2022

FLYTECH TECHNOLOGY CO., LTD.

ESG Report

FLYTECH

contents

About the ESG Report

FLYTECH TECHNOLOGY CO., LTD. ("Flytech" or "the Company") issued the 4th ESG Sustainability Report to present the company's continuous efforts and performance in corporate social responsibility, and to respond to stakeholders' expectations and needs. We hoped that through communication, we could understand each other's expectations, establish long-term partnership with customers and social groups, and continue to implement sustainable development and social inclusion, striving to move towards a better future.

Reported Period and Scope

The reported period of this report covered from January 1, 2022 to December 31, 2022, and highlights the company's practices and performance in corporate governance, corporate commitment, environmental protection, and social participation as well as in response to stakeholders' concerns. The report boundaries mainly focused on FLYTECH TECHNOLOGY CO., LTD., Taiwan, and for additional disclosures, please refer to the "Material Issues and Boundaries" chapter.

Reporting Criteria

This report was prepared and compiled by the ESG Sustainability Committee of the company, following 2021 GRI Standards, SASB guidelines, and TCFD recommendations. The report took into account the results of stakeholder engagement, potential impacts on the company, and identified major issues related to the value chain. It disclosed the company's strategies, principles, measures, and performance. The financial data disclosed in this report was derived from the audited financial reports by KPMG. Other information and data were collected by the company itself. The performance indicators related to environmental safety and health were based on the internationally accepted calculation methods. Any estimations or assumptions made would be clearly indicated in the relevant chapters.

Report Release Date

In order to implement green environmental protection, this report was published on the company's website in the form of an e-book.

- Prior edition: Issued June 2022
- Current edition: Issued July 2023
- Next edition:
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https://www.flytech.com.tw/csr.php

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FLYTECH

Letter from the Chairman

With the arrival of the 2022 post-pandemic era, as countries lift restrictions leading to market recovery, the electronics industry continues to face the impacts of shortage in electronic materials, port congestion, and global supply chain breakdown in the first half of the year. Meanwhile, the global climate crisis and Taiwan's goal of achieving net-zero emissions by 2050 have sparked a trend in carbon management and compelled companies to intensify and accelerate their efforts in energy conservation and carbon reduction. Businesses, confronted with unprecedented challenges in operation, must address the question of how to implement sustainable management effectively. As one of the world's top three and Taiwan's largest POS suppliers, Flytech has been committed to sustainability and strategic planning since the voluntary release of its ESG report in 2020. Through ongoing efforts, the company has achieved significant milestones and made progress, all of which have been consolidated, along with future objectives, in this year's ESG report.

Steady Management and Consistent Profitability

With the expansion into new customer areas, completion of new projects, and the effectiveness of the product strategy aimed at increasing the proportion of Non-POS shipments, Flytech achieved its highest historical gross profit in the year 2022. The consolidated revenue grew by 16% compared to the previous year, and the net profit after tax for the parent company reached NTD1.04 billion, showing a growth of 53% compared with last year. In addition to outstanding financial performance, to enhance corporate governance and information transparency, the company voluntarily released its first English version of the financial quarterly report in 2022. As a result, we received recognition from external parties, including ranking within the top 6-20% of all listed companies in the Annual Corporate Governance Evaluations for 5 consecutive years. In addition, we achieved an impressive honor in our first-ever application of 2022 Excellence in Corporate Social Responsibility by CommonWealth Magazine, ranking No.11 in Medium-Sized Enterprise category.

Customer Commitment and Sustainable Supply Chain

In terms of customer service, in addition to implementing internationally verified quality management systems such as ISO 9001, ISO 13485, and IATF 16949, Flytech offers customized and highly stable high-quality product options and continues to incorporate new technologies and materials. This enables products to be more environmentally friendly. In 2022, the company began focusing on specific products from the initial stages of research and development design, aiming to reduce the energy consumption of the products for customers. In 2023, there are further plans to evaluate using recycled plastics and paper-plastic packaging materials for green products. Flytech has always been committed to local procurement. In 2022, purchases from Taiwanese suppliers accounted for as much as 90.11%. Furthermore, over half of the suppliers have signed ESG-related commitment letters, indicating their dedication to Flytech's sustainable policies and concepts. The company continues to advocate its sustainability policies and principles to its suppliers, aiming to collaboratively establish a comprehensive green supply chain with its upstream partners.

Carbon Management Platform and Environmentally Friendly Approach

Since the announcement of the national policy of 2050 net zero emissions requirement, addressing climate change has become mandatory for businesses. Flytech has taken proactive steps in this regard. In 2021, well ahead of schedule, the company completed the first greenhouse gas inventory report for its parent company and obtained the ISO 14064-1 verification. In the second half of 2022, Flytech further initiated the assessment of its product carbon footprint and established a carbon management platform. The goal for 2023 is to systematically review and manage corporate carbon emissions and reduce product carbon footprints to lay a solid foundation for subsequent carbon management initiatives. Creating a safe, environmentally friendly, and sustainable business is one of Flytech's commitments to sustainability. Since obtaining ISO 14001 environmental management system certification in 2001, the company has upheld this commitment for 22 consecutive years without violating environmental regulations.

Employee Care and Commitment to Charity

Based on the demands raised during the first town hall meeting in 2021, Flytech introduced several new welfare systems, including flexible working hours, additional paid leave beyond legal minimums, stress-relieving massages, and an Employee Assistance Program (EAP). These comprehensive benefits address physical and mental well-being, enabling employees to enjoy a balanced and joyful work experience. During the second town hall meeting in 2022, Flytech further integrated its efforts with beach cleanup activity, effectively communicating its commitment to environmental protection and inspiring more employees to join environmental conservation and show their love for the planet. Continuing to implement the ISO 45001 Occupational Health and Safety Management System requirements, Flytech ensures all employees' workplace health and safety. While the COVID-19 pandemic is gradually subsiding, the company still conducts weekly or bi-weekly rapid testing for employees. Flytech also procures rapid tests and offers them free to all employees and visitors.

In social charity, the Flytech Foundation has been dedicated to the field of education for over 7 years. Through various projects targeting at different age groups, the foundation aims to inspire creative thinking and foster interdisciplinary teamwork to nurture individuals who can adapt to a rapidly changing society.

Flytech has been involved in a range of initiatives, from offering high school scholarships and guiding students through the Corporate Journey program, which includes corporate visits, to organizing the Flytech Career Camp. This camp is designed for college and master's students, aiming to enhance their understanding of industries and career development planning. Additionally, Flytech arranges social innovation workshops and charitable projects such as Design for Taiwan, to address societal issues. Through these efforts, Flytech is expanding the problem-solving perspectives and approaches of young people and contributing to cultivating well-rounded talents in Taiwan. Every year, the foundation collaborates with Flytech employee clubs to organize various charitable activities, including beach cleanup and fundraising efforts to provide essential supplies to elderlies living alone.

Looking forward to the future, Flytech will continue to uphold the core vision of Strive for excellence. Advance through innovation. Guided by the ESG Sustainability Committee, the company will continue to closely communicate with stakeholders and disclose commitments, achievements, and goals related to essential sustainability issues in the annual ESG report. Flytech anticipates collaborating with all stakeholders to grow, overcome challenges, and achieve sustainable operational goals amidst a rapidly changing environment.

『 **Strive for excellence. Advance through innovation** 』

Chairman

Flytech Value

Sustainability x Development | Flytech Technology keeps pursuing the corporate value of "Sustainable Innovation" to continuously find innovative ways to use in business and product development processes in order to deliver sustainability benefits across the enterprise and beyond.

Demand
Understand customer's needs to identify market trends.

Cooperation
Develop supply chain collaboration through strategic partnership.

Technology
Set smart manufacturing technologies to enhance the factory operations.

Product
Transform product-oriented into solution-driven innovation.

Marketing
Implement digital transformation into business operations and strategies.

Market & Application

RETAIL
- Convenience Store
- Grocery Store
- Unmanned Store
- Drugstore
- Fashion Retail
- Sports Betting
- Outlet Mall

INDUSTRIAL
- Warehousing & Logistics
- Production Management
- Factory Automation

HOSPITALITY
- Restaurant
- QSR
- Cinema
- Hotel & Resort
- Casino Gaming
- Pub & Club
- Stadium

HEALTHCARE
- Hospital Public Area
- Medical Cart
- Intelligent Ward
- Telemedicine
- Rehabilitation Equipment
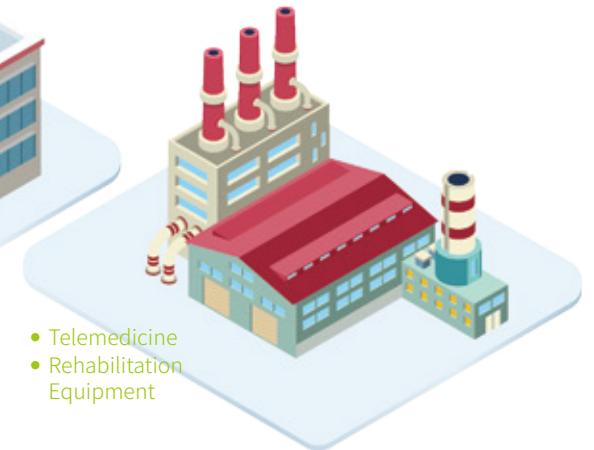
Product & Solution

- POS Terminal
- Self-Service Kiosk
- Drive-Thru
- Kitchen Display System
- Panel PC
- Medical/Industrial Touch Computer
- Embedded Box PC
- Digital Signage
- AI Computing
- Unified Endpoint Management

Sustainability Key Performance and Awards

Economics

- The world's top three and Taiwan's biggest POS supplier.
- Maintained profitability since its establishment in 1984 and returned the profits to shareholders. The stock dividend rate has exceeded 80% since 2013.
- Received the German iF Design Award for five times since 2007.
- Local procurement exceeded 85% from 2019 to 2022.

- Ranked within the top 6%-20% of Annual Corporate Governance Evaluations by Taiwan Stock Exchange for five consecutive years since 2018, and top 6%-10% Market Cap of 5-10 billion in 2022.
- The company elected one female director of board in 2015 for diversity policy.
- Achieved an honor in the first-ever application of 2021 Excellence in Corporate Social Responsibility by CommonWealth Magazine, ranking No. 8 in Small Giant Group.
- Achieved an honor of 2022 Excellence in Corporate Social Responsibility by CommonWealth Magazine, ranking No. 11 in Medium Enterprise Group.

Governance

- No major penalties or violations of safety and health regulations related to products and services from 2019 to 2022.
- No major penalties or violations of labor safety and health regulations from 2019 to 2022.
- As of the end of 2022, the proportion of female employees at Flytech was 44%, while female directors and supervisors accounted for 31% of the total.
- 294 employees participated in the annual physical examination in 2022. (Conducted every two years)
- Ensured all employees' rights to work and income with no layoff, pay cut, shift reduction, and unpaid leave due to the COVID-19 pandemic from 2020 to 2022.
- 16 Flytech Career Camp sessions have been held in eight years, with over 1000 participants, provided college students with insights into business operations, and trained 534 college and university students.
- In 2022, the Flytech Foundation and Flytech employee clubs jointly organized seven events, with a total participation of over 745 individuals. The foundation has completed holding six Design for Taiwan workshop sessions. The program had invited a total of 11 international speakers and 37 domestic lecturers, training a total of 534 university students. Moreover, the foundation has organized 6 physical or online social design exhibitions, attracting over 35,000 attendees with 42 innovative lectures on various topics. It fully utilizes its social impact.

Social

- No major penalties for violations of environmental protection regulations from 2019 to 2022.
- No waste water discharge from 2019 to 2022.
- In 2022, the electricity consumption per unit of output is reduced by 3% compared with 2021.
- In 2022, the waste weight has increased by 3.4% compared to the previous year. This increase was attributed to the stabilization of the pandemic, leading to increased production capacity and working hours due to the rise in orders, which consequently resulted in higher waste generation.
- In 2022, the per capita water consumption decreased by 6% compared to the previous year. The water-saving initiatives taken by all employees were effective in achieving this reduction.
- In 2022, Flytech initiated product carbon footprint assessment and management systems plans. The goal is to complete ISO 14067 verification for one product and establish a carbon management platform by 2023.

Environmental

- ISO 9001 Quality Management System: 2015 Version (Recertification passed, valid from August 24, 2022, to August 23, 2025)
- ISO 13485 Medical Devices Quality Management System: 2016 Version (Recertification passed, valid from April 19, 2021, to April 18, 2024)
- ISO 14001 Environmental Management System: 2015 Version (Recertification passed, valid from September 22, 2022, to September 21, 2025)
- ISO 45001 Occupational Safety and Health Management Systems：2018 Version (Initial certification, valid from December 1, 2020 until November 30, 2023)
- IATF 16949 Automotive Quality Management System: 2016 Version (Initial certification, valid from December 12, 2021 until December 11, 2024)
- Passed the TTQS Talent Quality-management System by the Workforce Development Agency, Ministry of Labor In 2021.
- In 2022, completed the greenhouse gas inventory report for the year 2021 and obtained ISO 14064-1:2018 certification.

Certification

Sustainability Goals and Vision

Core Vision of Sustainable Development

Since its establishment in 1984, Flytech has focused on our core business and is committed to operating with integrity. We deeply understand that in addition to our self-competitiveness, it takes the joint effort of our stakeholders, including employees, suppliers, customers, investors, communities, and non-profit organizations, to achieve sustainable business practices. Guided by the central thought of 'Take from society, Give back to society' we firmly believe that a company's responsibility goes beyond maximizing self-interest and shareholder value but should contribute to the sustainability development of the economy, environment and people. Therefore, Flytech refers to the GRI Standards, SASB Standards, TCFD Guidelines, United Nations Sustainable Development Goals (SDGs), benchmarking companies, and issues of concern to stakeholders to set ESG for itself. The core vision of sustainable development is 'Strive for excellence. Advance through innovation,' to create maximum benefits for shareholders and to consider stakeholders' needs and interests. Internally, we attach great importance to the rights and interests of employees, establish an equal and non-discriminatory hiring and rewarding system for fair promotions, and create a friendly workplace and safe environment. We offer comprehensive welfare care systems and plan professional training courses to help employees learn and grow to enhance their self-worth; externally, we actively communicate with customers, investors, suppliers, communities, and non-profit organizations to understand their requirements in order to review, adjust and respond to our management policies and commitments in the fields of environmental sustainability, social engagement, and corporate governance. Flytech is committed to responsible business practices, strictly adhering to laws and regulations, respecting human rights, and safeguarding the environment and public health and safety. We strictly prohibit any form of corruption, adhere to tax obligations, establish risk management and early warning systems, and conduct due diligence investigations for identification, prevention, mitigation, and assumption of responsibility for negative impacts on the economy, environment, and people (including their human rights). This is to fulfill our responsibilities as corporate citizens.

Sustainable Development Policy and Implementation Guidelines

In order to achieve the core vision of 'Strive for excellence. Advance through innovation,' Flytech has formulated internal management regulations such as Corporate Sustainability Principles, Corporate Governance Code, and Integrity Operations Code in compliance with the laws and regulations of competent authorities and international standards and initiatives. As for Flytech's sustainable development policy, we started from the five major management axes, corporate governance and risk management, employee relations, customer service and supplier management, green operation, social engagement, as the implementation principles for practicing sustainable development policies, and through comprehensive decision-making authority and internal control systems, establishes a sound corporate governance environment and fosters an internal corporate culture of compliance. The company also commits to responsible business conduct and fair dealings with stakeholders, ensuring continuous effectiveness through tracking, assessment, and evaluation processes. Flytech expected to work together with global partners to establish a sustainable and excellent enterprise, and to achieve common benefit, common sharing, common prosperity, common good with all stakeholders.

Sustainability Management Structure

The Board of Directors is the highest governing body for Flytech's sustainable development efforts. It supervises the ESG Sustainability Committee responsible for driving the company's sustainability mission. Flytech has long established the Flytech CSR Committee subordinated to the board of directors for many years (renamed as the ESG Sustainability Committee in 2022). With the chairman as the convener and the president as the committee member, the promotion office, adhering to the core vision of 'Strive for excellence. Advance through innovation.' is responsible for continuously analyzing market trends, technological and regulatory changes, corporate governance trends, sustainable issues concerning the environment and society, collects stakeholder concerns, and integrating the company's operational model, identifies significant sustainability issues, devises sustainable development strategies, and arranges cross-functional communication and management. The office then directs the four subgroups, forming management policies and performance objectives. These subgroups communicate action items for implementation, improvement, and optimization across departments. Regular monthly meetings ensure ongoing tracking, communication, and consensus building to effectively implement sustainable strategies and resource allocation to align all employees towards a unified, sustainable direction, effectively integrating sustainability with core operations to enhance Flytech's competitiveness. The ESG promotion office periodically reports to the committee. It annually presents progress and stakeholder interactions to the Board of Directors during the first half of the year. The Board approves significant annual sustainability issues. In the second half of the year, the ESG Sustainability Report is submitted and approved by the Board to ensure the continuous implementation of corporate sustainability responsibilities. For the year 2022, the reporting dates were March and November. This reporting structure guarantees the ongoing commitment to corporate sustainability and ensures transparency in sharing achievements and interactions with stakeholders.

Flytech ESG Sustainability Committee
Convener: Chairman
Committee member: President

ESG promotion office
President, ESG Project Manager

Sustainability Governance

President Office
Corporate Center (Legal)

- Corporate Governance
- Ethical Corporate Management
- Risk Control
- Legal Compliance
- Information Disclosure

Green Operation

R&D Center, Marketing Center
Manufacturing Center, Corporate
Center Quality Assurance Division

- Quality Management
- Product Innovation
- Customer Service
- Green Design
- Environmentally Friendly Materials
- Green Supply Chain
- Green process
- Environmental Management
- Energy Management

Corporate Commitment

Corporate Center (HR, Administrative)
Manufacturing Center (Factory),
Employee Welfare Committee

- Occupational Safety and Health Management
- Diversity and Equality Greenhouse Gas Management
- Employee Care
- Profession Training
- Community Charity

Social Participation

Corporate Center (HR)
Flytech Foundation

- Social Charity
- Industry-Academy Cooperation
- Talent Cultivation
- Startup Cooperation

Main Responsibilities of the Sustainable Governance Team

1. Promote various corporate governance policies and implement operations.
2. Promote honest management and sustainable business environment and implement operations.
3. Strengthen the risk management framework and implement operations.
4. Promote the internal control and internal audit system and implement operations.
5. Strengthen the functions of the board of directors (audit committee, compensation committee, and corporate governance unit).
6. Care and protect the rights and interests of stakeholders.
7. Compliance with regulations.
8. Improve information transparency.
9. Establish and implement the management requirements of ISO 27001 information security management system, personal information and intellectual property management system.

Main Responsibilities of the Green Operation Team

1. Establish and implement quality management systems in compliance with ISO 9001, ISO 13485, and ISO 16949 standards and continue to promote the establishment of a corporate culture in which all employees are engaged in quality control.
2. Establish and implement the management requirements of ISO 14001 Environmental Management System and ISO 9001 Quality System.
3. Develop customized, innovative products with excellent quality, high added value, rapid delivery, and energy-efficient attributes to enhance customer satisfaction.
4. Develop customized distinctive products that meet customer needs and improve customer competitiveness.
5. Develop green products that use environmentally friendly materials, green processes, and eco-friendly designs from the R&D stage to establish a green supply chain to minimize the environmental impact and reduce the environmental footprint.
6. Establish a low-carbon, energy-efficient, green operation environment by implementing environmental management practices in compliance with international standards and government regulations.
7. Implement ISO 14064-1 greenhouse gas inventory system to reduce greenhouse gas and carbon emissions and save water resources and electricity consumption.
8. Establish a waste management and resource recycling system to effectively manage waste disposal, promote proper waste sorting, and enhance resource reuse and recycling rates.
9. Implement product carbon footprint assessment and carbon emission management system. Utilize assessment analysis to execute carbon reduction and energy-saving management plans.

Main Responsibilities of the Corporate Commitment Team

1. With the goal of improving employee retention, regularly confirm that wages and benefits are market-competitive, listen to employees' opinions and care for their daily life, and ensure that there are no labor inspection disputes, providing a good and attractive workplace.
2. Establish and implement the company's Human Rights Policy, and provide employees with a diverse and equal employment, salary, appraisal, reward and punishment, and promotion system.
3. Establish a convenient and friendly communication channel for employees and a grievance mechanism.
4. Regularly arrange expert lectures and professional training courses to enhance employees' professional skills and increase their competitiveness in the workplace.
5. Regularly hold employee recreational activities or gatherings, sponsor employees to set up clubs, and promote employees' physical and mental balance.
6. Establish and implement a friendly workplace that complies with ISO 45001 occupational safety and health management standards.
7. Through systematic training and development approaches like TTQS, we offer various learning opportunities through multiple channels for employees. We provide project training and IDP to nurture potential talents and cultivate future managers.

Main Responsibilities of the Social Participation Team

1. Organize regular caring activities for vulnerable groups and environmental conservation projects, or sponsor social service organizations and academic events to give back to society.
2. Collaborate with schools to organize Flytech Career Camp, sharing industry experiences and the latest technology and knowledge to assist students in their future career planning and enhance their competitiveness.
3. Regularly hold various camp activities to promote technology or design innovation, and invite domestic and foreign experts to hold lectures to provide participants with public innovative thinking.
4. Cooperate with industrial and commercial groups to arrange visits and activities, promote exchanges and project cooperation between industry, government and academia, to enhance the core competitiveness of the industry.
5. Regularly hold the Management Trainee Program (Seed Program) to recruit outstanding talents, and through a complete training program, the seeds with great potential can grow and become outstanding talents across fields.
6. Regularly organize scholarship programs to encourage outstanding and underprivileged students from rural areas.

SDGs United Nations Sustainable Development Goals

Flytech's core belief in sustainability is 'Strive for excellence. Advance through innovation.' This belief drives Flytech to contribute to the overall welfare of society, and many of its initiatives are closely related to the United Nations Sustainable Development Goals (SDGs). Since publishing its first Corporate Social Responsibility (CSR) report in 2021, Flytech has been evaluating its current actions and their alignment with the UN SDGs. This assessment and future development goals guide the company to determine its focus on specific UN SDGs in its ongoing commitment to sustainability.

Flytech's ESG Sustainability Committee decided to select 5 development priorities and 6 SDGs as the main goals, and launched 17 sub-goals that are expected to be completed by 2025. The five development priorities included corporate governance based on integrity and transparent information, a diverse, non-discriminatory, safe, inclusive and friendly workplace; outstanding customer service, supporting local procurement, and assisting suppliers to operate with ethical management and comply with environmental protection and occupational safety regulations; green sustainable enterprise value chain; education in remote areas and cultivation of innovative talents. The 6 SDGs included quality education; clean water and sanitation; affordable and clean energy; suitable jobs and economic growth; climate action; and diverse partnerships. To achieve the 17 sub-goals, Flytech looks forward to working with all internal and external stakeholders and global partners in the value chain, and jointly create a bright future with our belief: 'Strive for excellence. Advance through innovation.'

5 Development Main Points → **6** SDGs → **17** Goals to be completed before 2025

CH 3 Integrity, information-transparent corporate governance

CH 4 Diverse, non-discriminatory, safe, inclusive friendly environment

CH 5 Excellent customer service, support local procurement, and assist suppliers to operate with integrity and comply with environmental protection and occupational safety regulations

CH 6 Green and sustainable corporate value chain

CH 7 Education in rural areas and the cultivation of innovative talents

SDGs

- 4 QUALITY EDUCATION — CH 7
- 6 CLEAN WATER AND SANITATION — CH 6
- 7 AFFORDABLE AND CLEAN ENERGY — CH 6
- 8 DECENT WORK AND ECONOMIC GROWTH — CH 3, CH 4, CH 5, CH 7
- 13 CLIMATE ACTION — CH 6
- 17 PARTNERSHIPS FOR THE GOALS — CH 5

4 QUALITY EDUCATION

- Flytech Career Camp: 600 people (currently 452 people)
- Scholarship：5 million (currently 4.2 million)
- DFT: 700 people (currently 534 people)
- DFT startup proposal: 140 cases (currently 104 cases)

6 CLEAN WATER AND SANITATION

- Keep the amount of waste water discharged at 0
- The per capita water consumption is reduced by 5% compared with 2019.

7 AFFORDABLE AND CLEAN ENERGY

- The electricity consumption per unit of output is reduced by 3% compared with 2021.

8 DECENT WORK AND ECONOMIC GROWTH

- Annual integrity management training 1 hour per person
- Local suppliers account for more than 90%
- Conduct customer satisfaction surveys annually, with an average score exceeding 90 points

13 CLIMATE ACTION

- The number of volunteers participating in environmental protection accounts for more than 30% of the total employees (including subsidiaries)
- Carbon dioxide emissions down 5% from 2021

17 PARTNERSHIPS FOR THE GOALS

- Quality commitment from 100% of suppliers
- 70% of suppliers signed the Declaration for Environmental Protection and Prohibition of Baneful Substances
- 70% of suppliers signed the Commitment of Corporate Social Responsibility and Integrity Pledge (RBA Code of Responsible Business Conduct)
- 70% of suppliers signed/issued the Declaration for Non-use of Conflict Minerals
- 30% of important suppliers own ISO 9001/14001/45001

chapter

About Flytech

1-1 Company Profile

Chairman Mr. Lam, Tai Seng founded Flytech in 1984 with the core concept of 'Mastering core technology and innovating product value.' In early days, Flytech focused primarily on designing 8088XT motherboards, I/O interface cards, network interface cards, industrial control cards, and PC peripherals. In 1990, Flytech achieved a significant milestone by successfully developing the world's first ultra-miniature book-sized computer. This groundbreaking achievement earned the company the prestigious Best Design Award at Cebit and garnered international recognition through interviews by German and CNN. These accomplishments laid a solid foundation for Flytech's robust growth and established a reputation on the global stage.

In 1989, Flytech established overseas subsidiaries as sales and service hubs, setting up branches in the United States, Shanghai, and Hong Kong to expand the international market presence. In 1999, two significant milestones were achieved which are obtaining ISO 9001 verification and adopting the Original Design Manufacturer (ODM) business model to enter the Point of Sales (POS) industry. This marked an important turning point for Flytech's transformation from the consumer electronics sector to the industrial computer industry. In the same year, Flytech successfully developed the innovative All-in-one Touch POS system, which revolutionized the checkout systems in the retail and catering industries. It received prestigious accolades such as the 2nd National Quality Award-Gold Medal Certificate, 4th Rising Star Award, 9th Taiwan SMEs Innovation Award, 11th National Award of Outstanding SMEs, 4th Industrial Sustainable Excellence Award, and multiple Taiwan Excellence Certificates from the Ministry of Economic Affairs. In 2001, Flytech went public and listed on the OTC capital market (stock symbol: 6206). In 2004, Flytech's headquarters in Neihu, Taipei, was completed, marking the transition to the high-tech sector and we expanded the product line from Point of Sales (POS) systems to Point of Service (POS) systems. In 2012, Flytech moved the manufacturing center to the self-built new factory Hwa Ya Science Park in Linkou, significantly increasing the production capacity and solidifying its roots in Taiwan while aiming for global expansion.

Under the Point of Service strategy, we have been continuously expanding our range of new product lines and securing exclusive projects in collaboration with internationally renowned manufacturers. We have successfully obtained exclusive projects for KIOSK systems used in convenience stores in Taiwan and chain restaurants in North America. Additionally, we have developed industrial-grade Panel PCs, entering into the healthcare industry and securing major projects both domestically and internationally. Over the years, we have garnered numerous awards, particularly in the field of design. Our achievements include European Product Design Awards, Innovative Design Awards of Computex Taipei, as well as prestigious global recognitions such as iF Design Award and Red Dot Design Award.

Currently, as one of the world's top three and Taiwan's largest POS supplier, Flytech's products are widely utilized in the fields of food and beverage retail, healthcare, and industrial automation, with customers spanning across the globe. In this rapidly changing era, we have introduced new solutions that go beyond traditional POS systems and hardware. In addition to technologies like remote monitoring and image recognition, we have gradually developed Non-POS and Non-hardware product services. In 2019, we established a subsidiary, Berry AI, focusing on technologies such as artificial intelligence and machine learning. By leveraging the rich channel relationships in the food and beverage retail industry of the parent company, Berry AI provides intelligent solutions to customers. In 2021, Flytech launched a subscription-based cloud monitoring UEM software service called Inefi. This software service addresses customer pain points in product maintenance, reducing the need for on-site repairs by providing software monitoring hardware, and thereby minimizing customers' carbon emissions. The product can monitor remote machines, including critical peripheral equipment, and its service scope surpasses similar software available in the market. It has received positive feedback since its release. With the post-pandemic era approaching and countries gradually easing restrictions, there has been an increase in customer orders to meet rising demand. Flytech's subsidiaries, Berry AI and Inefi are expected to see the fruits of their new software application services. Apart from boosting revenue, these services also contribute to reducing Flytech's product carbon footprint. Furthermore, Flytech continues to collaborate with external startups, providing higher efficiency and value to various types of businesses, as we continue to strive towards our group's goal of developing AIoT solutions.

The industry or other public associations that we participate as member include Taipei Computer Association, Taiwan Electrical and Electronic Manufacturers' Association, Taiwan Corporate Governance Association, Chinese Professional Management Association, Taiwan Youth Entrepreneurship Association. We look forward to exerting influence to jointly improve the industry standard by participating and sharing information, knowledge, experience, and practice.

1-2 Overview of Operations and Performance

1-2-1 Operation Location

Flytech was established in 1984. Our global headquarters and manufacturing center are located in Neihu District, Taipei City, and Taoyuan City, respectively. With over 650 employees worldwide, we have been anticipating the wave of globalization since establishment. While initially focusing on the European and American markets, we have also established a strong presence in the Asia-Pacific, Greater China and Taiwan regions. To provide better and faster service to our global customers, we have set up subsidiaries or service centers in Hong Kong, China, the United States, the United Kingdom and other locations, offering product sales and technical support services. In terms of research and development and manufacturing, our products are designed and produced by our R&D team and manufacturing center based in Taiwan. We proudly adhere to the 100% Made in Taiwan principle to deliver 100% satisfaction to our customers. We take pride in this commitment and continue to establish our presence and pursue sustainable growth worldwide.

1-2-2 Revenue Overview

Flytech is committed to providing global customers with high-quality products through a comprehensive hardware system combined with a diverse range of peripherals. The consolidated statement of the group's product and regional revenue is as follows:

Proportion of revenue by product in the last three years (Consolidated Financial Statements)

(In Thousands of New Taiwan Dollars)

Item \ Year	2020 Amount	2020 %	2021 Amount	2021 %	2022 Amount	2022 %
Industrial computer	3,591,909	81%	4,158,331	80%	4,848,810	87%
Peripherals and others	841,052	19%	1,026,824	20%	695,415	13%
Total	4,432,961	100%	5,185,155	100%	5,544,225	100%

Proportion of revenue by region in the last three years (Consolidated Financial Statements)

(In Thousands of New Taiwan Dollars)

Region \ Year		2020 Amount	2020 %	2021 Amount	2021 %	2022 Amount	2022 %
Domestic demand		118,747	3%	142,457	3%	571,250	10%
Export	America	1,698,518	38%	2,148,694	41%	2,789,023	50%
	Europe and Africa	1,832,485	41%	2,258,670	44%	1,700,882	31%
	Asia	783,211	18%	635,334	12%	483,070	9%
	Subtotal	4,314,214	97%	5,042,698	97%	4,972,975	90%
Total		4,432,961	100%	5,185,155	100%	5,544,225	100%

1-2-3 Operational Performance

To be accountable to all stakeholders, profitability and growth are the fundamental objectives of our business operations. Flytech takes pride in its robust financial structure and consistent profitability since establishment. We continuously invest in research and development to fuel innovation, ensuring that the momentum of R&D remains constant and profitability continues to grow. The operational performance data for the past two years (individual) are as follows.

With the global pandemic subsiding and a surge of customer orders, Flytech's financial performance in 2022 was impressive. The operational performance data for the past three years (individual basis) is as follows:

(In Thousands of New Taiwan Dollars)

Item	Year	2020	2021	2022
Financial Revenue and Expenditure	Revenue	3,278,733	3,846,939	4,827,119
	Cost of revenue	2,147,158	2,608,184	3,138,287
	Gross profit	1,131,575	1,238,755	1,688,832
	Net income before tax	725,899	797,666	1,223,979
	Net profit	581,107	667,530	1,043,153
Profit	Net profit per share after tax (NTD)	4.12	4.77	7.29
Employee salaries and benefits	Total salary	346,352	369,088	468,131
	Total benefits	50,608	51,845	56,838
Payable to investors	Stockholder cash dividends (NTD)	4.0	4.0	5.5
Payable to the government	Profit-seeking enterprise income tax	136,255	114,602	180,826
R&D expenses	Percentage of revenue	4.84 %	4.40 %	3.76 %

1-2-4 Management Team

In January 2020, Flytech implemented a dual-president system. Under this system, there are four main centers, Sales & Marketing Center, R&D Center, Manufacturing Center, and Corporate Center. The dual-president positions are held by Chun Hung, Chuo, Senior Vice President of the Manufacturing Center, and Shyu, Jia Horng, Vice President of the Sales & Marketing Center who jointly led Flytech. More information about the management team can be found in the 2022 annual report page 17.

1-2-5 Patent and Intellectual Property Management

Flytech is committed to technological innovation and strives to be a leader and innovator in the era of intelligence. In 2017, we established an intellectual property management system in compliance with TIPS standards. This system is based on the Plan-Do-Check-Action framework of ISO 9001 quality management system and aims to enhance employees' awareness of intellectual property rights and protect the intellectual property outputs of the company. By aligning with our operational goals and vision, we ensure sustainable business development. To foster a culture of continuous innovation within the company, we encourage employees to apply for patents, thereby accumulating valuable intellectual assets for Flytech. In accordance with intellectual property laws and regulations (including copyright law, trade secrets law, trademark law, patent law), as well as our internal management needs, we have established the Trade Secret Information Management Measures. These regulations define the scope and management methods of trade secret assets that should be classified and protected, ensuring the proper safeguarding of Flytech's trade secrets.
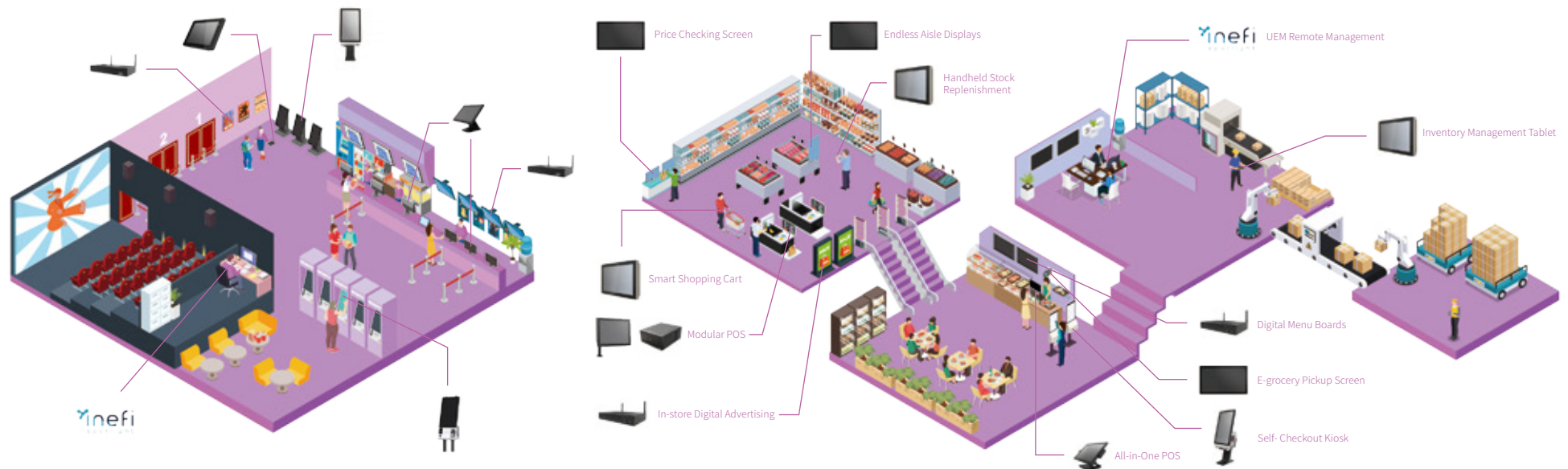
The current status of Flytech's patents is as follows:

- Currently holds **134 patents**, raking first among our peers in terms of the total number of global patents.

- Applied for **49 patents**, ranking first among our peers in terms of the number of patent applications in the past three years.

- Current global patents: **60** in Taiwan, **24** in China, **25** in the United States, **24** in Europe, and **1** in Japan.
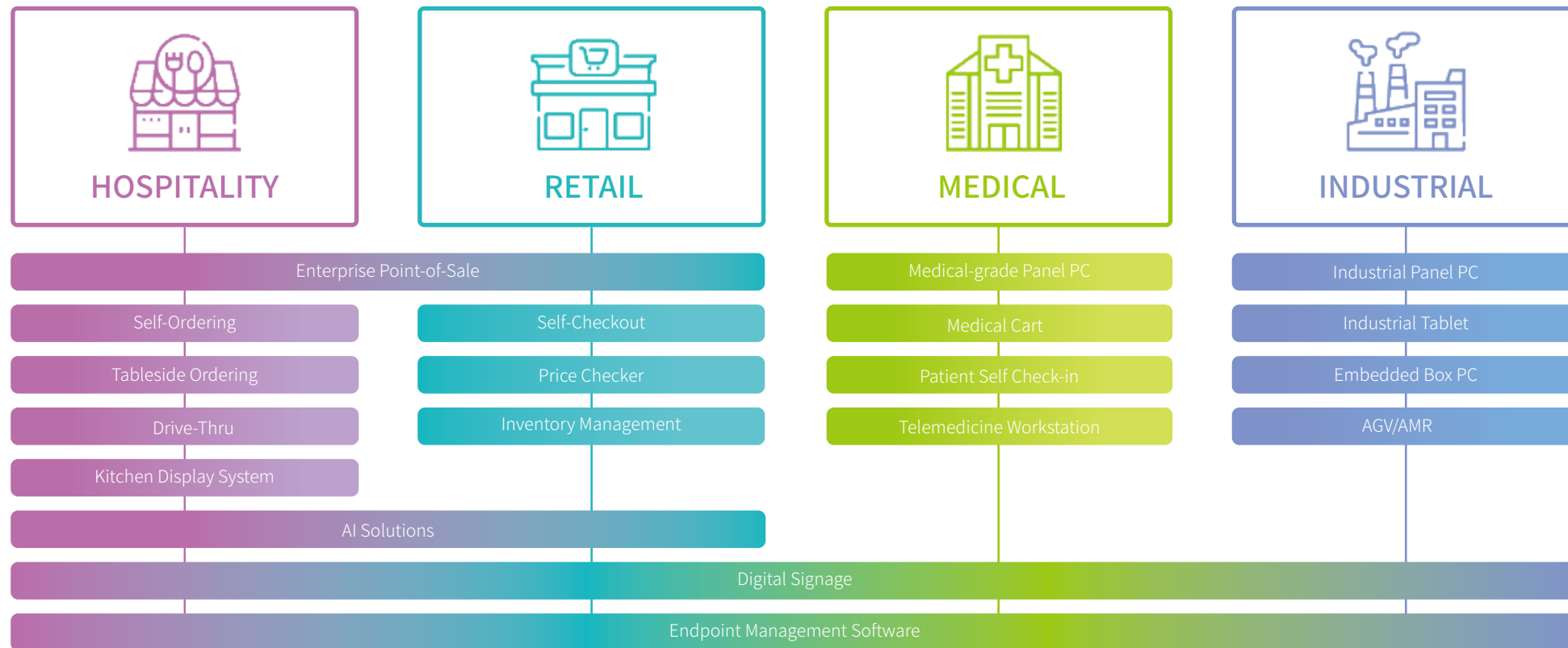
1-3 Products and Services Provided

1-3-1 Cross-Domain Solutions Experts

Established in 1984, Flytech has always prioritized and maintained a strong dedication to creating high-quality products through outstanding design. Leveraging innovative R&D technology and robust market research capabilities, we actively customize systems and solutions to cater to the distinct requirements of clients across diverse industries, delivering exceptional value-added services. Our business model operates on B2B, involving the purchase of raw materials from upstream component suppliers, in-house design and manufacturing of motherboards (MB), assembly into machines, and subsequent sales to downstream distributors for installation by end-users. Flytech's main market include the fields of restaurant, retail, healthcare, and factory automation. Our systems are applied in renowned fast-food restaurants, department stores, convenience stores, large-scale retailers, hospitals, airports, amusement parks, gyms, factories, warehouses, and more around the world. In the future, we will continue to delve into various market sectors to better provide products and solutions that meet our customers' needs.

Price Checking Screen
Endless Aisle Displays
Handheld Stock Replenishment
UEM Remote Management
Inventory Management Tablet
Smart Shopping Cart
Modular POS
Digital Menu Boards
E-grocery Pickup Screen
In-store Digital Advertising
Self- Checkout Kiosk
All-in-One POS

The company's business model value chain is as depicted in the diagram, with Flytech's customers being system integrators. We operate under a B2B business model and do not directly engage with end consumers. In the year 2022, our business model remained consistent with no major changes. For a comparison of revenue figures, please refer to Section 1-2-2 on Revenue Overview. For detailed information on the upstream supply chain, please refer to Chapter 5-3 on Supply Chain Management.

