FOXCONN®
富士康
节能 环保 科技 未来
速度 品质
FOXCONN

1

Sustainable Governance

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Corporate Governance

Corporate Integrity

Innovation Management and Patents

Corporate Social Responsibilities

Stakeholder Communication and Responsibilities

Sustainable Governance

Management approach for material issues

Financial performance, corporate governance and risk management, ethical management and legal compliance, innovative research and development

Meaning to the Group

Establishment of sound corporate governance and a culture of Corporate Integrity can effectively safeguard the rights of all stakeholders and demonstrate our corporate values. Therefore, the Group endeavors to sustain a culture of integrity and ethical management and adopts a zero-tolerance policy toward any behaviors or activities that violate local and international laws. The Group is also working to consolidate its leadership in the technology industry and continues to invest in the research and development of advanced technologies.

Policies and Commitments

The Group complies with all domestic and overseas regulatory requirements and strives to protect shareholder interests, strengthen Board functions, empower functional committees, respect stakeholder interests, and enhance information transparency. Additionally, in order to achieve our F3.0 transformation, the Group focuses on the "3+3" development strategy and works to lead all industries toward a future smart society.

Goals and Targets

Short-term goals

- Continue to enhance the effectiveness of corporate governance evaluations.
- Establish 20 lighthouse factories to promote developments of IIoT and smart manufacturing while transforming the Group.

Mid- to long-term goals

- Achieve 100% independent-director attendance at Audit Committee and Compensation Committee meetings.
- Make strides toward our F3.0 transformation to new industries goal, with "3+3" as our core strategy.

Grievance Mechanism

Please see Section
Stakeholder Communication and Responsibilities
for details.

Evaluation of the Management Approach

- Organized annual management review meetings to discuss ways of strengthening performance and tracking target achievement rates for continued excellence.
- Audited the Group's corporate governance procedures in accordance with annual audit plans.

Specific Actions

- Continue to improve corporate governance performance, protect shareholder and stakeholder interests, strengthen Board function, and enhance information transparency.
- Founded the Hon Hai Research Institute and MIH EV Open Platform, and hosted the first Hon Hai Technology Day (HHTD) to realize the Group's "3+3" development strategy.
- The Group accumulated a total of 158,000 global patent applications and received approval for 91,800 patents in 2020.

Corporate Governance

Group Structure and the Board of Directors

The Group has established a Board of Directors consisting of directors and independent directors jointly responsible for corporate governance and management strategy in accordance with laws and regulations. In addition to upholding shareholder rights, the Board of Directors is also guided by principles that protect the rights of other stakeholders, including employees, clients, suppliers, governments, and NGO. The leaders of each business group adhere to the guiding principles of the Board of Directors in directing the operations of each business group and auxiliary service units of the Group. Internal directors of the Group receive no additional compensation, and, according to the regulations governing the Board of Directors, individual directors should recuse themselves from Group affairs when there is a conflict of interest. Remuneration for members of the management team serving on the Board of Directors comes directly from their stock holdings which are connected to the operational performance of these respective companies within the Group.

