive workplace.

Method	Content	Frequency
Employee forum	Build consensus, corporate operating status, and share development strategy	Quarterly
Labor and management conference	Promote employer-employee cooperation, coordination of employer-employee relations, improvement of working conditions, and labor welfare planning, etc.	Quarterly
Employee Welfare committee	Employee welfare issues, activity planning	Bimonthly
Occupational security and healthy committee	Employee occupational safety and health issues	Quarterly
Welcome lunch for new recruits	Express welcome for new recruits; providing on-the-job assistance; responding questions	On the report day of new recruits
Interview for new recruits	Understand the adaptation status and give feedback and assistance to new recruits	In three months after the onboard day of new recruit
Employee opinion expression platform	Any opinions and issues related to the company	Anytime
Complaint mechanism	Reflect or appeal any unfair and unreasonable facts (such as sexual harassment, workplace violence, etc.)	Anytime



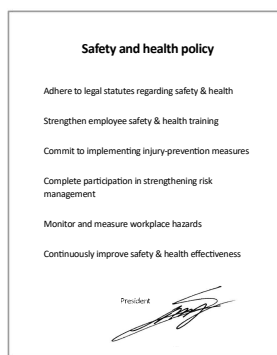
## 5.4 Employee safety and health

### The occupational safety and health management system

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 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 the undertaken risks to personnel, and enhances workplace safety.

#### • 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 occurrence of workplace accidents, and express our commitment to continuous improvement in safety and health management, Faraday has set down the following policy declaration:



#### • 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 Hsinchu headquarter. 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 addition to being chaired by the president, the committee had 1 executive secretary and 9 committee members. Of these, labor representatives accounted for 6 positions, so labor representatives then accounted for 54.5% of the eleven committee members (The labor representative is elected by the labor and management meeting). 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 injury prevention

Faraday puts emphasis on the occupational hazard prevention and employees' physical and mental health issues. In order to strengthen the prevention and control of occupational hazard and ensure labor rights, it is committed to "Safety at first priority and relieved workplace". Its occupational hazard prevention and protection targets include all employees, contractors, and supplier employees. At the same time, set up "employee care system" and "work injury accident investigation" to keep updated and informed of the related injuries.

In addition, we will also formulate the contractor's hazard notification as related to the contractor. So far, there has no occupational hazard or death case within the company. The company will still uphold the priority of caring for the health and safety of employees, and work hard to prevent and manage accidents.

#### • Occupational accidents/Accident handling process







### • 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 2020. For the traffic accidents of sporadic employees on their way to and from get off work, the statistics are as follows:

Item	Calculation parameter	Year 2020	Year 2019	Year 2018
Injury rate (IR)	Male	1.2696	1.4061	0.4926
	Female	0.0000	0.0000	1.5242
	Total IR	0.9429	1.0498	0.7446
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	52.0548	11.0142	4.4334
	Female	0.0000	0.0000	3.8106
	Total LDR	38.6609	8.2231	4.2813
Absentee rate (AR)	Male	0.0029	0.0025	0.0015
	Female	0.0040	0.0060	0.0053
	Total AR	0.0032	0.0034	0.0025
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.

**Note 2.** Injury rate (IR) = (Total number of disabling incidents/total hours worked) \* 200,000. (That is, the rate per 100 workers x 50 weeks in a year x 40 hours per week.)

**Note 3.** Occupational disease rate (ODR) = (Total number of occupational diseases/total hours worked) \* 200,000. (That is, the rate per 100 workers x 50 weeks in a year x 40 hours per week.)

**Note 4.** Lost day rate (LDR) = (Total number of work days lost/total hours worked) \* 200,000. (That is, the rate per 100 workers x 50 weeks in a year x 40 hours per week.) "Number of work days" refers to "calendar days", calculated starting the day after the incident.

**Note 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 2020. "Number of absentee days" includes only those with absences due to injury and sickness leave days; it does not include approved vacation days such as national holidays, unpaid leave, training days, maternity leave, paternity leave, or funeral leave.

**Note 6.** 2018 ~ 2020 injury incidents were all as a result of traffic accidents while employees were commuting to or from work.

**Note 7.** The employee numbers reflected in the data above are calculated on the basis of all permanent employees employed as of Dec. 31<sup>st</sup>, not including laborers.

### • Safe and healthy working environment

Faraday provides a safe and healthy working environment and abides by occupational safety and health related laws and regulations to prevent occupational hazards of our employees and workers while work, thereby reducing risk factors in the working environment. Regular health forum and health check are also held to ensure the safety and health of our employees. We also hold regular health talks and implement health check in order to safeguard employees' health and safety. We simultaneously have an onsite nurse and doctor who make regular rounds. The results of health check and health-related questionnaires are used for data analysis and hierarchical management tracking to prevent the risk of potential health hazards.

In terms of protecting women, pregnant women and breastfeeding women are protected 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 undertaken by pregnant women and breastfeeding women. We also provide appropriate and cozy locations for breastfeeding mothers.