Our Business Lines

HOSPITALITY	RETAIL	MEDICAL	INDUSTRIAL

Enterprise Point-of-Sale		Medical-grade Panel PC	Industrial Panel PC
Self-Ordering	Self-Checkout	Medical Cart	Industrial Tablet
Tableside Ordering	Price Checker	Patient Self Check-in	Embedded Box PC
Drive-Thru	Inventory Management	Telemedicine Workstation	AGV/AMR
Kitchen Display System			

AI Solutions

Digital Signage

Endpoint Management Software

In 2022, due to the easing of the pandemic and economic recovery, Flytech received a series of large-scale projects from both domestic and international customers. One of the successful cases was providing hardware design services for a renowned domestic chain retailer. The retail chain was approaching an equipment upgrade period and aimed to enhance their checkout terminals while providing more convenient self-checkout services. Flytech's products are known for their sleek design and user-friendly features. They are capable of serving as both POS checkout systems and customer self-service checkout kiosks, which played a pivotal role in winning the project. By the end of 2022, we had completed the installation in all domestic stores and confirmed that the product met the customer's requirements. We expect that this new product design will bring users faster service and a more convenient shopping experience.

1-3-2 Customer-Centric Product Design

Flytech's product lines include Touch POS, Hybrid POS, Mobile POS, Panel PC, Box PC, KIOSK, other customized systems, Non-POS machines and Non-hardware cloud monitoring UEM Inefi software services...etc. By understanding customer needs and leveraging our expertise in the market, materials and design, we provide customers with products that offer better added values. One of the values provided is the reduction of electronic waste. As Flytech's products belong to the industrial computer field, their lifespan is typically around 5-7 years, which is significantly longer than typical consumer products (1-3 years). This allows us to offer customers more durable, long-lasting and high-quality products, and thus reducing global electronic waste. In fact, many of Flytech's customers have transitioned from purchasing consumer electronics to buying industrial computer products from us.

POS Terminal	Self Service Kiosk	Mobile POS	BOX PC	Panel PC	Software

1-3-3 Products Awards and Verification

Products designed by Flytech have received international recognition and awards. Our excellent design capabilities stem from our persistence in customer commitments, and also in response to customer expectations. Our vision is to be recognized as a leading authority in design, earning widespread acclaim for our ability to deliver impeccable solutions tailored to our customers' unique requirements. We aim to provide not just products, but the finest and most bespoke offerings that exceed customer expectations.

Product Design Capability

Flytech products have been recognized by world renowned awards such as iF Design Award, European Product Design Award, d&i Award and Red Dot Design Award.

International Standard Verification

High-quality products are derived from high-quality R&D, design and manufacturing production systems. In addition to all products that have passed the safety verification of the country where the customer is located, we obtained ISO 9001 verification in 1999, ISO 13485 verification in 2009. And also in 2021, we obtained IATF 16949 automotive industry quality management system verification, and created high-quality products with rigorous R&D and manufacturing processes. In addition to the quality management system, Flytech has obtained verification for various management systems including ISO 14001, ISO 45001, ISO 27001 for management system verification, and ISO 14064-1 for greenhouse gas management reporting. These verifications support a strong commitment to environmental, safety, health, occupational safety, information security, and greenhouse gas management in the product manufacturing and operational processes.

ISO 9001	ISO 14001	ISO 13485	ISO 27001	ISO 45001	IATF 16949	ISO 14064
1996/06	2001/07	2010/04	2013/06	2020/12	2021/12	2022/09
ISO 9001：2015	ISO 14001：2015	ISO 13485：2016	ISO 27001：2013	ISO 45001：2018	ISO 16949：2016	ISO 14064：2018
Quality Management System	Environmental Management System	Medical Quality Management System	Information Security Management System	Occupational Health and Safety Management System	Automotive Quality Management System	Organizational Level for Quantification and Reporting of GHG Emissions and Removals

chapter

Communication with Stakeholder

2-1 Stakeholder Identification and Engagement

Flytech's ESG Sustainability Committee identified six categories of stakeholders by analyzing the scope of internal and external operations, including customers, employees, suppliers, investors/media, government/academic units, community/NGO. In addition to communication channels such as meetings, visits, phone calls, emails, and online platforms like Teams, we also announced the contact person and information of various stakeholders on the official website, and strived to maintain ongoing dialogue and engagement with stakeholders to address their needs, expectations, and concerns. This included reviewing and improving internal management, providing feedback, taking appropriate actions, and demonstrating responsible corporate practices.

Stakeholder Category	Customers	Employees	Suppliers	Investors/Media	Government/Academic Units	Communities/NGO
Materiality	Flytech is committed to providing innovative and excellent products to customers. Tailoring high-quality products and offering swift after-sales service are essential to building long-term and trusted business relationships.	Employees are the cornerstone of the company. Flytech provides competitive salaries and benefits, cares for employees' physical and mental well-being, and established comprehensive educational programs to foster mutual growth and development alongside the employees.	Flytech regards suppliers as crucial partners and has established a comprehensive supplier management policy. We meticulously select manufacturers with excellent quality and reputation while maintaining a continuous commitment to green sustainability efforts.	External investors and media support are essential components of Flytech's sustainable operations. With a prudent business strategy and a well-structured corporate governance framework, Flytech seeks to gain more external support and trust.	Flytech is committed to adhering to the relevant regulations of the jurisdictions in which it operates. We also collaborate with local academic institutions to foster sustainable development in the community.	Corporate growth is closely related to local development. Flytech has established a foundation that, through technology education, support for vulnerable populations, and the promotion of arts and culture, drives local social development and embodies the concept of corporate giving back to the community.
Communication Channels/ Frequency	• Customers Service Survey/ Annually • Official Website Complaints Inbox/ Irregularly • Customer Meetings/ Irregularly • Phone, Email/Irregularly • Business Visits/Irregularly • Customer Visits/Irregularly	• Labor-Management Meetings/Quarterly • Internal Website Announcements/ Irregularly • Official Website Complaints Inbox/ Irregularly • Employee Satisfaction Survey and Conference/ Annually • Department Meetings/ Weekly, Monthly • Phone, Email/Irregularly	• Supplier Evaluation/ Quarterly • Official Website Complaints Inbox/ Irregularly • Supplier Meetings/ Irregularly • Phone, Email/Irregularly • Business Visits/Irregularly • Supplier Visits/Irregularly	• Shareholders' Meeting/ Annually • Official Website Complaints Inbox/ Irregularly • Institutional investor conference/Annually • Investor and Media Gatherings/Irregularly • Phone, Email/Irregularly • Business Visits/Irregularly	• Official Correspondences/ Irregularly • Information Session/ Irregularly • Phone, Email/Irregularly • Business Visits/Irregularly • Academic Institution Interviews/Irregularly • Government Inspections/ Irregularly	• Official Correspondences/ Irregularly • Phone, Email/Irregularly • Business Visits/Irregularly • Participating in events/ Irregularly • Meetings/Irregularly • Information Session/ Irregularly

This report also serves as one of the channels for engaging with stakeholders. Every year, we distribute questionnaires to understand the sustainability issues that concern our stakeholders. These issues are considered one of the sources for identifying material issues, and we respond to and explain them in the report.

We look forward to mutual efforts and expectations being understood through disclosure, communication, and feedback as we progress toward a better future together.

Questionnaires Returned 24	Questionnaires Returned 120	Questionnaires Returned 72	Questionnaires Returned 15	Questionnaires Returned 10
Customers	**Employees**	**Suppliers**	**Investors/Media**	**Government/Academic Units Communities/NGO**
Occupational Health and Safety	Labor Relations and Employee Benefits	Customer Commitment	Ethical Management and Transparent Financial Information	Diversity and Equal Opportunities
Product Innovation	Ethical Management and Transparent Financial Information	Ethical Management and Transparent Financial Information	Risk Management	Ethical Management and Transparent Financial Information
Customer Commitment	Talent Cultivation and Career Growth	Corporate Governance	Corporate Governance	Occupational Health and Safety
Human Rights Policy	Diversity and Equal Opportunities	Risk Management	Economic Performance	Labor Relations and Employee Benefits
Green Design and Sustainable Supply Chain Management	Occupational Health and Safety	Compliance Management	Occupational Health and Safety	Compliance Management
				Risk Management

Note: Government/Academic Institutions and Communities/NGO have a low response rate; therefore, their questionnaire responses are combined and counted together.

2-2 Material Issues Assessment Process

The company follows the GRI 3: Material Topics 2021 to determine the process for identifying significant sustainability issues related to the three major dimensions, economic, environmental, and social, through four essential steps.

Continuously Identify and Assess Impacts Determine Material Topics for Reporting

1 Understand organization's context

2 Identify actual and potential impacts

3 Assess the significance of the impacts

4 Prioritize the most significant impacts for reporting

2-2-1 Understand Organization's Context

Select 19 sustainable issues

The ESG Sustainable Development Committee initiates projects annually. In the fourth quarter of 2022, the committee's coordinating office convened members from various departments to understand the issues stakeholders commonly communicate and express concern about. They also examined the company's industry characteristics, operational scope, value chain relationships, and sustainability context. This assessment considered GRI standards, SASB guidelines, TCFD recommendations, industry trends, internal operational objectives, United Nations Sustainable Development Goals (SDGs), and past disclosures of sustainability information. As a result, they consolidated 19 sustainability issues that are most relevant to Flytech, compared to the previous year, where they presented different issues separately and excluded less relevant topics from this year's sustainability consideration. This approach aims to provide a more accurate reflection of the management outcomes related to sustainability issues.

Economic

Sustainable Operation and Corporate Governance

1. Corporate Governance
2. Risk Management
3. Ethical Management and Transparent Financial Information
4. Economic Performance
5. Product Innovation
6. Customer Commitment
7. Compliance Management

Environmental

Green Operation and Environmental Sustainability

8. Green Design and Sustainable Supply Chain Management
9. Green Operation
10. Climate Change Impact and Strategy
11. Energy Management
12. Greenhouse Gas Inventory Inspection and Product Carbon Footprint

Social

Co-prosper with Society and Friendly Workplace

13. Labor Relations and Employee Benefits
14. Diversity and Equal Opportunities
15. Talent Cultivation and Career Growth
16. Occupational Health and Safety
17. Human Rights Policy
18. Social Charity
19. COVID-19 Pandemic Management

Note: Detailed explanation for the change in issues are illustrated in 2-2-4 List of Material Issues

2-2-2 Identification of Actual and Potential Impacts and Assess the Significance of Impacts

Assess the Level of Impact and Materiality

1. Positive and negative impact level on Flytech

   The promotion office assessed sustainability risks or opportunities in operational activities, supply chain changes, and industry-specific requirements following SASB standards to evaluate each sustainability issue's potential and actual impacts on Flytech. Simultaneously, calculate both positive and negative impact levels. Levels of impact are determined by magnitude and scope and likelihood, with each factor scored on a 10-point scale. Multiply the scores of these two factors to obtain the positive impact level on Flytech and negative impact level on Flytech (impact level) scores. Higher positive scores or lower negative scores indicate a higher impact level. Positive and negative impact scores should not offset each other.

2. The materiality to the economy, environment and people

   Sustainable growth relies on the support and feedback of stakeholders. Flytech considers stakeholder input as part of the assessment of material issues. We distribute surveys on key issues to our six major stakeholders each year. Based on their responses and the importance they assign to various issues, we evaluate the impact on external economic, environmental, and societal factors. The average scores for each issue, weighted by stakeholders, are summed to determine the stakeholder-assessed score of sustainability issues concerning the materiality to the economy, environment, and people.

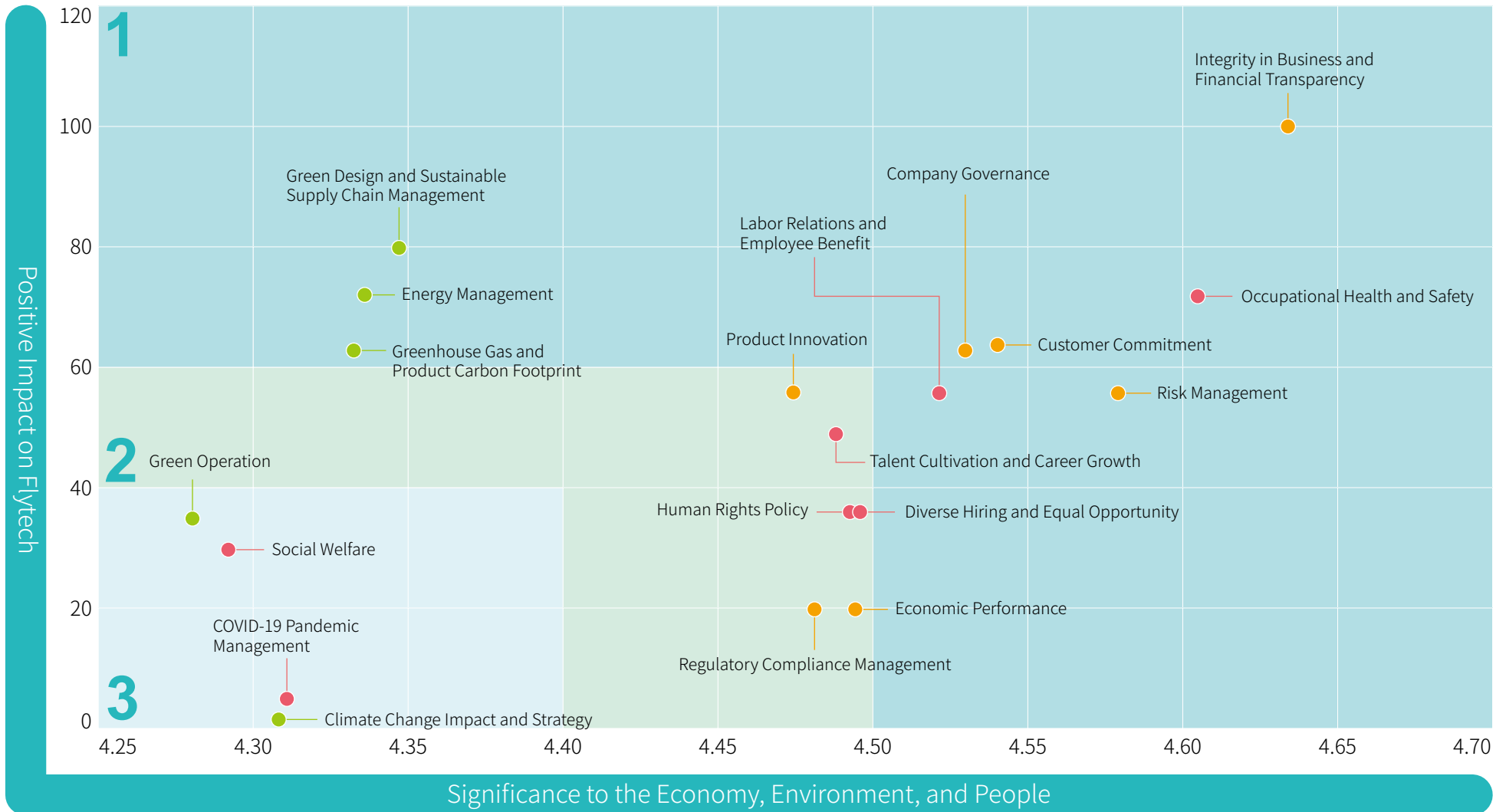## 2-2-3 Prioritize Reporting Order of the Most Significant Impacts

10 Major Material Issues

3 Voluntary Disclosures of Sustainability Issues

The promotion office created a matrix chart presenting the priority order of sustainability issues based on Level of Positive Impact on Flytech, Level of Negative Impact on Flytech, and Stakeholder-assessed Significance on the Economy, Environment, and People, which is then reviewed by the ESG Sustainability Committee, any issues that meet the threshold criteria for material issues include a score of 4.5 or higher in significance, a positive impact level score of 60 or higher, or a negative impact level score of -60 or lower (Zone 1). According to the statistical results, Zone 1 includes 10 material issues. After internal expert discussions, three sustainability issues, namely Product Innovation, Human Rights Policy, and Social Charity, were selected as voluntary disclosures among these material issues.

The matrix is divided into three zones, as indicated in the accompanying diagrams: Zone 1, labeled as "Very Important"; Zone 2, identified as "Moderately Important"; and Zone 3, denoted as "Not Important". Sustainability issues are further categorized into three primary dimensions: Sustainable Operation and Corporate Governance, Green Operation and Environmental Sustainability, and Co-prosper with Society and Friendly Workplace. These categories are distinguished by different colors.

Positive Impact Metrix

Positive Impact on Flytech (Y-axis)

Significance to the Economy, Environment, and People (X-axis)

- Integrity in Business and Financial Transparency
- Green Design and Sustainable Supply Chain Management
- Company Governance
- Labor Relations and Employee Benefit
- Energy Management
- Occupational Health and Safety
- Greenhouse Gas and Product Carbon Footprint
- Product Innovation
- Customer Commitment
- Risk Management
- Green Operation
- Talent Cultivation and Career Growth
- Social Welfare
- Human Rights Policy
- Diverse Hiring and Equal Opportunity
- Economic Performance
- COVID-19 Pandemic Management
- Regulatory Compliance Management
- Climate Change Impact and Strategy

- Sustainable Operation and Corporate Governance
- Green Operation and Environmental Sustainability
- Co-prosper with Society and Friendly Workplace

Negative Impact Metrix
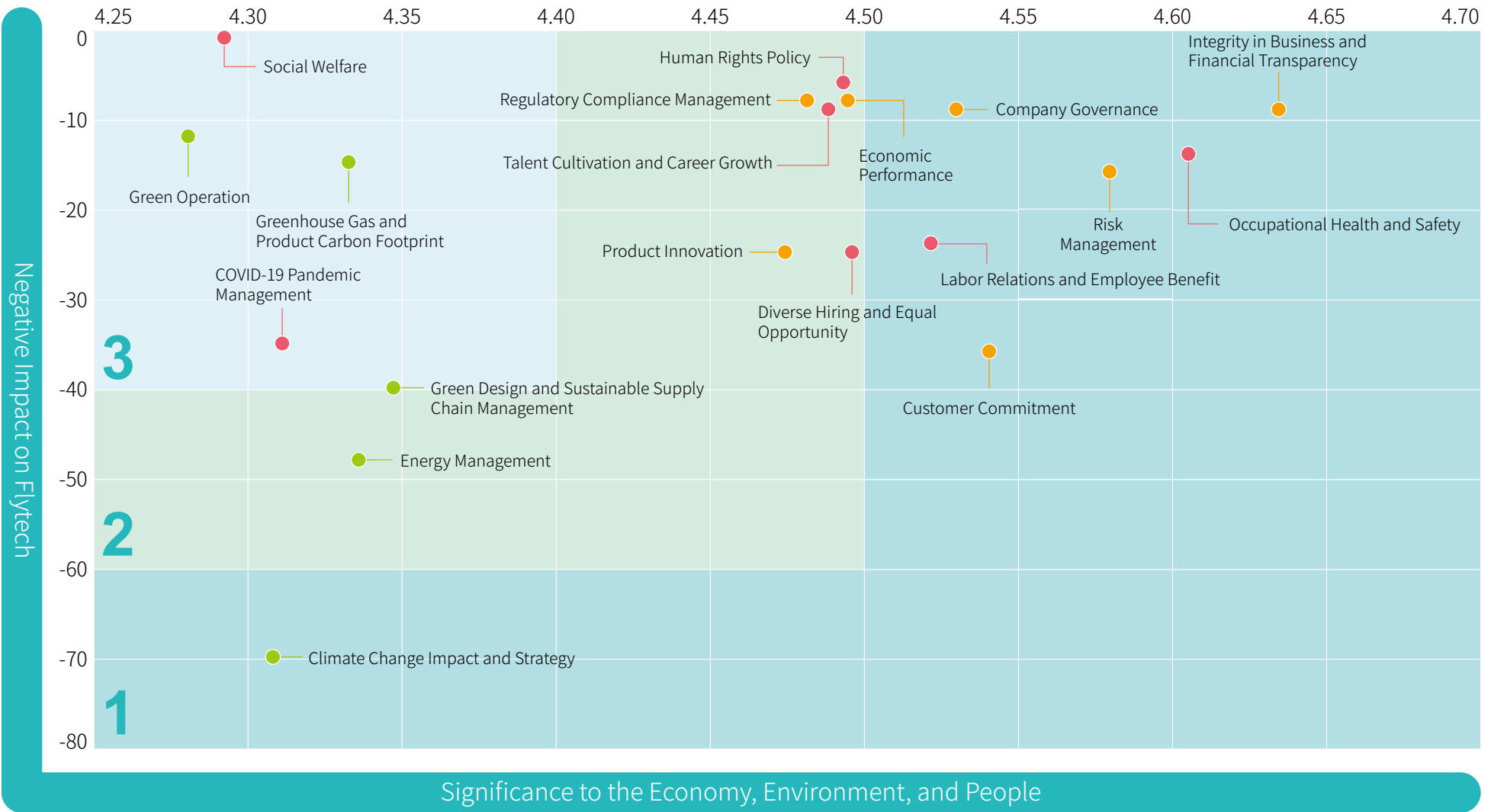
Negative Impact on Flytech

Significance to the Economy, Environment, and People

- Sustainable Operation and Corporate Governance
- Green Operation and Environmental Sustainability
- Co-prosper with Society and Friendly Workplace

Social Welfare
Green Operation
Greenhouse Gas and Product Carbon Footprint
COVID-19 Pandemic Management
Green Design and Sustainable Supply Chain Management
Energy Management
Climate Change Impact and Strategy
Human Rights Policy
Regulatory Compliance Management
Talent Cultivation and Career Growth
Economic Performance
Company Governance
Integrity in Business and Financial Transparency
Product Innovation
Diverse Hiring and Equal Opportunity
Labor Relations and Employee Benefit
Risk Management
Occupational Health and Safety
Customer Commitment

2-2-4 List of Material Issues

List and Changes

The ESG Sustainability Committee made a final decision to address ten material issues and three voluntary disclosure sustainability issues as listed below and enhance comprehensive reporting in this report. Key management policies and strategies will be formulated, and the effectiveness will be continuously monitored and evaluated through a tracking and assessment process to ensure progress toward annual goals. The sustainability issues list and explanations of changes are as follows:

2021		2022		Reason for Change
Material Issues	Materiality	Material Issues	Order of Priority/Change	
1. Governance Framework and Risk Management	2 Moderately important	1. Corporate Governance (Split)	1 Very important ↑	In recent years, corporate governance has become a more prominent issue, leading to higher levels of both impact and significance.
1. Governance Framework and Risk Management	2 Moderately important	2. Risk Management (Split)	1 Very important ↑	In recent years, risk management has become a more prominent issue, hence its higher materiality
2. Ethical Management and Transparent Financial Information	1 Very important	3. Ethical Management and Transparent Financial Information	1 Very important —	
3. Economic Performance	1 Very important	4. Economic Performance	2 Moderately important ↓	The company operates prudently and continues to be profitable, resulting in a lower impact level
4. Product Innovation and Customer Commitment	2 Moderately important	5. Product Innovation (Split)	2 Moderately important —	(Voluntary Disclosure) Considering that product innovation creates business opportunities and drives company revenue, it has a higher positive impact. Following discussions among internal experts, this issue has been included as a sustainability issue for voluntary disclosure.
4. Product Innovation and Customer Commitment	2 Moderately important	6. Customer Commitment (Split)	1 Very important ↑	Meeting customer commitments is a critical basis for sustainable operations, thus resulting in a higher impact level.
5. Compliance Management	1 Very important	7. Compliance Management	2 Moderately important ↓	The company has not experienced any significant regulatory violations in past years, resulting in a lower impact level.
6. Supply Chain Management/ 10. Green Operation and Green Products	2 Moderately important/ 2 Moderately important	8. Green Design and Supply Chain Sustainability Management (Merged)	1 Very important ↑	Environmental protection, which involves green design from the source and strengthening supply chain sustainability requirements, has become a highly focused and essential aspect in recent years, resulting in a higher impact level.
10. Green Operation and Green Products	2 Moderately important	9. Green Operation (Split)	3 Not important ↓	The company has been consistently investing in energy conservation, carbon reduction, and resource recycling, with no incidents of non-compliance with environmental regulations, resulting in lower materiality and impact. Green design is associated with the supply chain therefore combined into one issue.

2021		2022		Reason for Change
Material Issues	Materiality	Material Issues	Order of Priority/Change	
7. Climate Change Risks and Opportunities	1 Very important	10. Climate Change Impact and Strategy (Changed)	1 Very important —	
8. Energy Efficiency and Greenhouse Gas Management	1 Very important	11. Energy Management (Split)	1 Very important —	
8. Energy Efficiency and Greenhouse Gas Management	1 Very important	12. Greenhouse Gas Emissions and Product Carbon Footprint (Split)	1 Very important —	
11. Labor Relations and Employee Benefits	1 Very important	13. Labor Relations and Employee Benefits	1 Very important —	
12. Diversity and Equal Opportunities	2 Moderately important	14. Diversity and Equal Opportunities	2 Moderately important —	
13. Talent Cultivation and Career Growth	2 Moderately important	15. Talent Cultivation and Career Growth	2 Moderately important —	
14. Occupational Health and Safety	1 Very important	16. Occupational Health and Safety	1 Very important —	
15. Human Rights Policy	2 Moderately important	17. Human Rights Policy	2 Moderately important —	(Voluntary Disclosure) Since 2020, the company has passed the Human Rights Policy, which requires the parent company and subsidiaries to eliminate actions violating human rights. In addition to continuous internal advocacy and education, this policy requires suppliers to sign human rights commitments. Following discussions among internal experts, this issue has been included as a sustainability issue for voluntary disclosure.
16. Social Charity	1 Very important	18. Social Charity	3 Not important ↓	(Voluntary Disclosure) Since the establishment of the Flytech Foundation in 2015, our company has continuously given back to Taiwan through initiatives such as caring for the underprivileged, promoting technology education, fostering social innovation, nurturing talent, providing social services, and engaging in philanthropic activities. Following discussions among internal experts, this issue has been included as a sustainability issue for voluntary disclosure.
9. Wastewater and Waste Management (Removed)	2 Moderately important	19. COVID-19 Pandemic Management (Newly Added)	3 Not important	(Removed) Flytech's manufacturing process does not generate toxic wastewater or significant waste issues, therefore, '9. Wastewater and Waste Management' is not considered a sustainability issue for this year in 2021. (Newly added) Considering the significant impact of the COVID-19 pandemic on the overall economy, we added a new sustainability issue: 19. COVID-19 Pandemic Management.

2-3 Material Issues Boundaries

The promotion office convened internal experts to evaluate 10 major issues and 3 voluntary disclosures of sustainability issues one by one and discuss their impact on both internal and external aspects of the organization. The internal and external boundaries of the organization for each issue were as follows. These boundaries were approved by the ESG Sustainability Committee. The GRI Standards index table is provided in the final part if this report for reference.

● Can be fully disclosed in this report ◉ Can be partially disclosed in this report

Aspect/Material Issue Number	Boundary	Internal	External	
		Flytech	Subsidiaries Box (Note)	Suppliers
Economic Sustainable Operation and Corporate Governance	1. Corporate Governance	●	◉	
	2. Risk Management	●	◉	
	3. Ethical Management and Transparent Financial Information	●	◉	
	5. Product Innovation (Voluntary Disclosure)	●		
	6. Customer Commitment	●		
Environmental Green Operation and Environmental Sustainability	8. Green Design and Sustainable Supply Chain Management	●		◉
	10. Climate Change Impact and Strategy	●		
	11. Energy Management	●		
	12. Greenhouse Gas Inventory Inspection and Product Carbon Footprint	●		
Social Co-prosper with Society and Friendly Workplace	13. Labor Relations and Employee Benefits	●	◉	
	16. Occupational Health and Safety	●		◉
	17. Human Rights Policy	●	◉	
	18. Social Charity (Voluntary Disclosure)	●		

Note: Box Technologies Ltd. (hereinafter referred to as Box)

2-4 Material Issues and Value Chains

The promotion office convened internal experts to evaluate the scope of impact of the 10 material issues and 3 voluntary disclosures of sustainability issues on Flytech's value chain. After determining the impact levels of these 13 issues on Flytech and its upstream and downstream stakeholders, explanations and relevant content in line with GRI guidelines and international advocacy are provided and submitted to the ESG Sustainability Committee for approval.

● Direct impact ◉ Indirect impact

Aspect	Material Issues	GRI Standards and International Sustainability Initiatives	Upstream Supply Chain	Flytech Operation	Downstream Customers	Society Impact
Economic Sustainable Operation and Corporate Governance	1. Corporate Governance	GRI 2: General Disclosures - 3. Governance	◉	●	◉	◉
	2. Risk Management	GRI 403: Occupational Health and Safety TCFD: Climate-related Risks, Opportunities, and Financial Impact SASB: Material Sourcing	◉	●	◉	◉
	3. Ethical Management and Transparent Financial Information	GRI 2: General Disclosures- 3. Governance, 205 Anti Corruption	◉	●	◉	◉
	5. Product Innovation	GRI 416: Customer Health and Safety		●	●	
	6. Customer Commitment	GRI 416: Customer Health and Safety, GRI 418: Customer Privacy SASB: Product Lifecycle Management, SASB: Product Safety		●	●	
Environmental Green Operation and Environmental Sustainability	8. Green Design and Sustainable Supply Chain Management	GRI 308: Supplier Environmental Assessment, GRI 204: Procurement Practices, GRI 301: Materials SASB: Materials Sourcing	●	●	◉	
	10. Climate Change Impact and Strategy	GRI 302: Energy TCFD: Climate-Related Risks, Opportunities, and Financial Impacts	◉	●	◉	◉
	11. Energy Management	GRI 302: Energy TCFD: Climate-Related Risks, Opportunities, and Financial Impacts	◉	●	◉	◉
	12. Greenhouse Gas and Product Carbon Footprint	GRI 305: Emissions	◉	●	◉	◉
Social Co-prosper with Society and Friendly Workplace	13. Labor Relations and Employee Benefits	GRI 401: Employment, GRI 402: Labor/Management Relations		●		
	16. Occupational Health and Safety	GRI 403: Occupational Safety and Health	◉	●		◉
	17. Human Rights Policy	GRI 405: Diversity and Equal Opportunity GRI 406: Non-discrimination GRI 408: Child Labor GRI 409: Forced or Compulsory Labor	◉	●	◉	◉
	18. Social Charity	SASB: Social Charity Donation		●		●

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2-5 Material Issues Management Policy and Assessment

The ESG Sustainability Committee promotion office delegated the responsibility to the promotion office to convene meetings and communicate the material sustainability issues approved by the committee to the relevant departments. The relevant departments would analyze, discuss to establish management objectives, policies and operational procedures. The promotion office tracked internal goal achievements and gathered feedback from stakeholders to conduct ongoing performance evaluations. This included monitoring the effectiveness of management policies and procedures, and reviewing and improving them continuously. These efforts aimed to effectively address and respond to major issues and served as an important reference for the assessment of major issues in the annual report for the following year. The table below presents the major issues and management policies for the year 2022:

Material Issues	1. Corporate Governance 2. Risk Management 3. Ethical Management and Transparent Financial Information	SDGs
Report Chapters	Chapter 3	
Materiality	Integrity management is the most important key to sustainable governance. Establishing an effective governance structure and implementing operator responsibilities through risk management can enhance company value, avoid legal violations affecting operations and goodwill, and protect the rights and interests of shareholders and other stakeholders. Achieving the sustainable management vision of 'shared benefit, shared prosperity and shared well-being.'	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Management Policy	With the core governance concepts of transparency, openness, efficiency and compliance, we maintain a robust internal control system and related internal management procedures. We establish a risk control system and Integrity Management Promotion Team, while strengthening the functions of the board of directors and corporate governance. We complement this with an audit system to establish a sound governance framework.	
2023 Short-term Targets	1. Maintain the top 20% in corporate governance evaluation. 2. Continue to implement the business philosophy of integrity and honesty, abide by relevant laws and regulations, and maintain a record free of major litigation and penalties.	
2025 Goals	Continue to keep good performance.	

Material Issues	5. Product Innovation 6. Customer Commitment	SDGs
Report Chapters	Chapter 5	
Materiality	Product innovation is the core competitiveness of Flytech. We continue to develop innovative products that meet customer needs, and provide customers with the best technology, quality, delivery and services to expand the value of Flytech.	
Management Policy	1. Obtain diverse quality system certification to meet customer expectations and provide products of excellent quality. 2. Continuously monitor and reduce repair rate, as well as monitor and implement MTBF implementation. 3. Continue to research innovative technologies, and cooperate with customers to develop high value-added products for diverse applications, deepen cooperation with customers, and grow together.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
2023 Short-term Targets	1. Continue to implement ISO 9001, ISO 13485, and IATF 16949 quality management systems every year. 2. Repair rate AFR<0.9%, MTBF>60,000 hours. 3. Continue to develop Touch POS, Hybrid POS, Mobile POS, Panel PC, Box PC, KIOSK, and other new customized system products. 4. Conduct a customer satisfaction survey every year, with an average score exceeding 85 points, and continue to improve customer satisfaction scores.	
2025 Goals	1. Continue to implement ISO 9001, ISO 13485, and IATF 16949 quality management systems every year. 2. Continue to maintain the repair rate AFR<0.9%, MTBF>60,000 hours. 3. Conduct a customer satisfaction survey every year, with an average score exceeding 90 points, and continue to improve customer satisfaction scores.	

Material Issues	8. Green Design and Supply Chain Sustainability Management	SDGs
Report Chapters	Chapter 5, 6	
Materiality	To mitigate the impact on ecology and the environment, Flytech is developing low-carbon, energy-efficient new products and establishing a supply chain with high-quality, stable delivery that aligns with environmental policies. This is done to fulfill our social responsibility for environmental sustainability and gain recognition from our customers.	
Management Policy	1. Support local procurement to promote and uplift excellent local suppliers. 2. Through supplier rating and performance tracking, we ensure that suppliers prioritize environmental sustainability issues and comply with regulations. 3. Evaluate environmental and ecological design considerations, as well as energy-saving benefits, during the design phase. Prioritize the use of recyclable and environmentally friendly materials and integrate energy-saving design principles and software services into our new products.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS
2023 Short-term Targets	1. Local suppliers account for more than 90%. 2. 100% of the suppliers submit the Quality Acknowledgement Form, and 70% of suppliers sign the Environmental Protection, Prohibited Substances, and Carbon Reduction Commitment Declaration, Corporate Social Responsibility and Integrity Commitment, and sign/issue the Conflict Minerals Non-Usage Policy Statement. 3. 100% of automotive suppliers comply with ISO 9001 and 14001 standards. 4. Evaluate the use of recycled plastics for some plastic materials. 5. Motherboard power design aims to improve efficiency and reduce energy consumption.	
2025 Goals	1. Local suppliers account for 90% of the procurement amount. 2. Continue to increase the proportion of suppliers signing ESG-related commitments/statements. 3. Maintain 100% automotive suppliers in compliance with ISO 9001 standards. 4. 30% of suppliers have obtained ISO 9001 or 14001 or 45001 verification. 5. Increase the use of environmentally friendly sustainable materials. 6. Continue to develop new products with energy-saving design.	

Material Issues	10. Climate Change Impact and Strategy 11. Energy Management 12. Greenhouse Gas and Product Carbon Footprint	SDGs
Report Chapters	Chapter 3 and 6	
Materiality	The impact of climate change is an essential issue that humanity and businesses must address for sustainable development. Flytech has identified risks and opportunities and actively managed them to pursue environmental management objectives for green operations continuously. To achieve the national policy goal of net-zero emissions by 2050, Flytech has implemented energy-saving management and started calculating greenhouse gas emissions and product carbon footprints. By analyzing these results, we are controlling and reducing carbon emissions from our operations, minimizing our climate impact, and setting an industry-leading example of responsibility.	
Management Policy	Establishing a greenhouse gas management platform, system, and reduction plan. 1. Conducting an annual ISO 14064-1 greenhouse gas inventory system, effectively managing greenhouse gases, improving energy efficiency, and gradually including subsidiary companies in the inventory process. 2. The board of directors serves as the highest governance body to supervise the implementation of climate change adaptation strategy. 3. Implement the greenhouse gas management system and gradually increase the collection and calculation of product carbon footprints in accordance with ISO 14067.	7 AFFORDABLE AND CLEAN ENERGY 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION
2023 Short-term Targets	1. Conduct ISO 14064-1 inventory and verification every year to properly manage greenhouse gases and improve energy efficiency. 2. Report to the board of directors on the status of greenhouse gas inventory and corresponding measures on a quarterly basis. 3. Establish a systematic greenhouse gas management platform, implement ISO 14067 product carbon footprint assessments and obtain verification. 4. Decrease the annual total electricity consumption at the Neihu headquarters by 1%. 5. Decrease the annual average electricity consumption at the Linkou plant by 1%. 6. Decrease the overall greenhouse gas emissions per unit of production by 1% each year.	
2025 Goals	1. Continue to implement ISO 14064-1 verification every year and provide guidance to all subsidiaries to introduce ISO14046-1 system for consolidated financial report for inventory. 2. Decrease carbon dioxide emissions by 5% compare to 2021. 3. Reduce electricity consumption per unit of output by 3% compare to 2021.	

Material Issues	13. Labor Relations and Employee Benefits	SDGs
Report Chapters	Chapter 4	
Materiality	Employees are the company's most valuable assets and the most essential stakeholders. Flytech provides competitive compensation and benefits and fosters a harmonious work environment by listening to employee suggestions and showing care and support.	
Management Policy	1. With a focus on improving employee retention, we regularly review and ensure that our salary and benefits are competitive in the market. We listen to employees' opinions, care about their daily well-being, and strive to provide an excellent and attractive workplace. We also ensure there are no labor inspection disputes. 2. Provide diverse channels for job applications and create a gender-friendly, non-discriminatory work environment that respects human rights and accommodates individuals with disabilities. We have smooth promotion channels with no discrimination.	8 DECENT WORK AND ECONOMIC GROWTH
2023 Short-term Targets	1. Conduct town hall meetings and employee satisfaction surveys to create a communication channel between senior executives and colleagues and continuously improve issues and feedback raised by colleagues. 2. Maintain the record of no major disputes and penalties. 3. Reach 80% in the year's retention rate for seed talent (management associate). 4. The proportion of female supervisors reaches 33%. 5. Enhance the employer image to continuously attract top talent, resulting in a 15% increase in the proportion of employees with master's degrees or higher.	
2025 Goals	1. Increase employee retention rate by 10%. 2. Improve employee satisfaction by 20%. 3. Female supervisors account for 35%. 4. Establish a comprehensive succession planning program. 5. Maintain the record of no major disputes and penalties.	

Material Issues	16. Occupational Health and Safety	SDGs
Report Chapters	Chapter 4	
Materiality	Safety, Environmental Protection, and Sustainability are Flytech's policies for maintaining environmental and occupational health and safety. In addition to complying with environmental and occupational health and safety regulations, Flytech is also ISO 45001 verified to prevent occupational injuries and diseases among employees and supplier personnel within the facilities, promoting a culture of workplace safety.	
Management Policy	1. Identify major environmental impacts and establish environmental safety and health goals every year, and review the achievement status. 2. Continue to implement occupational health and safety education and promotion. 3. Conduct emergency response drills. 4. Prioritize employee health.	8 DECENT WORK AND ECONOMIC GROWTH
2023 Short-term Targets	1. Continuously implement ISO 14001 Environmental Management and ISO 45001 Occupational Safety and Health Management System, including internal and external personnel. 2. Maintain the record of no major disciplinary matters or disputes. 3. Prevent and control notifiable infectious diseases to be lower than the average published by the CDC. 4. Maintain a less than 0.5% of recordable occupational hazard rate among employees. 5. Set up facial recognition access control.	
2025 Goals	1. Continue to maintain the record of no major occupational safety and health incidents. 2. Continue to maintain the record of no major penalty matters or disputes. 3. Control the cases of notifiable infectious diseases to be below the CDC's published average. 4. Maintain a less than 0.5% of recordable occupational hazard rate among employees.	

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Material Topics	17. Human Rights Policy	SDGs
Report Chapters	Chapter 4	
Materiality	Safeguarding human rights is a universal value, and Flytech respects the human rights of our internal employees and external stakeholders. We internalize these commitments into our corporate culture and business relationships to uphold our human rights policy.	
Management Policy	1. Continue to implement Flytech's human rights policy and education promotion. 2. Continue to implement ISO 45001 Occupational Safety and Health Management, providing a safe and healthy workplace that promotes physical and mental well-being. 3. Integrate human rights protection to the company's human rights policies. 4. Provide a complaint channel and a whistleblowing email.	8 DECENT WORK AND ECONOMIC GROWTH
2023 Short-term Targets	1. Continue to maintain the record of no major penalty matters or disputes. 2. Continue to enforce the policy of prohibiting child labor and no forced labor, avoid workplace sexual harassment, and provide a safe, healthy, and balanced work environment. 3. Promote diversity, non-discrimination, and equal opportunities in human resource recruitment and management. 4. Ensure grievance channels are accessible.	
2025 Goals	1. Continue to maintain the record of no major penalty matters or disputes. 2. Continue to prohibit child labor and forced labor, avoid workplace sexual harassment, and provide a safe, healthy, and balanced work environment. 3. Promote diversity, non-discrimination, and equal opportunities in human resource recruitment and management. 4. Ensure grievance channels are accessible.	