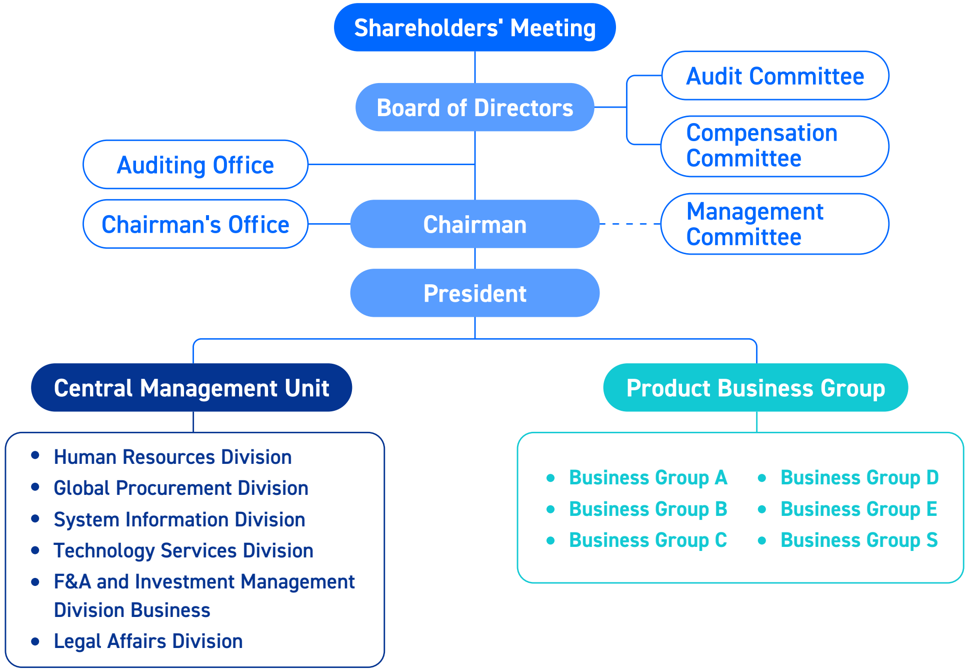
The Group's Board of Directors currently comprises nine directors, including three independent directors and one female director. Each director has extensive academic backgrounds and work experience in engineering, finance, and other fields, and we fully implement concepts of diversity in Board structure. Each director serves for a term of three years and can be reelected for a consecutive term. Chairman Young Liu, who represents the external face of the company and also serves as Group President, is responsible for the supervision of all important affairs. Additionally, the Group has purchased liability insurance for all directors and supervisors that covers the scope of their duties.

Directors Biographies

Board of Directors Resolutions

Director and Supervisor Professional Knowledge & Independence Check Matrix

Diversity of Directors members


Shareholders' Meeting
Board of Directors
Audit Committee
Compensation Committee
Auditing Office
Chairman's Office
Chairman
Management Committee
President
Central Management Unit
Product Business Group
Human Resources Division
Global Procurement Division
System Information Division
Technology Services Division
F&A and Investment Management Division Business
Legal Affairs Division
Business Group A
Business Group B
Business Group C
Business Group D
Business Group E
Business Group S

The Group insists on transparency in operations, emphasizes shareholder rights, and believes that a sound and efficient Board of Directors can establish a strong foundation for corporate governance. Under these principles, an Audit Committee and Compensation Committee have been established to assist the Board of Directors in carrying out its supervisory duties. The Board of Directors plays a supervisory and guiding role in our sustainable corporate management strategy, and the CSR Committee reports annually to the Board of Directors regarding the execution of CSR policies and initiatives. In order to safeguard the rights of shareholders and other stakeholders, strengthen Board functions, and enhance information transparency, the Group has established the "Corporate Governance Code of Practice," which provides clear stipulations, and has also established an Investor Relations Office for dedicated handling of shareholder suggestions and disputes. In 2020, the Group ranked in the top 6% to 20% in the 7th Corporate Governance Evaluations.

2020 Annual Report

Remuneration paid to Directors, Supervisors and management team P.35

The Board of Directors Evaluation and Implementation P.44

Continuing education of Directors P.57

Audit Committee

The Group established an Audit Committee in July 2016 in compliance with the Securities and Exchange Act. The Committee is comprised of all independent directors, who serve three-year terms as Committee members. Committee members elect a convener from amongst themselves; the current Committee convener is Independent Director James Wang. The “Organizational Charter of the Audit Committee” states that the Committee must convene at least once every quarter. The Committee convened seven times in 2020, and the actual attendance rate of all Committee members was 100%.

Remuneration Committee

A Compensation Committee was established in September 2011 in accordance with corporate governance principles, and to strengthen the salary and remuneration system for directors and managers. The three Committee members were appointed by the Board. The main responsibility of the Committee is to assist the Board in assessing and regularly reviewing the performance of directors and managers in achieving the sustainable development objectives set out by the Group, as well as a review of policies, systems, standards, and structures for salaries and remuneration. Independent Director James Wang currently serves as Committee convener.