### ✓ Safe workplace

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). We control such hazards through correct design, engineering, management & control, preventative maintenance, and safety operation; and when these hazards 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, 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 are equipped with card scanner-based access devices while the primary entrances and exits have security guard onsite 24 hours a day for employees' safety. All electromechanical and fire prevention devices (such as fire alarms and fire extinguishers) are maintained and inspected in annually, quarterly, or monthly by their mandated schedules to guarantee that they are at the state of utmost readiness at all times.

### ✓ Set up AED

In order to effectively protect the health of employees and workplace safety, in addition to the establishment of emergency personnel in accordance with the rules of labor safety and sanitation facilities while emergency event is occurring, an AED (Automated Extracorporeal Heart Defibrillator) is set to enhance the company's ability to quickly respond to the emergency for safety and health and to fight for prime time for rescue.

### ✓ Working environment monitoring

The working environment monitoring is set to ensure that employees are free from harmful substances in the workplace, keep updated of the actual working environment and evaluate the workplace environmental exposure, provide a healthy and comfortable working environment for labor, formulate a workplace monitoring plan, and entrust a professional team to proceed regular sampling, monitoring, and analysis 2 times a year. The monitoring results of the working environment in recent five years are in compliance with the regulations.

### ✓ Environmental health

Faraday puts highly emphasis on environmental health and we obey the relevant domestic environmental laws and regulation; we employ professional staff to do daily cleaning, food waste composting, and trash sorting, regular drinking water machine inspections and environmental cleansing. We also place clearly marked recycling bins that comply with environmental laws; and there are regular reminders to all employees about environmental protection and our trash sorting regulations. We decorate clean restrooms, employee cafeterias and pantry rooms, and set up automatic alcohol sprayers at the elevator entrances and exits of each floor to maintain personal hand hygiene at all times. We also provide clean and hygienic drinking water, food, and storage facilities. These help employees enjoy a good working environment.



#### • Workplace health service

In order to provide employees with more diversified health services, Faraday provides health examinations and items that are superior to laws and regulations, including a variety of cancer screenings, and conduct one-to-one health consultation activities between employees and doctors after the annual health check, so that employees can further understand their own health conditions and then continuously track down those health abnormalities to achieve the goal of “early detection and early treatment”. In terms of hardware facilities, Faraday owns a complete fitness and recreational center, including gymnasiums, aerobics classrooms, basketball courts, badminton courts, table tennis courts, billiards courts, and basketball-shooting machines. In addition, to effectively develop and establish good exercise habits for employees, we specially hire professional and well-known fitness coaches to teach our employees how to correctly and effectively doing exercise and how to prevent sports injuries. At the same time, employees are also provided with free blood pressure measurement, weight, body composition analysis, etc., the factory nurses assess health risks through regular measurement data comparison of employees, and provide relevant health guidance and health education so that employees can understand their own health trends, and then effectively manage and supervise personal health promotion.

In addition to formulating a complete safety and health plan based on the Occupational Safety and Health Law (including maternal health protection, work promotion of the prevention of cerebral-cardiovascular diseases, and human hazard assessment, etc.), Faraday also carries out health management and infectious disease prevention through the three stages and five levels mentioned in preventive medicine; after the annual health check, employees will compare and analyze the health check reports and related health questionnaires over the years; classify and track the abnormality according to the type and extent of the abnormality. Arrange the abnormal tracking review and physician consultation to improve the self-health management ability of employees.

#### Infectious disease prevention

In order to prevent the spread of influenza in the workplace, the first phase of three stages and five levels in preventive medicine is used to promote health and special protection, and we promote the prevention of infectious diseases and other health information. Faraday holds influenza vaccination every October. Provide employees and family dependants with convenient flu vaccination within the company. In 2020, there were a total of 237 people receiving flu vaccination.

#### Response measures to Coronavirus (COVID-19)

At the beginning of 2020, the Coronavirus (COVID-19) has been continuously spreading globally. We strengthened employees' quick response to various emergencies of Coronavirus (COVID-19) prevented the spread of the virus within the company, to ensure employees' health and the safety of all the company facilities; and reduced the impact and damage towards the company caused by the epidemic.

The epidemic prevention and response team was quickly organized at the beginning of the epidemic, with the President worked as the chief convener, each unit also established emergency response teams; we held weekly epidemic prevention meetings, and cooperated with the relevant regulations of the government authorities to formulate company's response handling procedures and epidemic prevention policies such as employee health management tracking, epidemic impact assessment, keeping the latest epidemic information, reviewing epidemic prevention measures at any time, and rolling adjustments according to the epidemic situation, so that the company's operations can keep on working without being interrupted.

#### ✓ Employee health management

- Each floor is equipped with forehead thermometer for body temperature checking.
- Effectively keep updated of the daily health condition and contact history of employees through system questionnaire.
- Employees must wear masks when taking elevators, attending meetings, and waiting in line for meals inside the company.
- If unable to keep the social distance in other places (outdoor in 1 meter; indoor in 1.5 meters), one must wear mask and wash hands with alcohol hand sanitizer placed at each entrance/exit.
- If any cold symptoms, please wear the mask all the time and wash hands with soaps or alcohol hand sanitizer (Please stay home when having fever; can only enter the office without fever symptom.)
- Tracking management for the personnel with flu and high risk; meanwhile, setting a separate office area for self-health management employees with related contact history to work in isolation.