Material Topics	18. Social Charity	SDGs
Report Chapters	Chapter 7	
Materiality	Taiwan has provided an excellent foundation for Flytech's nurturing. We firmly believe the company's growth is closely linked to the nation's development. Therefore, we have established the Flytech Foundation to engage in public charity service. Through three main dimensions of activities, technology education, care for the underprivileged, and promotion of arts and culture, we aim to implement the concept of corporate giving back to society, make a more significant impact, and contribute to the improvement of society.	
Management Policy	Flytech consistently organizes four significant events: Flytech Charity Day, Scholarships, Flytech Career Camp, and the Design for Taiwan workshop. These events have garnered increasing popularity. Additionally, Flytech actively upholds its social responsibility through the Flytech Loves Charity Club.	4 QUALITY EDUCATION
2023 Short-term Targets	1. Continue to organize charity events every two months. 2. Continue to offer Excellence and Diligence Scholarship and awarding them to over 30 recipients. 3. Organize two sessions of Flytech Career Camp, with a total of 50 student participants. 4. Target cumulative participation numbers for Design for Taiwan: 80 participants in courses, 6,000 exhibition visitors, 15 project submissions, and lead DFT participants on exchange visits to the United States.	
2025 Goals	1. Continue to organize the four major events on a regular basis. 2. Expand our social impact by increasing the number of company and group employees participating in philanthropic activities. 3. Combine Design Thinking and company domain study to increase the number of employees engaging in activities that stimulate students' thinking.	

Corporate Governance and Risk Management

2022 Highlights

6%~20% — Five consecutive years in corporate governance evaluation.
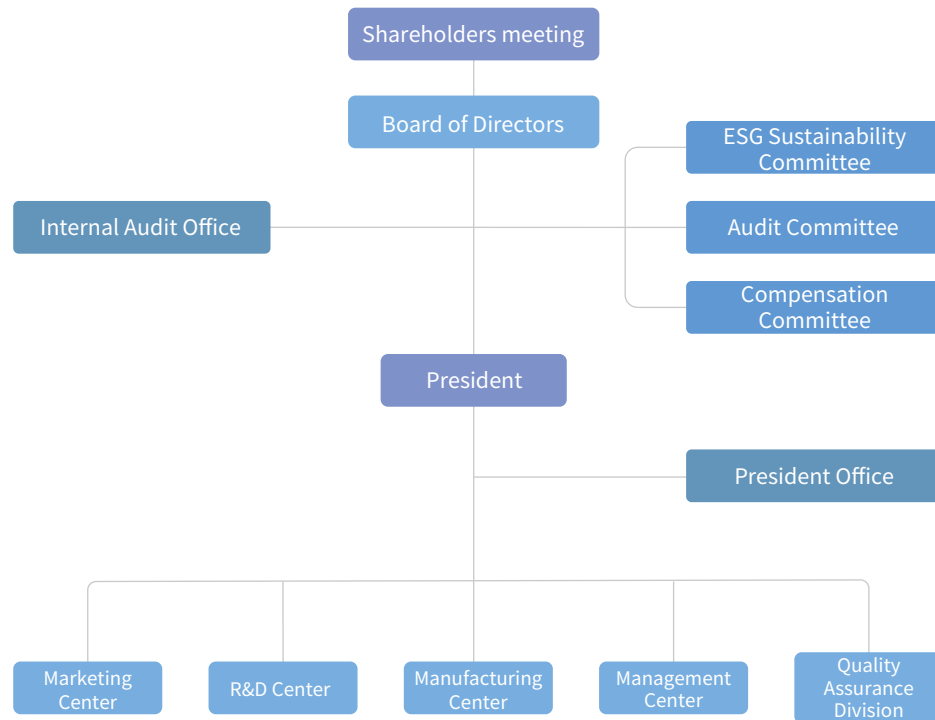
11th place — 2022 "Excellence in Corporate Social Responsibility" in Medium Enterprise group.

>80% — Stock dividend rate since 2013.