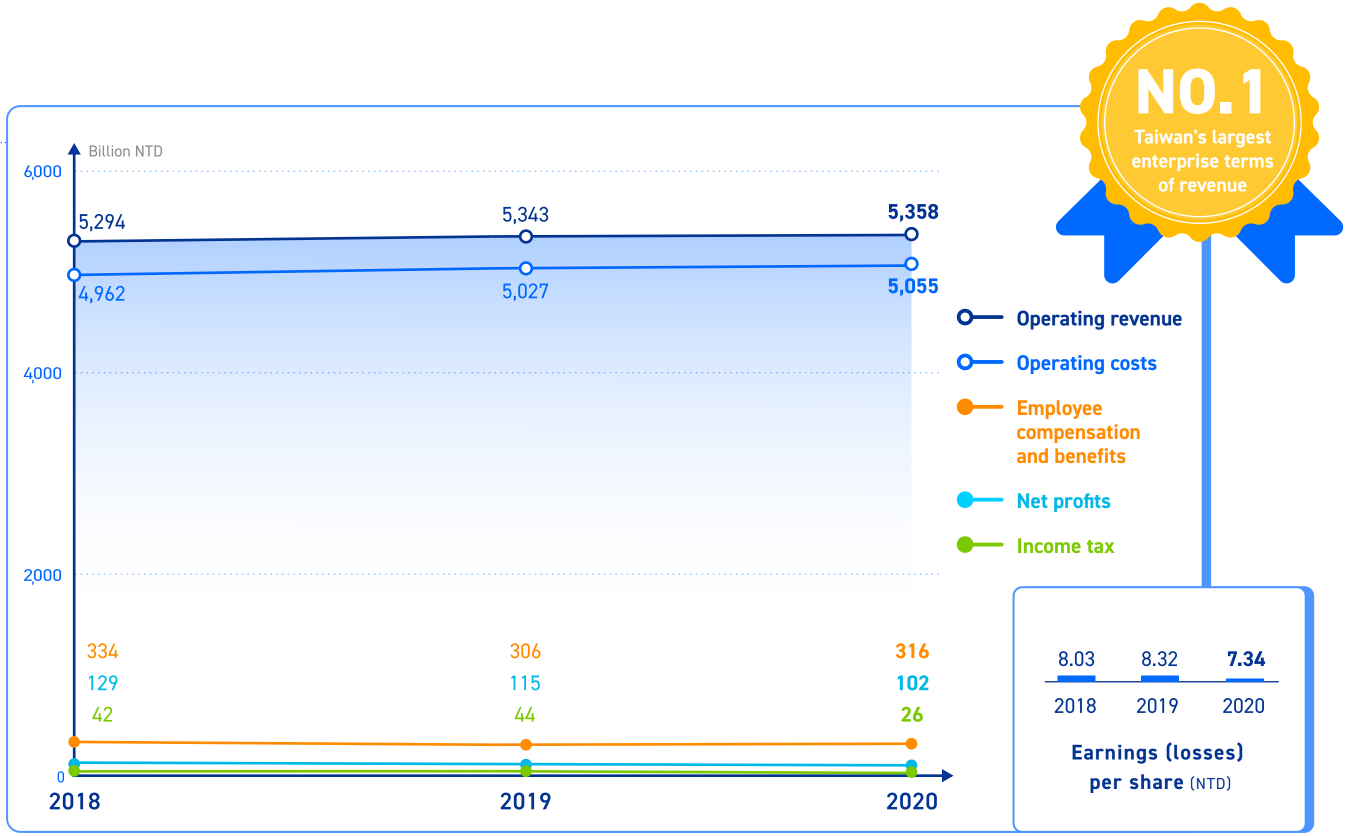
The “Organizational Charter of the Compensation Committee” requires the Committee to convene at least twice a year. The Committee convened four times in 2020, and the actual attendance rate of all Committee members was 100%.