#### ✓ Health management for visitor/supplier/contractor

At the peak of the epidemic (while local cases were occurred in high frequency), to protect the health of employees and the environmental safety of the workplace, Faraday had ever suspended all the external visitors (including external personnel such as instructors, club coaches, and massagists) from entering company.

- As the epidemic gradually went down, Faraday turned to open up for external visitors with limited condition:
  - Visitor/supplier/contractor should bring and wear their masks when entering the company, check body temperature at reception desk
  - Fill in “Visitor Health Declaration Card”
- Visitors who have travelled from overseas or have a fever and respiratory symptoms in the past 14 days, or have been in contact with those listed as home quarantine or self-health management by Centers of Disease Control (CDC) are not allowed to enter the company.
- Visitors can only stay in the meeting rooms on the 1st floor; entering office area is not allowed.
- External instructors and club coaches should follow the “Guests/visitors Epidemic Prevention Management Regulation” when entering the company. Do keep the social distance in case masks cannot be worn during the course.

### ✓ Management policies for going abroad/returning home

- To ensure the health of all employees, Faraday strictly reviews all the applications of going abroad and tracking management.
- Global two-way business trip is suspended and replaced by phone meetings during the severe spread of coronavirus (COVID-19).
- In accordance with the regulations from Central Epidemic Command Center (CECC), employees who are returning to Taiwan are required to proceed home quarantine for 14 days and self-health management for 7 days.
- Set up separate office area for employees who are required to proceed home quarantine and self-health management for 7 days.

### ✓ Environmental cleansing and disinfection

- Automatic-sensing alcohol sterilizer spray is placed at each elevator entrance on every floor for hand disinfection.
- Rise up the frequency of cleansing and disinfection to the public area (Every two hours)
- The frequency of external ventilation of the air conditioner (AC) (Fresh air from outside of the AC opens for air intake at all times from 9 am to 18 pm)

### ✓ Reduce office infection risk

Take the following measures to effectively reduce the spread of COVID-19 and reduce the possible infection risk of indoor gathering.

- Open and use the 5<sup>th</sup> floor office to effectively reduce the personnel density of each floor
- Restrict the maximum number of people in the meeting room
- Diversion of dining line and alternate dining
- Responding to the uninterrupted business continuity: Start work from home (WFH) program up to the severity of the epidemic; in addition, for employees whose job functions cannot fit into WFH program, they are divided into two groups, A/B, on/off duty by different floors and traffic flow, or working at the office every other week.

### ✓ Purchasing epidemic prevention equipment

At the beginning of the epidemic, various epidemic prevention materials were purchased through multiple channels, such as: masks, protective clothing, ear (forehead) thermometers, bleach, alcohol, alcohol automatic sprayers, etc., to increase the combat readiness of epidemic prevention.

• In response to the epidemic changes, Faraday sets up the rolling epidemic prevention measures according to the relevant regulations from the government authority:

	First Stage	Second Stage	Third Stage	Fourth Stage
	Sporadic community infection	Local community cases with unknown source of infection	Single week > 3 community cluster cases or 1 day > 10 local community cases with unknown source of infection	Rapidly increasing of local cases (Every day > 100 cases within 14 days and over half of the cases are caused from unknown sources of infection )
Government measures	<ul style="list-style-type: none"> <li>• Wear the mask while taking the public transportation and in the crowded</li> <li>• Call off or postpone the mass gathering activity</li> <li>• Real-name system for entering/leaving public places, keep the proper social distance, check body temperature, disinfecting with alcohol</li> </ul>	<ul style="list-style-type: none"> <li>• People will be fined when not wearing masks</li> <li>• Cancel outdoor activities of more than 500 people ; indoor activities of more than 100 people</li> <li>• Forcefully shutdown the leisure/recreational venues and public areas when necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Wear the mask all the way out</li> <li>• Stop indoor gathering of more than 5 people, outdoor gathering of more than 10 people</li> <li>• Except for necessary services and the medical care facilities, all the rest of the public places should be shut down.</li> <li>• To cooperate with disinfection and screening, must not leave the contained area ; stop gathering and class suspension</li> </ul>	<ul style="list-style-type: none"> <li>• Don't go out unless necessary</li> <li>• Fully work/class suspension</li> <li>• Implementation of regional blockades and personnel in/out control</li> </ul>
Epidemic prevention measures of Faraday	<ul style="list-style-type: none"> <li>• Implement strictly for wearing masks when in a meeting, taking elevator, and taking meals</li> <li>• Open the club activities and massages</li> <li>• Fill in the "Visitor Health Declaration Card"</li> <li>• Proceed disinfection in public area once/2 hr</li> </ul>	<ul style="list-style-type: none"> <li>• Wear the masks all the time when entering the company</li> <li>• Alternate dining (Two rounds)</li> <li>• Control the personnel density in the meeting room</li> <li>• Suspend club activities and massages</li> <li>• Suspend external instructors, coaches, and dependents to enter the company</li> <li>• Proceed disinfection in public area once/2 hr</li> <li>• Recreational and fitness center on the 10th floor remains opening</li> <li>• Fill in the "Visitor Health Declaration Card"</li> </ul>	<ul style="list-style-type: none"> <li>• Wear the masks all the time</li> <li>• Alternate dining (Three rounds)</li> <li>• Replace all the meetings as conference call (con-call)</li> <li>• A/B group take turns to work from home every week.</li> <li>• Proceed disinfection in public area once/1 hr</li> <li>• Shutdown the recreational and fitness center on the 10<sup>th</sup> floor</li> <li>• No foreign guests visiting and no foreign visit from employees</li> </ul>	<ul style="list-style-type: none"> <li>• Wear the masks all the time</li> <li>• Except for A/B group to take turns to work in the office , the rest of the employees are asked to work from home</li> <li>• Proceed disinfection in public area once/1 hr</li> </ul>