3-1 Corporate Governance

```
Shareholders meeting
        |
Board of Directors ──────── ESG Sustainability Committee
        |                    Audit Committee
Internal Audit Office ────── Compensation Committee
        |
    President
        |
                  ────── President Office
        |
Marketing Center | R&D Center | Manufacturing Center | Management Center | Quality Assurance Division
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Flytech deeply understands that corporate governance is the core of sustainable business operation. A sound governance framework, characterized by transparency, openness, efficiency, and compliance, helps ensure effective management and establishes a robust supervisory mechanism to enhance operational performance and market competitiveness. By establishing and implementing corporate governance systems, we not only safeguard the rights of shareholders but also consider the common interests of employees, customers, investors, suppliers, communities, and relevant non-profit organizations, fostering a mutually beneficial and win-win relationship.

According to Corporate Governance 3.0 -Sustainable Development Roadmap issued by Financial Supervisory Commission, ROC(Taiwan), Flytech started from five key initiatives to build the governance structure of the company and the subsidiary, which are

enhancing information transparency and promote sustainable operations, strengthening communication with stakeholders and create effective interaction channels, encouraging stewardship and align with international norms, and deepening a corporate culture of sustainable governance and provide diversified products. The highest governance body is the board of directors. Flytech has set up a corporate governance director, an audit committee and a compensation committee to jointly assist the board of directors in a more in-depth and complete governance process.

In terms of practical implementation, we developed internal control systems based on risk assessments. Our internal control system includes nine operational cycles, management regulations, accounting systems, budget systems, intellectual property management systems, personal data management systems, ISO standard operating procedures, standard operating procedures (SOPs), and SAP ERP system. Through the delegation of decision-making authority and hierarchical authorization of employees at different levels, each employee performs their duties and responsibilities. The internal audit unit supervises the implementation of internal control systems. As a subsidiary, Box established decision-making authority restrictions for each operational cycle as the central axis of internal control management. Additionally, we have established both Chinese and English official websites to disclose corporate governance-related information, including the Board of Directors, management team, important regulations, internal audit organization, financial statements, shareholder meeting materials, and conference call information. These measures assist Flytech in achieving operational performance targets, safeguarding asset security, ensuring timely and reliable financial reporting, transparency, full compliance with relevant laws and regulations, and promoting effective corporate governance.

Flytech's governance achievements are also reflected in the results of the regulatory authority's Corporate Governance Evaluation. In 2022, for the fifth consecutive year, our company achieved a good performance ranking within the 6-20% range of all listed companies. Also, we ranked in the top 6%-10% among listed companies with a market capitalization of 5 to 10 billion. Following our impressive 8th place ranking in the Small Giant category of the 2021 CommonWealth Magazine Corporate Citizen Awards, in 2022, we took on the Medium Size Enterprise category and proudly achieved the 11th position.

For more details regarding the Board of Directors, Integrity Operation Promotion Team, functional committees, Corporate Governance Officer and internal audit operations, please refer to the following explanations.

3-1-1 Board of Directors

Operation of the Board of Directors

According to our company charter, a board of seven directors is established, each serving a three-year term. The nomination process is based on a candidate nomination system, with shareholders (investors) selecting directors from the list of director candidates. In July 2021, the shareholders' meeting elected the 12th board of directors. The board of directors nominated the new directors (as no shareholder holding more than 1% of the shares made nominations in this term). Since the board of directors serves as the company's highest governing body, the selection of nominees considers their basic qualifications and the diverse professional capabilities that all stakeholders are concerned about. The 12th board of directors continues the composition structure of the previous term, including three independent directors and one female director. In 2022, the board held seven meetings and conducted all related operations in accordance with the Board Meeting Rules of our company. The head of internal audit attended all the meetings, and no agenda items required recusal. In terms of attendance, except for one director who could not return to the country due to COVID-19-related isolation and another director who delegated attendance due to a business trip, the attendance rate of the other directors (including all independent directors) was 100%. They actively participated in discussions and carried out their duties without opposition or reservations on the agenda items.

Board Diversity, Professionalism, Collective Intelligence and Member Introduction

The composition of the 12th Board of directors of the company is diverse in gender and professional background. They have their own strengths in business judgment, financial and accounting analysis, business management, crisis management, industrial experience, international market perspective, leadership, decision-making ability, etc. They hold master's degrees or above, or they are professional executives from listed companies. Each director is equipped with comprehensive professional competence to discuss, evaluate, and make decisions on board matters. Furthermore, every year, all directors, under the planning of the corporate governance department, allocate at least 6 hours of diversified training beyond their own expertise. Relevant operations are handled in accordance with the Company's Rules of Procedure for the Board of Directors, Rules Governing the Scope of Powers of Independent Directors and relevant laws and regulations. For detailed information about each director's professional background and introductions, please refer to pages 11 to 16 of the 2022 Annual Report. For information about professional development, please see page 44 of the Annual Report.

There are no conflicts of interest among the members of the Board of Directors.

The 12th Board of Directors comprises seven members, including three independent directors. Among the remaining four directors, the Chairman of the Board does not hold any executive position within the company. Two directors also serve as the company presidents, which is considered a reasonable arrangement for senior management to participate in board governance. The three independent directors hold positions in other companies. Still, these roles do not involve significant financial transactions with our company. The four non-independent directors also hold positions in other companies, all subsidiaries within the group. All directors do not have cross-shareholding relationships with suppliers or other stakeholders. Apart from two significant company shareholders, the remaining directors do not hold controlling shares. Please refer to pages 11-12 of the 2022 Annual Report for detailed information on director shareholdings.

In terms of the system, Article 15, System for Avoidance of Directors' Interests of the Rules of Procedure for the Board of Directors, stipulates the following. And there were no cases in the 2022 7th Board of Directors where directors had to recuse themselves from deliberating on specific agenda items.

1. Directors who have conflicts of interest with any agenda items at the meeting or with any legal entities they represent shall explain the essential details of their conflicts of interest during that board meeting. Suppose there is a potential harm to the interests of the company. In that case, they may state their opinions and respond to inquiries but refrain from participating in the discussion and voting. They should recuse themselves from both discussion and voting and are not allowed to act on behalf of other directors in exercising their voting rights.
2. The spouses, blood relatives within the second degree, or companies in a controlling or subordinate relationship with directors are considered to have conflicts of interest if they are related to the matters discussed in the aforementioned meetings, and it is treated as a conflict of interest for the directors themselves regarding those matters.
3. The resolutions of the Board of Directors of the Company shall be handled in accordance with the provisions of Article 206, Paragraph 4 and Article 108, Paragraph 4 of the Company Act regarding directors who are not allowed to exercise their voting rights according to the provisions of the preceding two paragraphs.

Board of Directors Communication on Key Significant Events

Our company's website includes a section for stakeholders and a complaint mailbox. Stakeholders can communicate with senior management level or above through channels such as email or phone (please refer to Chapter 2-1, Stakeholder Identification and Engagement List). When senior management receives feedback from stakeholders, they first assess the issue's significance. Non-significant matters are addressed directly or discussed in meetings for a response, and records are kept for internal improvement references. If it's a significant issue, it will be reported to the General Manager and discussed in the monthly VP meeting to decide whether it should be reported to the Board of Directors. In 2022, our communication with stakeholders went smoothly, and there were no significant complaint incidents or key significant matters requiring reporting to the Board of Directors. The results have been summarized for the March 2023 Board report.

Performance Assessment

The company has established the Measures for the Performance Evaluation of the Board of Directors. At the end of each year, the performance evaluation of the board members and the overall operation of the board of directors will be carried out, including the self-evaluation of the board members on six major dimensions (comprehension of the company's goals and tasks, directors' responsibilities, awareness of the company's operations, internal relationship management and communication, professional and continuing education of directors, internal control etc.). The overall rating of the board of directors is compiled by the president's office and reported to the board of directors in the first quarter of the following year. The evaluation result for the year 2022 exceeded 90 points, indicating an excellent performance (please refer to pages 25-26 of the 2022 annual report for detailed information). In 2022, the company continued its successful financial performance without losses, and it demonstrated excellence in governance and compliance with no significant legal disputes. These results have been presented in the March 2023 board report.

Communication Between Independent Directors, CPAs and Internal Auditor

The company's internal audit supervisor communicates with the independent directors through the quarterly regular audit committee and irregular outside meetings. The communication covers audit plans, audit results and other important matters, so as to assist independent directors in fulfilling their duties and promote more efficient board operations. Additionally, meetings are arranged with the financial statement auditors to report on the audit results of the company and subsidiaries' financial reports, findings from internal control system audits, updates on regulations, and recommendations for compliance at least twice a year. These meetings also provide an opportunity to discuss and understand the company's operational overview and significant matters. For details on communication activities in 2022, please refer to pages 28-29 of the 2022 annual report.

3-1-2 Audit Committee

We set up an audit committee in 2018, which was composed of all independent directors. After the 12th board of directors was re-elected by the shareholders' meeting in 2021, all audit committee members elected independent director Hsieh, Han Chang as the convener. All audit committee members are highly educated and have extensive professional experience. Please refer to the introduction of the members of the board of directors for details. The relevant operations are handled in accordance with the company's Organizational Regulations of the Audit Committee and relevant laws and regulations. There had been five meetings in 2022, and the attendance rate of all members was 100%. There were no oppositions or reservations to the proposal. This committee aims to assist the board of directors in overseeing the quality and integrity of the company's actions related to accounting, auditing, financial reporting processes, and financial controls. Matters under consideration include:

1. Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of the internal control system.
3. Formulate or amend the regulations for major financial and business acts of Acquisition and Disposal of Assets, Engaging in Derivative Commodity Transactions, Loaning of Company Funds, or Endorsements and Guarantees in accordance with Article 36-1 of the Securities and Exchange Act.
4. Matters involving the interests of directors themselves.
5. Significant asset or derivative product transactions.
6. Significant Loaning of Company Funds, Endorsements and Guarantees.
7. Raising, issuing or private placement of equity securities.
8. Appointment, dismissal or remuneration of CPAs.
9. Appointment and removal of financial, accounting or internal audit supervisors.
10. The annual financial report signed by the chairman of the board, the manager and the accounting supervisor, and the Q2 financial report that needs to be audited by CPAs.
11. Other major matters stipulated by the company or the competent authority.

The key focus areas of the Audit Committee in 2022 included reviewing the 2021 consolidated and individual financial reports, the consolidated financial reports for the first, second, and third quarters of 2022, assessing the effectiveness of the design and implementation of internal control systems. Reviewing the establishment of significant equity investments in subsidiaries, reviewing cases involving guarantees issued by subsidiaries, evaluating the independence of the auditors providing financial statement certification, reviewing matters related to public expenses. Please refer to pages 28-29 of the 2022 annual report for detailed information.

3-1-3 Compensation Committee

We set up a compensation committee in 2011. After the election of the 12th Board of Directors at the 2021 Shareholders' Meeting, three independent directors were appointed as the 5th compensation committee, with Independent Director Han-Chang Hsieh being elected as the convener. The three committee members possess high academic qualifications and extensive professional experience. For detailed information, please refer to the Board of Directors' profiles. The committee's operations are conducted in accordance with our company's Compensation Committee Organizational Rules. In the year 2022, the committee held three meetings, and the attendance rate of all members was 100%. There were no objections or reservations regarding the agenda. The compensation committee aims to fulfill the following duties with due care as a responsible body to the Board of Directors. The committee also submits its recommendations for discussion by the Board of Directors:

1. Regularly review the charter and propose amendments as necessary.

2. Establish and periodically review the performance evaluation criteria, annual and long-term performance goals for directors and executives, as well as the policies, systems, standards, and structures for compensation. Disclose the content of the performance evaluation criteria in the annual report.

3. Periodically evaluate the achievement of performance goals by directors and executives, and based on the evaluation results derived from the performance evaluation criteria, determine the content and amount of individual compensation. Disclose the individual performance evaluation results, content, and amount of compensation, and the correlation and reasonableness with the performance evaluation results in the annual report and shareholders' meeting report.

Compensation Policy for Top Governance Unit and Senior Management Level

1. Director's Compensation

Compensation of directors includes annual salaries and attendance allowances. The attendance allowance is a fixed amount. The total amount of director's compensation is based on the principle outlined in Flytech's Company Charter, which states that if the company is profitable in a year, 3% to 15% should be allocated for employee compensation, and not more than 3% for director's remuneration. The HR department determines the individual remuneration amounts for each director based on performance assessments completed by the President's Office in accordance with the Director's Performance Assessment Method. According to the Compensation Committee Organizational Regulations, these amounts are then submitted to the Compensation Committee and the Board of Directors for approval before disbursement. For details on the performance assessment method, please refer to page 26 of the 2022 Annual Report.

2. Senior Management Level

Compensation for senior executives includes fixed salaries, year-end bonuses, and employee remuneration. The standards for fixed salaries are determined by the HR department based on the job responsibilities of each position, following the Title and Grade Management Regulations, Salary and Bonus Management Regulations, and the Compensation Committee Organizational Regulations. These standards also consider industry salary benchmarks to establish a reasonable compensation structure. The proposals are then submitted to the Compensation Committee and the Board of Directors for approval. Year-end bonuses are calculated based on two months as a baseline. The total amount allocated for employee compensation follows the same principle mentioned earlier, where 3% to 15% of annual profits are distributed. The HR department assesses each senior executive's achievement rates of annual Key Performance Indicators (KPIs). Based on this assessment and following the Compensation Committee Organizational Regulations, the proposed compensation is submitted to the Compensation Committee and the Board of Directors for approval before disbursing.

The company's compensation committee regularly reviews the reasonableness of its compensation policies, systems, standards, and structures each year. There is no involvement of external consultants or stakeholders in this process.

3-1-4 Ethical Corporate Management

Flytech implements responsible business practices through the following *4* points:

1. Ethical Corporate Management Promotion Team

Since its establishment, Flytech has always adhered to the principle of Ethical Corporate of decent management, focus on the industry, abide by laws and regulations, fair trade, innovative products, anti-corruption and anti-bribery, proper management of intellectual property, and prudent protection of company assets. These principles form the foundation of our responsible business conduct policy and serve as the governance goal for all subsidiaries within the group. Flytech has established internal regulations including Ethical Corporate Management Principles and Ethical Corporate Management Operation Procedures and Guidelines, which specifically regulates the practice of ethical corporate management, the definition of dishonest behavior, the regulations to be followed when offering, receiving, and promising benefits, internal publicity, assessment reward and punishment, appeal system and other norms. Flytech has set up the Ethical Corporate Management promotion team as a special unit in accordance with the guidelines, which is subordinate to the board of directors and is responsible for regularly evaluating high-risk business activities, revise, implement, interpret the rules and guidelines, and provide consultation and supervision to prevent dishonest acts from harming the rights and interests of stakeholders and the company's goodwill. The company has also formulated the Whistleblower Reporting Procedures in accordance with the guidelines, which include mechanisms for (anonymous and identified reporting), confidentiality, appeal, review, recorded information disclosure. The administrative team is responsible for promoting/receiving/managing/recording. The preliminary review team is responsible for preliminary investigation, and the review team is responsible for reviewing and determining the handling method by the president/all independent directors/company governance supervisor. The company's official website and intranet both have a reporting mailbox, providing stakeholders with a channel for complaints. For communication channels and frequencies, please refer to the list in Chapter 2-1 Stakeholder Identification and Engagement. In the year 2022, there were no significant complaints from internal or external stakeholders.

The Ethical Business Promotion Team regularly conducts internal promotion and advocacy to continually emphasize the importance of ethical behavior and adherence to the relevant rules. In 2022, Flytech organized training sessions related to ethical business issues for employees, including both current staff and new recruits. The training program covered topics such as ethical corporate management regulation, ethical corporate management operating procedures and behavior guidelines, internal control system, case study of violation of ethical corporate management, etc. The training duration followed the principle of one person-hour per session. The promotion team reports to the Board of Directors regularly, typically in the first quarter of each year. Since the establishment of the promotion team, no significant incidents impacting the company's ethical business conduct have been reported. The company's ethical business performance for the year 2022 was included in the March 2023 Board of Directors report. During 2022, neither the company nor its subsidiaries experienced any significant events or fines related to violations of social and economic regulations. Furthermore, no instances of anti-competitive behavior, anti-trust actions, or monopolistic practices were recorded.

2. Financial Transparency

As a listed company, Flytech publishes monthly consolidated revenue, quarterly consolidated financial reports, annual consolidated and individual financial reports in both Chinese and English, as well as the annual shareholder report in Chinese and English. This financial information is disclosed in accordance with legal regulations and made available on the MOPS (Market Observation Post System) and our official website, demonstrating our commitment to transparency and providing stakeholders with sufficient and accurate information. Since our establishment, we have never restated financial reports or been subject to penalties.

3. Related Party Transaction Management

Flytech has established the Transaction Management Measures for Group Enterprise Companies, Specific Companies and Related Persons, Management Measures for the Operation of Investment Companies, Approval Authority List and Subsidiary Approval Authority List for managing subsidiaries. The management standard of the group company and the hierarchical authorization method of different transaction amounts can effectively control the transaction and operation management of the company and its subsidiaries, including Poindus and Box, so as to eliminate the risk of dishonesty operation.

4. Prevent Insider Trading

Flytech has established internal material information processing procedures, which are applicable to directors, managers and employees, and regulated the confidentiality firewall (people and things) of material information, information collection, countersignature, review, and release responsible units and operating procedures. This ensures that any information publicly disclosed by our company has undergone appropriate approval procedures, is accurate, complete, and compliant with legal requirements, and is free from any insider trading activities.

3-1-5 Corporate Governance Department and Supervisor

The board of directors is the highest unit of corporate governance of Flytech, and the sustainability management promotion team under the ESG Sustainability Committee is the executive unit. In 2019, the Board of Directors approved that the CFO should also serve as the supervisor of corporate governance, being responsible for supervising the sustainability management promotion team composed of the president's office and the corporate center, handling matters related to the meetings of the board of directors and shareholders' meetings, preparing minutes of the board of directors and shareholders' meetings, assisting directors in their appointment and continuous education, and providing directors with information required for business execution, assisting directors in complying with laws and regulations and other matters stipulated in the company's articles of association or contracts, arranging meetings of directors and internal audit supervisors and CPAs to understand the company, scheduling meetings of directors of various business divisions and directors of the company to understand the company, reviewing operations and corporate governance related laws and regulations. In addition to assisting the board of directors in fulfilling their duties, the Corporate Governance Officer and the Sustainability Promotion Team have another important responsibility, which is to gather, formulate, and promote various policies related to corporate governance. They assess the risks that may affect corporate governance and sustainable business environment, and drive improvement initiatives to promote the implementation of corporate governance and integrity in business operations.

3-1-6 Internal Control System and Internal Audit

Internal Control System

The company has established an internal control system through a risk assessment process, which includes sales and receivables, procurement and payments, production and manufacturing, payroll, investments, financing, fixed assets, research and development, and nine major cycles of information processing. In addition, there are management regulations, accounting systems, budget systems, intellectual property management systems, personal data management systems, compliance with ISO 9001/13485/14001/45001/27001 standards, SOPs and ERP control systems that support the execution details within the framework of the nine major cycles. The daily operations are carried out and supervised by various departments in accordance with the aforementioned regulations and authorization system. The effectiveness of the system is periodically evaluated through self-assessment of internal controls to ensure continuous improvement and the implementation of corporate governance.

Internal Audit

The internal audit office of the company is directly subordinate to the board of directors, and its main function is to assist various departments to understand whether their business complies with laws and regulations, company regulations and operational management performance, so as to continuously review preventive improvement measures and optimize directions, and assist the board of directors with due diligence in corporate governance.

The audit methods include regular audits and project audits. Regular audits are based on factors such as relevant laws and regulations, past audit frequency, past anomalies or deficiencies, and factors such as risk assessment, operation mode, and organizational status. The risk value is calculated and the audit plan is scheduled for execution. For specific needs or major exceptions, project audits are carried out at any time.

In addition to communicating with the inspected unit to confirm and discuss improvement measures, the audit results or abnormal findings should be regularly reported to the independent directors and the board of directors; the internal audit unit should also review the annual internal control self-assessment results of each operating department, and check the audit report to confirm the effectiveness of the internal control design and whether the actual operation is in compliance with the system, and the design and implementation of the internal control system. The company defines significant compliance violations as those involving fines exceeding NTD 100,000 or litigation events. In the year 2022, there were no significant violations or penalties related to economic, environmental, social compliance, or litigation. The design and execution of internal control systems in the current year did not reveal any significant anomalies and were deemed effective.
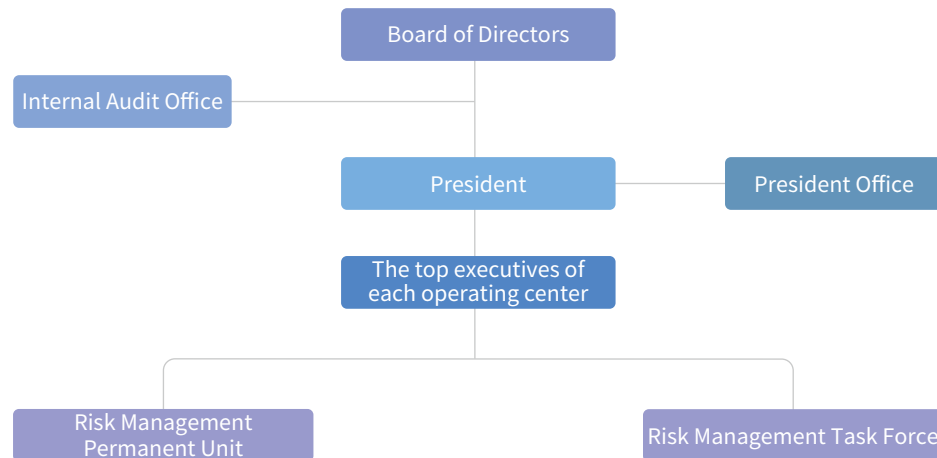
3-2 Risk Management

3-2-1 Risk Management Structure

To continue monitoring various potential risks that may affect the company's operations, both internally and externally, and to establish appropriate management measures and preparedness for all stakeholders, providing adequate risk management to assist in sustaining critical business activities in the event of accidents and ensuring business continuity, the company approved the Risk Management Policy and Operating Procedures at the beginning of 2021 (latest version revised in January 2023 to align with regulatory updates). This policy has established a risk management framework, and the details of the risk management policy and organizational responsibilities are as follows:

Risk Management Policy

The company's board of directors and the unit responsible for promoting and executing risk management should, in accordance with laws and regulations, develop domestic and international corporate risk management mechanisms and the overall operational objectives of the company, identify and analyze categories of risks and acceptable risk tolerance levels. They should formulate and implement risk management procedures and oversee their implementation to ensure the continuity of business operations and prevent potential losses, thereby achieving the goal of sustainable operation.

Risk Management Organization and Responsibilities

1. **Board of Directors**

   As the top governance body for risk management, responsible for approving risk management policies, procedures, and frameworks, ensuring alignment between operational strategy and risk management policies, providing the establishment of appropriate risk management mechanisms and a risk management culture, overseeing and ensuring the effective operation of the overall risk management mechanism, allocating and assigning sufficient and appropriate resources, and bearing ultimate responsibility for the effectiveness of risk management.

2. **The President and Top Executives of Each Operating Center**

   Responsible for formulating risk management policies, approving risk appetites, and establishing qualitative and quantitative measurement standards to ensure that the risk management mechanisms can adequately address the risks faced by the company. They determine the prioritization and risk levels of risk control, set business objectives based on the Board of Directors risk management decisions, and supervise the establishment of appropriate risk management measures. They also regularly review the applicability and effectiveness of these measures. In the event of unexpected major catastrophic events (such as natural disasters, public facility interruptions, or significant infectious diseases), a special project team is established to initiate risk response procedures. They report to the Board of Directors at least once a year. In 2022, the company's risk management system and response were appropriate, and this was reported to the Board of Directors in March 2023.

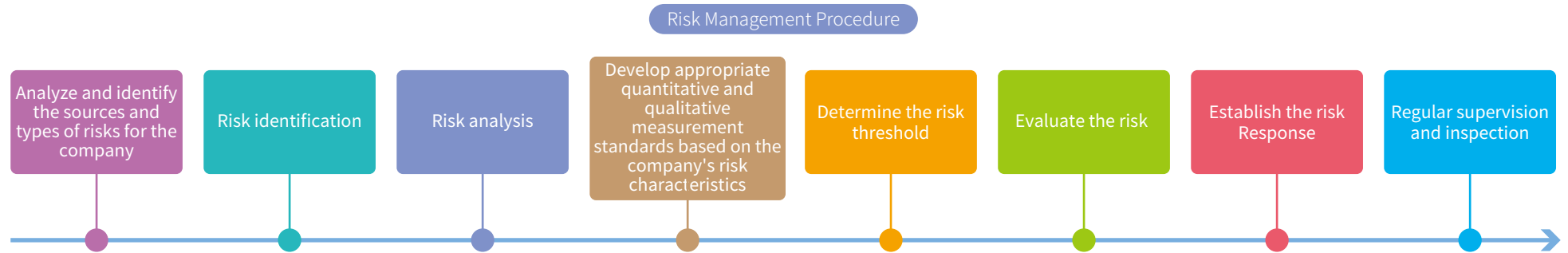3. **Risk Management Permanent Unit (at respective unit)**

   Responsible for analyzing internal and external environmental factors and stakeholder needs that may affect the achievement of objectives, developing risk management procedures and frameworks based on decisions made by the Board of Directors and under the supervision of the president, periodically reviewing the applicability and effectiveness of risk management procedures and frameworks, identifying risks and opportunities that may hinder or support the achievement of objectives and planning response mechanisms, managing transaction-related risks with subsidiaries in accordance with the Regulations for the Operation and Management of Investment Companies and the limits of decision-making authority regarding subsidiary companies, continuously monitoring operational risks through internal control procedures, planning relevant training programs to enhance overall risk awareness and culture within the organization, providing regular reports (at least once a year) on the execution of risk management to the highest executives in the operational units and the president.

4. Risk Management Task Force

Establishes specialized projects responding to unexpected major adverse events. Responsibilities include defining the management scope, project duration, management procedures, job responsibilities, supervisory methods, and closure procedures for such projects. They execute the tasks until the project is successfully concluded.

5. The Audit Unit

Supervise the executing units and project teams in carrying out their tasks, audit the effectiveness of various risk management measures, and assist in correcting any abnormalities.

Risk Management Procedure

| Analyze and identify the sources and types of risks for the company | Risk identification | Risk analysis | Develop appropriate quantitative and qualitative measurement standards based on the company's risk characteristics | Determine the risk threshold | Evaluate the risk | Establish the risk Response | Regular supervision and inspection |

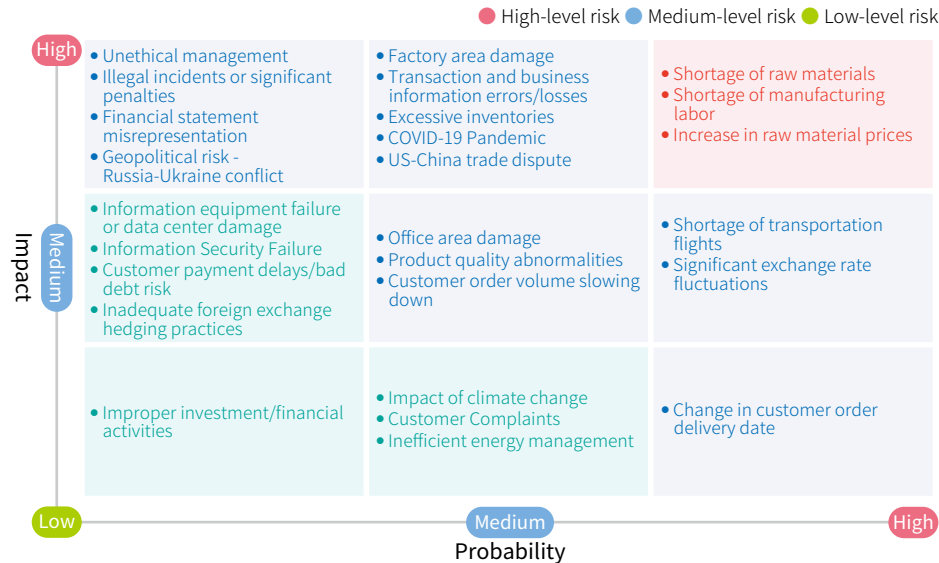## 2022 Actual Operation and Risk Mapping

Continuing from the COVID-19 pandemic in 2020, the most significant risk for Flytech in 2022 remains to be the COVID-19 disease. It has impacted global economic activities, transportation, and consumption patterns. Taiwan experienced a surge in confirmed cases in the second quarter of 2022. As vaccination efforts became widespread globally in 2022, countries began to reopen their borders and lift contact restrictions. Human activities gradually resumed, leading to a market recovery. This resulted in increased freight volumes and a surge in demand for raw materials. For Flyteh, which relies primarily on exports, the risk posed by the pandemic shifted from declining orders to risks related to shortages, flight cancellations, and labor shortages due to a sudden influx of orders. Measures taken to address this included the following: The company's president supervised establishing a project team within the corporate center in early 2020, which has been operational to date. The primary measures taken are as follows:

1. In response to shortages in materials, flight cancellations, and labor, the crisis management team led by the president has integrated teams from various relevant departments to provide solutions. They collaborated with suppliers on the supply forecast platform, safety stock procurement, long-term procurement plans for highly used materials, second source, and project-based procurement. These measures were aimed at overcoming the global shortage of raw materials. Additionally, the team worked closely with customers to arrange sea and air transportation flights to address the challenges in transportation capacity. The manufacturing units also set for timely workforce deployment and outsourced production to address labor shortages. Through collective efforts, the team successfully fulfilled customer orders, navigated through the pandemic crisis, and glimpsed the dawn of recovery. As a result, the company achieved record-high revenue since the beginning of the pandemic.

2. In terms of internal management, the crisis management team continued to implement COVID-19 prevention and control measures, including allowing colleagues who contracted the virus to follow legal regulations and isolate at home, with the option to work from home based on their health condition to protect their job rights/providing bonuses to encourage all employees to get vaccinated/conducting weekly health checks for all employees/implementing entry and exit quarantine measures for all employees and requiring the use of masks/ensuring regular ventilation and disinfection of the working environment/reducing business trips/ replacing in-person gatherings with video conferences/implementing employee rotation to minimize physical contact/ continuously purchasing rapid test kits and providing them for free to all colleagues and visitors for quick screening. Due to the high vaccination rate and effective prevention and control measures, there were no cases of severe illness among our colleagues in 2022.

Risks given top priority for attention and management

● High-level risk ● Medium-level risk ● Low-level risk

Impact			
High	• Unethical management • Illegal incidents or significant penalties • Financial statement misrepresentation • Geopolitical risk - Russia-Ukraine conflict	• Factory area damage • Transaction and business information errors/losses • Excessive inventories • COVID-19 Pandemic • US-China trade dispute	• Shortage of raw materials • Shortage of manufacturing labor • Increase in raw material prices
Medium	• Information equipment failure or data center damage • Information Security Failure • Customer payment delays/bad debt risk • Inadequate foreign exchange hedging practices	• Office area damage • Product quality abnormalities • Customer order volume slowing down	• Shortage of transportation flights • Significant exchange rate fluctuations
	• Improper investment/financial activities	• Impact of climate change • Customer Complaints • Inefficient energy management	• Change in customer order delivery date
	Low	**Medium**	**High**

Probability

3-2-2 Financial Risk Management

Price Risk

The material costs of the company is affected by fluctuations in the price of raw materials included electronic materials, mechanical materials and key components. Since Flytech's product type was customized production, rather than standardized products with high homogeneity, it was differentiated products tailored to meet customer needs. Thus, it had a better advantage when pricing and negotiating with customers. In terms of material cost, in order to reduce the impact of price changes on the company's profits, our countermeasures include strengthening design for cost control from the research and development stage, introducing modular design and converged material specifications, planning long-term procurement or project procurement for raw materials that were shared or expected to fluctuate in market prices to properly control costs. Although there was global shortage of parts in 2022, Flytech also faced the crisis of lack of materials and material price increased. We minimized the impact of material price hikes caused by material shortages through measures such as planning/project procurement, material preparation in advance, cooperation with suppliers, design changes, and product price increases. In 2022, the gross profit margin increased compared to 2021, indicating effective cost control.

Inventory Risks

The company has maintained a smooth supply chain for fully loaded customer orders in response to the post-COVID-19 market recovery, which caused congestion in sea and air transportation and global shortages. This was achieved through the use of forecasting platforms, safety stock procurement, long-term procurement plans for highly versatile materials, and project procurement models. As a result, inventory levels increased temporarily but gradually decreased to reasonable levels by the first quarter of 2023. Flytech's financial condition remains sound, and the expenses arising from the increase in inventory have not posed a risk to the company.

Interest Rate Risk

The impact of interest rate fluctuations on the company was divided into two parts: income and capital cost. In terms of interest income, Flytech took low risk and high liquidity as the key point of investment evaluation, and most of the remaining funds were used in bank fixed deposits, operating conservatively and prudently, as a response measure to reduce the impact of interest rate changes. There would be no major changes in future financial management policies. In terms of capital cost, we mainly operated with our own funds. There was no interest-bearing debt with floating interest rates as of the end of 2022, and the value of the financial assets held was not significantly affected by changes in interest rates. Therefore, the management of our company considers that the interest rate risk is not significant.

Foreign Currency Risk

The proportion of Flytech's export sales accounted for about 90% of the revenue. Most of the product quotations were mainly in US dollars, followed by British pounds. Since some imported key components were mostly denominated in US dollars, the exchange rate trends of the US dollar and British pounds were closely related to the changes in the company's foreign exchange gains and losses. Risks mainly came from cash and cash equivalents denominated in foreign currencies, bills receivable (payable) and accounts (including related parties), and financial assets measured by amortized cost, etc. Our response measures included: consider exchange rate fluctuations when quoting customers and negotiating purchasing conditions to ensure reasonable profits and costs, establish corresponding positions for holding foreign currency net positions as natural hedging, and regularly assess the demand for foreign currency import and export net positions and analyze foreign exchange market trends, used forward foreign exchange contracts to hedge risks. The purpose of this derivative product was to lock exchange gains and losses within a certain range and avoid unpredictable risks when foreign exchange market fluctuated. In 2022, it was well controlled under the situation of continuous fluctuation of the New Taiwan dollar.

Credit Risk

Credit risk is the risk of financial losses incurred by the company due to the failure of the counterparties to perform the contractual obligations of financial assets, mainly from financial assets such as cash and cash equivalents, bills and accounts receivable from customers (including related parties). The total carrying amount of the company's financial assets represents the maximum credit risk exposure. The trading partners of Flytech's cash and cash equivalents are financial institutions with good credit, and there is no significant credit risk. Flytech has formulated the Customer Credit Management Policy to analyze the credit status of each customer individually to determine their credit limit, and regularly and continuously evaluate the customer's financial status and reduce credit risk through insurance. For the credit risk part of bills receivable and accounts, there was no need to make provision for loss after assessment in 2022.

Liquidity Risk

Liquidity risk refers to the risk that the company cannot deliver cash or other financial assets to pay off financial liabilities or fails to perform relevant obligations. Flytech regularly monitors the current and expected medium and long-term capital needs, and maintains sufficient cash, cash equivalents, and bank financing credit to manage liquidity risk. Flytech has established a proper risk management structure, the financial department regularly evaluates the cash and cash equivalent status to meet possible capital needs, the company's current ratio in 2022 was 444%.

3-2-3　Information Security Risk Management

We have established information security management procedures to achieve the objectives of Information Security Management System (ISMS). Also, we obtained ISO 27001 verification in 2015 as a testament to our commitment to information security.
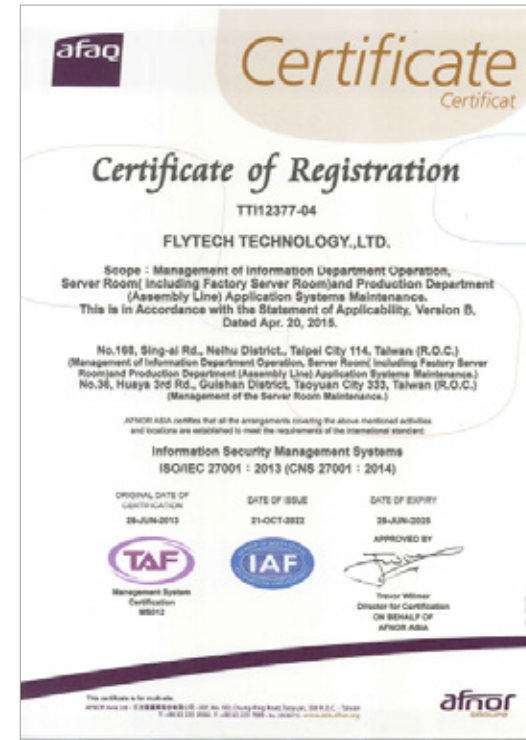
Information Security Policy

In order to establish a safe and reliable information system service, and comply with the requirements of relevant laws and regulations, maintain the continuous operation of the business, reduce the risk of cyber information operation, and protect the rights and interests of customers.

This policy is evaluated at least once a year, and the information security management situation is reported to the board of directors in the first quarter of each year.

Information Security Declaration

Promote the company's information security work, the purpose is to formulate and improve the information security management system, establish an appropriate information security management framework according to the process-oriented (establishment, implementation, review and continuous improvement) management cycle, achieve information security management goals, and ensure information processing operations can operate safely and efficiently.

Establish a systematic information security management and risk assessment operation, based on the principle of equal emphasis on management and technology, and implement it in daily work by all colleagues, work together to achieve the following goals, so as to achieve the goals of information security work:

- Safety: Protection of company information.
- Stability: Uninterrupted information systems and services.
- Continuous Improvement: Continuously improving information security.

All personnel, contracted staff, outsourced vendors, and contracted maintenance vendors for hardware and software systems involved in information security management should have appropriate confidentiality measures to understand the importance of the company's relevant information assets and are not allowed to use them for unauthorized purposes.

If any violations of this policy or actions that jeopardize information security are discovered, they should be dealt with in accordance with the company's internal disciplinary regulations, or appropriate legal actions may be taken.

In response to the latest developments in information security policies, regulations, technology, and agency operations, this declaration will be revised as necessary to ensure the security, effectiveness, and continuous improvement of information security operations.

Information Security Management Procedures

The Information Security Promotion Team is responsible for planning, establishing, implementing, maintaining, reviewing, and continuously improving the information security management system following the decisions of the Information Security Management Committee and the Information Security Management Procedure. This ensures that all employees adhere to the system. The team consists of three division: Incident Reporting and Handling division, Information Security Work division, and Internal Audit division.

1. The Information Security Work division follows the Information Security Policy as its highest guiding principle. It establishes the ISMS Effectiveness Measurement Table and Information Security Applicability Statement based on ISO 27001 control objectives and the Information Security Management Procedure. It executes various risk control measures based on the selected control items from the Information Security Applicability Statement, reviews the risks associated with information assets, and implements multiple risk control mechanisms after the Risk Management Committee approves.

2. Information security incidents are handled by the Incident Reporting and Handling division in accordance with the Information Security Incident Management Procedure.

3. The implementation and operation of the information security management system are monitored and reviewed by the Internal Audit division in accordance with the Internal Quality Audit Procedure and the Management Responsibility Review Procedure. This helps ensure the effectiveness of various activities within the information security management system, risk prevention, and continuous improvement. An audit is conducted at least once a year.

4. Every year, a regular information security report is compiled and presented to the Board of Directors in the first quarter of the following year. In 2022 there were no significant cybersecurity incidents, and the report for the year was presented to the Board of Directors in March 2023. In addition, the company established the Trade Secret Information Management Measures in 2021 to conduct risk assessments, create registries, and perform audits to strengthen the protection of the company's trade secrets and information security.

3-2-4 Supply Chain Risk Management

To effectively address unforeseen risks such as natural disasters, market supply and demand fluctuations, regulatory changes, supplier capacity issues, and the challenges arising from the post-COVID-19 market recovery in 2022, which led to congestion in sea and air transportation and global material shortages, our company implemented the following measures: Providing suppliers with a forecasting platform/ Implementing safety stock procurement/ Establishing long-term procurement plans for highly versatile materials/ Establishing second-source suppliers/ Utilizing project-based procurement approaches in collaboration with suppliers. Our procurement department continuously monitored the latest information through weekly meetings and regular reports, allowing us to adjust our procurement strategies accordingly. As a result, we successfully managed the risks associated with material shortages. We met customer orders, leading to record-high revenue since the onset of the pandemic.

3-2-5 Major Disaster Risk Management

To effectively respond to the Known Unknown accidents such as fires, floods, earthquakes, epidemics, and other emergencies, we have implemented the following preventive and emergency response measures:

Precaution

We obtained ISO 14001 environmental management system verification in 2001, and obtained ISO 45001 occupational safety and health management system verification in 2020. We establish a complete environmental health and safety management system, and continues to implement relevant management including air quality and water quality management, drinking water management, waste management, noise control, hazardous chemical substance management, office environmental protection management, labor health protection, environmental safety and health correction and prevention etc., to set up preventive measures to reduce the impact of shocks in the event of an accident.

Emergency Response

We have formulated ISO Emergency Response Management Procedures, setting up emergency response teams and handling procedures, including：grouping (evacuation guidance team, disaster prevention and rescue team, communication team, response commander), tasks and duties, notification methods, response center location and measures, safety protection equipment and emergency medicines, emergency response procedures, evacuation procedures, recovery procedures, regular drill plans, accident review and plan revision procedures, etc., to mitigate the damage to personnel and property and environmental impact caused by accidental disasters.

In the event of a major accident of the Unknown Unknown, the president, will be responsible for setting up a task force to handle the response management. The actual case was the COVID-19 pandemic outbreak in early 2020. President Chuo, Chun Hung directed the establishing of a task force for emergency response and pandemic prevention, to carry out pandemic prevention publicity and supporting control to properly maintain the safety of employees and visitors. Entering the middle of 2022, Taiwan faced a peak in the COVID-19 pandemic. Despite widespread vaccination and a decrease in severe cases, our company continued to uphold strict epidemic prevention measures to safeguard the health of our employees and visitors. Measures were adjusted according to the announcement of changes in the pandemic situation, and supervised and implemented by the heads of various departments of the Neihu headquarters and Linkou plant respectively.

Aspect	Prevention Measures
Health Management	• Wear a mask during working hours. • Daily temperature measurement and hand sanitization before starting work, with records kept. • Weekly submission of health declaration forms. • Provide free COVID-19 rapid test for employees on a weekly basis, with increased frequency based on the situation.
Social Distancing	• During the severe phase of the pandemic, we implemented measures such as using identification badges with different colors to distinguish and segregate employees into different zones. All employees follow designated routes using different elevators and staircases to access and leave their working floors. It was mandatory to refrain from traversing between floors during working hours. In the easing phase, we continued discouraging floor-crossing to maintain safety precautions. • Exchange documents online, with designated areas for exchanging paper documents in each assigned area. • Suspension of employee cafeterias and outdoor dining; employees can order meals as a group or bring their own meals to consume at their seat. • Suspend the use of meeting rooms. Meetings and education training are mainly online-based. • During the severe phase of the pandemic, we temporarily suspended customer visits and receptions. In the easing phase, we reduced external visits and receptions to minimize potential exposure to the virus. • During the severe phase of the pandemic, external personnel must leave deliveries/packages/food in designated areas and are not allowed to enter the company. • During working hours, firms will be suspended from entering, and construction will be rescheduled to holidays.
Work from Home	• During the COVID-19 pandemic period, the work-from-home mechanism was activated, and employees worked from home by groups. • Invite professional fitness coaches to lead employees who work remotely to do online exercise and interact with each other online to maintain a good physical condition through exercise.
Pandemic Prevention Care	• The emergency response team, led by the president, adjusts the pandemic prevention measures according to the changes in the pandemic situation, and shows care for the well-being of employees based on the weekly health assessment. • Incentives are given to encourage all employees to get vaccinated. • Arrange online seminars related to pandemic concerns to provide interactive counseling for employees, assisting them in adapting to the challenges of the pandemic with a rational and positive attitude.