Financial Performance

The outbreak of the COVID-19 pandemic in 2020 severely impacted the global economy and industrial structures. However, under the leadership of Chairman Young Liu and the joint efforts of all our employees, the Group maintained its operating performance. In 2020, the Group's operating revenue was 5.358 trillion NTD, an increase of 0.31% compared with 2019, making us the biggest enterprise in Taiwan in terms of operating revenue.

2020 Annual Report

Financial summary



Risk Management

Risk and opportunity are two sides of the same coin. If risks can be prevented and impacts minimized in advance, risks can be transformed into opportunities. Faced with rapidly evolving external environments, identification of risks and enhancement of response capabilities has become a key aspect of operational management for the Group, allowing us to keep abreast of future opportunities to realize our vision of sustainable development.

The Group is focused on its main businesses relating to manufacturing, sales, and tech research and development, and does not engage in high-risk, high-leverage investments. Regarding external and internal risks, the Group has established a risk management department that has enacted various internal regulations in accordance with the law and has conducted risk management and assessments. Appropriate risk management mechanisms and firewalls have been established according to internal organizational procedures such as the "Operational Procedures for Work and Financial Transactions Involving Special Companies and Other Companies Within the Group," "Operating Procedures for Business and Financial Transactions," "Supervisory Procedures for Affiliate Companies," "Endorsement Guarantee Operation Procedures," "Fund Lending and Others' Operating Procedures," and "Procedures for Acquiring or Disposing of Assets." The Group employs a comprehensive risk management and control system that identifies, evaluates, and controls the various risks we face, including market risks (foreign exchange risk, interest rate risk, and price risk) and product risks.

Management Goals

01

Apart from market risks, which are primarily controlled by external factors, all other risks can be managed internally or eliminated through operational procedures, and therefore our management goal is to reduce such risks to zero.

02

Market risks shall be closely analyzed, and the recommendations, implementation, and processes stemming from such analysis shall take external trends, internal operations, and the actual effect of market fluctuations into account as appropriate, and adjust overall operations to achieve optimal benefit.

03

The overall risk management policy for the Group is focused on the unpredictability of financial markets and seeks to reduce any hidden negative effects stemming from the financial status and operational performance of the Group.

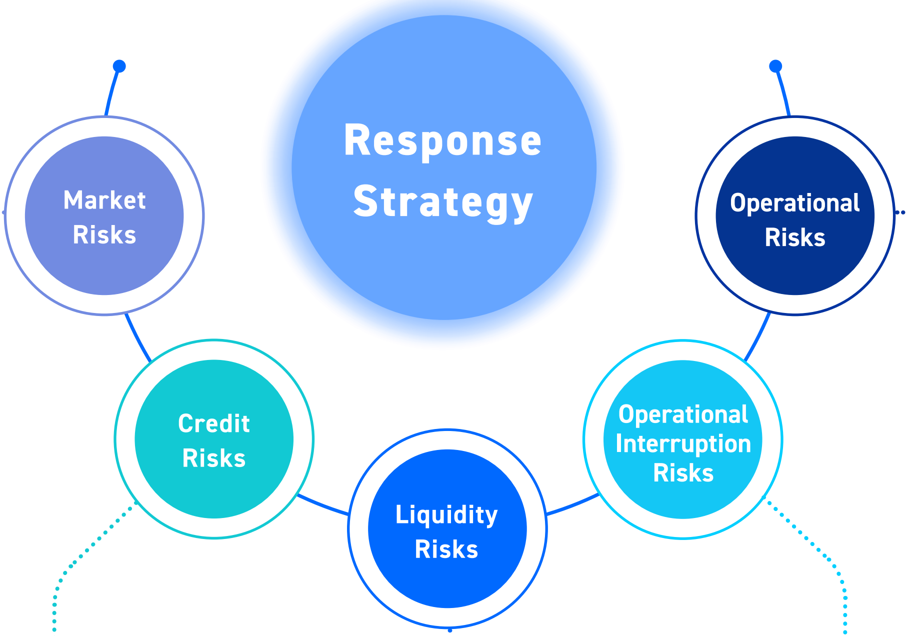
Management Systems

01

Risk management tasks shall be conducted according to policies approved by the Board of Directors and in close collaboration with other operational units in the Group to identify, evaluate, and avoid relevant risks.