Note 1. Because the global epidemic continues to heat up in the beginning of 2020, global two-way business trip was suspended and replaced by phone/video meetings  
Note 2. If any fever symptoms, entrance to office is prohibited.

Note 3. Set up separate office area for employees who are listed as self-health management by the government due to the related epidemic contact history  
Note 4. Fresh air from outside of the AC opens for air intake at all times from 9 am to 18 pm. (The air intake is originally 15 minutes per hour.)

- SOP flow chart of emergency response for Coronavirus (COVID-19) cases

### Confirmed case among employees [Confirmed by Central Epidemic Command Center, (CECC)]

#### A Confirmed employee

- When a positive diagnosis is confirmed, immediately inform supervisor and the company nurse.
- Provides “list of direct contacts” to company nurse (Please refer to the principles as listed in right column.)
- Accept relevant medical care and treatment
- After being diagnosed by a doctor, one still needs to proceed self-health management for 14 days when back to work. Wear a mask all the time and check body temperature in the morning and evening; for any cold symptoms during the period, immediately report to the company nurse.

#### B Direct contacts

Investigation principles: For those who have one of the following conditions, after 14-days work-from-home, keep self-health management for 7 days when back to work.

- Work with the confirmed employee at the same office block
- The confirmed employee has one of the following conditions from the 7 day before onset: Close-distance (within 1 meter) conversation for more than 15 minutes, dining at the same table or meeting together (provided by the confirmed employee)
- One is confirmed as the high-risk potential person by health unit.

#### C Indirect contacts and environmental disinfection

- After receiving the notification from the confirmed employee, the company nurse will immediately inform all the company employees to go home and work from home for 2 days
- Proceed environmental disinfection for the whole company building
- Indirect contacts employees should back to work on the notified date and wear the mask all the time.

#### ✓ Maternal health protection plan

In order to ensure the physical and mental health of pregnant, post-partum, and breast-feeding female employees, and achieve the purpose of the maternal labor health protection plan, the plan is to be handled, planned, and adopted in accordance with Article 30, Article 31 of the Occupational Safety and Health Law, and Article 39 of the Enforcement Rules of the same law; Faraday organizes necessary safety and health measures: to set up standard breastfeeding (collection) breast rooms, a total of 3, which can be used by at least 4 employees at the same time. Regularly track company's maternal health protection list, and arrange one-to-one individual hazard assessment, stratified management, and health protection for prenatal and postnatal employees. In 2020, there were a total of 13 persons on the maternal health protection list that had completed individual hazard assessments, stratified management, and the health protection rate achieved 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 employees' mental and physical health, and to achieve the goal of employee overwork protection and stress management, Faraday sets and implements the “Prevention & Management Plan for Ailments Induced by Exceptional Workload” in accordance with the Occupational Safety and Health Act, Article 324-2, “Employers 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”. In 2020, a comprehensive statistical analysis of cardiovascular disease risk and personal health questionnaire surveys and overtime hours in ten years was calculated through employee health check reports. A total of 21 employees have been selected with stratified/ tracking management for their health condition, and arrange one-on-one meeting with doctors for health consultation and education; and then by the measures of adjusting, shortening working hours, or changing work content to reduce or remove risk factors.

#### ✓ Human hazard prevention plan

In 2020, through the musculoskeletal symptom questionnaire, a total of 8 employees with musculoskeletal problems were screened, and they were conducted with interview and one-on-one hazard risk assessments and health consultations. Among them, 5 were confirmed to have nothing to do with work after the interview. Part of the skeletal symptoms of the 3 employees was related to work, and improved after medical treatment and engineering improvement (replacement of keyboard, mouse, and screen).

#### Prevention plan for illegal infringements on duty

- ✓ In order to ensure that employees work in a safe and comfortable working environment and avoid physical or mental harm due to illegal acts, the "Prevention Plan for Illegal Infringements in the Performance of Duties" is specially formulated to properly prevent and deal with workplace violence. When assessing possible or when workplace violence has already occurred, immediately trigger this plan to protect the physical and mental health and safety of employees. In 2020, there were no incidents of illegal infringement due to performing duties in the company.

#### ✓ Annual health check

Faraday believes that employees' health is the greatest asset of the company. Therefore, to protect employees' workplace health in comprehensive way; through the three stages and five levels mentioned in preventive medicine, related health examinations and follow-up management are brought up to provide employees with health examination items and frequencies that are superior to laws and regulations.