Environmental Management	• Daily disinfection carried out by designated personnel in each area/using disinfection mats when necessary. • Each floor is equipped with disinfectant for disinfection of individual work areas. • Restriction of elevator access to designated floors, with marked tape indicating limited capacity and standing positions. • Turn off the air conditioning and switch on the circulation fan (air conditioning can be turned on when the room temperature reaches 28 degrees or above). During working hours, open the windows for ventilation.

3-2-6 Climate Change Risk Management

Climate Change in Taiwan 2017: Scientific Report by Academia Sinica indicated that over the past century, the average temperature in Taiwan has increased by 1.3° C. The difference between dry and wet seasons has become more pronounced. Concerning extreme weather events, the number of extremely hot days may have risen from 20 days to 100 days, extreme rainfall could have increased by 20%, the intensity of drought events has increased by at least 12%, and the rainfall intensity from typhoons has also strengthened by over 20%. According to the 2022 Global Risks Report published by the World Economic Forum (WEF) in January 2023, the global risk perception survey ranked climate and environmental risks as comprising over 50% of the top ten risks in both the short-term (within the next two years) and long-term (within the next ten years) categories. This demonstrates that addressing the impacts of climate change on resource supply and the speed of transitioning to a low-carbon economy is an inevitable global responsibility and obligation. The impacts of climate change risks include increased frequency and intensity of extreme weather events, changes in rainfall patterns, infrastructure disruption, ecosystem changes to agriculture, forestry, fishing, and livestock, and public health issues due to rising temperature and water supply challenges. These climate-related risks demonstrate that climate risk management is an essential element for businesses' sustainable development and needs to be addressed and adapted to as a critical concern.

Short-term risks ranking

- **2** Natural disasters and extreme weather events
- **4** Climate change mitigation failure
- **6** Large-scale environmental destruction event
- **7** Climate change adaptation failure
- **9** Natural resource crisis

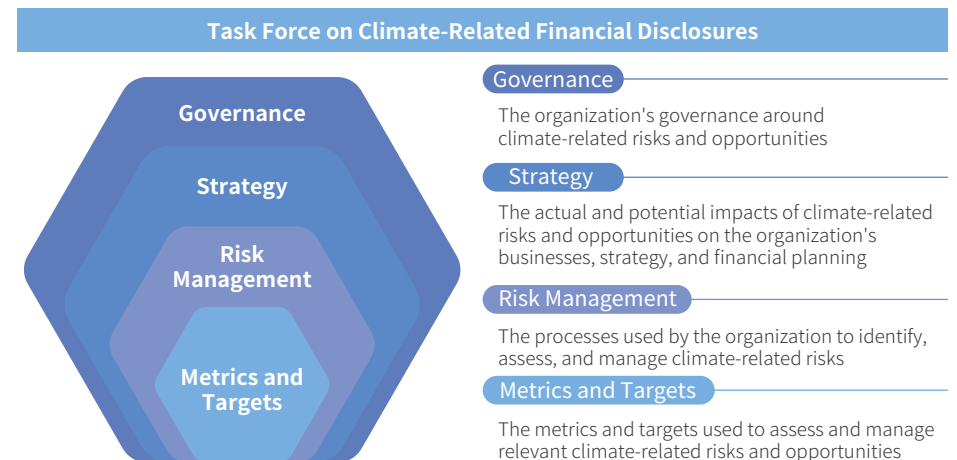### Long-term risks ranking

- **1** Climate change mitigation failure
- **2** Climate change adaptation failure
- **3** Natural disasters and extreme weather events
- **4** Biodiversity loss and ecosystem imbalance
- **6** Natural resource crisis
- **10** Large-scale environmental destruction event

Flytech Climate-related Financial Disclosure Report

Flytech is committed to addressing climate change risks and opportunities while upholding the belief in sustainable growth and minimizing environmental impact. We aim to achieve these goals through the implementation of green innovation, green design, green supply chain, green manufacturing, the production of green products, and consistently practice energy management, water management, and waste management in our daily operations. Our dedication is to actively promote global sustainable development. The ESG Sustainability Committee at Flytech drives these efforts through the following four directions:

1. Assess major climate change issues related to the company's value chain, approve mitigation and adaptation targets, and report to the board of directors on a quarterly basis.
2. Convene each group under its jurisdiction to develop strategies and target, and each executive group to formulate specific management measures to implement the targets, leading the supply chain to enhance green competitiveness
3. Quantify the financial impact of climate change risks and opportunities, set performance indicators and quantified targets, and regularly evaluate results to report to the board of directors.
4. Continue to focus on measuring the severity of climate change and international trends, and adjust strategies and target in a timely manner.

Flytech Core Elements of Task Force on Climate-Related Financial Disclosures (TCFD)

Task Force on Climate-Related Financial Disclosures

- Governance
  - The organization's governance around climate-related risks and opportunities
- Strategy
  - The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning
- Risk Management
  - The processes used by the organization to identify, assess, and manage climate-related risks
- Metrics and Targets
  - The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Core Elements	Disclosures
Governance	• Flytech has established the ESG Sustainability Committee (formerly known as the CSR Promotion Team and CSR Committee), affiliated with the board of directors. The committee consists of the chairperson and senior management. Supervised by the board of directors, it is responsible for approving climate change vision strategy and achieving long-term targets, promoting relevant specific actions, and regularly reporting to the board of directors every six months. Starting from the second half of 2022, the ESG Sustainability Committee reports to the board of directors every quarter on the company's and its subsidiaries' greenhouse gas inventory plans and actual progress. • The ESG promotion office led by the president oversees the Green Operation. They develop performance targets for each department following the climate change response strategies and objectives approved by the board of directors. Regular meetings are held to monitor the implementation progress, and ongoing assessments of risks and opportunities are reported to the management team.
Strategy	• Led by the president, the ESG promotion office at Flytech assesses risks and opportunities related to greenhouse gas inventory management, energy-efficient operational activities, green energy procurement, the adoption of energy-efficient design and environmentally friendly materials in product design, assisting suppliers in developing a low-carbon value chain, establishing an energy-efficient management and monitoring platform, improving the efficiency of resource use, and set short, medium, and long-term goals in these areas. • Please refer to the table below for the potential impacts that climate-related risks and opportunities may have on Flytech. • In the face of climate scenarios, flexible strategies include mitigation and adaptation. Mitigation activities include reducing greenhouse gas emissions, implementing energy-saving measures in operational activities, adopting energy-efficient processes in production, purchasing green energy, and using environmentally friendly and recycled materials. Adaptation activities focus on increasing resilience to climate change impacts and often include strengthening the resilience of the above mitigation activities.
Risk Management	• The ESG promotion office at Flytech assesses climate-related risks and opportunities within the value chain based on Flytech's Risk Management Policy and Operating Procedures. • The ESG promotion office collaborates across departments to integrate efforts. They assess the financial impacts of identified climate-related risks and opportunities and develop management strategies in response. • The ESG promotion office leads the relevant departments in implementing management strategies for climate-related risks and opportunities, and they conduct regular monthly meetings to track progress and implementation.
Metrics & Targets	• The ESG Sustainability Committee verifies climate-related performance indicators and quantitative targets, and after submitting them to the board of directors for approval, the ESG promotion office regularly tracks and discloses the degree of achievement in the monthly meeting. • To access information about greenhouse gas emissions in Scope 1, Scope 2, and Scope 3, please refer to Chapter 6, Section 4.2, in the Green Operations chapter of the document. • To access information about the goal and achievements in greenhouse gas emissions in Scope 1, Scope 2, and Scope 3, please refer to Chapter 6, Section 4.2, in the Green Operations chapter of the document.

Identifying and Responding to Climate-Related Risks and Opportunities

	Climate-related Risks	Potential Financial Impacts	Climate-related Opportunities	Potential Financial Impacts	2022 Actions
Transition Risks	**Policy and Legal Risks** • Greenhouse gas emissions pricing • Higher energy expenses • Energy control restrictions • EU CBAM charge • USA carbon tax • Taiwan carbon tax	• Verification expenses of greenhouse gas emissions and carbon footprint • Rising operating expenses • Energy control leads to decrease in production capacity, which in turn loses some revenue	• Green production with low energy consumption and low carbon emissions • Equipment update to improve energy efficiency • Government energy-saving subsidies	• Cost reduction by saving electricity and water • Energy saving subsidy to increase non-operating revenue	• Following ISO 14064-1 standards, we completed a greenhouse gas inventory report in 2021, and developed energy management methods while continuing to promote various energy-saving measures.
	Technology Risks • Low-carbon technology transition cost • Replacing products and services with low-carbon commodities	• Equipment scrapped in advance • Increased operating expenses from low-carbon equipment procurement • Increased R&D expenses to develop new technologies	• Environmentally friendly and energy-efficient new products • Energy efficiency boost via green manufacturing processes and energy-saving operations • Improve environmental management level of suppliers and establish a low-carbon green supply chain	• Low-carbon green products to create highlights that attract customers and boost revenue • Energy-saving products that increase added value to attract customers and increase revenue	• Start planning in accordance with ISO 14067 standards, conducting product carbon footprint assessments, incorporating energy-efficient design into new product development stages, and providing customers with measurable data. • Use of environmentally friendly materials • Screening of new suppliers with international environmental management standards, and helping current suppliers to improve environmental management
	Market Risks • Increased customer demand for low-carbon and energy-saving products • Increased carbon tax/fee in customers' country • Rising raw material costs	• Increased R&D expenses to develop new technologies • Verification expenses of greenhouse gas emissions and carbon footprint • Rising raw material costs	• New environmentally friendly and energy-saving products to attract customers and increase competitiveness • Develop carbon footprint inventory to provide customers with carbon tax credits to increase competitiveness	• New low-carbon, green products to create highlights that attract customers • Energy-saving products that increase added value to attract customers • New market development	• Start planning in accordance with ISO 14067 standards, developing product carbon footprint inventory, incorporating energy-efficient design into new product development stages, and providing customers with measurable data. • Following ISO 14064-1 standards, we completed a 2021 greenhouse gas inventory report and obtained external verification • Collaborating with suppliers through project-based procurement strategies
	Reputation Risks • Changes in market preferences • Increasing interest from stakeholders	• The market increases the demand for low-carbon and energy-saving commodities, and the existed products are unsalable	• New environmentally friendly and energy-saving products to attract customers and increase competitiveness	• New low-carbon, green products to create highlights that attract customers • Energy-saving products that increase added value to attract customers • New market development	• Start planning in accordance with ISO 14067 standards, developing product carbon footprint inventory, incorporating energy-efficient design into new product development stages, and providing customers with measurable data. • Following ISO 14064-1 standards, we completed a 2021 greenhouse gas inventory report and obtained external verification • Start establishing a carbon management platform, integrating energy consumption tracking and continuous optimization into daily operations, and analyzing equipment energy usage for improvement

	Climate-related Risks	Potential Financial Impacts	Climate-related Opportunities	Potential Financial Impacts	2022 Actions
Physical Risks	**Acute Risks** • Typhoon, flood **Chronic Risks** • Continuous rise in electricity costs • Shortage in water resources • Unstable energy supply (power outages, water restrictions) • Average temperature rises • Number of extreme weather heatwave days increases	• Increased energy purchase expenses • Company's factory damaged by disaster • Inventory damaged • Shipments affected by capacity interruption • Labor arrangements affected • Supply chain disruption • Increased electricity bills • Increased basic facilities expenses • Increased property insurance expenses	• Energy conservation implementation • Water conservation promotion • Energy efficiency improvement • Water resource recycling and reuse	• Effectively managing energy to save water and energy while reducing expenses • Water resource recycling to reduce water expenses • Supplier selection with good quality and lead time	• Following ISO 14064-1 standards, we completed a greenhouse gas inventory report in 2021, established energy-saving and carbon reduction targets, implemented strategies, and continued to promote energy-saving activities with incentive strategies • Started establishing a carbon management platform, integrating energy consumption tracking and continuous optimization into daily operations, and analyzing equipment energy usage for improvement • Continued to select excellent suppliers through ISO qualification process, supplier evaluation and performance tracking process • Used rainwater recycling to reduce the use of tap water • Reduced faucet's water flow and installed water-saving partitions

3-3 Tax Policy

Since its establishment, Flytech has always adhered to the ethical corporate management philosophy of financial transparency and good governance and abided by the tax regulations and rules of different operating locations, so as to be committed to information transparency and sustainable development.

3-3-1 Flytech's Tax Commitment

1. Comply with all tax laws and regulations of the country where the business base is located, and never evade tax.
2. Financial reporting information is transparent, and tax disclosures adhere to the regulatory requirements of the countries where operations are located.
3. We legally utilize tax incentives provided by the countries where our operations are located and do not engage in transactions solely for tax avoidance.
4. Whenever there are changes in tax regulations in the countries where our operations are located or when the company makes significant decisions, tax implications are considered, and a risk assessment is conducted.

3-3-2 Tax Risk Management and Governance

To effectively manage tax risks and opportunities and avoid potential increases in tax expenses due to regulatory changes or the failure to utilize favorable tax regulations that could impact Flytech's effective tax rate, the Finance Department is responsible for identifying and assessing the impact of regulatory changes on operational activities in accordance with internal control procedures. We seek timely consultation and advisory services from external organizations to strengthen tax governance and control. The Board of Directors oversees and reviews the relevant accounting systems, financial reports, and the quality and integrity of internal controls and holds ultimate responsibility for the effectiveness of risk management.

3-3-3 Effective Tax Rate

In 2022, Flytech paid a profit-making enterprise income tax of NTD 180,826,000, with an effective tax rate of 14.77%, which was lower than 20% of the profit-making enterprise income tax rate of the Republic of China. It was mainly due to the tax incentives obtained by the law of Research and Development Expenditures Applicable to the Investment Deduction Method and the Industrial Innovation Regulations Substantial Investment Applicable to the Undistributed Surplus Deduction and Application for Tax rebates.

Employee Relations

2022 Highlights

More than NTD 5 million	Provide free rapid test kits for employees, visitors, and vendors for screening purposes
First round: 465 people	Town Hall Meeting (including subsidiaries)
> 60% Employees	Eligible employees can participate in the stock ownership trust plan
Initiate Employee Assistance Program	Offer free online psychological counseling services
> PR 50	Overall employee satisfaction outperforms industry average

Management Policy

Employees are the most valuable assets of Flytech and the key stakeholders in our organization. The continuous growth and outstanding achievements of Flytech have been made possible by the high dedication and efforts of all employees. We aspire to grow together with our employees and build an excellent Flytech together. In 2022, we improved employees' work experience by promoting various projects. We also completed a compensation survey and made adjustments to ensure the competitiveness of employee salaries in the market. Moreover, we included core competencies as one of the assessment criteria during recruitment interviews, and trained supervisors on competency-based interview to strengthen Flytech's core competencies and shape our culture. Furthermore, starting in 2022, the company implemented a flexible work schedule system, annual paid leave policies exceeding the legal requirements of the Labor Standards Act, employee assistance programs (EAP), and stress-relief massages to provide employees with a more friendly and happy workplace environment.

In talent development, we introduced a digital learning platform for talents in the second half of the year, offering a more comprehensive range of learning resources to assist employees in creating customized training programs and maximize flexibility for self-learning. The platform, well-received by colleagues, will be available to all employees in 2023. Nurturing talents through online education resources can help reduce carbon footprint, realize ESG visions, shape Flytech into a learning organization, foster long-term competitiveness, and promote sustainable development. Regarding epidemic prevention, in 2022, as the government gradually relaxed relevant policies, Flytech continued implementing a rolling adjustment pandemic prevention project for all employees. This involved regularly conducting free rapid testing and environmental cleaning and disinfection. Throughout the year, we continued our regular activities and ensured that employees received normal salary and benefits, providing a safe working environment for employees. Looking ahead, we will continue to prioritize the learning and development of our employees. We listen to their opinions and feedback to build a strong employer brand, and create an inclusive, diverse, friendly, safe workplace environment conducive to long-term growth and development.

Key Achievements and Management Policy

Management Policy	2022 Targets	2023 Targets	2022 Achievements
Improve employee retention by regularly assessing the competitiveness of our employees' compensation and benefits in the market. Listen to employees' opinions and suggestions, care about their daily well-being, and ensure a workplace with no labor inspection disputes. Our goal is to provide an excellent and attractive working environment.	1. Participate in the 2022 annual salary survey, check and adjust employee salaries based on the results. 2. Promote employee care projects, such as Employee Assistance Program (EAP), conduct the revision of internal management regulations and activities. 3. Maintain a record of no major disputes and penalties. 4. Decrease turnover by 10% compared with the previous year.	1. Conduct town hall meeting and employee satisfaction surveys to create a communication channel between senior executives and colleagues and continuously improve issues and feedback raised by colleagues. 2. Maintain a record of no major disputes and penalties. 3. Achieve an 80% retention rate for the year's seed talent (management associate).	1. Completed a compensation survey. Flytech's compensation packages are in line with industry standards. Employee salary adjustments have been made based on the survey results. 2. Implemented several employee care initiatives, including Employee Assistance Program (EAP), stress-relief massages, company trips, and town hall meeting. Reviewed management regulations and completed necessary revisions to the procedures. 3. No major disputes and penalties. 4. Reduced turnover rate by 22% compared with the previous year.
Provide diverse channels for job applications, and create a gender-friendly and disability-friendly working environment. Enhance employer image to attract top talents to join the organization.	Achieve a percentage of 32% female supervisors.	1. Achieve a percentage of 35% female supervisors. 2. Enhance employer image to continuously attract top talents, resulting in a 15% increase of employees with master's degrees or higher.	Achieved a percentage of 31% female supervisors.

Management Policy	2022 Targets	2023 Targets	2022 Achievements
Provide courses based on company goals and competency requirements in Flytech Academy via a systematic education and training development approach like TTQS. These courses are conducted through diverse channels, allowing employees to learn at any time and from anywhere. Implement project-based training and Individual Development Plans (IDPs) specifically for potential talents within the company, with a focus on cultivating future managers.	1. Promote Flytech core competency system. 2. Provide training programs for high-level executives and potential talents. 3. Achieve a 10% growth in the average education and training hours per capita. 4. Provide diverse course channels on other online platforms.	1. Continue to promote ESG-related trainings to strengthen competitiveness in sustainable development. 2. Achieve an 80% completion rate in competency-focused education and training programs among over 50 colleagues. 3. Achieve a 50% promotion or job rotation rate among Management Associate Program participants.	1. Incorporated core competencies into the interview evaluation criteria. 2. Completed and closed the 2022 executive and potential executive training. 3. Compared to the previous year, the overall average education and training hours per capita have slightly decreased by 5% due to some practical courses, such as on-site machinery training, could not be conducted during the pandemic, despite seeing an increase in the average training hours per capita in individual departments. 4. Launched a digital learning platform to provide diverse and flexible training channels in the second half of the year.
Environmental Health and Safety Management 1. Identify major environmental impacts, establish environmental health and safety targets annually, and review the achievement status. 2. Continue to implement occupational health and safety education and promotion. 3. Conduct emergency response drills. 4. Prioritize employee health.	1. Continue to implement the ISO 14001 environmental management and ISO 45001 occupational health and safety management systems involving internal and external personnel. 2. Maintain a record of no major disciplinary matters or disputes. 3. Improve shock resistance of high ceilings in the office areas. 4. Control the cases of notifiable infectious diseases to be below the CDC's published average. 5. Maintain a less than 0.5% of recordable occupational hazard rate among employees. 6. Improve the safety of electricity use in the plant area.	1. Continue to implement ISO 14001 environmental management and ISO 45001 occupational health and safety management systems involving internal and external personnel. 2. Maintain a record of no major disciplinary matters or disputes. 3. Control the cases of notifiable infectious diseases to be below the CDC's published average. 4. Maintain a less than 0.5% of recordable occupational hazard rate among employees. 5. Equip parking lots with automatic sensor-based energy-efficient lighting fixtures. 6. Install solar photovoltaic panels on the roof of the Linkou plant. 7. Set up facial recognition access control. 8. Purchase renewable energy (green power).	1. No major deficiencies in ISO 14001 and ISO 45001 audits. 2. No major disciplinary matters or disputes. 3. Improved shock resistance of high ceilings in the office areas. 4. 0 cases of infectious diseases were reported in 2022. 5. 0 cases of occupational hazard in 2022. 6. Confirmed that extension cord use requires appropriate certification marks and labeling for identification.
Human Rights Policy 1. Continue to implement Flytech's human rights policy and promote education and awareness. 2. Continue to implement ISO 45001 occupational health and safety management, providing a safe and healthy workplace that promotes physical and mental well-being. 3. Integrate human rights protection to the company's human rights policies. 4. Provide a channel for grievance and a whistleblowing email.	1. Continue to maintain a record of no major penalty matters or disputes. 2. Prohibit child labor, forced labor, and workplace harassment, and provide a safe and healthy work environment that promotes physical and mental well-being. 3. Promote diversity, non-discrimination, and equal opportunities in human resource recruitment and management. 4. Ensure grievance channels are accessible.	1. Continue to maintain a record of no major penalty matters or disputes. 2. Prohibit child labor, forced labor, avoid workplace sexual harassment, and provide a healthy work environment that promotes physical and mental well-being. 3. Promote diversity, non-discrimination, and equal opportunities in human resource recruitment and management. 4. Ensure grievance channels are accessible.	1. No major disciplinary matters or disputes. 2. No child labor, forced labor, and workplace sexual harassment incidents.

4-1 Talent Management

4-1-1 Positive Labor Relations-Employment Overview

Workforce Structure and Composition

Employees are Flytech's most important assets. We adhere to a policy of diversity and non-discrimination in the hiring of employees and prioritize job performance over factors such as age, education, race, or gender.

Our workforce primarily consists of full-time employees, with the addition of part-time employees as needed for special projects to meet workforce requirements. Due to the nature of the industry, our male employee ratio is higher than females, accounting for 56% and 44% respectively. As of the end of 2022, the total number of employees in the Flytech parent company is 427, with an increase of 4.7% compared to the same period last year. Please refer to the table below for more detailed employee structure for 2022.

Employee Structure

Category	Group	Male Numbers	Male %	Female Number of people	Female %	Total Number of people	Total %
Operating Location	Neihu headquarters	107	55%	86	45%	193	45%
	Linkou factory	130	56%	104	44%	234	55%
Employee Classification	Full-time	237	56%	190	44%	427	100%
	Part-time	0	0%	0	0%	0	0%
Contract type	Non-periodic contract	237	56%	189	44%	426	99.8%
	Periodic contract	0	0%	1	100%	1	0.2%
Position	R&D	75	69%	33	31%	108	25%
	Marketing	16	31%	36	69%	52	12%
	Administrative	20	47%	23	53%	43	10%
	Manufacturing	126	56%	98	44%	224	53%

Category	Group	Male Numbers	Male %	Female Number of people	Female %	Total Number of people	Total %
Age	Under 30	42	45%	51	55%	93	22%
	30-50	147	60%	100	40%	247	58%
	Over 50	48	55%	39	45%	87	20%
Education	Ph.D.	0	0%	0	0%	0	0%
	Master	49	67%	24	33%	73	17%
	Bachelor	92	61%	59	39%	151	36%
	Associate	43	62%	26	38%	69	16%
	High school (below)	53	40%	81	60%	134	31%
Nationality	Republic of China (R.O.C.)	204	58%	147	42%	351	82%
	Oversea	33	43%	43	57%	76	18%

Total The total number of Flytech employees at the end of 2022 was 427.

Note 1: In response to increasing project orders, we hired 33 part-time employees in 2022 to meet production and manufacturing needs. Part-time employees are only hired during specific projects; there are no part-time employees employed for project-based roles at the end of the year. Part-time employees are entitled to the same labor rights and benefits during their service as those of full-time employees.

Note 2: Flytech does not employ any employees without guaranteed working hours.

Note 3: For non-employee workers, in 2022, there were a total of 8 security and cleaning personnel from contractors at both Neihu and Linkou locations. We also sign contracts with contractors before collaboration to ensure that all labor conditions comply with legal requirements.

Note 4: Overseas regions include the Netherlands, France, Vietnam, and other areas.

New Employee Hires and Employee Turnover in 2022

1. New employee hires (turnover during probation is not included):

Category	Item	Male		Female		Total	
		Number of people	%	Number of people	%	Number of people	%
New employees	Under 30	23	56%	18	44%	41	43%
	30-50	37	73%	14	27%	51	54%
	Over 50	1	33%	2	67%	3	3%

2. Employee Turnover Rate:

Category	Item	Male		Female		Total	
		Number of people	%	Number of people	%	Number of people	%
Resigned employee	Under 30	16	55%	13	45%	29	43%
	30-50	22	59%	15	41%	37	55%
	Over 50	1	100%	0	0%	1	2%

Note 1: In 2022, Flytech hired 95 new employees, including 33 foreign colleagues working in Linkou. This year, a total of 67 employees have resigned, including two foreign employees who completed their three-year term and returned to their home country.

Note 2: The number of resignations does not include employees who left during probationary period, retirees, interns, or employees who transferred to subsidiaries.

Labor Relations

Flytech has established the Labor-Management Council Implementation Measures to provide a mechanism for labor-management negotiation. We adopted a flat management structure in which managers and employees engage in two-way communication through meetings or discussions in daily operations. Since its establishment, Flytech has maintained a harmonious relationship between labor and management, and there have been no labor disputes. We do not have a labor union (collective agreement). In the event of significant operational changes that affect employee rights within the company, the minimum notice period is in accordance with legal regulations. A minimum notice of ten days is required for employees with less than one year of service but more than three months. A notice of at least twenty days is necessary for those with one year or more but less than three years of service. Employees with three years or more of service should be given a minimum notice of thirty days. Flytech has not experienced any significant operational changes that would affect employee rights and benefits.

Flytech's Employee Welfare Committee regularly organizes various activities, clubs, and benefits for employees. Our internal control system and management policy clearly define the responsibilities and entitlements of employees at different departments and job levels. Through biannual performance appraisals for all employees, we provide incentives such as bonuses, dividends, salary adjustments, and promotions to provide greater security and benefits.

Listening Strategies (Grievance Mechanisms and Communication Channels)

|		
	Performance Appraisal Interview	Flytech encourages managers to communicate with their subordinates, and the company's flat culture can help boost regular interaction and communication. Furthermore, through biannual self-assessments and performance evaluations, managers can align expectations with their subordinates and discuss their work as needed.
	Employee Satisfaction Survey	In mid-2022, Flytech conducted its first employee satisfaction survey for all employees, and the overall satisfaction rating was PR 52. In the future, we will continue to conduct regular anonymous surveys to understand employees' thoughts and gather feedback on the company, work, supervisors, and colleagues, as well as any issues and suggestions. Employee feedback also serves as a reference for adjusting company-related measures and revising policies and regulations.
	Town Hall Meeting	In July 2022, Flytech held its 38th-anniversary factory celebration and a town hall meeting where senior executives explained the company's operational vision and strategic direction. They also took the initiative to respond to anonymous questions collected in advance from employees, providing an opportunity for open and direct communication between the employees and the management team.
	Plant Meeting	Flytech also holds plant meeting every month, where supervisors communicate work-related matters, allowing all factory employees to understand the current production status. During these meetings, employees are encouraged to ask questions, which is a great opportunity for employees to express themselves and contribute to discussions on a regular basis. During the assembly, outstanding employees are openly recognized. This makes employees feel acknowledged and appreciated and boosts their passion for work. It also fosters a supportive work environment where employees from different departments are encouraged to interact and appreciate each other's contributions.
	Grievance Channels	The grievance procedures are publicly posted on the internal website, and all colleagues can submit their opinions or complaints to the HR department via hr@flytech.com.tw

4-1-2 Diversity Hiring and Inclusion

Gender Friendliness

1. Set up a nursery room for employees, encourage and support the breastfeeding policy.

2. Provide maternity gifts to motivate employees to fully commit to the long-term development of the company.

3. Offer diverse and non-discriminatory promotion channels that are fair and transparent. As of the end of 2022, the proportion of women in management reached 31%.

2020-2022 Proportion of Female Supervisors

32%	32%	31%
2020	2021	2022
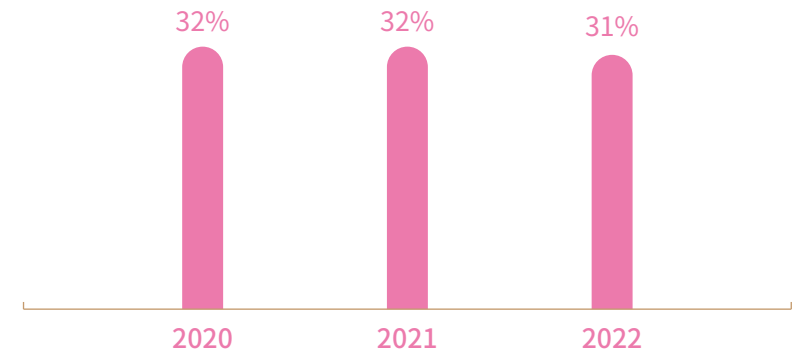
Over the past three years, there has been no significant change in the percentage of female supervisors, which remains consistently above 30%.

4. In addition to providing parental leave according to the labor laws, Flytech established a comprehensive leave management system to give employees flexibility to utilize their parental leaves to take care of their children.

5. Employees who require long-term leave due to military service, serious illness, or other circumstances can apply for unpaid leave. After the specified period, they can apply for reinstatement, allowing them to balance their personal and family care needs.

Disabled Employees

Flytech is committed to addressing the needs of socially disadvantaged groups. In compliance with regulations, in 2022, the Neihu headquarters and Linkou plant employed two individuals with severe disabilities and one with mild disabilities. Our number of hires for individuals with disabilities is in compliance with the provisions of the Disabilities Rights Protection Act. One of them was a visually impaired massage therapist who provides stress-relief massage services to employees at both the Neihu and Linkou locations free of charge. In the future, Flytech will continue to provide job opportunities to help individuals with disabilities become a part of the community.

2020-2022 Number of Disabled Employees

	2020	2021	2022
Severe disability	2	1	2
Mild disability	1	1	1

■ Severe disability ■ Mild disability
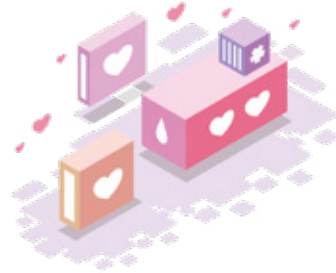
Elimination of Discrimination, Child Labor and Forced Labor

Flytech takes reference of internationally recognized human rights standards such as the Universal Declaration of Human Rights, the United Nations Global Compact, and the International Labour Organization's (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy to develop our human rights policies, with an aim to prevent and eliminate actions that infringe upon or violate human rights. In addition to providing a safe and reasonable workplace and ensuring that current employees are treated fairly and with dignity, Flytech is opposed to any discriminatory behavior, including discrimination based on age, education, race, gender, religion, or vulnerable groups. The company and all of its subsidiaries prohibit the employment of child labor or forced labor, and any such discoveries will result in appropriate disciplinary actions. We maintain effective labor-management communication channels and comply with labor laws, ensuring that no employee's dignity, human rights, or any form of discrimination are compromised. In 2022, we conducted an awareness campaign for friendly workplace, requiring all employees to complete a 1-hour training session and assessment. This initiative aimed to help employees establish correct gender equality concepts and understand ways to prevent and address workplace harassment and bullying, ultimately enhancing workplace safety and promoting a culture of respect. In 2022, through the auditing mechanisms and grievance channels, no discrimination-related incidents, child labor, or significant risks of forced or compulsory labor were identified in our operational sites.
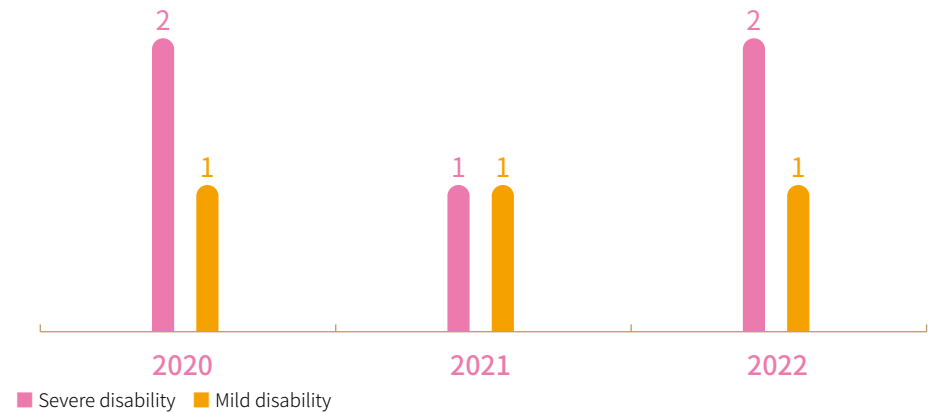
Platform for New Talents-the Seed Program

The Flytech Seed Program was initiated in 2014, targeting recent graduates with high potentials. It provides a platform for outstanding talents to prove their abilities and excel. Each seed participant undergoes intensive training and cross-functional rotations upon joining the company. This approach allows them to quickly acquire knowledge about Flytech and be acquainted with upstream and downstream operational processes to fit in their roles. After three years, we will create a personalized career roadmap, providing diverse development pathways and resources based on individual preferences for managerial roles or professional technical positions. In addition, seed participants have numerous opportunities to get involved in and help with important company projects, allowing them to accumulate valuable experience, take on cross-functional roles, collaborate with senior management, expand their perspectives, and position themselves as future talents within Flytech.

4-1-3 Reasonable Compensation System

Compensation System

1. President and Vice President

The company has disclosed the 2022 Flytech senior managers (president and vice president) compensation standards on page 20 of the 2022 annual report. The compensation standard (including salary, performance bonuses, and salaries, etc.) was determined by the human resources department according to the scope of each position's responsibilities, according to the internal management regulations, Professional Title and Rank Management Measures, Remuneration Management Measures, Compensation Committee Organization Regulations, taking in reference of the salary level of the same industry to formulate a reasonable compensation structure, and is submitted to the Compensation Committee and the Board of Directors for consideration and approval. When actual annual bonuses and bonuses are issued, according to the Company Corporate Charter-the company shall distribute 3% to 15% of its profits in the current period as compensation to its employees and no more than 3% to its directors and supervisors, and then review the manager's individual KPIs achievement for the company's overall performance indicators will be proposed to the Compensation Committee and the Board of Directors for review and approval and then being issued. In addition, the Compensation Committee will also regularly review the rationality of compensation policies, systems, standards, and structures every year. In 2022, the compensation of the president and vice president accounted for 2.66% of the net profit after tax for the current year, which was reasonable.

2. Other Employees

According to the internal management regulations, Professional Title and Rank Management Measures, Remuneration Management Measures, and Performance Appraisal Management Measures, Flytech ensures that employees' compensation depends on their education and work experience, work performance, peer standards, and market conditions; without discrimination based on gender, age, race, religion, political affiliation, marital status. In addition, Flytech has established a salary verification system to determine the appropriate salary based on the applicant's education, experience, interview performance, and estimated future potential. Through the salary surveys conducted by external professional bodies, we regularly examine the balance between employee salary and the external market. Every year, we offer incentives such as salary raises, bonuses, rewards, etc., to outstanding employees based on the results of their regular performance appraisals, the profit of the year, and the market status.

Pension

To ensure employees' well-being after retirement and enhance their sense of service during employment, in accordance with the Labor Standards Act, Flytech has established regulations for pensions and formed the Supervisory Committee for Labor Pension Preparatory Fund. Each month, we allocate 2% of the total payroll as pension preparatory funds and deposit them into a dedicated account under the name of the Labor Pension Preparatory Fund Supervisory Committee to be managed by the committee. In addition, since the implementation of the new pension system on July 1, 2005, the company is required to pay a pension of 6% of the employee's monthly salary and deposit it into individual pension accounts. Employees can also voluntarily contribute additional amounts to their retirement savings within the 6% monthly salary range.

The pension allocated by the company under the Labor Standards Act is managed by the Labor Pension Fund Operations Bureau. According to the Regulations for the Receipt, Custody, and Utilization of Labor Retirement Funds, the minimum annual return distribution of the fund shall not be lower than the interest calculated based on the local bank's two-year fixed deposit rate. For overseas subsidiaries that adopt defined pension plan, pension fund management companies in compliance with local regulations retirement funds are allocated to retirement fund management companies in compliance with local regulations. As of December 31, 2022, the balance in the Taiwan Bank Labor Retirement Preparatory Fund account of our company was NTD 26,368,000.

Performance Appraisal

To make all employees have the same goals and move in the same direction, Flytech's high-level management team holds a regular strategy meeting in October every year. After formulating the operational strategy direction and the company's overall goals for the next year, the head of the four major centers will make announcements to each department. Each department heads and subordinates formulate departmental and individual target KPIs, implementation methods, and scoring standards based on the company's overall goals and submit them to the supervisors for approval as departmental implementation goals. All employees conduct regular performance appraisals in the middle and the end of each year according to the Performance Appraisal Management Measures. The appraisal is based on employees' self-assessment of the achievement of KPIs (operators are assessed based on their daily work performance) and conduct performance interviews with their line managers for communication. The supervisor should explain the results of the self-assessment of work performance, provide direct feedback and guidance to employees, and listen to their suggestions for the company, aiming to achieve mutual consensus on goal attainment. The interview system effectively enhances employee work performance, ensures their understanding of company strategic goals, and identifies any deviations. Employees who perform well in the performance assessment are eligible for bonuses, incentives, salary adjustments, and promotions in the current year. Performance appraisal participation is 100% in 2022. Appraisal process varies depending on the employee category. Indirect employees were evaluated mid-year and at year-end. Direct employees were assessed based on monthly output, yield rate, and attendance and receives performance bonuses accordingly. All employees must complete their performance appraisal before the specified deadline.

Indirect employees who have completed their performance appraisal are categorized by job type as follows:

Classification	Male		Female		Total	
	Number of people	%	Number of people	%	Number of people	%
R&D	75	69%	33	31%	108	37%
Marketing	16	31%	36	69%	52	18%
Administrative	20	47%	23	53%	43	15%
Manufacturing	69	78%	19	22%	88	30%

Promotion and Retention

Flytech provides a transparent promotion system and opportunities to facilitate the sustainable development of talent and the company. We adhere to the principles of fairness and objectivity, promoting outstanding talents based on individual capabilities and diversity. Every year, based on performance appraisal results, recommendations from supervisors, talent information analyzed during manpower inventory and functional tests provided by the HR department, a list of candidates for promotion is prepared for review by senior management. Regular promotion announcements are made yearly to ensure that outstanding talents receive appropriate rewards, encouraging retention and fostering a mutually beneficial future with Flytech.

4-1-4 Training and Talent Cultivation

Flytech has been committed to fostering a learning organization culture. It has developed a comprehensive training system that includes activities such as team building camp to deepen employee understanding of corporate culture, cultivation of core and managerial competencies, enhancement of department-specific knowledge, and seminars focusing on soft skills. Through these diverse resources, we give our employees an opportunity for continuous learning and development.

Flytech Academy-Training Competency Structure

Flying & Learning

■ Non-course ■ Course

Self-Inpiration
- Internal lecturer training
- Inservice Training
- Reading Group
- Life Knowledge
  - Inspiration
  - Healthy Life
  - Investment& financial knowledge
  - Industry knowledge
  - Legal Knowledge

Job Functional Training
- Job Rotation
- Key Talents Cultivation
- Management and Leadership
- Improving Ability
  - Innovative Thinking
  - Professional Knowledge
  - Communication&Coordination
  - Problem Analysis
  - Career Skills
  - GDPR
- Basic Introduction

Professional Courses
- Production Management
- Business Development
- Human Resources
- Material Management
- R&D Design
- Quality System

Corporate Culture Shaping
- Consensus Camp
- Design Thinking

Competency Structure

Flytech Competency Structure

Core Competencies

- Active Attitude
- Teamworking
- Positive Thinking
- Responsible
- Execution ability

Through interviews with senior executives, we summarized the core competencies of all employees in Flytech and the management competencies of each management level, operating as the main axis of talent cultivation. In 2022, core competencies have been included as one of the factors in the recruitment assessment. Regardless of the position, candidates are evaluated based on their competencies through interviews. The goal is to identify individuals who not only share the company's core values but also show a dedication to growing together with us. Starting from 2023, competencies will be factored into criteria used for performance appraisals.
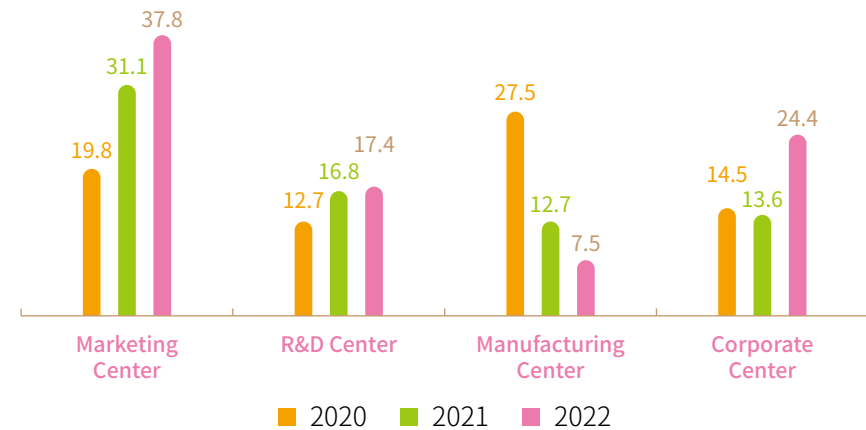
Employee Training Hours in 2022

In 2022, the situation with COVID-19 gradually stabilized. Except from April to June, when there was a rapid increase in local cases, which affected some in-person training sessions, most educational and training activities returned to their regular operations. This year, the average training hours per capita stand at 15.3 hours, a slight decrease of 5% compared to the previous year. However, most departments' average training hours per capita have increased compared to the previous year. Only the Linkou plant saw a decrease in average training hours due to the predominance of hands-on machine training on production lines and adherence to pandemic-related measures, including capacity constraints driven by project-based orders and internal redirection.

Department	Marketing Center	R&D Center	Manufacturing Center	Corporate Center
Actual numbers of people	745	564	862	308
Actual training hours	1,851	1,810	1,699	1,171
Department headcounts	49	104	226	48
Training hour per capita	37.8	17.4	7.5	24.4

2020~2022 Average training hours per capita by department

Marketing Center	R&D Center	Manufacturing Center	Corporate Center
2020: 19.8	2020: 12.7	2020: 27.5	2020: 14.5
2021: 31.1	2021: 16.8	2021: 12.7	2021: 13.6
2022: 37.8	2022: 17.4	2022: 7.5	2022: 24.4

■ 2020 ■ 2021 ■ 2022

2022 Training Development Implementation and Achievements

Training Item: *Key Talent Training*

Implementation and Engagement

- Conducted competency assessments for key talents and identify training gaps through 360-degree evaluations and aptitude tests.
- Customized education to individuals-providing personalized training plans.
- In addition to participating in internal in-person courses, we offer more flexible and diverse learning opportunities through digital learning platform.
- Training resources:
  In-person management programs, Digital learning platform, Study group

Talent inventory → Select candidate → Competency assessment → IDP → Inspect results

Achievements/Impacts

- Achieved a 100% employee retention rate for those who received training in 2022.
- Reached 75% training completion rate

Training Item: *Seed Talent (Management Associate) Training*

Implementation and Engagement

- In the first month after joining, new management trainees are scheduled for high-intensity, high-density general training courses to establish their knowledge of Flytech quickly.
- In the second month, cross-departmental job rotations are initiated to introduce trainees to various aspects of the organization, including interacting with different teams and understanding operational processes. This experience is beneficial to their future job execution.
- Trainees focus on developing expertise in their specific areas three months into the program. They accumulate experience and work towards becoming experts in their respective fields.
- After three years, the company conducts customized career planning and offers different development paths based on the individual's aspiration for managerial or professional technical roles.
- Management associates deliver project reports on different topics every six months, including innovation proposals, process improvements, or sharing new industry knowledge. Senior executives listen to these presentations, engage in discussions, and provide feedback and suggestions.

Achievements/Impacts

- In 2022, every newly hired management trainee completed all required course trainings and job rotations. They also conducted exit reports before commencing their responsibilities in their assigned departments.
- Reached 100% retention rate among new management trainees in 2022.

Training Item: *Management Program*

Implementation and Engagement

- Invited professional management consultants as speakers and internal HR trainers to share practical management practices and new knowledge, aiming to enhance supervisors' leadership skills. In 2022, the following courses were conducted:

  - » HR Mindset for Supervisors-Understanding Employee Needs
  - » Problem Analysis and Solution
  - » Ecological Design and Competition
  - » Practical Tips for Recruitment and Competency-based Interview Skills
  - » Recruitment Mastery for Managers
  - » Performance Appraisal Optimization

Achievements/Impacts

- Total course hours: 16 hours
- Participants: over 150
- Average satisfaction rating: 4.61

Training Item: *Knowledge+*

Implementation and Engagement

- A Knowledge+ seminar provides soft skills courses and is held approximately every two months, inviting external experts to share their experience. Course topics mainly include industry insights and trends, investment and finance, legal insights, healthy living, and motivational content for personal development.
- A total of 7 courses were conducted in 2022:
  - » Midlife Crisis
  - » Agile Management
  - » The Essentials of Trade Secrets
  - » Toxin-free Living
  - » Business Chart-Making Techniques of Excel
  - » Ways to Cope with Work Stress
  - » Time Management Development Strategy

Achievements/Impacts

- Participants: 377
- Average satisfaction rating: 4.57

Training Item: *Trainings for Newcomers*
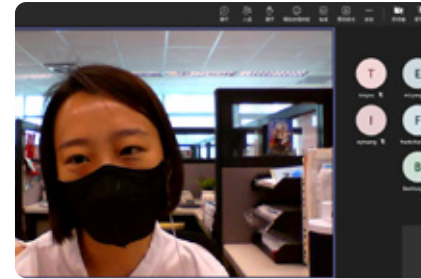
Implementation and Engagement

- Flytech arranges basic training for new employees on their first day of work, ensuring newcomers can quickly understand the team's philosophy and culture.
- New employee training programs include
  - » Organizational Structure
  - » Company Basic Regulations
  - » Internal Control System and Management Regulations
  - » ISO promotion
  - » Information Security Policy
  - » Legal Knowledge and more
- Every quarter, there is also a half-day training session for new employees. These sessions not only include in-depth training courses to enhance employees' understanding of the organization's operations but also provide opportunities for new hires to interact across departments, fostering cohesion among team members. Each new employee is required to complete a minimum of eight hours of mandatory courses within 90 days, along with optional courses.

Achievements/Impacts

- In 2022, a total of 78 new employees underwent new employee training and passed the assessments, achieving a 100% success rate.

Training Item: *Digital Learning Platform*
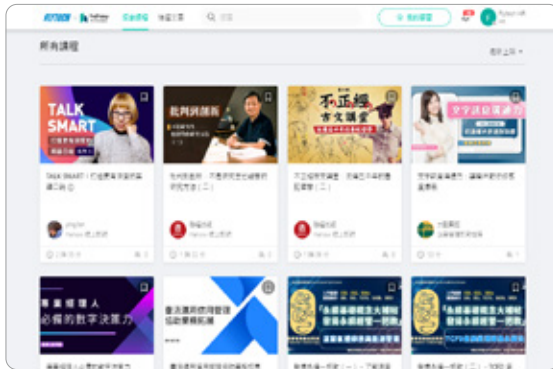
Implementation and Engagement

- In 2022, an external digital learning platform was introduced for the first time, primarily for the use of 25 key training executives. It aims to enhance employees' self-directed learning abilities by creating a nurturing and diverse learning environment.
- HR personnel assigned courses (7 courses) and post-course assessments (7 courses) based on colleague's professional backgrounds and the key talent development program.

Achievements/Impacts

- Total watch time: 188 hours. Average watch time: 7.85 hours per person.
- Hybrid learning: In addition to online course learning, three offline study group meetings were organized, inviting platform users to share their experiences and knowledge.

Training Item: *Team Building Camp*

Implementation and Engagement

- To foster team cohesion and cultivate the spirit of Flytech People, we organize Flytech Team Building Camp every year, where the Chairman, senior executives, middle-level managers from different departments and new employees participate together. Through hiking activities, we aim to deepen the mutual understanding among employees, establish a shared sense of overcoming challenges, and cultivate a willingness to help each other in the future workplace.
- The Team Building Camp in 2022 was a three-day, two-night event, with a total of 27 colleagues participating. The activities included a hike along the North Cross-Island Highway and experiences with high and low-altitude facilities.

Achievements/Impacts