02

The Board of Directors has enacted risk management principles in writing and has provided written policies for specific areas and items.



The Group is a multinational electronics contract manufacturer. The primary source of foreign exchange risk from operational activities stems from non-functional accounts receivable in foreign currencies and differences in account establishment times for accounts receivable that affect exchange rates for functional currency. A feature of contract manufacturers is that both revenues and expenditures are calculated mostly in foreign currency; therefore, after matching assets and liabilities, the foreign exchange risk of the remaining sum is reduced. In addition, although some developing countries we have invested in have relatively large foreign exchange fluctuations, these make up only a small proportion of Group finances, and the foreign exchange risk from these countries remain manageable. The Group has established policies that require companies within the Group to manage the foreign exchange risks of their functional currency. The effects of each functional currency on the primary reporting currency are uniformly managed by the main financial department of the Group.

The Group has established credit limits and channels for clients based on credit evaluation mechanisms, and we will continue to evaluate the statuses of our accounts receivable. The status of each client and industry is evaluated monthly by the transactions unit of each financial department and advanced preparations are made for any contingencies.

The Group only works with mature financial products that are simple in structure, simply priced, transparent, and have numerous market participants, prices, and competing brokers. The funds of the Group are placed in high liquidity instruments and diversity of revenue sources will be cultivated to avoid systemic risks from financial markets.

To prevent asset losses, interruption of operations, and other force majeure events or accidents, the Group purchased various insurance policies following a thorough evaluation of management costs and insurance fees to transfer risk to other risk-bearing institutions. The Group implemented the ISO 22301 Business Continuity Management System in 2021 to manage operational risks through active responses to emergency events, thus ensuring continued operations and rapid recovery during crisis periods. Additionally, the Group invited third-party institutes to conduct seed training courses in 2020. A total of 19 people have completed training.

To prevent risks stemming from losses due to unintentional mistakes or intentional concealment or damage by internal operating personnel, the Group’s organizational structure is designed to prevent personnel from concurrently holding posts in transaction execution, confirmation, and delivery; personnel responsible for evaluation, supervision, and control are drawn from different departments and report to the Board or high-level executives who are either not responsible for transactions or who hold decisional responsibility in their respective departments.

Notes: 1. For information on occupational health and safety risks, please refer to the chapter titled“ Safety Audits and Risk Identification” 2. For information on supply chain risks, please refer to the chapter titled “ Policies for Sustainable Management of Suppliers” 3. For information on climate change risks and opportunities, please refer to the chapter titled“ Climate Change”.

Information Security Management

Information Security Unit

In order to satisfy the information security needs of clients and safeguard client privacy and intellectual property rights, the Group has established an Information Security Committee; the heads of each business group serve as Committee Chairman, vice-presidents serve as deputy Committee Chairmen, heads of information security services as standing Committee members, information security managers serve as secretaries-general, and department managers serve as executive officers. The Committee regularly convenes for management review meetings to establish and review information security management targets and policies. In order to effectively promote information security policies, this information security unit has established affiliate processes and operation, audit, education and training, and emergency response teams which are supervised by senior management personnel from relevant departments to ensure that the information security management system of the Group can operate continuously and stably.