According to different age groups and ranks, we provide annual or biennial health check. We compare and analyze relevant health questionnaires, items, and results before and after the health check over the years to classify and track by the type and degree of abnormalities. Arrange abnormal tracking and re-check, and physician consultation half a year later to enhance employees' health self-management ability.

In 2019, 540 people were eligible for the health examinations. Among all, 528 participated in the employee health examinations, for an achievement rate of 97.8%. 52 people were eligible for abnormal follow-up and re-examination in half a year. Since most of the employees who needed abnormal follow-up and re-examination have been tracked and treated in the outside hospital on their own, the actual number of people for re-examination was 34, and the re-examination rate was 65.4%.

In 2020, there were 56 people who were eligible for the health check, of which 44 people completed the health check in the same year, and the health check rate is 78.6%.

#### • 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 our clients can be worry-free. With the safety and health training activities, we build a safe workplace culture, create a healthy workplace atmosphere, strengthen the management goal of safety and health, protect employees' safety. Therefore, 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 first-aid responder; employee on-the-job trainings for various occupational health & safety issues; and more.

In addition, for personnel of subcontractor, our "Health & Safety Management Procedures for Contracted Work" requires that they should provide the relevant required health and safety certifications and training information, and they have to be informed of possible hazards when entering the company. This helps to guarantee the safety for subcontracted personnel to work inside the company.

**820 employees were taken safety and health-related training course in 2020 with a total training hour of 970.5 hours.**

Course name	Total numbers of trainees	Total hours of trainees
New recruit safety & health trainings	51	153
Disaster drills	549	274.5
First-aid personnel retrainings	11	33
First-aid (CPR + AED) course	110	220
Traffic accident prevention propaganda	48	120
Fire safety training	17	68
Occupational safety and health general training	34	102
Total	820	970.5

#### ✓ New recruits health and safety training

In order to establish a safe working attitude for new recruits, abide by relevant safety work regulations, and understand the hazards of work and how to respond, report and deal with emergencies, Faraday arranges a series of safety and health training when new employees onboard. To make employees be quickly familiar with the working environment and the company's safety and health policies and management, thereby reducing occupational injuries caused by being unfamiliar with the working environment. In 2020, the total number of new employees in safety and health training were 51, and the total training hours were 153 hours.

#### ✓ Disaster drills

To strengthen employees' reaction when disaster occurs, by holding the actual disaster drill to make employees be familiar with the escaping route and shorten the evacuation time; count the total number of personnel after the evacuation; reduce the injury caused by the accident to the lowest. In 2020, the total number of participants in the disaster drills was 549. The evacuation and personnel count of the whole building was finished within 11 minutes and 51 seconds after activating the alarm.

#### ✓ First-aid personnel training

According to the labor health protection rules and occupational safety and health education and training rules, it is necessary to set up qualified first-aid personnel, and arrange the retrainings for first-aid personnel as 3 hours every three years. Not only to maintain the validity of the first-aid personnel certificate, but also improve the knowledge and ability of first-aid personnel; familiarize themselves with basic first-aid professional knowledge, and improve first-aid professional skills and rescue capabilities, so as to effectively reduce the degree of injury caused by accidents and ensure the basic life safety of employees. In 2020, a total of 11 people have already completed the retrainings of first-aid personnel.

#### ✓ First-aid training (CPR + AED) course

In order to effectively protect the health of employees and workplace safety, when emergency accidents occur, they can be dealt with correctly, and the critical time for rescue can be saved to save lives. In addition to the establishment of first-aid personnel in accordance with the labor health protection rules and labor safety and sanitation rules, it is especially set up on the 1F lobby AED (Automatic External Cardiac Defibrillator), and a total of 4 rounds of CPR + AED training courses were held in the company in 2020, with a total of 115 employees participating, so that more employees can learn first-aid skills. Provide immediate treatment before personnel arrive, increase the survival rate of patients, and encourage employees to obtain first-aid licenses for training more first-aid personnel to enhance the safety and health emergency response capabilities of the company.

#### ✓ Traffic accident prevention propaganda

In order to avoid traffic accidents when employees commute to work, in addition to regularly promoting the concept of safe driving, the traffic team of the Hsinchu City Police Department was specially invited to the company to conduct traffic safety advocacy courses to those high risk groups who had traffic accidents and commute by motorcycle. Strengthened advocacy to the high-risk group, improved employees' traffic safety knowledge, and developed good habits of safe driving and defensive driving. In 2020, a total of 48 people had participated in traffic safety advocacy courses with a total training hour of 120 hours.

#### ✓ Fire safety training

Faraday sets up a fire self-defense team in accordance with the enforcement rules of the Fire Protection Law, and invited the head of the Hsinchu City Fire Branch to conduct firefighting training in the company; to ensure that when a fire accident occurs, before the firefighters arrive, the self-defense firefighting team organized in the company is able to take action on early warning, immediate fire extinguishing, evacuation guiding, and rescue of the injured under the condition of self-protected to effectively reduce the losses caused by disasters and accidents. In 2020, a total of 17 people participated in the firefighting training course with a total training hour of 68 hours.