- The hike covered approximately 20 kilometers.

4-1-5 Happy Enterprise – Welfare

Flytech has always adhered to the belief of Putting Employees First since its establishment. We consider our employees vital assets and prioritize communication and coordination between employees and management. Flytech provides well-established welfare programs and cares for our employees' physical and mental well-being. We have an Employee Welfare Committee composed of members elected by their fellow colleagues. They plan and organize various welfare activities every year. In collaboration with the company, the Committee engaged in initiatives and policies that aim to promote employee happiness and overall well-being in the workplace.

In 2022, several new welfare measures were introduced, primarily based on suggestions and feedback from employees gathered at the previous year's town hall meeting. New welfare additions include:

1. Flexible working hours
2. Additional paid leave beyond legal minimums of the Labor Standards Act
3. Employee Assistance Program (EAP)
4. Stress relief massages

A Friendly Workplace

- Flexible working hours: Headquarters in Neihu allows employees to have flexible working hours with a one-hour window for starting and ending work.
- Additional paid leave beyond legal minimums: 10 days of paid leave after completing three months of service.
- Labor insurance, health insurance, and group insurance: providing employees with comprehensive job security.
- Factory lunch

Diverse Work Incentives

- Annual bonuses
- Employee stock ownership trust: Employees have the option to designate a specific portion of their monthly salary to buy stocks from the company. Additionally, the company also adds an equal amount to this investment.

Well-established Welfare Program

- A Friendly — Workplace Environment
- Ongoing — Learning and Development
- Diverse — Job Incentives
- Lohas — Work Life

The percentage of employees participating in the stock ownership trust program

	2020	2021	2022
Not involved	42%	46%	36%
The number of participants	171	154	187
Participate	58%	54%	64%
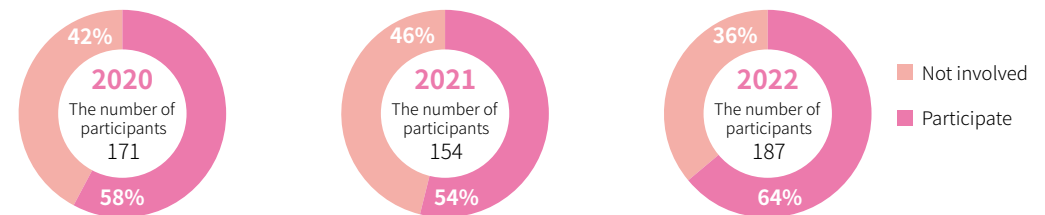
Over the past three years, more than half of the employees have participated in the employee stock ownership trust program.

Note 1: Participation rate in employee stock trust is determined by dividing the number of current-year participants by the total number of eligible employees.

Note 2: Due to the impact of COVID-19, allocation and membership applications were temporarily suspended from April 2020 to March 2021. As a result, the number of participants decreased.

- Years of Service Awards: Public recognition and commemorative coins are presented to employees who have completed 5, 10, 15, and 20 years of service.
- Patent Awards: Employees with approved patent applications are eligible for a patent award. In 2022, a total of 22 patent application awards and approval awards were granted to 32 individuals.

Balanced and Fulfilling Lifestyle at Work

- Domestic travels (yearly), foreign travels (every two years)
- Club activities subsidy
- Department gathering subsidy
- Regular health examination
- On-site doctor/nurse consultation
- Maternity support
- Birthday present
- Marriage, bereavement, and celebration allowance/gifts
- Gifts for Traditional Festivals and Labor Day

Caring for Your Mental and Emotional Well-being - New Benefits in 2022

- Stress-relief massages:
  We have hired professional massage therapists, and employees at both our Neihu and Linkou locations can schedule stress relief massages during work hours, allowing employees to release stress and fatigue before returning to their workstations. In 2022, a total of more than 700 individuals used this service.

- EAP (Employee Assistance Program):
  In collaboration with a counseling center, we offer diverse and free online counseling services that professional psychiatrists provide. These services cover various topics, including career development, work-related stress, interpersonal communication, emotional issues, depression and anxiety, family and parenting, and more. All employees have access to this service, and the counseling process and content are completely confidential.

Continuous Learning and Development

- Training subsidies
- Flytech library: diverse collection of books and magazines available for employees to borrow.

Year-end Dinner Party

At the end of every year, the Welfare Committee provides subsidies for each department to organize their own gatherings. Employees from different units come together to enjoy delicious food, celebrating the arrival of Christmas and the New Year.

Club Activities

Employees can create their own clubs within the company, receiving funds by the Welfare Committee to support their activities. Currently, most of the clubs are sports-oriented, including golf, basketball, baseball, table tennis, badminton, and aerobic boxing, with others focusing on baking.

Company Trips

In 2022, we organized a domestic two-day trip with five different itineraries for employees to choose from. We also welcomed employees to bring their families along for the fun. A total of approximately 400 people participated in this two-day trip.

4-2 Friendly Workplace

Creating a safe and clean working environment for employees is one of Flytech's top priorities. A safe environment ensures the ease of mind of employees, while a clean environment promotes happiness and increases work efficiency. This, in turn, fosters a sense of belonging among employees towards the company. Since its establishment, Flytech has never incurred penalties from labor authorities. We obtained ISO 14001 verification for environmental management systems in 2001 and further achieved ISO 45001: 2018 verification for occupational safety and health management systems in 2020. Flytech strives to reduce occupational hazards and risks by continuously improving control measures through international standards to create a Safe, Environmentally Friendly, and Sustainable workplace. The company's key strategic management objective is maintaining a record of no significant occupational safety and health incidents, penalties, or litigation.

4-2-1 Occupational Health and Safety Management System

In accordance with Article 23 of the Occupational Safety and Health Act and Article 12-2 of the Occupational Safety and Health Management Regulations, companies with more than 200 employees must establish an occupational safety and health management system suitable for their operations. With this in mind, Flytech has proactively introduced the ISO 45001 verification for occupational safety and health management systems in 2019 and obtained it since 2020. Training and promotion initiatives have been conducted for all employees, along with implementing hazard identification and risk control measures for the work environment, aiming to establish a comprehensive occupational safety and health management system.

Scope of Workers, Activities, and Workplaces Covered by the System

Workers defined by ISO 45001 include Flytech employees, contractors, doctors, and nurses. The certification scope of ISO 45001 was 437 (427+10) people, as shown in the table below. The workplaces were only in Flytech Neihu headquarters and Linkou factory, and the activities included R&D, manufacturing, contract cleaner, and security guard. No workers were working outside the workplace as of now.

	Work Subject to Organization	%	Work Not Subject to Organization	%
Workplace controlled by the organization	Flytech employees Neihu: 193 Linkou: 234	44.2% 53.5%	Doctor (same person) Neihu & Linkou: 1	0.2%
	Contractor (security guard and cleaner): Neihu: 3 Linkou: 5	0.7% 1.2%	Nurse (same person) Neihu & Linkou:1	0.2%
Workplace Not Subject to Organization	None		None	

Occupation Security Professional Personnel

| Classification | Classification | Fire Protection Manager | | Emergency Medical Responder | | Occupational Health and Safety Personnel | | Forklift Operator |
		Regulatory Requirements	Flytech	Regulatory Requirements	Flytech	Regulatory Requirements	Flytech	
Number of People	Neihu	1	2	4	4	Class A occupational health and safety executive: 1 Occupational health and safety supervisor: 1	Class A occupational health and safety executive: 1 Occupational health and safety supervisor: 1	0
	Linkou	1	1	5	7	Class A occupational health and safety executive: 1 Occupational health and safety supervisor: 1	Class A occupational health and safety executive: 2 Occupational health and safety supervisor: 1	5
						Met or exceeds regulatory requirements		

Continuous Improvement to System

Flytech follows the PDCA cycle management approach of the ISO 45001 system. Based on the results of hazard identification, occupational health and safety objectives are established at the end of each year. The company proposes and implements improvement plans considering the evaluation results of hazard identification and the requirements of government regulations. To implement the practices and principles of ISO 45001, Flytech undergoes annual external audits by third-party verification bodies. Additionally, the Quality Assurance Department develops an internal audit plan each year. Internal auditors must undergo at least 6 hours of training on the standard's requirements before conducting audits. Audits evaluate the performance of occupational safety and health objectives, the effectiveness of hazard control measures, and the proper implementation of safety equipment inspections. They also ensure compliance with government regulations to protect the rights and well-being of workers. Finally, management review meetings are held to assess the achievement of occupational health and safety objectives and verify the effectiveness of corrective measures.

4-2-2 Environmental Health and Safety Committee

Worker Involvement

In addition to regular internal and external audits, Flytech incorporates occupational health and safety issues into the Environment, Health, and Safety Committee for discussion. This committee comprises representatives from various departments and enables real-time handling of environmental and occupational safety and health emergencies. Other than quarterly meetings to discuss environment and safety-related topics, the committee maintains an online communication group for immediate and effective communication, ensuring that Flytech promptly addresses employee feedback.

Routine Procedure

1. Hazard Identification

To ensure effective prevention of occupational hazards, Flytech has established a procedure for hazard identification, risk assessment and opportunity management for occupational safety and health. In April each year, risk assessors from each department assess the safety and health hazards and conduct risk assessments for the work environment, processes, activities, and products at the Neihu headquarters and Linkou factory. Risk assessors must undergo at least 3 hours of occupational safety and health training and be familiar with the site's workers. If necessary, worker representatives should be consulted during the assessment process.

Process Identification	→	Hazard identification	→	Evaluate the frequency of incidents/ severity of their consequences	→	Determine risk level	→	Confirm risk acceptability	→	Draft control measures	→	Implement and track	→	Conclude and file

Work environment, equipment usage, chemicals, or energy.　and refer to past accidents or potential occupational safety incidents that have occurred before.

Assess the severity and likelihood of occurrence, and if the assessed risk is categorized as high-risk or significant, it will be deemed unacceptable. The unit head must identify appropriate and effective control measures to reduce the hazard to a moderate risk level or below. After discussing this with the Environmental, Health, and Safety Committee, the results in presented during the management review meeting. In 2022, Flytech identified four high-risk items during the hazard identification process. These risks were categorized as unacceptable and brought under control. They were also included in the following year's environment, health and safety objectives to ensure effective control and the implementation of relevant protective measures. For example, in 2022, one of the high-risk items identified in the hazard assessment was the damage to the ground at the shipping dock. Immediate risk reduction measures were taken during the year to prevent workplace accidents such as personnel falling due to this hazard. Since the implementation of ISO 45001 at Flytech, there have been no major accidents to date.

Before improvement

After improvement

2. Daily Inspection

Flytech has established automatic inspection management processes and implement inspections according to the plan to detect abnormalities early, prevent potential hazards, strengthen the safety and hygiene of the operating environment, and prevent accidents. Actual or potential hazards discovered by inspections should be recorded in the automatic inspection lists. According to the severity of hazards, the occupational safety and health executive will be classified and undergo improvement tracking. If there is an immediate danger, operation must be stopped, and notify the relevant departments for improvement action. And then the situation should be filled into the Hazard Identification Risk and Opportunity Assessment Form until the hazard is completely eliminated.

3. Access Control

Flytech installed access control at the entrances and exits of each floor and the freight elevator to ensure the safety of employees and control access. Access to specific areas is restricted based on personnel permissions. Employees are required to wear badges within the factory premises for identification purposes. Detailed records of visiting clients, suppliers, and other relevant visitors, including their time of entry, purpose, and number, are maintained to control their access to specific areas. Approval from the plant manager is necessary if access to the manufacturing area is required to ensure employees' safety and allow visitors to enter the site under safe and full supervision.

There are 24-hour security guards on duty in Flytech Neihu HQ building and Linkou plant patrolling day and night, keeping track of the dynamics of visitors and overtime workers who have not yet left the building, vehicle entry and exit inspections, body temperature measurement, and traffic safety control.
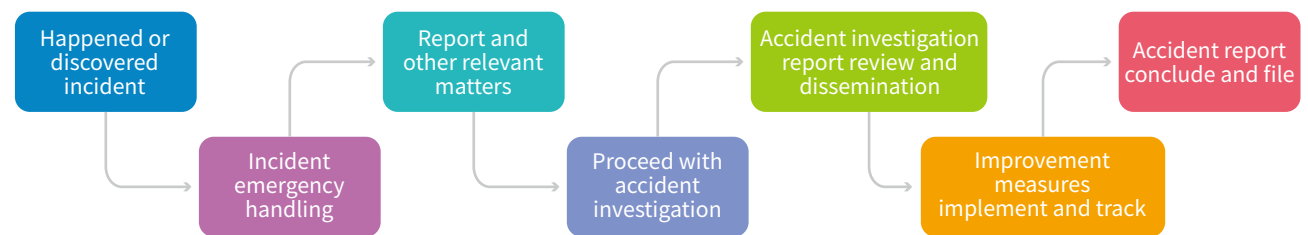
Non-Routine Process

1. Changes and Incident Handling

Flytech has established an Environmental, Health, and Safety change management procedure. Any changes related to process facilities, utilities, production equipment, equipment operating procedures, worker job processes, and work environment monitoring that may impact workers' health are subject to the change control process. The proposing department must complete a change control form and include it in the hazard identification assessment to evaluate the potential environmental and safety health impacts. In the case of significant changes, consultation with workers or presenting the issue to the Environmental, Safety, and Health Committee is necessary before implementing the change. Once the evaluation is completed, the change can be implemented. Notification should be given to relevant personnel regarding any environmental impacts or hazards affecting worker health resulting from the change, and training should be conducted to reduce the risks associated with the change operations.

2. Incident Investigation

Flytech adheres to the health and safety incident investigation and handling management procedure to identify potential injuries and illnesses related to operational activities, determine facts and circumstances, identify causes, and take effective corrective actions to prevent recurrence of harm and diseases. In the event of an incident, people who discover the incident or involved parties should take necessary measures to prevent the escalation of the disaster and secondary accidents. The on-site or contractor's supervisor should provide necessary medical assistance to the injured individuals. Whether it is a work-related accident or a potential false alarm event in the workplace, it should be included in the hazard identification assessment of risks. There were no work-related accidents or occupational hazards between 2020 to 2022.

Happened or discovered incident → Incident emergency handling → Report and other relevant matters → Proceed with accident investigation → Accident investigation report review and dissemination → Improvement measures implement and track → Accident report conclude and file

Incident Classification	Notification Deadline / Department		Accident Investigation
Common Occupational Accident	within one hour	Report to Corporate Center supervisor and HR	Investigate and analyze improvement measures within 24 hours
Serious Occupational Accident	within 8 hours	Report to labor inspection agency	
Contractor Accident	-	Report to Corporate Center	
False Alarms	-	Report to Corporate Center	The employees or their representatives fill out a false alarm incident investigation form.

3. Exposure Monitoring

Flytech conducts regular monitoring of the work environment for workers by engaging a third-party inspection company certified by TAF every six months. The results of the monitoring were all normal, as shown in the table below.

	Item	2020 H1	2020 H2	2021 H1	2021 H2	2020 H1	2022 H2
Chemical factors operational environment testing	Methanol, Isopropanol	Not exceed the allowance	Not exceed the allowance	Not exceed the allowance	Not exceed the allowance	Not exceed the allowance	Not exceed the allowance
	Carbon dioxide concentration	Below regulatory standards	Below regulatory standards	Below regulatory standards	Below regulatory standards	Below regulatory standards	Below regulatory standards
Physical factors operational environment testing	Noise	Below regulatory standards	Below regulatory standards	Below regulatory standards	Below regulatory standards	Below regulatory standards	Below regulatory standards
	Wind speed control	No minimum standards under current regulations	No minimum standards under current regulations	No minimum standards under current regulations	No minimum standards under current regulations	No minimum standards under current regulations	No minimum standards under current regulations

4. Policies and Processes for Worker Protection from Disciplinary

In the health and safety incident investigation and handling management procedures, Flytech clearly defines the policy to protect workers from punishment. Workers have the right to refuse or stop unsafe or unhealthy work. When workers think the work may cause injuries or illnesses, they have the right to leave and will not be punished. However, the worker shall inform the supervisor after leaving the job. The supervisor shall identify whether it is a false alarm or occupational hazards and list it in identifying hazards conducting risk and opportunity assessments.

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4-2-3 Occupational Safety Training

Labor Safety Promotion and Elimination of Language Barriers

To ensure that all foreign employees understand their rights within Flytech's ISO 45001 Occupational Safety and Health Management System, the factory affairs department distributes environmental safety and health cards to all employees at the Linkou factory. These cards indicate Flytech's occupational safety and health policies and commitments in both Chinese and Vietnamese and a grievance hotline for reporting prohibited harassment incidents. At the beginning of each month, during working hours, safety information is disseminated to local and foreign employees through monthly factory meetings. The meetings cover topics such as how to reduce safety hazards, and several foreign employees fluent in Chinese are assigned to assist with translation at the work sites. Large pictures are used to eliminate language barriers. Additionally, intermediary agents are employed to reinforce labor safety precautions and life management to foreign workers during non-working hours, ensuring they can work safely and safely return home. Furthermore, we regularly invite labor safety instructors to the company to promote awareness of the provisions and principles of ISO 45001. Government promotional materials are displayed on television screens and the intranet, including fire safety, typhoons, electrical appliance usage, and the company's pandemic prevention policies. These measures aim to cultivate a continuous sense of crisis among company employees and protect them from exposure to dangers.

Occupational Health and Safety Education and Training Practice

Flytech will arrange trainings once the new employees joining the company, including fire safety training, a comprehensive overview of labor safety, general environmental and safety training, and refresher courses for occupational safety professionals.

1. Fire Drill

Flytech has a fire and emergency response team and a fire and emergency response organization, including reporting, fire suppression, evacuation guidance, safety protection, medical response, and mechanical and electrical rescue teams. During the training, the company introduces the responsibilities of each team, discusses various types of fires and response measures, demonstrates fire equipment, explains evacuation procedures, and covers ISO-related systems. In addition to regular inspections by the fire department, Flytech conducts annual fire safety drills and fire extinguisher usage training for different scenarios.

Item	Date	Note
Self-defense Fire Marshal training	2022/12/07	Due to the pandemic, the event scheduled for the first half of the year has been postponed to the second half of the year, with compartmentalized and segregated arrangements.
Random inspection of fire facilities by the fire department	2022/10/07	

2. Labor Safety Overview

Explain the Occupational (Worker) Safety and Health Law, occupational injuries, occupational diseases, overwork, workplace accidents, health check-ups, internal access control safety, company-specific occupational safety and health management procedures, etc. We also conduct annual AED training, and the Labor Inspection Authority schedules two routine labor inspections every year.

Item	Date	Note
Labor Inspection	2022/01/20	Regular Inspections
Labor Inspection	2022/10/26	Regular Inspections

3. General Affairs and Environmental Safety

The courses include the company's ISO procedures and management methods related to environment, health, labor safety, abnormal handling processes and emergency measures.

4. Occupation Security Professional Personnel Recertification Training

Professionals regularly schedule on-the-job education and training to understand the government's new regulations or policies and maintain their certificates' validity.

Role	Re-training Time		2020	2021	2022
Fire protection manager	Every 3 years	6 hours	3	-	2
Emergency medical responder	Every 3 years	3 hours	2	5	1
Class A occupational safety and health executive	Every 2 years	6 hours	-	-	1
Occupational safety and health supervisor	Every 2 years	12 hours	-	1	-
Forklift operator	Every 3 years	3 hours	-	4	1

Occupational Health and Safety Training of External Suppliers

In addition to annually distributing environmental safety and health questionnaires to material suppliers to convey our commitment to occupational safety and health issues, we also prioritize the safety of contractors performing maintenance and cleaning tasks at our workplace. For example, we require contractors to fill out the "Vendor Environmental Safety Management Assurance Form" upon contract signing to ensure compliance with environmental safety and health regulations. They are also required to submit a general construction application form at least three days before the start of the construction. During on-site work, the General Affairs or Factory Affairs department informs and records the contractors about workplace hazards. Contractors are required to hold toolbox meetings before daily construction activities to effectively communicate relevant hazards, corresponding measures, and equipment used, thereby enhancing their awareness of the work environment's risks.

4-2-4 Employee Health

Employee Health Examination

Flytech provides all domestic employees health examinations by the qualified medical center every two years, which exceeds the requirements of the Labor Standards Act. The employee health examination report is kept and controlled by HR according to Flytech's personal data management procedures. The health examination reports will not be used for promotion, transfer, or employment. For foreign employees, according to the Ministry of Health and Welfare's Administrative Measures for the Health Inspection of Employed Foreigners, they will be assisted by the agency to take them to the designated hospital for health examination within 3 days after entering the country within 30 days before and after the date of having worked in the country for 6 months, 18 months and 30 months. The agency has to notify Flytech of the health examination date of the foreign workers. The agency will keep the examination reports. Suppose there is any abnormality in the examination results. In that case, the company will be notified to track the foreign employee's health status.

Health Promotion

In accordance with the government's labor health protection rules, Flytech has set up contract-based doctors and nurses in Neihu headquarters and Linkou factory. The doctors are present six times a year and nurses are present six times a month to provide health consultation and labor physical analysis and evaluation. Consultation can be done during business hours. In addition, we conduct preventive management and risk assessment for the physical condition of all employees. Besides regular health examination every two years, Flytech comprehensively evaluates employees' load level (low, medium, high), selects members who need further consultation, and arrange for them to interview doctors for consultation. The medical staff will conduct interviews and guidance with all laborers for the prevention of high-potential work-related hazards by the four-method questionnaires, including Operational Measures for Prevention and Management of Unlawful Infringements in the Performance of Duties, Operational Measures for Prevention and Management of Diseases Provoked by Abnormal Workloads, Standard Practice for Preventing Human Hazards, and Operational Measures for Prevention and Management of Diseases Provoked by Abnormal Workloads. The nurses maintain interview records, and measures such as adjusting working hours, shortening them, or changing job responsibilities are implemented based on the risk levels assessed by medical personnel. Further tracking is done through health check-ups and performance evaluations. No occupational injury or occupational disease occurred among employees during 2020 to 2022.

Work Environment Hygiene

Flytech employs a cleaning company to regularly clean the interior and surroundings of Neihu headquarters and Linkou factory. In addition, robotic floor sweepers and wireless vacuum cleaners are stationed at each floor of the Neihu headquarters to encourage employees to maintain a clean environment proactively. Furthermore, professional company is are periodically scheduled to perform disinfection of the entire building, both indoors and outdoors, as well as maintenance of air conditioning systems and testing of bacteria levels in water dispensers.

Physical and Mental Health is Indispensable

Flytech plans a series of seminars related to health promotion themes every year. We invite professional speakers to deliver these seminars with practical and relatable content to promote our colleagues' physical and mental well-being through education. For example, in the 2021 seminar titled Life with Masks Amid the Pandemic, a counseling psychologist shared insights on how to adapt to changes in our social and psychological lives. The psychologist guided employees through stress reduction and mindfulness exercises, including affirmations, meditation, and mindfulness practices. These exercises aimed to enhance psychological resilience, enabling individuals to adapt to the challenges of the pandemic with a rational and positive mindset, much like running a marathon against the virus.

In 2022, the Ways to Deal with Work Stress seminar featured a psychological counselor presentation on reducing internal and external workplace stress. The counselor guided employees in analyzing the pathways to stress formation, enhancing stress awareness, practicing mindfulness, and approaching stress positively to reduce its accumulation. Here are the seminars held during 2021-2022:

| Date	Theme	Number of Participants
2021/04/04	How to Eat on a Diet	35
2021/09/30	Life with Masks Amid the Pandemic	49
2021/12/16	Why Can't I Fall Asleep	21
2022/2/12	Midlife Crisis, a Turning Point in Self-discovery	49
2022/7/12	Toxin-free Living	61
2022/8/25	Ways to Cope with Work Stress	51

4-3 Pandemic Prevention Project

In 2020, the COVID-19 pandemic had a global impact on Flytech's international customers and suppliers. However, Taiwan was not significantly affected during that year. As a result, Flytech focused on assisting many customers in pandemic prevention efforts, including providing masks and collaborating on developing medical-related product lines. In the first quarter, the president established an emergency response and pandemic prevention project to promote awareness and implement necessary controls to ensure the safety of Flytech employees and visitors. In 2021, the COVID-19 situation in Taiwan gradually worsened, and from May to July, the country entered a Level 3 lockdown. Flytech responded to the changing pandemic situation by significantly adjusting its pandemic prevention project. This project encompassed various areas, including the company's environment, preventive measures, employee care, vaccine assistance, event cancellations, etc. In 2022, even as the government relaxed its pandemic policies, Flytech continued to uphold a comprehensive pandemic prevention plan for all employees. This plan was overseen and implemented by department managers at the Neihu headquarters and the Linkou factory. The primary response measures included the following:

4-3-1 Environmental Management and Countermeasures

Comprehensive and Thorough Environmental Management

Daily routine disinfection is carried out in various areas by dedicated personnel to provide a safe working environment for employees. Depending on the pandemic situation, the entire building undergoes large-scale disinfection as needed. In 2022, despite policy relaxation, Flytech continued to schedule 53 disinfection sessions to maintain a high level of hygiene. Disinfectant water and alcohol were provided on each floor for disinfection of personal work areas, and disinfection blankets were used to make the pandemic prevention measures more complete. In terms of subdivision and diversion routes, employees shall wear badge in different colors to distinguish their workplace floors. All staff must follow the designated routes and used different elevators or stairs. The elevators were also adjusted to stop at designated floors and marked with tape for control. Regulations are in place regarding passenger limits and facing directions while inside the elevators.
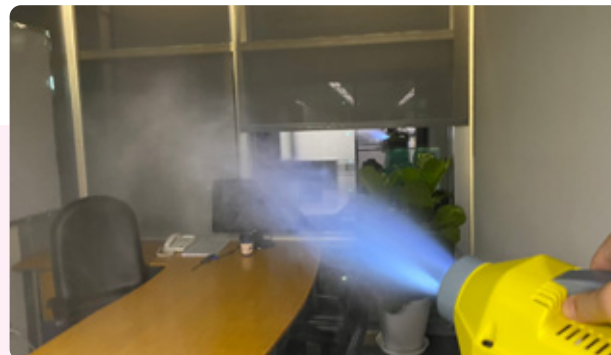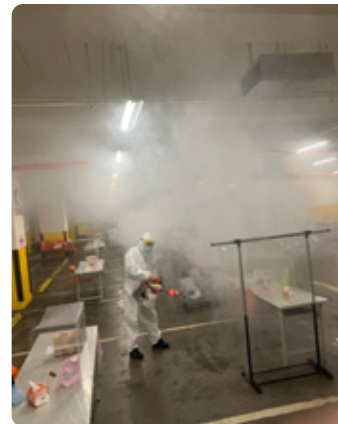
Implementation of Employee and Visitor Self-Management - Free Rapid Test

Before entering the company and factory, all personnel must undergo temperature checks, sanitize their hands, wear masks throughout the entire process, provide personal information records, and indicate the number of accompanying persons. Strict adherence to social distancing measures is enforced, and employees must have their meals at their seats without gathering in groups. Additionally, depending on the situation, employees must undergo a weekly or biweekly rapid test. In 2022, we conducted 63 times of rapid testing for our employees. The same applies to visitors and suppliers entering the company and the factory. Even when the pandemic was slowing down, there was no slack to protect each employee's health and maintain the workplace environment safety.

Flytech has purchased rapid test kits to provide free rapid testing for all employees and visitors. In 2021, the company spent NTD 1,995,260 on this initiative, and in 2022 allocated an additional NTD 3,533,340. As of now, a total of NTD 5,528,600 has been invested in this effort.

	Number	Rapid Test Cost (NTD)
2021	9,694	1,995,260
2022	24,132	3,533,340
Subtotal	33,826	5,528,600

The highest principle of personnel safety and health

To ensure the safety of employees, Flytech advocated replacing physical meetings with online meetings, strictly implemented subdivision and diversion and planned the entry and exit of personnel and the scope of daily activities to reduce the possibility of risks. In addition, the corporate center strictly implemented the pandemic investigation every week. Employees had to report their health conditions through an online questionnaire every Sunday. Only those who were in normal condition could enter the company on Monday. The corporate center would take the initiative to contact and inquire if there was any abnormality. Before entering the office area every Monday, all staff would undergo temperature measurement and hand disinfection, and perform rapid test at designated locations. We took safe distancing into account when arranging and configuring the rapid test locations, the upper limit of the number of people and the smoothness of the moving line. We informed employees that if they felt uncomfortable during work, they could obtain rapid tests at any time to ensure the safety of all staff.

Prioritizing Employee Benefits

COVID-19 has been a global pandemic disaster, affecting virtually all industries. While many sectors resorted to unpaid leave and layoffs to mitigate the pandemic's impact, Flytech prioritized its employees' welfare as the topmost concern despite potential challenges. We remained resolute in our commitment to stand together with our colleagues during difficult times. We did not implement unpaid leave or layoffs due to the pandemic, firmly upholding a policy of zero layoffs, zero reduction in work hours, zero pay cuts, and zero unpaid leave.

In addition, we have established comprehensive and flexible pandemic care and vaccination mechanisms, ensuring that our employees can balance their family and work responsibilities without concerns.

4-3-2 Pandemic Prevention Care

Vaccine Administration Incentive

To protect employees' health and jointly maintain a safe working environment, and in response to the government's COVID-19 vaccination policy, Flytech provided employees with vaccination incentives to encourage all employees to complete the vaccination as soon as possible and improve the overall vaccine coverage within the company. In total, we have disbursed a sum of NTD 718,600 as vaccine administration incentives.

Date	Description	Number	Reimbursement Amount (NTD)
2021/10/28	First dose subsidy	295	295,000
2021/12/29	First dose subsidy	82	49,200
2021/12/29	Second dose subsidy	332	332,000
2022/3/7	First and Second dose subsidy	50	42,400
	Subtotal	759	718,600

Customer Service and Supplier Management

2022 Highlights

High Level of Customization	Receiving orders, design and production
Comprehensive Customer Service System	Quick delivery, excellent quality, designed and made in Taiwan and good after-sales service
90.11%	2022 local procurement amount

Customer and supplier management have always been the most crucial topic for Flytech. In terms of customer service, we not only listen to customers' opinions and needs, but also focus on the four aspects of products - technology, quality, delivery, and service. By providing innovative and competitively superior products, we aim to meet the market's needs effectively. We continuously expand our verification in major management systems to offer trusted professional services to our customers. Over the years, Flytech has consistently strengthened various management systems, including quality, information security, environmental sustainability, and occupational health and safety. We have obtained credible external verifications such as ISO 9001 for quality management, ISO 13485 for medical device quality management (specifically for the medical field), ISO 27001 for information security management corresponding to electronic information security, ISO 14001 for environmental management, and ISO 45001 for occupational safety and health management, which safeguards the wellbeing of our employees. Additionally, in 2021, we successfully obtained the rigorous IATF 16949 verification for automotive industry quality management, specifically for the automotive field.

In terms of supplier management, we have always supported local procurement to promote local suppliers. In 2022, our domestic suppliers accounted for 90.11% of the procurement amount. They continued to meet the target of 85% while also actively requesting that suppliers follow government environmental regulations, provide reports on the restriction of hazardous substances to comply with international environmental laws and regulations, and include ISO 9001 and ISO 14001 standards in the selection of new suppliers to establish a responsible supply chain belonging to Flytech and work together with suppliers for environmental protection, human rights, and a safe working environment.

The aforementioned efforts demonstrate Flytech is committed to building a sustainable value chain that addresses the concerns of customers and suppliers. Furthermore, recognizing the global significance of climate change, we established a project in late 2021 to develop a greenhouse gas inventory management system. In 2022, we obtained external verification for ISO 14064-1. This showcases Flytech's commitment as a corporate citizen, actively engaging in self-management and participation in tackling climate change.

Key Achievements and Management Policy

Management Policy	2022 Targets	2023 Targets	2022 Achievements
Obtain and follow a variety of international quality system verifications to meet customer expectations and provide high-quality products.	1. Continue to implement ISO 9001 and ISO 13485 quality management system annually. 2. Obtain IATF 16949 Automotive Quality Management System Verification	Continue to implement ISO 9001, ISO 13485, and IATF 16949 quality management systems every year.	No major deficiencies in ISO 9001, ISO 13485 and IATF 16949 external audits.
Continue to research innovative technologies, and cooperate with customers to develop high value-added products for diverse domains, and deepen cooperation with customers to grow together.	1. Continue to develop new products of Touch POS, Hybrid POS, Mobile POS, Panel PC, Box PC, KIOSK, and other customized systems. 2. Develop new Non-POS products. 3. Develop new products of Non-hardware software services.	1. Continue to develop Touch POS, Hybrid POS, Mobile POS, Panel PC, Box PC, KIOSK, and other new customized system products. 2. Increase the proportion of revenue from Non-POS products and Non-hardware software.	1. Developed new products such as P335X2, P337X2, P625, P627, P657, P615N2, P617N2, P5000N2, P655N, PC57, K717, K73B and etc. 2. Promote extensively cloud-based monitoring UEM Inefi Software.

Management Policy	2022 Targets	2023 Targets	2022 Achievements
Foster excellent local suppliers. 1. Through supplier rating and performance tracking, ensure that suppliers comply with environmental regulations, do not use hazardous substances, do not use conflict mineral materials, and comply with international environmental laws and regulations. 2. Choose suppliers who manage excellent process and stability. 3. Include ISO 9001 and ISO 14001 specifications when selecting new suppliers. 4. Investigate conflict minerals. 5. Ensure key suppliers comply with sustainable management.	1. Achieve a 85% percentage of local suppliers. 2. Ensure all suppliers submit quality assurance letter. 3. Declare Flytech's environmental protection and sustainable business belief, and establish a green and sustainable supply chain together with suppliers.	1. Achieve a 90% percentage of local suppliers. 2. Ensure all suppliers submit quality assurance letter. 3. Achieve a 50% percentage of suppliers signing the Environmental Protection and Prohibited Substances and Carbon Reduction Commitment Statement. 4. Achieve a 50% percentage of suppliers signing the Corporate Social Responsibility and Ethical Corporate Commitment Statement (RBA Responsible Business Alliance Code of Conduct). 5. Achieve a 50% percentage of suppliers sign/issue a policy statement on the non-use of conflict minerals. 6. Ensure all automotive suppliers comply with ISO 9001/14001 standards. 7. Guide suppliers to obtain ISO 9001 or 14001 or 45001 verification.	1. Achieveud a 90.11% percentage of local suppliers. 2. All suppliers submit quality assurance letter. 3. Communicated Flytech's sustainability belief to suppliers. 4. Published the procurement policy of not using conflict minerals to suppliers.
Continuously monitor and reduce the Annualized Failure Rate (AFR).	Annualized Failure Rate (AFR)<0.9%	Annualized Failure Rate (AFR)<0.9%	Annualized Failure Rate (AFR) 0.55%
Monitor and implement Mean Time Between Failures (MTBF) execution.	Maintain the Mean Time Between Failures (MTBF) of the tested whole machine at the average of >60,000 hours.	Average Mean Time Between Failures (MTBF) >60,000 hours.	Average Mean Time Between Failures (MTBF) >60,000 hours.

5-1 Excellent Customer Service

In the early stages, Flytech primarily adopted the ODM business model, which involved establishing partnerships with customers to develop markets. This approach allowed Flytech to accumulate extensive experience in customization and possess strong product design capabilities.

5-1-1　Excellent Customization Service

High-Customized Design and Production for Customer Demands

1. Tailoring products that combine practicality and design, while offering high added value and market competitiveness for customers.

2. Providing modular product designs for easy assembly, disassembly, and maintenance, allowing customers to choose various peripherals for different application fields. Customers have the flexibility to select a wide range of universally compatible options, achieving a semi-customized solution at a lower cost.

5-1-2 Fast Delivery

Maintain Excellent Product Quality with Fast Delivery

All Flytech products are 100% developed by the in-house R&D team and manufactured in Flytech's production facilities in Taiwan. From design and development to MB production and complete system assembly to delivery, Flytech delivers high-quality and highly stable customized machines to customers within the shortest possible lead time. In 2021, the global impact of the COVID-19 pandemic led to severe shortages and disruptions in shipping schedules, which affected Flytech's delivery. Fortunately, as the situation gradually stabilized in 2022, customer satisfaction has also seen an upturn. Moving forward, we remain committed to providing our high-quality service with fast delivery.

5-1-3 Comprehensive After-Sales Service

Fast and Comprehensive Service

Set up a professional customer service and maintenance service team, and establish multiple and smooth communication channels to help customers solve problems in an immediate way. If customers have consulting needs in market, technical and application aspects, the customer service team will take the initiative to understand and provide information through cross-departmental teamwork to ensure that they can provide customers with the greatest support and the best service.

DOA & RMA Policy and Customer Complaint Handling

Flytech's DOA and RMA review policy is a commitment to providing product repair or replacement services for any non-conforming or defective products within the warranty period, provided they are not damaged due to customer-induced factors. This policy ensures that customers receive prompt support and resolution for product issues that arise shortly after purchase, emphasizing Flytech's dedication to product quality and customer satisfaction. Additionally, Flytech offers paid extended warranty services for customers seeking extended coverage. In the event of a customer complaint, Flytech initiates a project team to analyze the issue, tracing the root cause by actively replicating and investigating the reported anomalies at the customer's location and 5M1E (man, machine, material, method, environment, measurement) analysis. If necessary, on-site inspections and repairs are conducted to ensure the provision of optimal support and service to the customer.

EOL Product Discontinuation and Material Spare Management

Flytech follows a discontinuation procedure based on the lifecycle of standard products or the specific requirements of custom-made products. Once a decision to discontinue is made, Flytech communicates with customers in advance by issuing an EOL discontinuation notice letter and assists them in completing the last buy of assembled products and planning for post-discontinuation service material requirements within a six-month timeframe for one last time.

Product supply cycle
Discontinuation
Final Purchase Deadline
Component supply cycle
Cut off for the final shipment
Discontinuation and Final Purchase Notice

85

5-1-4 Customers Service Survey and Feedback

Flytech conducts its customer satisfaction surveys by sending out a Customer Satisfaction Survey Form to its key customers annually in June. This survey assesses customer satisfaction across six dimensions: product satisfaction, order delivery lead time, product quality, product design, after-sales service, and product cost. By collecting feedback in these areas, Flytech aims to gain insights into customer perceptions and preferences, allowing the company to effectively improve its products and services to meet customers' continuous needs. Furthermore, the customer satisfaction survey results are incorporated as a performance measurement indicator for relevant units. The respective departments are requested to submit improvement plans for areas with lower ratings. Customer service unit then tracks the progress of these improvements to ensure they are completed within the specified timeframe. From 2021 to 2022, customer satisfaction surveys focused on customers who accounted for over 80% of the annual revenue. In the 2021 survey, the customer rating scored 58.38%, surpassing the target of 8 points. In the 2022 survey, the score improved further, with 79.79% of customers rating and over 8 points. Although achieving scores above 8 points has yet to be fully met in 2022, there has been significant improvement compared to last year. Among the six survey categories, compared to the previous year, the satisfaction scores have improved significantly in five of the six categories. The only exception is the Product Quality category, where satisfaction decreased slightly. Please see the table below for details. There are still areas where satisfaction scores have yet to reach the desired levels. These areas include Defective Goods on Arrival, Product/Parts Delivery Lead Time/Schedule, Return Merchandise Authorization (RMA) Lead Time, New Product Development Schedule, and Product Cost. Analysis suggests that these lower satisfaction scores may be attributed to factors such as material shortages and rising material prices, which have impacted these aspects of the business. The company is committed to actively improving these areas and aims to raise customer satisfaction ratings to exceed 8 points.

2020-2022 Customers Service Survey and Feedback

Year	2022	2021	2022
1. Surveyed customer annual share	NA	74.6%	77.6%
2. Surveyed customer satisfaction (satisfaction target is ≧ 8 points)	Not evaluated	58.38% ≧ 8 points	79.79% ≧ 8 points

2021-2022 Average Customer Satisfaction Survey Scores (Max 10)

Year	Quality	Cost	Lead Time	Service	Design	Product
2021	8.3	6.6	6.2	8.1	7.0	7.3
2022	8.1 ↓	7.8 ↑	7.3 ↑	8.9 ↑	8.1 ↑	8.4 ↑

Future goal: improve customer satisfaction year by year and maintain an average satisfaction score of 8 points or higher.
Target setting for satisfaction score of ≧ 8 Points：2023 > 85%   2025 >90%

5-1-5 Value-Added/Innovative Products - Implemented Design

Tailor to Your Needs

Industry Experts

RETAIL

MEDICAL

HOSPITALITY

INDUSTRIAL

100%
In-House Design

CUSTOMIZATION PROCESS

Understanding Needs	Conceptualization	Product Design	Prototyping & Testing	Production	After Sales Support

Planning		Design Development	Validation & Verification	Production	Service
• Taskforce forming • Specification study&IDproposal • Project cost evaluation • Project schedule evaluation		• Initiate schematics design • Placement & layout design • ID approval • Reliability simulation • Gerber out	• Mockup sample test • T1 sample test • Sample running in factory • Sample run/EVT/DVT reports	• Critical parts risk order • EMC ready • Safety ready • Packing ready	• RMA services • Technical support

Flytech possesses highly customized in-house design and manufacturing capabilities, covering product planning, mechanical and electronic design, system verification, usability and installation scenario testing, material procurement, quality control, production manufacturing, and after-sales service. All these processes are governed by the five development stages defined in our ISO 9001 procedures, ensuring meticulous checks at each level. Only when the design and quality of the product are flawless do we deliver it to our customers.

Design to mass production

Design Concept Confirmation

Before initiating the design process, Flytech takes a customer-centric approach by understanding their needs, anticipated application scenarios, and market competitiveness. Feasibility assessments are conducted to tailor the product specifications to the customer's requirements.

Prototyping

In the stage of prototype system design, Flytech introduces the risk and feasibility assessment of quality and mass production after mold making. When showcasing prototypes for market promotion, we will assign members from institutions, electronics and software departments to organize a task force to ensure immediate improvements after obtaining full market feedback.

Design Verification

Flytech conducts testing and verification on assembled prototype systems, including temperature, drop, and vibration tests. Any areas of improvement are addressed through mold reviews. Only when there are no doubts about the product design does it proceed to the trial production phase.

Trial Production Verification

To ensure optimal production efficiency, Flytech optimizes the overall manufacturing and testing processes, including batch testing and environmental testing for products with specific field requirements. This guarantees rapid mass production while meeting customer demands for high quality and stability.

Mass Production

Flytech's Linkou factory features six 24-hour SMT lines and automated assembly lines, with a maximum annual production capacity of 660K units. Once trial production verification is completed, the product can enter mass production. Flytech has sufficient production capacity to meet customer demands within the specified timeframe.

Manufacturing Capability

PCBA

Shifts / 24 HRS

Monthly Output

Plan	70000 pcs
Current	27000 pcs
Panasert Line	18000 pcs
Yamaha Line	9000 pcs

High Speed SMT Line*1

Middle Speed SMT Line*2

Stencil Cleaner*1

AOI*2

Wave Soldering *2

Solder Thickness Measurement*1

Baking Oven*11

Vacuum Packing Machine

SYSTEM

Shifts / 10 HRS

Monthly Output

Plan	66000 units
Current	22000 units
Daily Output	400 units/Line

Auto Packing*4

Free Flow Line*6

Clean Room *2

Burn In Room*2

5-1-6 Introduction of New Technology

For the application and search of raw materials, Flytech's procurement and forward-looking technical team will regularly review the status of raw materials, market changes, and new technologies that will affect the industry, and regularly submit technical reports for management reference. From 2020-2021, Flytech began developing non-PC products, such as intelligent water tank monitoring products. These products leverage IoT (Internet of Things) technology to enhance the overall user experience of various types of home water tanks, including swimming pools, hot tubs, and landscape pools. This technology enables more real-time, energy-efficient, cost-effective maintenance operations for these pools. The project's product has received positive feedback after installation in North America. In addition, Flytech has also begun to focus on developing intelligent digital signage systems. To maximize the effectiveness of precision marketing, we utilize deep learning for data analysis and prediction. This approach combines various dimensions, including hardware systems, content software, plug-ins, and operational services, to create an Internet of Things (IoT) architecture encompassing software and hardware. The integration of intelligent digital signage and cloud control platform systems is in line with future trends. Because of this, Flytech has significantly enhanced the value of its product system and increased its potential for future development and usability.

In terms of introducing new electronic hardware technology, Flytech plans to implement the PIH (Pin in Hole) selective soldering process in 2023. The advantages of this approach include eliminating manual soldering or unstable processes like wave soldering, which can save soldering operation time. Additionally, it can enhance soldering quality, reduce the chances of soldering shorts or open connections, and improve the overall system's stability. In the assessment and planning for new materials, Flytech plans to evaluate the introduction of recycled plastics and paper-plastic packaging materials as selected materials for green products in 2023. This reflects Flytech's commitment to sustainability and environmentally-friendly product choices by considering more eco-friendly materials that can contribute to reduced environmental impact. In addition, Flytech also has a dedicated team responsible for searching and consolidating information, issuing newsletters that encompass the latest industry trends, technological advancements, and competitive dynamics, so that employees can keep up with the first-hand market news.

5-1-7 Institutionalized Privacy Policy

In 2018, Flytech established a personal data management system that conforms to the company's business model in accordance with the Republic of China's Personal Data Protection Law and the European Union's General Data Protection Regulation (GDPR) to avoid internal and external threats to the personal data collected, processed and used by the company, so as to protect the rights of personal data subjects. As Flytech operates primarily in a B2B context, the main scope of personal data involves employees, individuals involved in recruitment or event registration, and contacts engaged in inquiries and communications via the official website. The key aspects of Flytech's personal data management system include:

1. Flytech has developed a Privacy Policy Statement in both Chinese and English versions, which is published on the official website.
2. The collection, processing, and utilization of personal data are carried out for specific purposes and fully disclosed to data subjects, including the duration and manner of usage. Appropriate security measures are implemented to safeguard the processing and utilization of personal data.