Information Security Policy

The information security policy of the Group seeks to "maintain the confidentiality, integrity, usability, and legality of corporate information; and avoid the misuse, leakage, alteration, destruction, or loss of assets due to human error, intentional damage, or natural disaster, which would affect corporate operations or harm corporate interests." Over the years, the Group has complied with the requirements of the information security policy, regularly conducted information security campaigns, and organized information security training sessions for employees. In order to better meet the demands of international information security management trends and client requirements for information security, the Group began implementing the ISO 27001 Information Security Management System in 2011. Our information security management services have all passed key validation checks. Implementation of the ISO 27001 Information Security Management System allows for effective enforcement of our information security policy, better protection of client information and corporate intellectual property, strengthened response capabilities to information security incidents, and establishment of information security policy evaluation parameters.

Information Security Risk Management

The Group actively implements information security strategies and has established regulations governing policy systems, organizational responsibilities, workforce security, document control, asset management, communications and process management, storage control, physical environments, systems development and maintenance, continuous operational management, security incident management, and regulatory compliance. In terms of technology, we have established Internet firewalls, intrusion detection systems, email security systems, auto-detect updates for operating systems, anti-virus systems, Internet authorization systems, security monitoring systems, and vulnerability scanning systems. The Group uses our core capability which including smart manufacturing technologies, health related Internet of things, and information security networks, to provide channels for safe transactions and supply chain finances, thereby promoting information security management from diverse aspects. Internal and external professional auditors perform two audits on corporate information security management systems for the Group each year and reviews of information security operations, risk management, and incident improvement are conducted every year. The results of these audits and reviews are then presented to the Information Security Committee to facilitate the management and reduction of information security risks.

Information Security Training for Employees

The Group provides basic information security training for all new hires as part of the orientation process, conducts regular information security training sessions for current staff, and deploys posters and videos to strengthen information security awareness among employees. Issues identified during internal audits are managed in real-time through our correction and prevention processes, thereby reducing risks relating to leakages of confidential Group and client information. Information security breaches are immediately reported following the occurrence of external information security incidents to strengthen our corporate information security management and increase awareness of external malicious attacks among employees, thus safeguarding information security for our corporate manufacturing and management operations. No major incidents that impacted corporate operations or infringed upon client privacy occurred in 2020.

COVID-19 Epidemic Prevention Measures

The outbreak of the COVID-19 pandemic in 2020 severely impacted global industries and economic development. In response to the pandemic, we set the health and safety of employees and their families as our highest guiding principle and initiated the internal Business Continuity Planning (BCP) project. Chairman Young Liu personally supervised the epidemic prevention command center and headed daily epidemic prevention meetings where responsible personnel reported directly to the Chairman and Group epidemic prevention strategies were determined.

The Group's Six Advanced Strategies

Advanced Deployment

1/20
Initiated Group epidemic prevention measures

1/23
Established global epidemic prevention command center

2/25
Invited Mr. Nanshan Zhong, an academician of the Chinese Academy of Engineering and a renowned expert on respiratory diseases, to serve as the Group's main consultant on epidemic prevention.

Advanced Reporting

Initiated reporting mechanisms for daily monitoring of epidemic conditions.

Advanced Initiation

Convened daily global epidemic prevention command center action meetings, issued 40 epidemic prevention policies, and self-produced masks.

Advanced Quarantine

Established a buffer dormitory area and observation area.

Advanced Detection

Utilized tracking and positioning systems, temperature monitoring systems, and nucleic acid+DR tests to facilitate advanced detection of employee health conditions.

Advanced Treatment

Collaborated with the government in carrying out treatment measures.