#### ✓ Occupational safety and health general training course

In order to enhance the awareness and skills of laboratory staff about safety and health, and to effectively prevent the occurrence of laboratory hazards from happening, an general training course of occupational safety and health has been especially set up. In 2020, a total of 34 people had participated in this general training course with a total training hour of 102 hours.





### Love subscribing fair ticket and warm winter gifts for Hsinchu Family Support Center

Faraday colleagues have long-term supported Hsinchu family support center by action in order to take care of children and youth of the disadvantaged family. Every year, trigger the love subscribing activity for the annual fair ticket of Hsinchu family support center; also participate in love family gift subscription to warm up children's winter by the planning of the family support center.

NTD

66,700



### Campus education promotion

Faraday senior supervisors share their practical industry experiences with students from various institutions, students can learn about the history of the IC design service industry and the importance of innovative technology, further encourage the undergraduate students to actively learn and grow so as to become a new force in the technology industry in the future.

5 sessions

### Donation for locally disadvantaged groups

With the heart of local care, Faraday combined with colleague power, and continuously showed solicitude for the disadvantaged groups in Hsinchu county/city that were desperately in need of help in 2020.



NTD

330,700

### Caring for remote villages, art spread love

Through drama promotion, Faraday sponsored the rural literary and art association, Ciouyemang creative industry association. Through the long-term performance in rural elementary school, provide a stable art activity for the lack-of-external-art-resource communities, and rural school children can also receive more cultural and knowledge stimulation.



NTD

50,000

>35,000 square feet

### Green environment

In Hsinchu headquarter, Faraday reserves an area of over 35,000 square feet to carry out ecological greening, plants hundreds of plants including diverse Taiwan native species, to provide natural space for biological habitat and reproduction.



### Responding to blood donation activities

Every year, Faraday has continued to encourage colleagues to respond to blood donation activities. Blood donation activities were held two times a year to give to blood banks, and created benefits for more people who need blood.

194 units of blood

# 6 Social involvement

- Industry exchange and education promotion
- Ecological sustainability
- Caring for the disadvantages

## 6.1 Industry exchange and Education promotion

## Industry experience sharing

In 2020, participated in the professional committee of the allied association for science park industries: Human Resources Committee (4 sessions), Planning Committee (2 sessions), Mainland Affairs Committee (2 sessions)

In promoting campus education and technology research, Faraday senior supervisors passionately share their practical industry experiences with students from various institutions, in the hope that through the seminars held by Faraday, students can learn about the history of the IC design service industry and the importance of innovative technology, further encourage the undergraduate students to actively learn and grow so as to become a new force in the technology industry in the future.

In 2020, five on-campus upper level management talks were organized: At National Tsing Hua University (3 sessions), National Chiao Tung University, National Chung Hsing University



## 6.2 Ecological sustainability

With “Green environment” and “Ecological education” as two main principles, Faraday shows solicitude for biodiversity and environmental protection, give full play to corporate influence to do our best for the earth, in order to implement the purposes of species conservation and environmental protection.

### Green environment

In Hsinchu headquarter, Faraday reserves a thousand square meters area to carry out ecological greening, plants hundreds of plants including diverse Taiwan native species, to provide natural space for biological habitat and reproduction.

Moreover, Faraday has become a partner of UMC Eco Echo Award since 2017, with sponsorship amount of NTD\$250,000 in 2020. With the support of domestic ecological conservation group, Faraday makes the ground-breaking environmental sustainability protection plan to be achieved and does our best to the environmental conservation in Taiwan. Besides, Faraday hopes that green spirit and action can sprout in more people's hearts, and continue to spread out to jointly protect the beautiful island. Official website of Eco Echo Award: [ecoecho-award.com](http://ecoecho-award.com)

## 6.3 Helping 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 colleagues' care and strength, we help colleagues 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.

### Donation for locally disadvantaged groups

With the heart of local care, Faraday combined with colleague power, and continuously showed solicitude for the disadvantaged groups in Hsinchu county/city that were desperately in need of help in 2020.

- Faraday denoted NTD\$50,000 and colleagues denoted NTD\$130,700 and a batch of rehabilitation pants to Guanxi Huaguang intelligence development center in Hsinchu county, to help rehabilitation for those who are physically and mentally handicapped.

Huaguang intelligence development center helps those who are poor and disadvantaged with mild/moderate/severe/extremely severe intellectual disabilities, multiple disabilities, and autism. Center used the denoted money from Faraday and our colleagues to provide appropriate service in the consideration of the age/disability degree/special requirement for the disadvantaged.

On the feeling of continuous care for the disadvantaged groups of the physically and mentally handicapped, Faraday will continue denoting to this center.

### Ecological education

Within the company, we've established a plant club, “botany club”. Through plant talks, handmade planting courses, and field observations and so on, drive the atmosphere of paying attention to the natural ecology for colleagues and their dependents in a way of educational entertainment.

- Colleagues denoted NTD150,000 to help free plan of green light afterschool classes for the children from disadvantaged families by Hsinchu I-Link Community Care Association; the denotation will be coordinated by the association to provide the afterschool tutoring and care to the disadvantaged children.