3. In the event that a data subject requests to cease the collection, processing, utilization, or deletion of their personal data, or requests the cessation of automated decision-making, the company verifies the request and notifies the data subject accordingly.
4. All relevant departments shall properly manage the approved Personal Data File Inventory data files, and record the usage status, keep track data and preserve evidence.
5. Regular personal data inventories and risk assessments are conducted, accompanied by ongoing improvements, corrections, and preventive measures to maintain the effectiveness of the personal data management system.

In 2022, no customer complaints or privacy breaches were reported.

5-2 Quality Commitment

After introducing the internationally verified quality management systems ISO 9001, ISO 13485 and IATF 16949, Flytech has established a corporate culture of commitment to quality through continuous education and promotion, self-monitoring and auditing. Under the premise that excellent products can be recognized and trusted by customers, Flytech introduces the concept of quality from the R&D and design stage, and establishes preventive measures and correction and debugging mechanisms, using incoming inspection, factory automation equipment, and multiple functional testing stations with electronic system to track quality abnormalities, etc. for comprehensive quality control. Flytech's commitment to quality extends beyond the manufacturing process and encompasses post-sales services. By providing warranty policies adjusted according to customers' needs, Flytech achieves a complete quality commitment to our customers.

Flytech started the operation of updating the ERP to SAP system in 2021. The implementation of SAP enables standardized order-to-production information integration and provides robust information traceability and process control mechanisms. This ensures consistent production and enables real-time information and feedback on scheduling, lead times, and management. These improvements address challenges such as labor shortages, material shortages, and flight shortage that arose during the COVID-19 pandemic, allowing for better planning and arrangement of customer needs.

5-2-1 Quality Planning

Pursuit of Excellence is the quality policy set by the chairman and president of Flytech. With the attitude of doing things right at one time, our R&D team conducts a comprehensive evaluation in the design and development stage to create high-quality products, and adhere to the quality management norms and spirit of ISO and various industry standards, and maintain products with standardized operations. We maintain the stability of product quality with standardized operations to achieve the goal of continuous production of high-quality products to improve customer satisfaction.
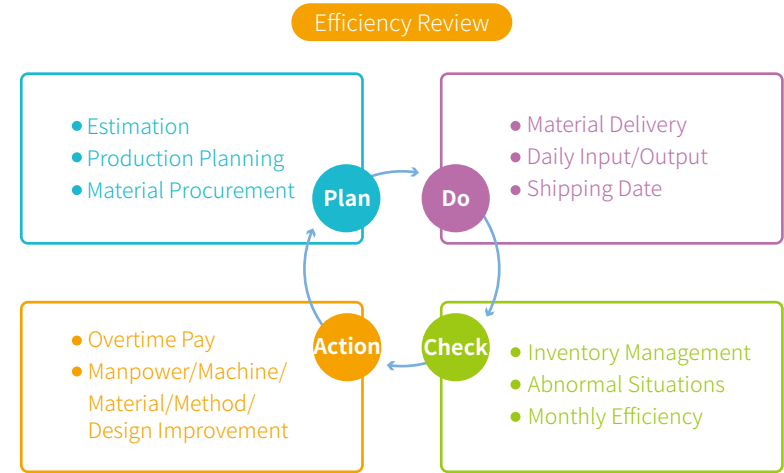
5-2-2 Quality Management

In order to realize the Pursuit of Excellence quality policy and enhance international competitiveness, Flytech follows international quality management standards and establishes a complete quality management system. In 1999 and 2009, we obtained ISO 9001 quality management system verification and ISO 13485 medical equipment quality management system verification. In 2021, we obtained the industry's more rigorous IATF 16949 automotive industry quality management system verification. In addition to annual internal and third-party audits, Flytech ensures consistency and continuous improvement of the quality management system through ongoing internal and external supervision, management involvement in review meetings, and quality process management. Our quality target was Annualized Failure Rate (AFR) $\leqq$ 0.9% and the average Mean Time Between Failures (MTBF) is over 60,000 hours. Actual repair rate in 2021 was 0.55%, showing a steady annual decline and exceeding the set quality target. In 2021 and 2022, MTBF of the whole machine was maintained at an average of over 60,000 hours, all have met the quality standards. Overall, Flytech products were with a low return and repair rate and fewer product failures. We keep stable quality and uninterrupted strengthening requirements. Flytech's quality management system was described as follows：

Annualized Failure Rate (AFR)

| Year	AFR
2020	0.46%
2021	0.55%
2022	0.47%
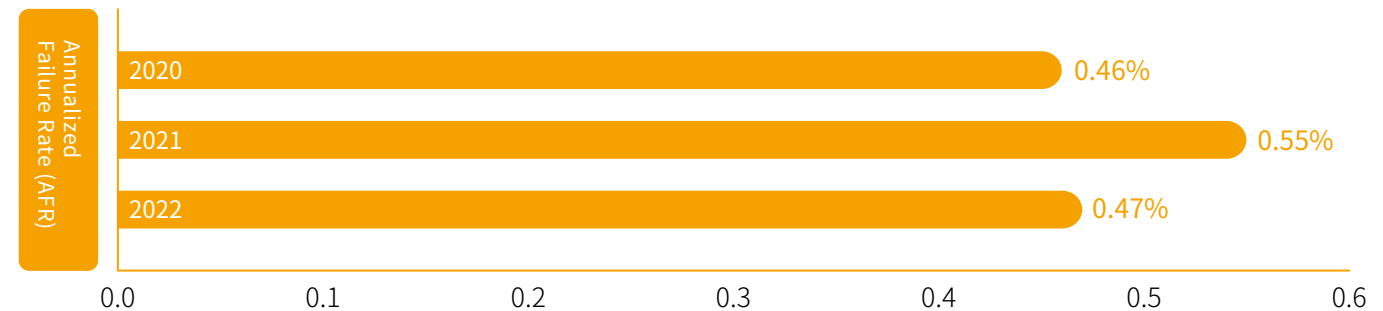
PDCA Circular Quality Management

The quality system was started and implemented by the Quality Assurance Department, and a comprehensive internal audit was carried out every year according to the plan to ensure that the procedures are consistent with the daily operations of the department, covering Neihu headquarters and Linkou factory. If any non-conformities are identified, corrective actions are taken and tracked using corrective action tracking forms to implement improvements. The effectiveness of these actions is continuously monitored and reviewed until the possibility of non-conformities reoccurring is eliminated. Additionally, Flytech invites senior executives to participate in management review meetings every year. These meetings not only review audit findings and improvement effectiveness but also delve into quality achievements, internal and external issues, customer satisfaction and supplier performance, among other topics. Opportunities and risks related to long-term risk prevention or enhancing opportunities are identified, aiming to maximize internal and external benefits and achieve continuous improvement. For example, during the second audit in 2022, three major non-compliance issues were identified, all different from the previous ones. Corrective actions were taken by revising the control plan management procedures and control plan checklists, increasing consistency requirements in operations. All deficiencies were addressed within the specified timeframe, demonstrating Flytech's commitment to continuous improvement and system optimization.

Efficiency Review

- **Plan**
  - Estimation
  - Production Planning
  - Material Procurement
- **Do**
  - Material Delivery
  - Daily Input/Output
  - Shipping Date
- **Action**
  - Overtime Pay
  - Manpower/Machine/ Material/Method/ Design Improvement
- **Check**
  - Inventory Management
  - Abnormal Situations
  - Monthly Efficiency

International Quality System Verification ISO 9001, ISO 13485, IATF 16949

Flytech takes ISO 9001, which has been introduced for many years, as the basis of the quality management system, and continuously improves and maintains the stability of the quality management system. In addition, in order to improve hardware manufacturing technology and enter the medical equipment market, we obtained ISO 13485 medical equipment quality management system verification in 2009, and have the ability to produce products and equipment that meet medical regulations. After years of dedication and refinement, Flytech won the recognition with customers in 2021, successfully entered the automotive product market, obtained the rigorous IATF 16949 automotive industry quality management system verification, and introduced the vehicle system management model into Flytech. We continue to improve Flytech's quality management system with a more rigorous process structure.
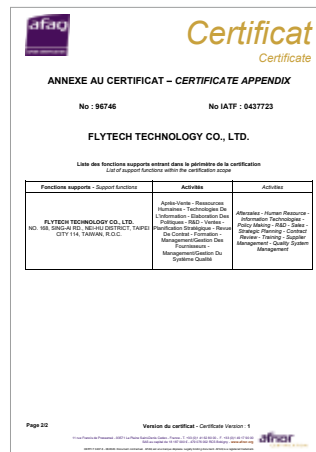
5-2-3 Quality Control

In order to implement the ISO quality management system and prevent abnormal quality, the Flytech R&D team considers the suggestions of stakeholders and introduces the concept of DFM (Design for Manufacturing) in the product design and planning stage. For medical products with higher quality requirements, they will perform failure mode analysis of design and manufacturing to reduce the abnormal risk of subsequent manufacturing systems. Furthermore, in the manufacturing process at the Linkou factory, Flytech has established 5M1E (Man, Material, Machine, Method, Measure, Environment) specifications to reduce the frequency of quality abnormalities. We also set specific goals for each station, including a target for First Pass Yield (FPY)>97.5%. The following are Flytech's abnormal management and quality inspection methods:

Abnormality Handling

Flytech's ERP system has an automatic detection function. If it detects consecutive product abnormalities or the yield rate of the batch of work orders is below the set value, it will automatically send an email to notify the relevant departments. The Quality Assurance department holds weekly quality meetings to track events in the ERP system and formulate relevant countermeasures. For example, continuous education and training are provided for personnel to address issues related to human error, and additional precautions are added to Standard Operating Procedures to reduce the occurrence of abnormalities. At the Linkou factory, three department meetings are held weekly to discuss production schedules, material management, and short-term quality solutions. These meetings help ensure effective communication and problem-solving within the organization, contributing to improved quality control and efficiency. When dealing with quality abnormalities, Flytech follows the PDCA management method, applying a rolling management approach to inventory management, delivery management, and quality management, aiming to achieve both on-time delivery and excellent product quality.

Incoming Material Inspection and First-In-First-Out (FIFO) M anagement

The inspection results from the Quality Assurance Department are uploaded to the ERP system, and the strictness or leniency of inspections is automatically adjusted based on the vendor's delivery quality and transaction frequency. Warehouse personnel also arrange the received materials in order, following the First-In-First-Out (FIFO) principle, based on the IQC-qualified stamps and dates. This method reduces the risk of material idling and damage, providing customers with stable and high-quality products. It also improves internal work efficiency, ensures material traceability, uses inventory materials to comply with product specifications, and reduces unnecessary re-inspection procedures and losses.

Process Control and Factory Equipment

Flytech's production process includes PCBA and system assembly. During the production process, multiple inspections and 100% functional testing are conducted. These include PCB component placement, board testing, system testing, pre-testing, burn-in testing, post-testing, and Out-of-box Audit (OBA). The multi-layered quality control points are in place to ensure the final product's quality is reliable and trustworthy to customers.
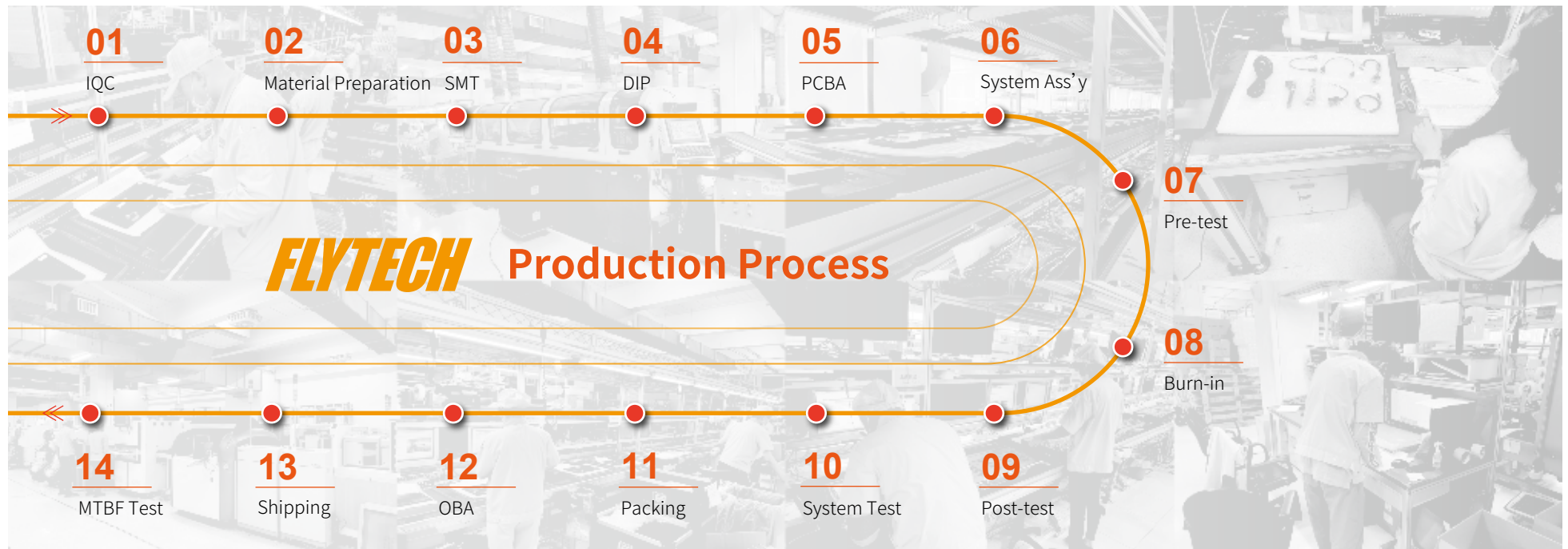
FLYTECH **Production Process**

01 — IQC
02 — Material Preparation
03 — SMT
04 — DIP
05 — PCBA
06 — System Ass'y
07 — Pre-test
08 — Burn-in
09 — Post-test
10 — System Test
11 — Packing
12 — OBA
13 — Shipping
14 — MTBF Test

In order to control the quality of the process, Flytech's ERP system provides a number of control system error detection functions to prevent human errors, such as the process management system, Shopfloor, the central standard operation instruction system, the quality automatic warning system and the equipment parameter control system, etc. All operators strictly work under the relevant management system to ensure the consistency of product quality.

In addition, the factory's assembly line adopts automatic equipment, which can greatly improve the production stability and production capacity. In cooperation with Shopfloor during production line assembly, management reports can be generated at any time interval to strengthen process planning and scheduling management. All assembled machines will enter the burn-in room for testing through the flow line, and all production records and test and maintenance results will also be logged into the Shopfloor system at the same time. Therefore, in the face of abnormal quality, the composition of the product can be quickly traced in order to facilitate the introduction of subsequent analysis and countermeasures.

In addition to quality control inspection, employee discipline and proficiency in assembly are another important part of ensuring quality. In addition to 5S sorting (SEIRI), rectification (SEITON), cleaning (SEISO), cleaning (SEIKETSU), literacy (SHITSUKE)) as a daily routine, Flytech also implements the 6th S (Safety) by passing the ISO 45001 occupational health and safety management system verification. In terms of employee discipline, direct personnel must wear electrostatic rings and electrostatic shoes when entering the production line, use the electrostatic check-in desk to remove excess electricity, and configure and regularly inspect the ground wire at the workstation to avoid damage to electronic products. Regarding execution accuracy, the assembly work instructions of the Linkou factory have been fully formatted electronically. There is a computer in front of each direct employee to display the SOP of the work order. Through the card swiping mechanism, it can be verified that the person has completed the education and training of the model before it can be operated. The electronic operation can not only increase the production capacity but also reduce human-induced quality abnormalities.

5-3 Supply Chain Management

Flytech obtained ISO 14001 environmental management system verification in 2001 and ISO 45001 occupational safety and health management system verification in 2020. We take responsibility for the environment and workers' safety. Flytech encourages suppliers to follow government environmental protection and occupational safety and health related regulations. We regularly distribute supplier environmental safety and health questionnaires, advocates reducing environmental impact, properly disposing of waste, complying with laws and regulations, and improving various environmental and workplace safety goals through continuous improvement. Based on investigations, no abnormal findings were discovered in the suppliers' environmental and safety surveys in 2022. Furthermore, Flytech is committed to establishing a green supply chain. When selecting new suppliers, ISO 9001 and ISO 14001 are included in the evaluation criteria. To ensure source management, Flytech also requires qualified suppliers to submit hazardous substance restriction reports to comply with international environmental laws and regulations, as well as fill out the Conflict Minerals Reporting Template (CMRT) and Cobalt Reporting Template (CRT) for complying with international human rights trends. Flytech also declares its environmental protection and sustainable business beliefs to suppliers. From 2021 to now, no incidents of violation of Ethical Corporate or corruption were found. 57.41% of suppliers signed the Corporate Social Responsibility and Ethical Corporate and Ethical Corporate Commitment (RBA i.e., Responsible Business Alliance Code of Conduct) in 2022. In the future, we will continue to guide suppliers to obtain international quality, environment, and occupational health and safety system verification (ISO system), and jointly develop low-carbon and environmentally friendly raw materials, processes and transportation modes, and strive to create an environmentally sustainable Flytech value chain.

5-3-1 Supplier Management

New Supplier Qualification Process

Flytech's qualification review method for product material suppliers involves a cross-departmental evaluation team composed of R&D, Quality Assurance, and Procurement Departments. According to the specialties of each department, comprehensive scores are carried out in many aspects. For suppliers with production bases located overseas or local agents of foreign manufacturers they can provide ISO quality and environmental system verifications of the foreign manufacturer to the evaluation team. Upon approval, they can be included in the list of qualified suppliers. For other suppliers, the cross-department team reviews documents and conducts on-site inspections. The evaluation criteria include compliance with ISO 9001 requirements such as Incoming Quality Control (IQC), In-Process Quality Control (IPQC), Final Quality Control (FQC), non-conforming product management, warehouse management, and procurement. When applicable, design and testing capabilities are also reviewed. In addition, we 100% use ISO14001 Environmental verification as one of the scoring criteria for new suppliers. They can only be included in the List of Qualified Manufacturers with a combined score of more than 70 points according to the weight of each unit.

Supplier Performance

Flytech follows the ISO 9001 supplier rating and performance tracking procedure. Every quarter, an assessment is conducted for all eligible suppliers with transaction records. The evaluation criteria include Quality, Price, Delivery Schedule, and Cost, which are collectively scored. The suppliers are then categorized into four levels: A, B, C, and D. For suppliers rated as C or D, Flytech's specialized unit will discuss with them about how to improve the areas that received lower ratings. If a supplier fails to meet the standards for improvement, transaction will be terminated after evaluation. In addition to regular assessments, Flytech's quality assurance unit conducts weekly quality meetings to supervise and guide suppliers during consecutive quality issues immediately. In 2022, 8 suppliers failed to meet the qualification standards, but after communication with Flytech's dedicated unit, they all completed the necessary improvements.

Supplier Evaluation Survey Results:

Year	Total Evaluated Suppliers	Total C & D-Grade Suppliers	Non-compliant Suppliers (%)	Improvement Rate	Total terminated transactions
2020	584	8	1.36%	100%	0
2021	317	10	3.15%	100%	0
2022	310	8	2.58%	100%	0

Note 1: Total number of evaluated suppliers is the sum of the number of evaluated suppliers in each quarter.
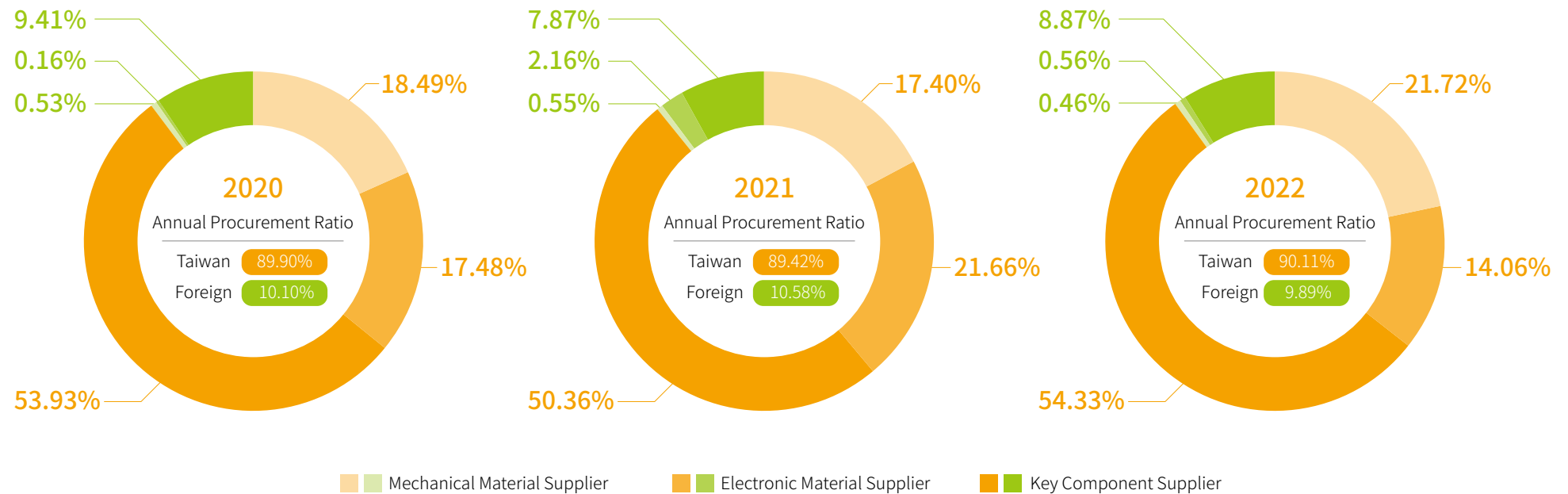Note 2: Non-compliance rate = Total number of C and D grade suppliers/Total number of evaluated suppliers.
Note 3: Improvement rate=Number of improved suppliers/Total number of C and D grade suppliers.

5-3-2 Sustainable Supply Chain

Raw Material Usage and Local Procurement

Flytech mainly focuses on the design and production of industrial computers. The main components of the products include key components (Panel, Touch, etc.), mechanical parts (metal parts, plastic parts, die-casting parts), electronic parts (PCB, IC parts). In 2022, the total purchase amount of Flytech reached NTD 2,631,559,000, and there was a total of 313 qualified suppliers with transaction performance. Flytech has always been committed to local procurement and supports local suppliers to create revenue and employment opportunities. This approach not only facilitates on-site audits of supplier quality and environmental practices but also allows for flexibility in design and delivery lead time adjustments. In the last three years, the percentage of raw material procurement amount for Flytech is as follows. In 2022, the amount of procurement from Taiwanese suppliers accounted for 90.11%, exceeding the annual goal of 85% for local procurement and surpassing ninety percent for the first time, demonstrating our continuous support for local suppliers.

2020
Annual Procurement Ratio

Taiwan	89.90%
Foreign	10.10%

- 9.41%
- 0.16%
- 0.53%
- 18.49%
- 17.48%
- 53.93%

2021
Annual Procurement Ratio

Taiwan	89.42%
Foreign	10.58%

- 7.87%
- 2.16%
- 0.55%
- 17.40%
- 21.66%
- 50.36%

2022
Annual Procurement Ratio

Taiwan	90.11%
Foreign	9.89%

- 8.87%
- 0.56%
- 0.46%
- 21.72%
- 14.06%
- 54.33%

Legend:
- Mechanical Material Supplier
- Electronic Material Supplier
- Key Component Supplier

Supplier Code of Conduct Requirements-Corporate Social Responsibility and Environmental Protection

Flytech understands that while it is responsible to shareholders for generating profits, it must also take responsibility for stakeholders such as workers, consumers, the environment, and others. Starting in 2021, Flytech has established the Commitment of Corporate Social Responsibility and Integrity Pledge based on the Responsible Business Alliance (RBA) Code of Conduct Version 7.0. The company requires suppliers to sign this commitment, which includes provisions for protecting the legitimate rights of workers, non-discrimination against labor, and the prohibition of child labor. As of the end of 2022, 57% of suppliers have signed this commitment. Additionally, Flytech annually sends out Environmental, Health and Safety (EHS) questionnaires to suppliers with delivery records (including those with factories). The company requires suppliers to comply with local environmental regulations and promotes Flytech's environmental policies and principles. In 2022, 75 questionnaires were sent out, all of which were collected without identifying any major abnormal issues that would require discontinuing cooperation.

Regarding environmental protection, suppliers must provide Restriction of Hazardous Substances Directive (RoHS 2.0) inspection reports before applying for component recognition and procurement. They must also sign the Declaration for Environmental Protection and Prohibition of Baneful Substances. This is to ensure that suppliers while benefiting from transactions, review their own behaviors and products to ensure compliance with environmental regulations. Suppliers are prohibited from using materials or substances harmful to the environment. Additionally, suppliers must provide the Commitment of Corporate Social Responsibility and Integrity Pledge to confirm that the tin (Sn), tantalum (Ta), tungsten (W), gold (Au), and cobalt (Co) metal materials they use do not originate from conflict areas controlled by armed groups in the Democratic Republic of Congo and neighboring countries. However, non-conflict minerals from these regions are not excluded to support responsible mining operations in the area. As of the end of 2022, the first document had a signing rate of 54.57%, while the second document had a signing rate of 56.78%. It is projected that both of these rates will increase to 60% in 2023.

Supplier GHG and Product Carbon Footprint Investigation

To meet Taiwan's 2050 net-zero emissions target, the Financial Supervisory Commission has required that parent companies and consolidated subsidiaries complete external verification of greenhouse gas emissions in 2028 and 2029, respectively. Flytech has taken proactive steps by completing the external verification of greenhouse gas emissions and ISO 14064-1 external certification of the parent company for 2021 in 2022. We have also initiated training for subsidiaries and planned a Carbon Management Project in the fourth quarter of 2022. The project includes investigating the raw materials, carbon footprint of supplier transportation, and equipment energy consumption. This will allow us to calculate our products and machinery's carbon emissions data. In addition to completing the carbon footprint investigation for some products and obtaining ISO 14067 external certification, we focus on energy-saving improvements in high-carbon emission areas. We are also conducting carbon footprint investigations for materials and transportation by suppliers. Our goal is to establish an information system management platform to monitor and manage carbon emissions throughout the supply chain, aligning with sustainability goals. For more information, please refer to sections 6-4 on product carbon footprint investigation and the Carbon Management Project.

Sustainable Supply Chain – Eco-friendly Ink and Forest Stewardship Council (FSC) Certification

Flytech has undertaken a series of investigations into using eco-friendly ink starting in 2022 further to embrace the concept of a sustainable supply chain. Eco-friendly ink primarily uses materials such as soybean and vegetable oil in its production. In contrast to traditional ink, which mainly relies on petroleum and mineral oil, eco-friendly ink can reduce the emissions of volatile organic compounds (VOCs). Additionally, plant-based oils are sustainable resources that can be biodegraded, unlike petroleum, which is a finite resource. This makes eco-friendly ink a more environmentally responsible choice and supports sustainable development goals. Flytech is actively evaluating the potential adoption of eco-friendly ink for some, or even all, of its printing materials as part of its ongoing efforts to contribute to the planet's well-being.

In addition to eco-friendly ink, in 2022, Flytech also established a schedule requirement for packaging materials, particularly cardboard boxes. Suppliers are required to use raw materials that come from Forest Stewardship Council (FSC) certified sources. When a material has this certification, the raw materials are sourced from forests recognized as Well-Managed Forests rather than forests subjected to excessive deforestation or irresponsible logging practices. This commitment to FSC certification aims to promote sustainable operations and ecological conservation. Flytech anticipates that at least one supplier will achieve this certification by 2023. Currently, most suppliers in the market still need to adopt FSC certification. Flytech hopes to raise awareness and provide guidance to encourage more suppliers to focus on this critical issue and support the development of sustainable forests.

Green Operation

2022 Highlights

↓ 18.44%	Average electricity consumption per unit of revenue decreased in 2022
↓ 19.55%	Average CO_2 emission equivalent per unit of revenue decreased in 2022
Implemented ISO 14067 and established a carbon management platform	Initiated product carbon management in 2022
An early ISO 14064-1 verification	In 2021, the parent company issued its first greenhouse gas inventory verification report.

Management Policy

Flytech operates the business with the concept of co-existence and co-prosperity with the ecological environment, and implants the genes of green operation into daily operations. In 2021, Flytech invested NTD 15 million to fully replace the air-conditioning system of the Neihu headquarters, which will greatly reduce the electricity consumption of the Neihu headquarters and reduce the annual carbon dioxide emission equivalent. In 2022, as the COVID-19 situation in Europe and America gradually improves, customer demand shows signs of recovery, leading to a surge in orders. The increased demand resulted in higher capacity utilization in the factories, which, in turn, led to an increase in electricity consumption. However, when greenhouse gas emissions were calculated based on metrics such as revenue, production output, and electricity consumption, there was a decrease in greenhouse gas emissions.

Flytech took a step ahead to complete its first greenhouse gas inventory report in 2022, which was then verified by a third party according to ISO 14064-1 standards. To ensure data accuracy, the baseline year for greenhouse gas emissions and electricity consumption management was changed from 2019 to 2021, aligning it with the reporting year. The company has consistently implemented various energy-saving measures. It intends to contribute to addressing the challenges of climate change. By 2025, it aims to reduce unit electricity consumption by 3% compared to 2021 and decrease annual carbon dioxide equivalent emissions (CO_2e) by 5%.

Key Achievements and Management Policy

Management Policy	2022 Targets	2023 Targets	2022 Achievements
Establish a Greenhouse Gas Management System and Greenhouse gas reduction. Introduce the ISO 14064-1 inventory management system, discuss reduction measures and set goals, properly manage greenhouse gases and improve energy efficiency. The board of directors serves as the highest governance body to supervise implementation.	1. Introduce the ISO 14064-1 inventory system and obtain verification to properly manage greenhouse gases and improve energy efficiency. 2. Report to the board of directors on the status of greenhouse gas inventory on a quarterly basis.	1. Conduct ISO 14064-1 audits and verifications each year. 2. Report to the board of directors on the status of greenhouse gas inventory on a quarterly basis. 3. Implement ISO 14067 product carbon footprint assessment and obtain verification.	1. Completed ISO 14064-1 audits and verifications. 2. Reported to the board of directors on the status of greenhouse gas inventory on a quarterly basis.
Establish a greenhouse gas management system for subsidiaries.	Discuss with all subsidiaries in the consolidated financial statements to identify the greenhouse gas that should be managed and how to manage.	Continuously keep track of greenhouse gas emissions and conduct inventory across all subsidiaries.	Guided subsidiaries to carry out greenhouse gas inventory.
Greenhouse Gas Reduction–Electricity Saving 1. Replace the air-conditioning system of Neihu headquarters with air-conditioning models with high energy conservation efficiency, and adjust the temperature of the ice water main unit of the Linkou factory to reduce (Scope 2) emissions from electricity consumption. 2. Promote electricity saving culture in the company. 3. Regularly review the latest regulations and assess their impact.	1. Decrease annual total electricity consumption at Neihu headquarters. 2. Decrease average annual power consumption of Linkou factory by 1%, and the output of greenhouse gases by 1% per year (average of machines).	1. Decrease annual total electricity consumption at Neihu headquarters by 1%. 2. Decrease annual average electricity consumption at Linkou factory by 1%. 3. Decrease the overall greenhouse gas emissions per unit of production by 1% each year.	1. Achieved a 4.65% increase of annual total electricity consumption at the Neihu headquarters. 2. Achieved a 1.73% increase of average annual power consumption at the Linkou factory. 3. Achieved a 0.24% decrease of the overall greenhouse gas emissions per unit of production. Note:

Management Policy	2022 Targets	2023 Targets	2022 Achievements
Follow the international environmental management system verification.	Continue to implement ISO 14001 Environmental Management System verification annually.	Continue to implement ISO 14001 Environmental Management System verification annually.	No major deficiencies in the ISO 14001 audit.
Guide suppliers to establish ISO 14001 environmental management system.	1. Continue to maintain 100% of automotive suppliers obtaining ISO 14001 verification. 2. Guide suppliers to establish ISO 9001 or 14001 or 45001 verification, which is expected to reach 30% by 2025.	1. Continue to maintain 100% of automotive suppliers obtaining ISO 14001 verification. 2. Guide suppliers to establish ISO 9001 or 14001 or 45001 verification, which is expected to reach 30% by 2025.	1. 100% automotive suppliers have obtained ISO 14001 verification. 2. 55% of suppliers have obtained ISO 9001, 29% of suppliers have obtained 14001 verification.
Waste and Water Management 1. Implement waste classification and recycling, waste output analysis, resource recycling and reuse, and take an inventory of water resources monthly. 2. Promote water conservation and waste reduction culture in the company. 3. Regularly review the latest regulations and assess their impact.	1. Decrease the weight of domestic waste and business waste by 3% compared with the previous year. 2. Decrease per capita water consumption by 1% compared with the previous year. 3. 0 Wastewater discharge. 4. Promote rainwater and resource recycling.	1. Decrease the weight of non-recyclable domestic waste and business waste by 3% compared with the previous year. 2. Decrease the per capita water consumption by 3% compared with the previous year. 3. 0 Wastewater discharge. 4. Promote rainwater and resource recycling.	1. Achieved a increase of 3.39% in the weight of non-recyclable domestic waste and business waste compared with the previous year. 2. Achieved a decrease of 6% in water consumption per capita. 3. 0 Wastewater discharge. 4. Use rainwater recycling regularly to water plants.
Green Design 1. Adopt integrated design, extend product life with removable modules, reduce the frequency of replacement of the whole machine, simplify packaging, and reduce transportation volume. 2. Evaluate environmental and ecological design considerations, as well as energy-saving benefits, during the design phase. Prioritize the use of recyclable and environmentally friendly materials and integrate energy-saving design principles and software services into our new products. 3. Implement REACH and RoHS. 4. Develop hardware and software products that can reduce carbon footprints. 5. Regularly review the latest regulations and assess their impact.	1. Plan and evaluate the implementation of paper packaging materials. 2. Design and evaluate green materials, incorporating energy-saving concepts into hardware design. 3. Complete the development and promotion of cloud monitoring UEM Inefi software.	1. Collect and calculate product carbon footprint. 2. Evaluate the use of recycled plastics for some plastic materials. 3. Enhance motherboard power design to boost efficiency and reduce energy consumption.	1. Over 70% of product models are integrated designs. 2. Completed evaluation of paper-plastic packaging materials for some models. 3. Promoted cloud-based monitoring UEM Inefi Software comprehensively. 4. Developed energy-saving motherboard F34 and replaced machine D36. 5. Implemented REACH and RoHs verification.

Note: Consumption of electricity in 2022 was higher than the previous year. Due to the easing of the COVID-19 pandemic in the European and American regions, customer demand gradually increased, leading to a rebound in order volumes. This, in turn, impacted the working hours of personnel and the operational hours of machinery and equipment, resulting in increased air conditioning usage. However, when calculated based on unit revenue or average unit production, the greenhouse gas emissions for the year 2022 were lower than the previous year.

6-1 Environmental Protection Policy

Safety, environmental protection and sustainability are Flytech's environmental and occupational health and safety policies. In addition to complying with Labor Safety Management practices, we also integrated ISO 45001 Occupational Health and Safety Management System, which we obtained in 2020, with ISO 14001, which we obtained in 2001, to establish a comprehensive environmental health and safety management system. In accordance with the disclosure schedule for greenhouse gas inventory set by the competent authority for listed companies, external verification of the parent company should be completed by 2028. Flytech has already completed the 2021 greenhouse gas inventory report and obtained ISO 14064-1 external verification ahead of schedule in 2022. We have also started planning for ISO 14067 product carbon footprint.

Both our company and subsidiary, Box, are committed to fulfilling corporate sustainability responsibilities, protecting the environment, and pursuing green operations. We pledge to comply with international standards and environmental regulations set by the government of our country. We promote green practices and implement environmental management by continuously improving and perfecting our environmental initiatives. Internally, we communicate our environmental policies, regulations, and laws to all employees through internal networks, education, training, and goal management. Externally, Flytech promotes environmental policies and concepts to our suppliers. We continuously assist and collaborate with suppliers through new supplier selection and regular evaluations, aiming to earn the trust of all stakeholders, including employees, customers, suppliers, investors, and government agencies.

From the research and development stage, Flytech has incorporated green design, the use of environmentally friendly materials, and green lead-free processes. We ensure proper waste sorting and waste management to reduce environmental impact and fulfill our environmental responsibilities while providing a safe and healthy working environment for our employees. Each year, we undergo internal audits under the ISO 14001 environmental management system and ISO 14064-1 greenhouse gas inventory and accept third-party audits or verifications. We identify significant environmental considerations through environmental assessments and evaluate how to reduce environmental risks. Additionally, we conduct regular assessments every six months to ensure compliance with environmental policies and regulations, aligning with government environmental initiatives. It was verified that neither our company nor its subsidiary, Box, violated any environmental regulations in the year 2022.

Greenhouse Gas Verification Statement

Statement TW22/00395GG

The inventory of Greenhouse Gas emissions in year 2021 of

FLYTECH TECHNOLOGY CO., LTD.

No.168, SING-AI RD., NEI-HU DISTRICT,
TAIPEI CITY 114, TAIWAN, R.O.C.

has been verified in accordance with ISO 14064-3:2006 as meeting the requirements of

ISO 14064-1:2018

Direct emissions
177.0599 tonnes of CO_2e
Indirect emissions
2,405.8144 tonnes of CO_2e
Direct emissions and indirect emissions
2,582.874 tonnes of CO_2e

Authorized by

Stephen Pao
Knowledge Deputy General Manager
Date: 29 August 2022
Version 1

TGP56A-15-6 2207
SGS Taiwan Ltd.
No. 136-1, Wu Kung Road, New Taipei Industrial Park, Wu Ku District,
New Taipei City 24803, Taiwan
t (02) 22993279 f (02)22999453 www.sgs.com

This Statement is not valid without the full verification scope, objectives, criteria and findings available on the Statement.

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6-2 Green Products

6-2-1 Green Design

In order to reduce the indirect impact on the environment, for all deign of new products, Flytech's design team will comply with the requirements in the environmental and ecological design benefit evaluation form to select raw materials in the initial design concept to check whether the design of the new models are green design and environmentally friendly. The principles of the overall green design of the product include the use of green certified materials, the use of modular shared design, the use of recyclable product materials, the process and products with the least impact on the environment and the most energy-saving. For example, to strengthen the physical cooling function, adopt a fanless design or a low-power CPU to achieve a green design that saves energy and power. Flytech evaluates the environmental impact of its products across various stages, including production, manufacturing, transportation, consumer use, recycling, and disposal to ensure compliance with international regulations and customer requirements and aim to design innovative green products that minimize their environmental impact.

In order to comply with the EU WEEE (Waste Electrical and Electronic Equipment Directive) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) SVHC (Substances of Very High Concern), Flytech will send the final product to a qualified manufacturer for production dismantling and chemical substance analysis, both analysis reports are included in the product development review project. On the one hand, it can ensure that the disposal of the final product can be effectively recycled at the client; and on the other hand, it can reduce the chemical harm to the human body and the environment. It's worth noting that all products within Flytech's factory comply with the RoHS (Restriction of Hazardous Substances) EU regulations. No incidents that affect the health, safety regulations, or voluntary agreements related to their products and services have been reported.

In addition to the green design of hardware and assessment, Flytech has completed the development of non-hardware software service products in 2021 and officially promote it to customers in 2022. Besides providing a complete solution that integrates hardware manufacturing, application fields, and software management, we also explore ways to deliver environmental benefits through energy-saving and emission-reducing measures in software services.

6-2-2 Examples of Green Design

Hardware Design

Flytech conducts annual evaluation and optimization for selected products. Green design evaluations are performed during the development and design of new products, especially for entirely new models requiring the development of new mechanisms and motherboards. These assessments cover the product's life cycle, including materials, manufacturing, transportation, use, emissions, and recycling. The design assessment takes place during the product design phase, and the green design benefit assessment is completed during the product trial production stage to verify the effectiveness of environmental ecological design. More than 70% of Flytech's product models adopt integrated design, covering Touch POS, Panel PC, Tablet, PC box and more. When customers need to upgrade the system or need a newer generation, there is no need to replace the whole machine, they can borrow with the removable design, and the mother board or general module can be directly replaced to improve product performance and prolong product life to achieve efficient utilization, promote environmental sustainability, and minimize unnecessary waste. Flytech always considers practicality and convenience from the customer's perspective while prioritizing environmental protection to maximize the benefits and contributions of its products.

Flytech primarily specializes in producing industrial computers and the core component of these products, the motherboard, is designed and manufactured by Flytech. We are committed to improving the efficiency of motherboard power design and reducing energy consumption. Since 2021, Flytech has been using its research and development capabilities to gradually transition its old CPU platform motherboard products to the new generation of high-performance CPU motherboards. For example, we replaced the D36 motherboard with the F34, introduced the P337 series, and accelerated customer product upgrades to increase new orders. Our goal is to help customers save energy while using our products. Based on the number of machines installed with new energy-efficient motherboards in 2022 and the product usage cycle, we estimate that they can save customers 469,194 kilowatt-hours (kWh) of energy consumption. If we consider the machines shipped with old motherboards in 2022 and project sales of machines with new motherboards over the next five years, factoring in their usage cycles, customers are estimated to save a total of 18,197,308 kWh of energy. The significant amount of energy saved has a meaningful impact on how customers manage their energy consumption and expenses, and also with a positive externality.

In response to international environmental trends, Flytech is committed to achieving the policy of simplifying packaging, reducing shipping weight, and maximizing shipping volume, starting from mainstream models and some of our products that are exported to Europe (such as K737 POS337N2 etc.) to carry out the reduction design of the buffer packaging material to ensure that under the same transportation standard test (ISTA), achieving the purpose of Minimizing the Volume of the Packaging Material and Maximizing the Buffer Design. In addition to ensuring that the product is fully protected, it also achieves environmental protection, waste reduction, and maximized transportation efficiency triple win situation.

The above-mentioned packaging optimization design has already reduced waste (packaging materials) and reduced carbon (transportation) to achieve significant benefits. However, the EPE un-environment-friendly buffer material is a problem that must be faced. Therefore, Flytech started to study the use of natural harmless, more environmentally friendly and easier to recycle material, "paper", to design the cushioning materials of the whole machine as a replacement for frequently used EPE. In addition to reducing the stacking space required after unpacking, paper packaging also simplifies the classification of waste and makes it easier to recycle or combust. Due to the characteristics of paper, it is not easy to maintain the same protection as EPE and pass reliability and transport tests under the same conditions. At the same time, we also aim to ensure that the ink printing and packaging materials we use comply with internationally recognized certifications. In the future, we will work with our partner suppliers to obtain Forest Stewardship Council (FSC) certification to support sustainable forests.

In addition, in terms of product mechanical design, Flytech has also started to focus on using recyclable raw materials and green materials to design products. Without sacrificing product reliability, performance, or structure, we also assess the feasibility of incorporating recycled plastic materials into the manufacturing process. Green design has never been a slogan. It is a top priority in Flytech's sustainable operations!

inefi – Software as a Service, Leading the Way in Energy Efficiency

Flytech's subsidiary, inefi Incorporation, launched in 2021 the subscription-based cloud monitoring UEM software service, inefi Spotlight. It adopts a cloud-centric approach to device management, providing system integrator customers with high-value software services for remote monitoring of hardware. This significantly reduces the time customers need to physically visit the site for inspection and maintenance. The above mentioned cloud-based digital management platform not only leverages intelligent insights and automation mechanisms to provide a comprehensive and innovative unified endpoint management solution to global customers but also reduces greenhouse gas CO_2 emissions by greatly reducing the transportation of on-site technicians and machine repairs.

Through inefi Spotlight, customers can adjust the functionality of endpoint devices based on business hours, including screen brightness. For example, during non-business hours, the system can automatically reduce screen brightness to conserve energy usage. Furthermore, in the future, we will utilize AI (Artificial Intelligence) technology to put in a more precise system to manage power consumption of devices, further reducing energy waste and achieving energy conservation and carbon reduction goals.

These features provide convenience and energy-saving benefits to customers and enable them to actively participate in reducing carbon emissions. All these are energy-saving and carbon reduction solutions via inefi Spotlight to support customers in achieving their environmental sustainability goals by providing.

The advantages of inefi unified endpoint management solution are as follows. Through market expansion in operation, it also provides substantial contributions in energy-saving and emissions reduction:

- Enhancing remote management efficiency and endpoint device visibility
- Comprehensive monitoring capabilities to pre-detect problems and track all suspicious activities on endpoints
- Application for auto-patching management and deployment
- Managing a wide variety of peripherals through a single console

- Supporting cross-platform integrated endpoint management (Windows, Linux, Android)
- Supporting customizable endpoint device settings, including screen brightness, based on business hours.
- In the future, we will utilize AI for more granular device power management, contributing further to energy conservation and carbon reduction efforts.

Software Solutions
Endpoint Management

ınefi

The ineficloud-based UEM solutions provide a single view of all devices deployed in the field. It helps store operators to better track device health status anytime, and simplify remote management to gain total visibility across all devices and maximize productivity of the workforce.

- Simplify Management
- Increase Efficiency
- Maximize Uptime
- Optimize Cost Savings

inefi Intelligent Cloud

ınefi

Maintenance Control

Real-time Data

Windows Device | Android Device | Linux Device

Peripheral Connectivity

Web Portal | Payment Devices | Scanner | Printer | Cash Drawer | Customer Display

Usage Scenarios
- Find out how many devices are disconnected.
- Upgrade or reset your application on the air.
- Collect devices data for operation analysis.

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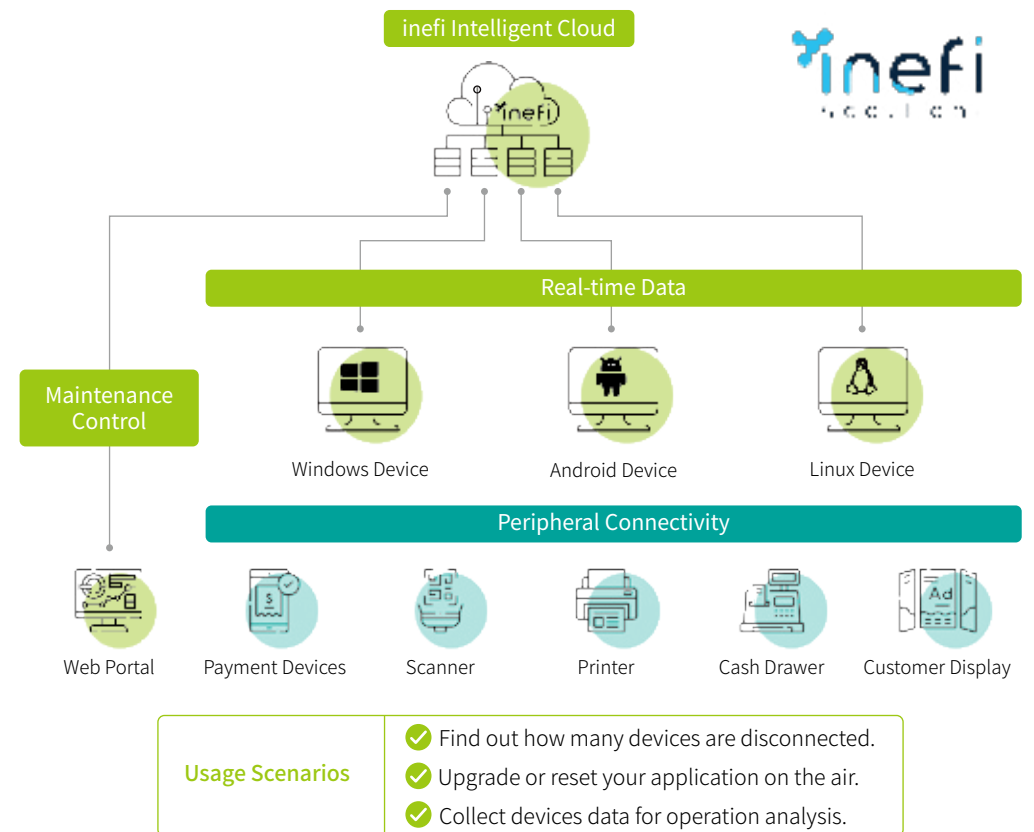
6-2-3 Waste Disposal

Since 2021, Flytech has started categorizing industrial and household waste separately due to surge in orders and a rise in the total weight of industrial and business waste. We have also requested all employees to correctly categorize recyclable waste, then outsourced it to vendors for recycling and reuse. As a result, the total weight of general waste has significantly decreased over the past two years.

1. Flytech entrusts qualified firms to the dispose of waste, and ensures that the final disposer disposes in a legal manner as follows:

Classification	Type of Waste	Content	Treatment	Final Treatment
Domestic Waste	Plastic bottles	Bottles	Recycle via outsourcing	Recycle and reuse
	Iron and aluminum cans	Drinking bottles		
	Waste paper	Newspaper/magazine/photocopying paper/carton, etc.		
	Domestic waste	General waste		Incinerate and bury
	Others	Cartridge	Recycle by photocopying company	Recycle
Business Waste	General business waste	Scrap plastic and scrap iron	Recycle via outsourcing	Refine metals and recycle
	Hazardous industrial waste	PCB waste, waste electronic parts, waste tin dross	Outsource to a specialist	

2. Statistics on the total weight of waste in the last three years(mt):

Neihu Headquarters		2020	2021	2022	Annual Increase (Decrease) %
Domestic waste	General waste	6.3	11.75	4.35	(62.98%)

Linkou Factory		2020	2021	2022	Annual Increase (Decrease) %
Domestic waste	General waste (Note)	41.74	11.36	8.81	(22.45%)
	Recyclable items	121	119.97	165.39	37.86%
Business waste	General business waste	1.9	1.75	2.02	15.43%
	Industrial waste (Note)	-	18.17	29.31	61.31%
	Recycled tin dross	2.4	2.48	1.69	(31.85%)
Total Waste at Linkou Factory (mt)		167.04	153.73	207.21	34.79%

Neihu Headquarters+Linkou Factory	2020	2021	2022	Annual Increase (Decrease) %
Non-recyclable waste	49.94	43.03	44.49	3.39%
Recyclable waste	123.4	122.45	167.07	36.44%
Total (mt)	173.34	165.48	211.56	27.85%

Note: Starting from 2021, industrial and general household waste should be categorized separately.

6-3 Energy and Greenhouse Gases

6-3-1 Energy Use

Electricity

1. Flytech uses only electrical energy and does not use other energy sources such as gasoline or natural gas equipment. In 2022, there was a higher electricity consumption than the previous year due to the gradual easing of the COVID-19 pandemic's impact in Europe and the United States. This led to a recovery in order volumes, which affected personnel working hours and machine operational time and increased air conditioning usage. However, when calculated based on revenue or per capita, the proportion of electricity consumption decreased in 2022. Flytech has implemented energy-saving measures at its Neihu headquarters by installing motion sensor lights in the parking lot to reduce electricity waste when no vehicles pass through, and hope to save energy via different efforts.

2. Comparison of electricity consumption between Neihu headquarters and Linkou factory in the last three years

Year	2020	2021	2022	Annual Increase (Decrease) %
Annual electricity consumption in Neihu	842,237	752,035	787,023	4.65%
Annual electricity consumption in Linkou	2,089,214	2,814,132	2,862,709	1.73%
Annual total electricity consumption	2,931,451	3,566,167	3,649,732	2.34%

3. Comparison of total electricity consumption in the last three years

Year	2020	2021	2022	Annual Increase (Decrease) %
Annual electricity consumption	2,931,451	3,566,167	3,649,732	2.34%
Megajoules	10,553,223	12,838,201	13,139,035	
Electricity consumption per unit of revenue (MJ/turnover) (Note)	3.22	3.34	2.72	(18.56%)
Electricity consumption per unit of output (MJ/unit) (Note)	53.6	61.11	57.09	6.58%
Electricity consumption per capita (megajoules) (Note)	27,772	31,466	30,771	(2.21%)

Note:

Parent Company Annual Data	2020	2021	2022
Annual production (units)	190,662	207,244	209,741
Annual revenue (in thousands of NTD)	3,278,733	3,846,939	4,827,119
Number of people at the end of year	380	408	427

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Water Resources

Flytech's Neihu headquarters serves as the R&D, sales & marketing, and corporate center, and does not produce toxic wastewater. The Linkou factory, on the other hand, is the manufacturing center responsible for producing motherboards and assembling computer systems. During the production process of motherboards, there is a need to clean the residual solder paste on the steel plates, which generates wastewater. However, we have installed specialized cleaning machines to clean the steel plates and treat the wastewater by adding non-polluting volatile agents for preliminary treatment. Therefore, the Linkou factory does not discharge toxic wastewater. Since the factory is located in the Hwa Ya Science Park in Taoyuan, the park regularly monitors and manages the flow of wastewater. Flytech has never been found to violate the regulations of the Hwa-Ya Science Park regarding wastewater discharge, and there have been no incidents of wastewater discharge affecting the natural environment.

In terms of water conservation, Flytech actively promotes the conservation of water resources. In the Linkou factory, rainwater is collected and used for irrigation of surrounding plants. Furthermore, water usage is reduced by minimizing the flow from faucets and installing water-saving devices in both the Neihu headquarters and the Linkou factory. These efforts are aimed at continuously protecting environmental resources.

1. Neihu headquarters water consumption comparison in the last three years:

Year	2020	2021	2022	Annual Increase (Decrease) %
Annual total water consumption	4,136	3,307	3,079	(6.89%)
Water consumption per capita (Note)	22.36	16.96	15.95	(5.93%)
Water consumption per capita (liters)	22,357	16,959	15,953	

2. Linkou factory water consumption comparison in the last three years:

Year	2020	2021	2022	Annual Increase (Decrease) %
Annual total water consumption	7,450	7,792	7,840	0.62%
Water consumption per capita (Note)	38.21	36.58	33.50	(8.41%)
Water consumption per capita (liters)	38,205	36,582	33,504	

3. Comparison table of total water consumption in the last three years:

| Year	2020	2021	2022	Annual Increase (Decrease) %
Annual total water consumption	11,586	11,099	10,919	(1.62%)
Water consumption per capita (Note)	30.49	27.20	25.57	(6.00%)
Water consumption per capita (liters)	30,489	27,203	25,571	

Note:

Year	2020	2021	2022
Number of People in Neihu	185	195	193
Number of People in Linkou	195	213	234
Total	380	408	427

6-3-2 ISO 14064-1 Organizational Greenhouse Gas Inventory

Flytech has been sparing no effort to deal with the impact of climate change, upholding the belief in reducing environmental impact and promoting environmental sustainability. In the second half of 2021, Flytech established a greenhouse gas inventory system in compliance with ISO 14064-1. Through the inventory process, it was determined that the main greenhouse gas emissions from Flytech's operations were categorized as indirect energy emissions (Scope 2), with a small amount coming from refrigerant leakage (Scope 1), diesel combustion and waste incineration from business travel and transportation (Scope 3), waste incineration, and emissions associated with upstream electricity generation, paper usage, and waste incineration (Scope 3). The table below references information from various sources, including the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, the Environmental Protection Administration's greenhouse gas emission coefficient management table 6.0.4, product carbon footprint data, and emission coefficients from the Ministry of Economic Affairs' Energy Bureau.