“Plan of Green Light Afterschool Classes” provides free afterschool tutoring to the elementary/junior high school students from specific families, such as low-income households, economically-disadvantaged families, one-parent families, grandparenting families, parents-with-handicap-handbook families, emergency families, special-circumstance families with the school district; among them, the families with financial difficulties will be the first priority, and are recommended by school or village chief.

The children who currently participate in this afterschool class make progress not only in academy, but also significant growth in character education; through family visit to actually understand the child's situation, the afterschool class has good interaction and mutual trust, parents and tutors accompany the children to grow up together.

The afterschool class provides children with school work guidance, character education, life care, talent activities, learning, and reward.





## Caring for Remote Villages, Art Spread Love

In Taiwan, many children in remote villages are waiting for the hope to change their futures.

On the feeling that a wide gap between urban and rural areas in Taiwan, the rural areas need not only material and money, but also need more culture and knowledge input. The rural areas do not need to transplant the lifestyle of urban civilization, but need more sincere understanding and respects from urban citizens. In 2020, Faraday sponsored the east area of Taiwan, especially Hualien. Through drama promotion, Faraday sponsored NTD\$50,000 to the rural literary and art association, Ciouyemang creative industry association. By the drama play from Ciouyemang, leads the youth volunteer to touring in the rural areas; invisibly, makes the youth step into the village, gets to know about the village, feels the lifestyle of the village, and sees the beauty of the villages. Before touring, under the time-permitting circumstance, the professors who teach literature and history class in the community arrange the visiting activities, and make the youth volunteer know more about community background.

Through the long-term performance in rural elementary school, provide a stable art activity for the lack-of-external-art-resource communities, and rural school children can also receive more cultural and knowledge stimulation.

## Love subscribing fair tickets and warm winter gifts for Hsinchu Family Support Center

Faraday colleagues have long-term supported Hsinchu family support center by action in order to take care of children and youth of the disadvantaged family. Every September, trigger the love subscribing activity for the annual fair ticket of Hsinchu family support center. Besides colleagues participate in the scene of the fair to have a good time with the children, more colleagues denote the fair tickets to the children who are helped by family support center; in the purpose of making children feel social warmth and bringing a string of happy memories for children every year.

Meanwhile, colleagues also participate in love family gift subscription to warm up children's winter by the planning of the family support center, assist to purchase new winter quilt, one winter quilt for one household.

In 2020, colleagues donated a total of NTD\$66,700 in the Hsinchu Family Support Center Philanthropy Event. Of these, 38 donated NTD\$54,000 in general living expenses, and 12 bought fair tickets worth NTD\$12,700.

## Actions to support charity sale and group buying

Faraday has long-term irregularly held charity sales activities on 1F café or release love group buying in the internal website, such ABRAZO sheltered workshop of Down Syndrome Foundation, charity sale and group buying from Yu-Cheng Jixian sheltered workshop; the products include handmade biscuits made and packaged by people with Down syndrome, and biscuits/noodles/sauces cooperatively made from Rejoice Community Supported Agriculture Group. In 2020, the charity sale on 1F café was postponed due to the impact of COVID-19 pandemic; however, still triggered charity sale and group buying of Yu-Cheng Jixian sheltered workshop on the internal website. In 2021, Faraday will continue doing one's bit for the socially disadvantaged groups.

## Responding to blood donation activities

Every year, Faraday has continued to encourage colleagues to respond to blood donation activities. Blood donation activities were held two times a year to give to blood banks, created benefits for more people who need blood, and perform our corporate social responsibility. Colleagues have been superbly active in supporting this social welfare activity; more than a thousand units have been donated so far. This amply demonstrates how passionately Faraday colleagues support public welfare causes. 2020 blood denotation: 2 in total, there were 126 participants, donating a total of 194 units of blood.







Due to the sheer interaction with people, wind, birds, and insects, more than 200 different plant species have landed in Faraday. The majestic evergreen Hoop Pine, the Southern Ladies Tresses, the gorgeous and graceful Camellia, and the stunning Yaezakura all arrived with surprising destiny. We encourage insects and birds to dance together, and we use a variety of amorous styles to embellish the four seasons. Through the collaboration, we will work hard with our colleagues to enrich people's lives and make the environment more delightful



# 7

## Appendix

- Assurance statement
- GRI Standards Comparison Table



# Assurance statement



## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE FARADAY TECHNOLOGY CORPORATION'S CORPORATE SOCIAL RESPONSIBILITY REPORT FOR 2020

#### 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 2020 (hereinafter referred to as the 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 (2021/04/22~2021/05/31). 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

#### INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all Faraday's Stakeholders.

#### RESPONSIBILITIES

The information in the Faraday's CSR Report of 2020 and its presentation are the responsibility of the directors or governing body (as applicable) and management of Faraday. SGS has not been involved in the preparation of any of the material included in the Report.

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.

#### ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The SGS ESG & Sustainability Report Assurance protocols used to conduct assurance are based upon internationally recognized assurance guidance, including the Principles contained within the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) 101: Foundation 2016 for report quality, and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Options		Level of Assurance
A	SGS ESG & SRA Assurance Protocols (based on GRI Principles and guidance in AA1000)	n/a
B	AA1000ASv3 Type 1 (AA1000AP Evaluation only)	Moderate

Assurance has been conducted at a moderate level of scrutiny.