The types of greenhouse gases that Flytech has registered according to the EPA control inventory include carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride. (SF_6) and nitrogen trifluoride (NF_3) etc. seven greenhouse gases, but do not include the hydrofluorocarbons that have been included in the Montreal Protocol (Montreal Protocol) specifications. It also includes other substances announced by the central competent authority.

2022 Breakdown by Scope

- 6.64% Scope 1
- 71.25% Scope 2
- 22.11% Scope 3
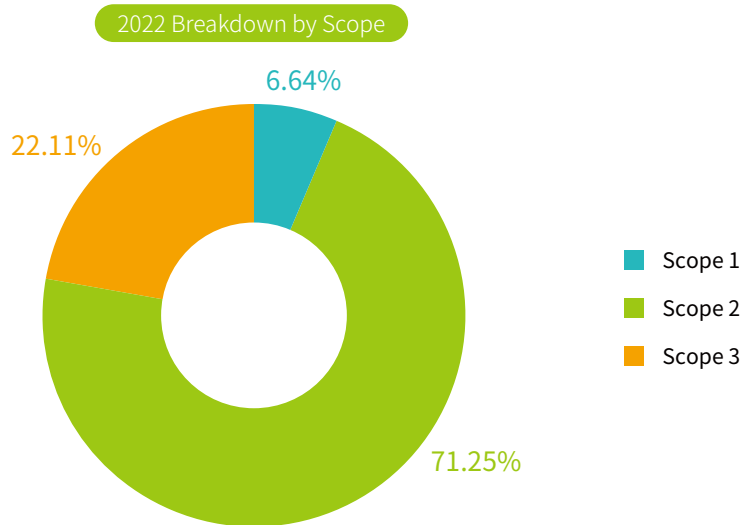
Scope 1: Direct emissions

The Scope 1 emissions investigated by Flytech are mainly HFCs fluorine-containing gas emissions from the air-conditioning refrigerants of the Neihu headquarters and Linkou factory.

Flytech Neihu headquarters primarily uses R410-A, R-404A and R-134a refrigerants, while the Linkou factory primarily uses R410-A, R-404A, R-23, R507, and R-134a refrigerants. In terms of equipment investment, Flytech invested NTD 15 million in 2021 to update all air-conditioning equipment at Neihu headquarters, and replaced the R22 refrigerant with environmentally friendly R410-A refrigerant. The ozone layer destruction index (ODP) of the old R22 refrigerant is 0.055. The value of the refrigerant R410-A (ODP) is 0. In the system with the same cooling capacity and the same condensing temperature, the system energy efficiency ratio (COP) of R410-A refrigerant is 6% higher than that of R22, which means that in the same operating range under the same conditions, the compressor consumes less power and has a higher efficiency. Comparison of emissions for the last two years (Scope 1):

Year and Operation Location	2021		2022		Annual Increase (Decrease) %
	Neihu Headquarters	Linkou Factory	Neihu Headquarters	Linkou Factory	
Respective emissions equivalent (tCO$_2$e)	22.81	154.25	20.98	152.06	
Combined emissions equivalent (tCO$_2$e)	177.06		173.04		(2.27%)
Percentage of the annual total	6.85%		6.64%		

Scope 2: Indirect emissions

Flytech's Scope 2 greenhouse gas emissions came from energy procurement and electricity consumption.

According to the statistics, in 2022, the Neihu headquarters consumed 787,023 kWh of electricity, and the Linkou factory consumed 2,862,709 kWh. Based on the Energy Bureau's 2022 announced carbon emission coefficient standard of 0.509 kgCO$_2$e per kWh, the calculated emissions are as follows: the Neihu headquarters emitted 400.59 tCO$_2$e, and the Linkou factory emitted 1,457.12 Mt CO$_2$e. Due to increased business performance and higher order volumes in 2022, emissions increased by 2.34% compared to the year 2021. The greenhouse gas emissions for Flytech (Scope 2) are as shown in the following table:

Year	2021		2022		Annual Increase (Decrease) %
Operation Location	Neihu Headquarters	Linkou Factory	Neihu Headquarters	Linkou Factory	
Electricity (kWh)	752,087	2,814,080	787,023	2,862,709	
tCO$_2$e	382.81	1,432.37	400.59	1,457.12	
Combined emissions equivalent (tCO$_2$e)	1,815.18		1,857.71		2.34%
Percentage of the annual total	70.28%		71.25%		-

Scope 3: Value Chain emissions

Flytech's (Scope 3) greenhouse gas emissions mainly come from the combustion of general waste and the exhaust emissions of traffic vehicles, employee commuting, and business travels.

1. Waste Disposal

In 2021, the Neihu headquarters outsourced the disposal of 11.75 metric tons of household waste, while the Linkou factory handled 29.53 metric tons of waste (general and industrial waste combined). In 2022, the Neihu headquarters outsourced the disposal of 4.35 metric tons of household waste, and the Linkou factory managed 38.12 metric tons of household waste (general and industrial waste combined). These calculations were based on the carbon footprint information for diesel waste truck transportation.

2. Employee Commuting and Business travels emissions

Flytech provides shuttle bus services for employees on weekdays (Monday to Friday) for commuting between Taipei Main Station and the Linkou factory, covering a one-way distance of 21.3 kilometers. These shuttle buses are outsourced to the bus company Ubus, which uses Scania buses for the shuttle service. On average, there are 20 trips per month. In 2022, employees had additional commuting options, including train, electric cars, electric scooters, and hybrid vehicles. Due to the easing of the pandemic in 2022, there was an increase in business travel monitoring, and greenhouse gas emissions for the past two years (Scope 3) were calculated based on the carbon footprint information available on the product carbon footprint information website.

3. Upstream electricity, paper, waste incineration waste emissions

According to the carbon footprint information website's coefficients, the indirect carbon footprint coefficient for electricity in 2021 was 0.0000923 and revised to 0.0000882 in 2022. Despite an increase in electricity consumption, when multiplied by the coefficient, the carbon emissions equivalent decreased relative to the previous year.

Year		2021		2022		Annual Increase (Decrease) %
Operation Location		Neihu Headquarters	Linkou Factory	Neihu Headquarters	Linkou Factory	
1. Waste disposal	Subtotal (tCO$_2$e)	0.23	1.98	0.09	2.55	
	Total (tCO$_2$e)	2.21		2.64		19.46%
2. Employee commuting and business travel emissions (Note)	Total (tCO$_2$e)	240.53		233.81		(2.79%)
3. Upstream electricity, paper, waste incineration waste emissions	Subtotal (tCO$_2$e)	75.74	272.16	72.63	267.5	-
	Total (tCO$_2$e)	347.9		340.13		(2.23%)
Combined emissions equivalent (tCO$_2$e)		590.64		576.58		(2.38%)
Percentage of the annual total		22.87%		22.11%		-

Note: In 2022, a new monitoring item was added: 2. Business travels.

CO$_2$ Emission Equivalent

Carbon footprint calculations are performed using carbon dioxide equivalent (CO$_2$e) emissions. After calculation, Flytech's CO$_2$e emissions are as follows:

Year	2021	2022	Annual Increase (Decrease) %
Scope 1	177.06	173.04	(2.27%)
Scope 2	1,815.18	1,857.71	2.34%
Scope 3	590.64	576.58	(2.38%)
Total emissions equivalent (tCO$_2$e)	2,582.88	2,607.33	0.95%
Carbon emissions per unit of production (kgCO$_2$e) (Note)	12.46	12.43	(0.24%)
Carbon emissions per unit of revenue (kgCO$_2$e) (Note)	0.67	0.54	(19.4%)

Note:

Parent Company Annual Data	2021	2022
Annual production (units)	207,244	209,741
Annual revenue (in thousands of NTD)	3,846,939	4,827,119

In 2022, the average carbon emissions equivalent (kgCO$_2$e) increased by 0.95% compared to the previous year, attributed to the easing of the pandemic situation in Europe and the United States, resulting in increased customer orders and production volumes, which extended both labor hours and machine operation times and the addition of new monitoring items to track emissions. Flytech's primary source of greenhouse gas emissions is indirect electricity consumption (Scope 2), which increased overall emissions. However, when calculated per unit of production machinery, emissions decreased by 0.24% compared to the previous year. Additionally, when calculated per unit of revenue, emissions decreased by 19.4% compared to the previous year.

6-4 Product Carbon Footprint Inspection and Carbon Management Project

As the European Union implements the Carbon Border Adjustment Mechanism (CBAM), the United States introduces carbon taxes, and Taiwan imposes carbon fees. Flytech, although not part of the initial targets for energy-intensive industries, has proactively planned various energy-saving and carbon-reduction projects in response to international trends. These efforts aim to control operational costs and provide energy-efficient products to enhance market competitiveness. In addition to establishing the ISO 14064-1 organizational greenhouse gas inventory system in 2022, completing the first greenhouse gas inventory report for 2021, and obtaining external verification, Flytech is taking a leading position in its industry. Starting from the fourth quarter, the company is planning to establish a Carbon Management Project in accordance with ISO 14067 standards. The project includes conducting product carbon footprint inventory and creating a recordable platform for calculating operational and product carbon emissions. This platform computes machine carbon footprint data to assist customers in application planning. It helps rapidly analyze processes, equipment, and products with high carbon emissions. This enables the management to identify solutions or alternatives for these hotspots, set performance improvement goals, and continuously monitor energy consumption management.

In addition to conducting carbon footprint assessments for production and equipment, Flytech's B2B operating model also involves assessing the carbon footprints of raw materials and the supply chain. Starting from the fourth quarter of 2022, Flytech selected 180 key suppliers to investigate the material composition and transportation methods. Many of these suppliers, including local ones, were hearing about the concept of carbon footprints for the first time. After patient explanations and guidance from Flytech colleagues, most were willing to cooperate and participate in the investigation. By the end of May 2023, Flytech had received responses from 65% of the suppliers for the material quality survey and data related to 177 suppliers regarding transportation distance assessments.

The product carbon footprint assessment and the Carbon Management Project aim to digitize energy consumption management starting from the fourth quarter of 2022. This initiative includes the following:

Targets	Expected Schedule
1. Establish a digitalized carbon emissions information management platform	To be completed in the third quarter of 2023
2. Establish an analysis and management model for carbon emissions hotspots/product energy consumption	To be completed in the third quarter of 2023
3. Complete partial product carbon footprint assessments and obtain external verification according to ISO 14067	To be completed in the fourth quarter of 2023
4. Establish a self-assessment procedure for product carbon footprints inventory inspection	To be completed in the third quarter of 2023
5. Establish a carbon footprint database	To be completed in the third quarter of 2023
6. Provide guidance to suppliers to join efforts in establishing a sustainable supply chain	Started in late 2022

6-5 Greenhouse Gas Emission Reduction Measures for Daily Operations

6-5-1 Electricity and Water Saving Plan

1. With the Carbon Management Project, identify high carbon emission hotspots and plan to replace energy-efficient equipment or introduce energy-saving auxiliary equipment.

2. Sensors are installed in the two air compressors, two cooling towers, and two chillers to record their electricity usage and collect data. This data is then analyzed to develop feasible energy-saving plans for each machine.

3. Organize ongoing energy-saving competitions on each floor to reduce energy consumption and environmental pollution while encouraging employees to develop sound energy usage habits and further promote energy conservation in their daily lives.

4. Play energy-saving advocacy videos continuously on each floor on TV walls to promote various energy conservation methods and raise awareness of the importance of saving energy.

5. Reduce water faucet's flow rate to conserve water.

6. Install faucet aerators to minimize water wastage.

7. Continue to discuss the use of various energy-saving equipment to save water and electricity, thereby reduce carbon emissions.

8. Continue to develop various environmentally friendly design products to reduce carbon emissions in the process of production, transportation.

9. Adjust the temperature and operating duration of the chillers at the Linkou factory to achieve energy-saving and carbon-reduction benefits.

6-5-2 Energy Saving and Carbon Reduction in Daily Activities

1. Use energy-saving glass in Neihu headquarters (three-layer structure: 1 cm of hollow glass with LOW-E film in the middle, plus 1.2 cm of glass to reduce indoor greenhouse effect and air conditioning loss).

2. Recycle rainwater in Linkou factory to water the trees near the plant area and reduce water waste by reducing the use of tap water.

3. Continue to replace lighting equipment with energy-saving LED lamps or LED recessed lights.

4. Actively promote online video conferencing to save personnel commuting time and reduce energy waste and greenhouse gas emissions associated with transportation.

5. Install sunshade curtains and circulating fans to reduce indoor temperature to reduce the use of air-conditioning, and cooperated with indoor air conditioners to set the temperature to avoid waste of energy.

6. Set the power saving mode of the business machine to reduce the power waste caused by idle and unused.

7. Recycle and reuse document paper to reduce the waste of paper resources.

8. Use electronic documents and forms and continue to promote the electronic functions of ERP forms to gradually reduce physical paper.

9. Adapt to the supervisory authority's digitization efforts (e.g., issuing dividend notices via email) and gradually reduced physical paper usage.

10. Turn off lights during lunch break, in unused meeting rooms, and at the end of the workday.

11. Implement effective waste sorting and resource recycling practices to reduce overall waste generation.

12. Add motion sensor lights to the B1~B3 parking lot in Neihu with two modes. Lane lighting: Set to low brightness when no vehicles pass through and switch to full brightness when vehicles are detected. Parking space lighting: Set off when no vehicles pass through and switch to full brightness when people or vehicles are detected to reduce unnecessary power consumption.

6-6 Product-Based Greenhouse Gas Emission Reduction Measures

In addition to daily operational measures to reduce greenhouse gas emissions, we examine Flytech's value chain and consider core improvement solutions for energy efficiency and emission reduction in our products. In terms of hardware, Flytech dedicates itself to increasing the efficiency of motherboard power designs and reducing energy consumption. Since 2021, we have gradually introduced next-generation high-efficiency CPU motherboards into various machines, which can help customers save energy and energy costs. Flytech uses green-certified materials, employs modular and shared designs, utilizes recyclable product materials, and strives for optimized packaging design and the development of environmentally friendly cushioning materials (please refer to section 6-2-2 for examples of green design).

Besides incorporating environmentally sustainable concepts into hardware design, Flytech addresses the software aspect. In 2021, we introduced the subscription-based cloud monitoring UEM software service, Inefi, which marks a new step for us in the SaaS service market, combining Flytech's hardware service advantages with the software development capabilities of our subsidiary, inefi. We provide global system integrator customers with the most comprehensive unified endpoint management platform and security features. Traditional operational equipment management is a cumbersome task. By subscribing to the Inefi software service, customers can centrally manage their devices in the cloud, solving pain points related to product maintenance and reducing the transportation involved in machine repairs. This significantly reduces the time customers need to personally visit the site for inspection and maintenance. In addition to saving considerable maintenance costs for customers and improving maintenance efficiency while reducing the complexity of problem diagnosis, it also minimizes greenhouse gas emissions resulting from customer-machine transportation.

Other than low energy consumption product design, green hardware design, environmentally sustainable supply chains, and energy-efficient improvements in operational processes, Flytech's Inefi software service reduces carbon emissions from the transportation of people and goods. It is an energy-saving design that originates from our core business. For Flytech, non-hardware products represent innovative applications. Our successful development of the UEM software service, Inefi, provides customers with a more convenient maintenance mode and advantages in compatibility with different peripheral equipment brands and integrates hardware manufacturing, application domains, and software management into a comprehensive solution. We expect to penetrate the enterprise IoT device management market, providing global customers with a vertically integrated software and hardware service platform to assist them in seizing diverse markets. As the subscription scale expands, we anticipate significantly reducing greenhouse gas emissions generated from transportation for customers, fulfilling Flytech's sustainability contribution from the core value of our products.

Social Engagement

2022 Highlights

> NTD 7.5 million	Organized social engagement activities in 2022
909 participants and 3,222 hours	2022 Corporate volunteers
6 events	Flytech Club's regular charity/ community service activities in 2022
>160 students and 9 open seminars with 590 participants	Train students and conduct seminars
7 years ↑	Continue to conduct charitable activities to build up influence

Key Achievements and Management Policy

The 2022 activities, the number of participants, results, and the 2023 goals are as follows:

Management Policy	Activities	2022 Targets	2023 Targets	2022 Achievements
Carry out four major activities as scheduled, with the number of participants growing. Cooperate with the "Flytech Charity Association" to implement corporate social responsibility for giving back. *1.* Flytech Charity Day *2.* Scholarship *3.* Flytech Career Camp *4.* Design for Taiwan workshop	Flytech Charity Day	Continue to hold public welfare activities every two months, and designed a new type of public welfare day in response to the pandemic.	Continue to hold charitable activities with an annual participation of 700 individuals.	Held a total of six events, with four of them being virtual, and combined participation of 739 people.
	Excellence and Diligence Scholarship	Combine the two scholarships and add a new scholarship for the children of Flytech employees.	Continue to offer Excellence and Diligence Scholarship and awarding them to over 30 recipients.	Selected 30 outstanding scholarship recipients, all of whom participated in a three-day corporate study tour.
	Flytech Career Camp	Hold two Flytech Career Camps with 60 students participating.	Organize two sessions of Flytech Career Camp, with over 50 student participants.	Organized two sessions of Flytech Career Camp with a total of 50 student participants and attained an overall 4.8/5.0 satisfaction rating score.
	Design for Taiwan workshop	2022 Expected results: • Course: 85 people • Exhibition visitors: 8,000 • Number of proposals: 15 cases	2023 Expected results: • Course: 80 people • Exhibition visitors: 6,000 • Number of proposals: 15 cases Leading DFT students on an exchange trip to the United States.	2022 Results: • Course: 52 people • Exhibition visitors: 2,000 • Number of proposals: 10 cases Due to the impact of the pandemic, the number of attendees and registrations for exhibitions did not meet expectations, resulting in a decrease in overall proposals.

7-1 Charity Event Costs and Purposes

Flytech established the Flytech Foundation in March 2015 to achieve sustainable development for individuals and society. The foundation is committed to organizing various social projects to assist vulnerable groups and contribute to the future generation of Taiwan. Its activities have two main pillars: caring for the underprivileged and technology education.

Care for the Underprivileged

The Flytech Foundation organizes the Flytech Charity Day event, which hosts various charity projects annually based on the circumstances and collaborates with professional charitable foundations to address societal issues. From caring for the young and old to environmental protection, this initiative leads Flytech employees to provide practical services in various corners of the community, making charitable efforts more accessible and encouraging more employees to give back to society actively.

Technology Education

Flytech offers comprehensive training programs for different age groups, including scholarships for high school students and offering them eye-opening corporate visits through Corporate Study Tours. For students, a year-long "Design for Taiwan" program focuses on interdisciplinary collaboration, innovative thinking, and social awareness. Flytech Career Camp bridges the gap between academia and industry and helps students understand the business world. Through organizing these activities, Flytech hopes to nurture the future generation with the ability to adapt quickly to this ever-changing era, and instill in students the importance of empathy and caring for society.

Impact Assessment

To ensure that our contributions make a meaningful impact on public welfare, starting in 2022, we have used the London Benchmarking Group (LBG) B4SI model to assess the impact of various social engagement projects. We categorize the projects into three motivations: Business Promotion, Community Engagement, and Charitable Donations. Additionally, we analyze the resources allocated into four types of inputs: In-kind Donations, Cash Contributions, Time Contributions, and Management Expenses.

In 2022, Flytech and the Foundation jointly invested a total of NTD 7,571,991, and Flytech employees contributed over 909 person and 3,222 hours to social charity activities. Although the invested amount is limited, each activity has been carefully planned, promoted, and executed by Flytech and Foundation colleagues. They personally brought these activities to students and community groups, ensuring both the quality and impact of the activities.
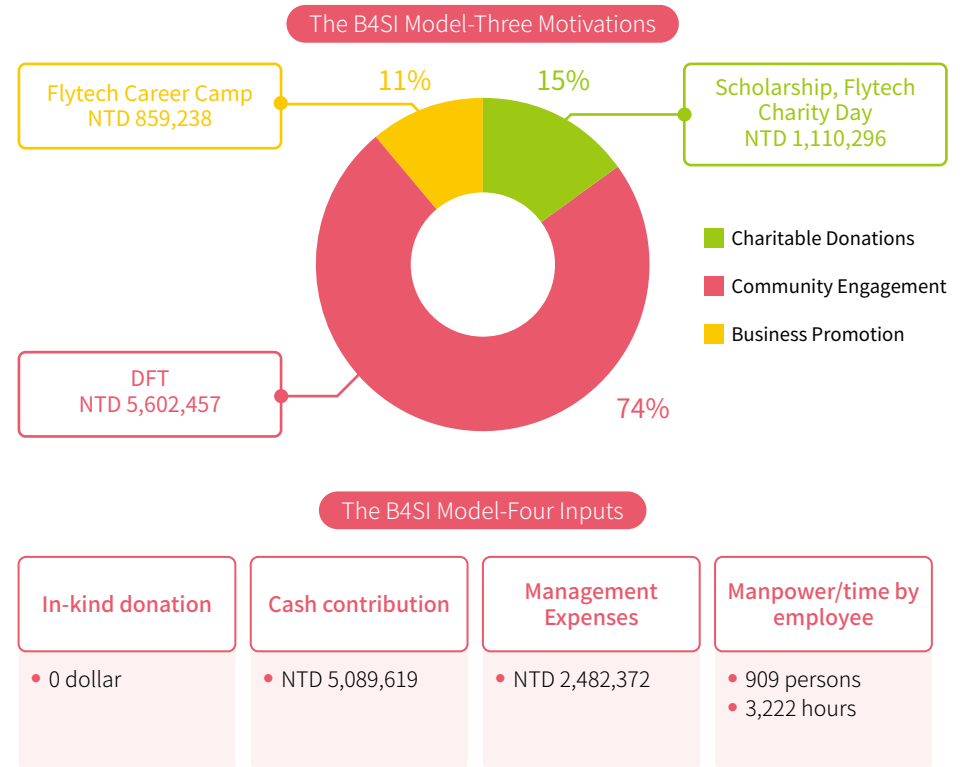
Note: Except for scholarships, the Foundation's man-hours are not included in the calculation.

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7-2 2022 List of Events

List of Events	Years	Month	Activity	Number of Participants from Flytech	Number of People Assisted /Participated
Flytech Career Camp	8	January and August	Flytech Career Camp (7 days)	70	42
		April, June and July	Flytech Career Camp Alumni Association, DIY planting and a one-day trip social event	15	83
Flytech Charity Day	7	February	Huashan Social Welfare Foundation Caring for elderly people living alone and donating money and supplies to the people in need	69	44
		April	Reducing carbon emissions through a meatless challenge	28	-
		June-July	Genesis Foundation Donating receipts to save patients in vegetative state	27	-
		July	Flytech 38 Beach cleaning activity, collected 786 kg of waste	465	-
		October	Co-organized the beach cleanup of Retrieving the Blue Ocean with North Coast & Guanyinshan National Scenic Area Administration, Tourism Bureau, and collected 143 kg of waste	37	-
		November-December	Bringing love to remote areas-Christmas gift collection	113	125
Excellence and Diligence Scholarship	7	July	Scholarship for underprivileged and outstanding Students in Taitung High School (Vocational) School	15	30
Design for Taiwan	7	January, March, April, May, September, October, November and December	DFT Workshops-a total of 8 workshops, each lasting 2-3 days DFT Online Seminar in May	30	660
		July	DFT Workshops Showcase	40	2,149

For more information and details about our activities and achievements, please visit the Flytech Foundation official website (scan the QR code below). We welcome students, individuals, and charitable organizations to join us in our efforts.
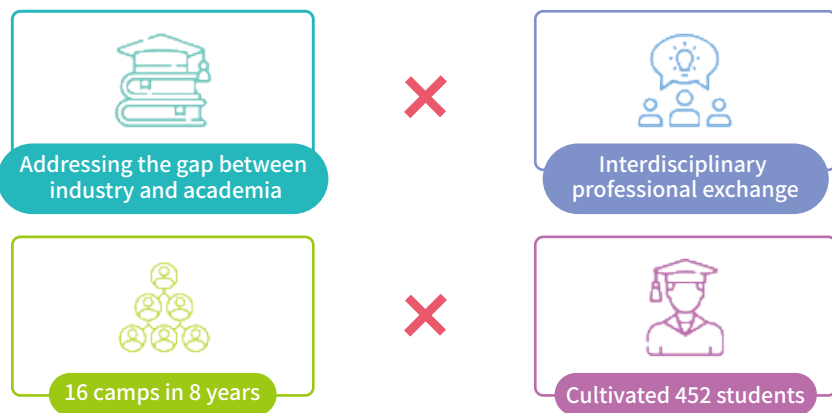
7-3 Flytech Career Camp

	Inputs	Outputs	Impact
What is Contributed? Contributions	Technology Education Industry Experience	Community Outputs: • Hosted two sessions, with one session lasting for seven days • 50 students participated • Organized three alumni association events with a total of 83 participants	For students: • Learned about industrial computer industry • Learned about the job responsibilities and duties of various positions • Gained experience in interdisciplinary collaboration • Built professional networks
How it is Contributed? Method	Cash contribution: NTD 0.49 million Management Expenses: NTD 0.37 million Employee contributed manpower: 85 persons Employee contributed time: 165 hours	Business Outputs • Enhanced Flytech image • Enhanced students' understanding of the industry • Trained colleagues to become speakers, achieved 70 persons in 2022	For Flytech: • Trained employees to become instructors • Colleagues contributed more than 165 hours • A total of 70 employees served as instructors
Why? Motivation	Community engagement (reduce gap between industry and academia) Business advocacy (educational business knowledge and business proposals)		• Since 2015, we have organized 16 camps, nurturing over 450 students. We have also maintained a continuous connection between students and various industries through the alumni association.
Where? Region	Taiwan		

Flytech Career Camp

Addressing the gap between industry and academia × Interdisciplinary professional exchange

16 camps in 8 years × Cultivated 452 students

Since its establishment in 1984 and entry into the technology industry, Flytech has observed that fresh graduates often spend a lot of time understanding their job roles and the company's operations. They may also discover that the actual job content differs from their initial expectations. To address this gap between academia and industry, the Flytech Foundation organizes Flytech Career Camp every year during the summer and winter vacations. Each camp brings together over 30 students from different regions, fields, expertise, and backgrounds. Over seven days, these students learn and grow together through intensive training activities. These camps provide outstanding students in Taiwan with insights into the operational models and products of the industrial computer industry and facilitate cross-disciplinary and cross-professional exchanges among participants. The Flytech Career Camp has been held for eight years with a total of 16 sessions, attracting more than 1,000 students from junior year and above to register, and has cultivated 452 students so far.

During the 7-day camp, we have designed various courses to provide students with a quick understanding of industry trends and a direct insight into the applications of industrial computers. The following are the course contents:

5. Operational Practices in Business Management

Through presentations by senior executives and outstanding management trainees, we aim to share real-life examples and experiences from different departments on operational practices, market and product analysis, business overview, R&D introduction, financial foundation, etc., bridging the gap between academia and industry. In addition to Flytech, we also share information about our subsidiaries, hoping to provide participants with valuable insights.

6. Production Line and Manufacturing Process in Factory

Understanding the industry from an indirect perspective is not enough. To offer a comprehensive understanding of the industry chain, we arrange visits to our factory, allowing students to experience firsthand the multiple stages of manufacturing a high-quality product before it can be delivered to customers. We emphasize on the core design philosophy of Flytech, which revolves around quality, manufacturing, and service.

7. User Observation Activity

Innovation is the driving force behind continuous growth for businesses, and the most essential aspect of innovation is the ability to be receptive to external information. Therefore, in our curriculum design, we have specifically arranged for students to visit different field settings for observations. This tests their observational skills and stimulates diverse ideas through interactions with individuals from different backgrounds. Students generate different perspectives within their teams, allowing them to gain insights they might not have considered on their own. The aim is to cultivate and nurture a comprehensive and continuous sensitivity to innovation in their thinking processes.

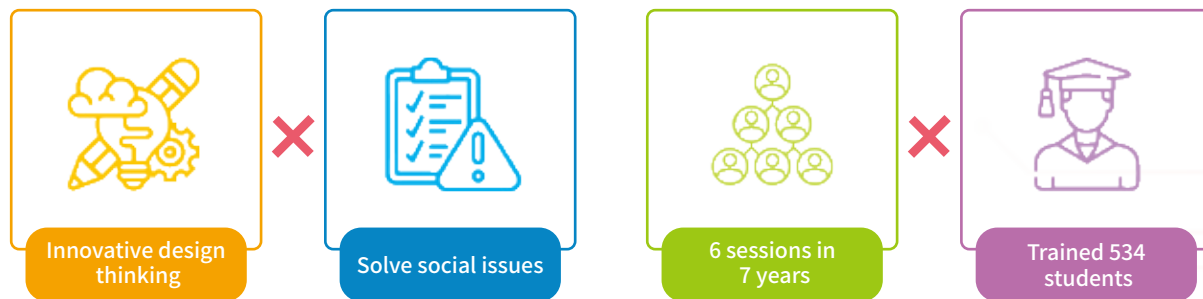The camp activities go beyond attending classes. On the first day of each session, we propose group report topics focusing on future trends, allowing students to integrate and apply their knowledge throughout the course. Moreover, the creative ideas generated by the students provide Flytech with unique inspiration, to which we can then deliver our feedback and create a positive cycle of innovation.

7-4 Design for Taiwan

	Inputs	Outputs	Impact
What Is Contributed? Contributions	Creative education	Community outputs • Held a total of 6 workshops with participation from 100 individuals, totaling over 300 participants • Held a total of 9 public seminars with participation of 590 people • Held an exhibition at the Nangang Bottle Cap Factory for four days with a total of 2,140 attendees • 10 proposals	For students: • Learned about design thinking and user research • Learned how to identify issues, solve problems, and implement design solutions through a one-year project. • Learned about interdisciplinary collaboration • Analyze in depth a specific social issue • Since 2016, we have completed six sessions of design thinking workshops and invited 11 international speakers and 37 domestic lecturers, training a total of 534 university students. We have held a cumulative of six physical or online social design exhibitions, attracting over 35,000 visitors from the community, and 42 innovation lectures on various topics with over 595 attendees.
How Is It Contributed? Method	Cash contribution: NTD 4.11 million Management Expenses: NTD 1.49 million Employee contributed manpower: 70 persons Employee contributed time: 2,240 hours	Business Outputs: • Flytech received the CommonWealth Magazine Sustainable Corporate Excellence Award and was featured in media reports. • Flytech LinkedIn post • Employee inputs reached 70 persons (assistance in exhibitions, courses, and other activities). • Number of employees participating in courses: 7 people and produced 2 ESG projects	
Why? Motivation	Social engagement (solve social issues) Business advocacy (achieving social enterprises)		
Where? Region	Taiwan		

Design for Taiwan

Innovative design thinking × Solve social issues 6 sessions in 7 years × Trained 534 students

Origin

In the first two years of establishing the Flytech Foundation, Lam, Tai Seng, the Chairman of Flytech Technology, noticed an organization called Design for America in the United States. The members of this organization were university students across the country who used innovative design thinking training to learn how to solve social issues in remote areas, disadvantaged communities, and environmental challenges. These students established clubs at their universities to bring design thinking to various regions in the United States. This spirit aligned perfectly with the philosophy of promoting innovative education and caring for local communities, which inspired the decision to introduce the practices of Design for America. In 2016, we officially launched the Design For Taiwan (DFT) program which was suitable for the Taiwanese educational environment. DFT continues the spirit of Design for America, allowing students to unleash their creativity and solve social issues through design thinking. With six workshops held throughout the year, teams of students from different universities are recruited to propose solutions to various social problems.

From 2016 to July 2022, Design for Taiwan has successfully completed six sessions of design thinking workshops. By the end of 2022, the program had invited 11 international speakers and 37 domestic lecturers, training a total of 534 university students. A cumulative six physical or online social design exhibitions had been held, attracting over 35,000 visitors from the community. 42 innovation lectures on various topics were held with over 4,000 attendees. The 7th session was officially launched in September 2022. Unlike previous years, the 7th session is open for registration to the general public, with the hope of witnessing sparks of collaboration between individuals from the community and students. This session, which concluded at the end of the year, included four physical workshops and one lecture. 45 students have been admitted, forming 10 teams along with 7 colleagues from Flytech. These teams are now entering the second phase of the social impact curriculum.

Innovative Design Thinking Education/User Research

Two fundamental pillars of design thinking are human-centered and cross-domain team collaboration. Human-centered design behavior derives from solving needs or improving the current situation. It is different from the misconception that design is art in the past. The design method considers users' needs as its core value. From observing user behavior and discovering user needs to test user preferences, they all use people as the starting point to explore the relationship between products/services and people, the relationship between people, the relationship between people and the environment, and the relationship between products and the environment.

Design thinking methods are often applied to complex business or social problems that are difficult to solve by individuals or a single area of expertise. Therefore, when conducting design thinking, it is often composed of cross-domain teams. Although the cross-domain composition can make the team have more comprehensive thinking and more diverse agitation, it will also face greater challenges in communication and cooperation. The role of design thinking is like a common language, allowing designers, engineers, and managers to communicate in the same channel and in the same language.

Caring for Social Issues/Iterative Implementation

Another core principle of design thinking is hands-on. Despite being called design thinking, it is a knowledge that must be done by hands. In fact, every step of design thinking must be practiced with action. Rather than just brainstorming ideas for needs, it is more effective to step into the field, directly seek out/observe users, and quickly create simple prototypes to test and iterate on the ideas. Combined with the purpose of Flytech Foundation, we hope to contribute to Taiwan's rural education and the cultivation of innovative talents through caring for the disadvantaged, technology education, and social services. Since the early stages of Design for Taiwan, students were not restricted to specific directions but were encouraged to observe the problems or social issues they face in their surroundings and develop design solutions. In contrast to similar workshops in the industry, the program lasts for one year, allowing each team to engage in field observation, testing, and iteration. By implementing innovative education, young students can also deepen their care for the environment they grow up in.

Business Model/Entrepreneurship Incubation Coaching

Integrating Innovation Design Thinking Education/ User Research and Social Issues Care/Iterative Implementation in the Design for Taiwan curriculum is based on the core principles of design thinking. However, in innovative design, it is essential to leverage social impact to ensure innovations' sustainability and practical influence. Introducing a business model is another key Design for Taiwan curriculum focus. In addition to continuing field research and iterative design in the second phase, teams must also plan their project business models. In addition to placing users at the core of the design process, considering stakeholders is also crucial.

In April 2022, Design for Taiwan invited the Taiwan team of BMI Global Design Consultants to lead the teams in developing their business model plans, starting from value propositions and stakeholder identification. Through a two-day workshop, each team had the opportunity to review their progress closely.

From the first session, Tidy Man, which was established as a company after participating in Design For Taiwan, the company's revenue exceeded 20 million by the end of 2020. Despite some impact in 2021 due to the pandemic, the company maintained its previous year's performance. With the aforementioned case, Design for Taiwan has also started an entrepreneurship incubation support program, allowing teams or students who have completed a year of Design for Taiwan to continue using innovative design thinking to make a social impact.
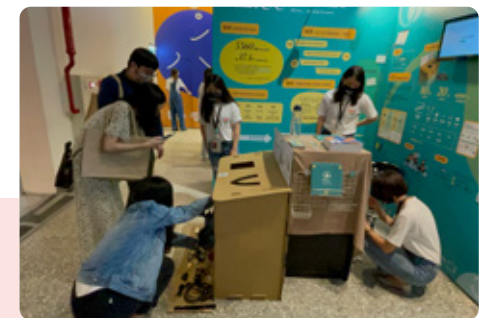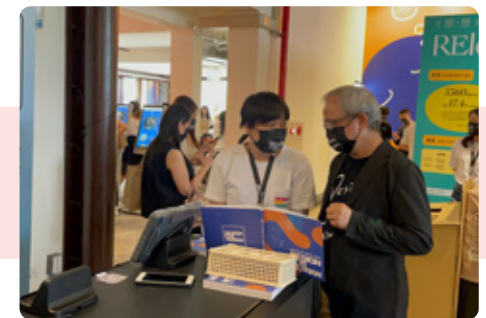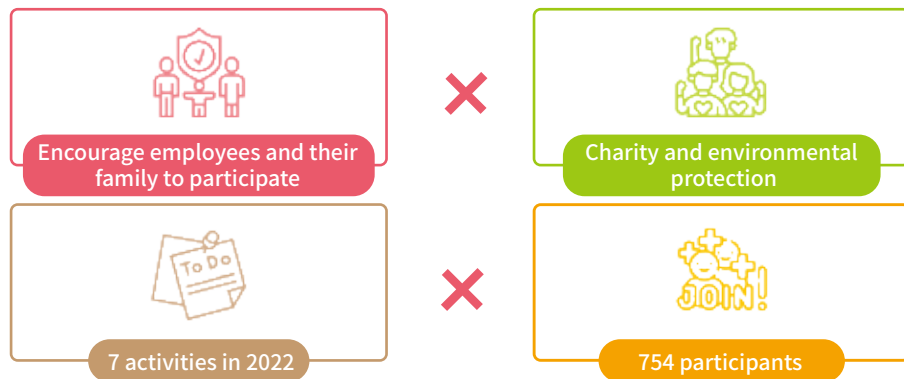
7-5 Flytech Charity Day

	Inputs	Outputs	Impact
What Is Contributed? **Contributions**	Charity Education Environmental protection	Community outputs: • Activities held: 7 • Beach clean-up: 929 kg • Donated gifts: 125 items • Eating vegetarian to reduce carbon emissions: 129 kg • Care for elderlies: 44 people • Scholarship recipient: 30 people	For the beneficiaries: • Beneficiaries received material or cash donations that improved their quality of life • Scholarship recipients have the opportunity to expand their horizons and gain insights into their future academic choices through corporate visits. For Flytech colleagues: • They gained an understanding of various social issues, including environmental concerns, issues related to the elderly, climate change, and more.
How Is It Contributed? **Method**	Cash contribution: NTD 0.49 million Management Expenses: NTD 0.62 million Employee contributed manpower: 754 persons Employee contributed time: 817 hours	Business Outputs: • Employee contributed manpower: 754 persons	
Why? **Motivation**	Charitable donations (material support, scholarships and fundraising) Community engagement (beach clean-up)		
Where? **Region**	Northern Taiwan and Taitung region in Taiwan		

Flytech Charity Day

- Encourage employees and their family to participate
- Charity and environmental protection
- 7 activities in 2022
- 754 participants

Flytech Charity Day holds a charity day every two months to call on colleagues and family members to participate together. We went deep into the corners of Taiwanese society in need of help and looked forward to bringing more warmth to those in need. In 2022, seven events were organized, with more than 739 participants. These events included collaborating with the Huashan Foundation to provide supplies to elderly individuals living alone, launching a company-wide vegetarian challenge to raise awareness of the relationship between meat consumption and carbon emissions, collecting and donating invoices to support individuals in a vegetative state, collecting Christmas gifts from company employees for donation to five remote and disadvantaged elementary schools in Taitung, Taiwan, and two beach cleanup experiences involving over 500 participants.

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Starting from 2016, we have been assisting outstanding and financially disadvantaged high school and vocational school students in remote areas by providing scholarships once to twice a year. It aims to reduce the regret of being unable to pursue education or further studies due to economic difficulties in their families and encourages their upward spirit. According to the grades, autobiography, family financial situation, proof of poverty provided by the students, and whether it is a single parent or intergenerational upbringing, etc., select hardworking students with economic difficulties to pursue further studies. We provide the Taitung County High School (vocational) excellence scholarships and diligence scholarships for 30 students.

Collect receipts to save patients in vegetative state

Collect receipts to save patients in vegetative state

Beach clean-up part

465 People participated in beach cleanup at Jhuwei Fishing Port, Taoyuan

Vegetarian diet challenge

Christmas gifts collection-sending love to remote areas

Christmas gifts collection-sending love to remote areas

Scholarship picture

Scholarship picture

Scholarship picture

Scholarship picture

Raising fund to deliver goods to elderlies who live alone

Global Reporting Initiative Index

Statement of Use	Flytech has reported in accordance with the GRI Standards for the period 2022/01/01 to 2022/12/31.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

*Material Issues

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
GRI 2: General Disclosures					
GRI 2: General Disclosures 2021	1. The organization and its reporting practices				
	2-1	Organizational details	1-2-1 Operation Location	-	15
	2-2	Entities included in the organization's sustainability reporting	Overview	-	3
	2-3	Reporting period, frequency and contact point	Overview	-	3
	2-4	Restatements of information	Overview	-	3
	2-5	External assurance	Overview	-	3
	2. Activities and workers				
	2-6	Activities, value chain and other business relationships	1-2-2 Revenue Overview	-	15
			1-3-1 Cross-Domain Solutions Experts	-	17
	2-7	Employees	4-1-1 Positive Labor Relations - Employment Overview	-	56
	2-8	Workers who are not employees	4-1-1 Positive Labor Relations - Employment Overview	-	56
	3. Governance				
	2-9	Governance structure and composition	3-1 Corporate Governance	-	37
	2-10	Nomination and selection of the highest governance body	3-1-1 Board of Directors	-	38
	2-11	Chair of the highest governance body	3-1-1 Board of Directors	-	38
	2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Management Structure	-	10
	2-13	Delegation of responsibility for managing impacts	Sustainability Management Structure	-	10

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
GRI 2: General Disclosures 2021	2-14	Role of the highest governance body in sustainability reporting	Sustainability Management Structure	-	10
	2-15	Conflicts of interest	3-1-1 Board of Directors	-	38
	2-16	Communication of critical concerns	3-1-1 Board of Directors	-	38
	2-17	Collective knowledge of the highest governance body	3-1-1 Board of Directors	-	38
	2-18	Evaluation of the performance of the highest governance body	3-1-1 Board of Directors	-	39
	2-19	Remuneration policies	3-1-3 Compensation Committee	-	40
	2-20	Process to determine remuneration	3-1-3 Compensation Committee	-	40
			4-1-3 Reasonable Remuneration System	-	60
	2-21	Annual total compensation ratio	-	Salary information is considered confidential and is not disclosed	-
	4. Strategy, policies and practices				
	2-22	Statement on sustainable development strategy	Letter from the Chairman	-	4
	2-23	Policy commitments	Sustainability Goals and Vision	-	9
	2-24	Embedding policy commitments	Sustainability Goals and Vision	-	9
	2-25	Processes to remediate negative impacts	3-1-4 Ethical Corporate Management	-	41
	2-26	Mechanisms for seeking advice and raising concerns	3-1-4 Ethical Corporate Management	-	41
	2-27	Compliance with laws and regulations	3-1-6 Internal Control System and Internal Audit	-	42
			5-3 Supply Chain Management	-	94
			6-1 Environmental Protection Policy	-	100
	2-28	Membership associations	1-1 Company Profile	-	14
	5. Stakeholder engagement				
	2-29	Approach to stakeholder engagement	2-1 Stakeholder Identification and Engagement	-	22
	2-30	Collective bargaining agreements	-	Flytech has not established a labor union nor signed any collective agreements with employees.	-

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
GRI 3: Material Topics					
GRI 3: Material Topics 2021	3-1	Process for determining material topics	2-2 Material Issues Assessment Process	-	23
	3-2	List of material topics	2-2-4 List of Material Issues	-	28
Specific Standard Disclosure: Economic					
***Economic Performance** (Climate Change Impacts and Strategy)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Assessment	-	33
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	1-2-3 Operational Performance	-	16
	201-2	Financial implications and other risks and opportunities due to climate change	3-2-6 Climate Change Risk Management	-	49
	201-3	Defined benefit plan obligations and other retirement plans	4-1-3 Reasonable Compensation System	-	60
***Procurement Practices** (Green Design and Sustainable Supply Chain Management)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	33
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	5-3-2 Sustainable Supply Chain	-	95
***Anti-corruption** (Ethical Management and Transparent Financial Information-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	32
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	3-1-4 Ethical Corporate Management	-	41
			5 Customer Service and Supplier Management - Key Achievements and Management Policy	-	84
			5-3 Supply Chain Management	-	94
	205-3	Confirmed incidents of corruption and actions taken	3-1-4 Ethical Corporate Management	No cases of corrupt practices or integrity violations were found within our company and suppliers in 2022	41
			5-3 Supply Chain Management		94

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
Anti-competitive Behavior					
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	3-1-4 Ethical Corporate Management	No anti-competitive, anti-trust and monopoly conduct occurred in 2022	41
Tax					
GRI 207: Tax 2019	207-1	Approach to tax	3-3-1 Flytech's Tax Commitment	-	52
	207-2	Tax governance, control, and risk management	3-3-2 Tax Risk Management and Governance	-	52
*(Risk Management)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	32
Non-GRI requirements	Not applicable	Risk items	3-2 Risk Management	-	45
*(Product Innovation-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	32
Non-GRI requirements	Not applicable	Description of new technology	5-1-6 Introduction of New Technology	-	89
Specific Standard Disclosure: Environmental					
*(Green Design and Sustainable Supply Chain Management)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	33
Non-GRI requirements	Not applicable	Use of environmental ecological design benefit assessment form to determine the proportion of material selected in the production of new products.	6-2-1 Green Design	-	101
*Energy (Energy Management)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	33

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
GRI 302: Energy 2016	302-1	Energy consumption within the organization	6-3-1 Energy Use	-	105
	302-3	Energy intensity	6-3-1 Energy Use	-	105
	302-5	Reductions in energy requirements of products and services	6-2-2 Examples of Green Design	-	101
			6-6 Product-Based Greenhouse Gas Emission Reduction Measures	-	111
*Emissions (Greenhouse Gas Emissions and Product Carbon Footprint)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	32
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	6-3-2 ISO 14064-1 Organizational Greenhouse Gas Inventory	-	107
	305-2	Energy indirect (Scope 2) GHG emissions	6-3-2 ISO 14064-1 Organizational Greenhouse Gas Inventory	-	108
	305-3	Other indirect (Scope 3) GHG emissions	6-3-2 ISO 14064-1 Organizational Greenhouse Gas Inventory	-	108
	305-4	GHG emissions intensity	6-3-2 ISO 14064-1 Organizational Greenhouse Gas Inventory	-	109
	305-5	Reduction of GHG emissions	6-3-2 ISO 14064-1 Organizational Greenhouse Gas Inventory	-	107
			6-4 Product Carbon Footprint Inspection and Carbon Management Project	-	109
			6-5 Greenhouse Gas Emission Reduction Measures for Daily Operation	-	110
			6-6 Product-Based Greenhouse Gas Emission Reduction Measures	-	111

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
Waste					
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	6-2-3 Waste Disposal	-	104
	306-2	Management of significant waste-related impacts	6-2-3 Waste Disposal	-	104
	306-3	Waste generated	6-2-3 Waste Disposal	-	104
	306-4	Waste diverted from disposal	6-2-3 Waste Disposal	-	104
	306-5	Waste directed to disposal	6-2-3 Waste Disposal	-	104
*Supplier Environmental Assessment (Green Design and Sustainable Supply Chain Management)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	33
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	5-3-1 Supplier Management	-	94
Specific Standard Disclosure: Social					
*Employment (Labor Relations and Employee Benefits)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	34
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	4-1-1 Positive Labor Relations - Employment Overview	-	57
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4-1-5 Happy Enterprise-Welfare	-	67
*Labor Relations (Labor Relations and Employee Benefits)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	34
GRI 402: Labor Relations 2016	402-1	Minimum notice periods regarding operational changes	4-1-1 Positive Labor Relations - Employment Overview	Flytech has not signed any collective agreements with employees	57
*Occupational Health and Safety (Occupational Health and Safety)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	34

Disclosure	Disclosure Titles		Chapter	Omit reason/supplement	Page
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	4-2-1 Occupational Health and Safety Management System	-	70
	403-2	Hazard identification, risk assessment, and incident investigation	4-2-2 Environmental Health and Safety Committee	-	71
	403-3	Occupational health services	4-2-4 Employee Health	-	76
	403-4	Worker participation, consultation, and communication on occupational health and safety	4-2-2 Environmental Health and Safety Committee	-	71
	403-5	Worker training on occupational health and safety	4-2-3 Occupational Safety Training	-	75
	403-6	Promotion of worker health	4-2-4 Employee Health	-	76
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4-2-3 Occupational Safety Training	-	75
	403-8	Workers covered by an occupational health and safety management system	4-2-1 Occupational Health and Safety Management System	-	70
	403-9	Work-related injuries	4-2-4 Employee Health	No occupational injury or occupational disease occurred among employees in 2022	77
	403-10	Work-related ill health	4-2-4 Employee Health	Same as above	77
Training and Education					
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	4-1-4 Training and Talent Cultivation	-	63
	404-2	Programs for upgrading employee skills and transition assistance programs	4-1-4 Training and Talent Cultivation	-	62
	404-3	Percentage of employees receiving regular performance and career development reviews	4-1-3 Reasonable Remuneration System	-	61
*Diversity and Equal Opportunity (Human Rights Policy-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	35
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	4-1-1 Positive Labor Relations-Employment Overview	-	56

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
*Non-discrimination (Human Rights Policy-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	35
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	4-1-2 Diversity Hiring and Inclusion	-	59
*Child Labor (Human Rights Policy-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	35
GRI 408: Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	4-1-2 Diversity Hiring and Inclusion	-	59
			5-3 Supply Chain Management		96
*Forced or Compulsory Labor (Human Rights Policy-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	35
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4-1-2 Diversity Hiring and Inclusion	No incidents of discrimination, no employment of child labor, no significant risk of forced or compulsory labor incidents in operating locations and suppliers in 2022.	59
			5-3 Supply Chain Management		96
*Customer Health and Safety (Customer Commitment, Product Innovation-Voluntary Disclosure)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	32
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	6-2-1 Green Design	-	101
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	6-2-1 Green Design	No violations of safety and health regulations related to products and services in 2022	101

Disclosure		Disclosure Titles	Chapter	Omit reason/supplement	Page
*Customer Privacy (Customer Commitment)					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	32
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	5-1-7 Institutionalized Privacy Policy	No violation of customer privacy or loss of customer information in 2022	89
*Social Charity-Voluntary Disclosure					
GRI 3: Material Topics 2021	3-3	Management of material topics	2-5 Material Issues Management Policy and Evaluation	-	35
Non-GRI requirements	Not applicable	Public welfare project benefit assessment	7-1 Charity Event Costs and Purposes	-	114

SASB Standards

Sustainability Disclosure Topics & Accounting Metrics

Code	Accounting Metrics	Related Chapters	Page	Remark
Product Security				
TC-HW-230a.1	Description of approach to identifying and addressing data security risks in products	3-2-3 Information Security Risk Management	46	
		5-1-7 Institutionalized Privacy Policy	89	
Employee Diversity & Inclusion				
TC-HW-330a.1	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	4-1-1 Positive Labor Relations - Employment Overview	56	

Code	Accounting Metrics	Related Chapters	Page	Remark
Product Lifecycle Management				
TC-HW-410a.1	Percentage of products by revenue that contain IEC 62474 declarable substances	6-2 Green Products	101	All Flytech products comply with RoHS/REACH requirements IEC 62474 management system is not implemented currently
TC-HW-410a.2	Percentage of eligible products, by revenue, meeting the requirements for EPEAT registration or equivalent	NA		Flytech is not included in the EPEAT registry for the required products, and our customers do not have this requirement at the moment. If there is a project demand in the future, we will consider implementing it.
TC-HW-410a.3	Percentage of eligible products, by revenue, meeting ENERGY STAR R criteria	NA		Flytech is not included in the ENERGY STAR R registration list for required products. Currently, we conduct self-testing based on this standard, and if there is a customer demand, we will proceed with verification. There were no cases in 2022.
TC-HW-410a.4	Weight of end-of-life products and e-waste recovered, percentage recycled	6-2 Green Products	101	All Flytech models will be sent to new models for WEEE test analysis during the C4 trial production stage. According to the statistics of mass-produced models in 2021, more than 90% of the materials are recyclable and reusable materials.
Supply Chain Management				
TC-HW-430a.1	Percentage of Tier 1 supplier facilities audited in the RBA Validated Audit Process (VAP) or equivalent, by (a) all facilities and (b) high-risk facilities	NA		In our industry, product verification is not obligatory, and our clients do not make such requests. If there is a need in the future, we will proceed with the required verification process.
TC-HW-430a.2	Tier 1 suppliers' (1) non-conformance rate with the RBA Validated Audit Process (VAP) or equivalent, and (2) associated corrective action rate for (a) priority non-conformances and (b) other non-conformances	NA		In our industry, product verification is not obligatory, and our clients do not make such requests. If there is a need in the future, we will proceed with the required verification process.
Materials Sourcing				
TC-HW-440a.1	Description of the management of risks associated with the use of critical materials	5 Customer Service and Supplier Management-Key Achievements and Management Policy	84	
		5-3 Supply Chain Management	94	