TWLPP 5008 Issue 2104



## ASSURANCE STATEMENT

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Assurance has been conducted at a moderate level of scrutiny.

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## GRI 102: General Disclosures

Index	Description	Corresponding chapter	Page	Skip/Remark
102-1	Name of the organization	About Faraday	4	
102-2	Activities, brands, products, and services	About Faraday	4	
102-3	Location of headquarters	About Faraday	4	
102-4	Location of operations	About Faraday	4	
102-5	Ownership and legal form	About Faraday	4	
102-6	Markets served	About Faraday	4	
102-7	Scale of the organization	About Faraday	4	
102-8	Information on employees and other workers	5.1 An outstanding team	59	
102-9	Supply chain	3.3 Supply chain status	44	
102-10	Significant changes to the organization and its supply chain			No change
102-11	Precautionary Principle or approach	1.4 Risk management	24	
102-12	External initiatives	4. Environmental sustainability › 4.2 Climate change response	51	
102-13	Membership of associations	2.6 Professional association and organization membership	37	
102-14	Statement from senior decision-maker	Message from the President	3	
102-16	Values, principles, standards, and norms of behavior	1.3 Integrity and legal compliance	23	
102-18	Governance structure	The Corporate Sustainability Committee › 1.1 Management level	7, 19	
102-40	List of stakeholder groups	Stakeholder engagement	8	
102-41	Collective bargaining agreements	No establishment of labor unions and bargaining agreements. Faraday builds up communication with employees by holding regular labor-management meetings and providing diverse channels.		No collective bargaining agreements
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	2	
102-46	Defining report content and topic boundaries	About this report › Stakeholder engagement	2, 8	
102-47	List of material topics	Stakeholder engagement	8	
102-48	Restatements of information	About this report	2	
102-49	Changes in reporting	About this report	2	
102-50	Reporting period	About this report	2	
102-51	Date of most recent report	About this report	2	
102-52	Reporting cycle	About this report	2	
102-53	Contact person for questions regarding the report	About this report	2	
102-54	Claims of reporting in accordance with the GRI Standards	About this report	2	
102-56	External assurance	Appendix-Independent Assurance Statement	84	
102-55	GRI content index	Appendix-GRI Standards Comparison Table	85	

## GRI 102: Material topic

Disclosure Title	GRI standards	Index	Discription	Corresponding chapter	Page	Skip/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, 32	
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 privacy and losses of customer data	3.2 Customer confidentiality & information security	41	
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	
		103-3	Evaluation of the management approach	Material issue management policies	13	
	GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	1.3 Integrity & legal compliance	23	
	GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			No anti-competitive behavior issues in 2020
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	39	
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	44	
	GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	3.4 Sustainable supply chain management	44	
Talent attraction and retention	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 Inclusive workplace	68	
	GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.3 Inclusive workplace	68	

Disclosure Title	GRI standards	Index	Description	Corresponding chapter	Page	Skip/Remark
Diversity and inclusiveness of employees	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	59	
		401-2	Benefits provided to permanent employees (not provided to temporary or part-time employees)	5.3 Inclusive workplace	68	
		401-3	Parental leave	5.3 Inclusive workplace	68	
	GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	5.1 An outstanding team	59	
Talent cultivation	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	63	
		404-3	Percentage of employees receiving regular performance and career development reviews	5.2 Employee career development	63	
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, 51	
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	33	
	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	33	
Others	GRI 302: Energy 2016	302-1	Energy consumption within the organization	4.3 Energy use and greenhouse gas inventory 4.4 Execution plan for energy saving and carbon reduction	53, 55	
		302-3	Energy intensity	4.3 Energy use and greenhouse gas inventory 4.4 Execution plan for energy saving and carbon reduction	53, 55	
		302-4	Reduction of energy consumption	4.3 Energy use and greenhouse gas inventory 4.4 Execution plan for energy saving and carbon reduction	53, 55	
	GRI 303 : Water and Effluents 2018	303-3	Water withdrawal	4.3 Energy use and greenhouse gas inventory	53	
	GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	4.3 Energy use and greenhouse gas inventory 4.4 Execution plan for energy saving and carbon reduction	53, 55	
		305-2	Energy indirect (Scope 2) GHG emissions	4.3 Energy use and greenhouse gas inventory 4.4 Execution plan for energy saving and carbon reduction	53, 55	
		305-5	Reduction of GHG emissions	4.3 Energy use and greenhouse gas inventory 4.4 Execution plan for energy saving and carbon reduction	53, 55	
	GRI 306: Waste 2020	306-3	Waste production	4.5 Waste management	56	
	GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	4.1 Environmental protection policy	51	No non-compliance events concerning environmental laws and regulations occurred in 2020
	GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	5.4 Employee safety and health	72	
		403-3	Occupational health services	5.4 Employee safety and health	72	
		403-5	Worker training on occupational health and safety	5.4 Employee safety and health	72	
		403-6	Promotion of worker health	5.4 Employee safety and health	72	
		403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.4 Employee safety and health	72	
	GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken			Incidents of discrimination and corrective actions taken
	GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples			No incidents of violation occurred in 2020
	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	203-1	Social involvement	6. Social involvement	79	