The Group's Seven Epidemic Prevention Measures

1 Epidemic Prevention Measures

- Establishment of epidemic prevention organizational structures
- Establishment of epidemic prevention command center meetings
- Establishment of processes for handling confirmed cases

2 Epidemic Prevention Resources

- Inventory management of epidemic prevention resources
- Establishment of body temperature monitoring equipment

3 Cleaning and Disinfection Resources

- Disinfection and management of public areas
- Disinfection and management of shared surfaces and objects
- Management of factory air conditioning, ventilation, and sanitation

4 Internal Management

- Factory entry management systems
- Logistics management procedures for Group vehicles
- Management of external personnel
- Establishment of epidemic prevention leave and travel procedures

5 Education and Training

- Epidemic prevention education and training courses
- Conducted epidemic prevention quizzes for all factory employees
- Online and offline announcement of epidemic prevention communications

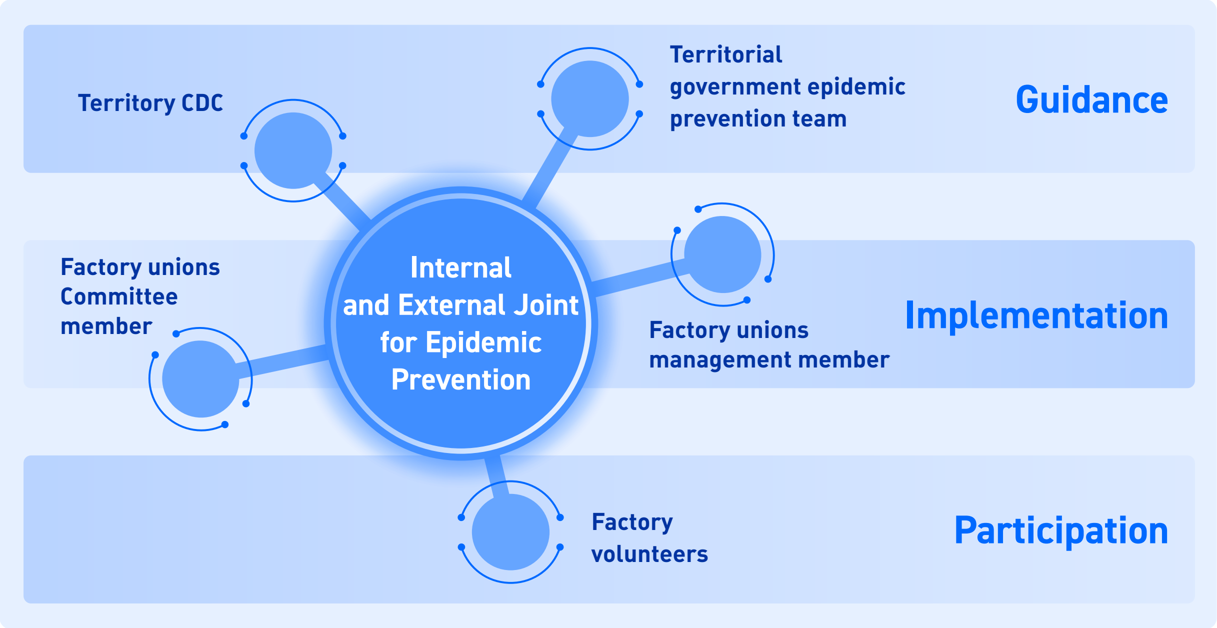
6 Employee Care

- Active care for employees through managers
- Health management
- Epidemic prevention hotline

7 Employee Checks

- Daily health management through the iCivet platform
- Monitoring of abnormal body temperatures and health conditions
- Monitoring of key targets (employees returning from epidemic areas)
- Monitoring, management, and notification

Epidemic Prevention Audits


Territory CDC
Territorial government epidemic prevention team
Guidance
Factory unions Committee member
Internal and External Joint for Epidemic Prevention
Factory unions management member
Implementation
Factory volunteers
Participation

Mechanisms:

1. **Audit organization:** Factory unions
2. **Audit personnel:** Full-time and part-time committee members
3 **Audit method:** Regular audits focusing on peak traffic periods conducted from Monday to Saturday
4 **Audit scope:** First-line/third-line gates, observation areas, buffer dormitory (apartment) areas, canteens, production lines, smoking areas/commercial areas, and other public areas
5. **Audit standards:** The Group's “Factory Epidemic Prevention Audit Procedures and Standards” has listed 160 items under 10 main categories

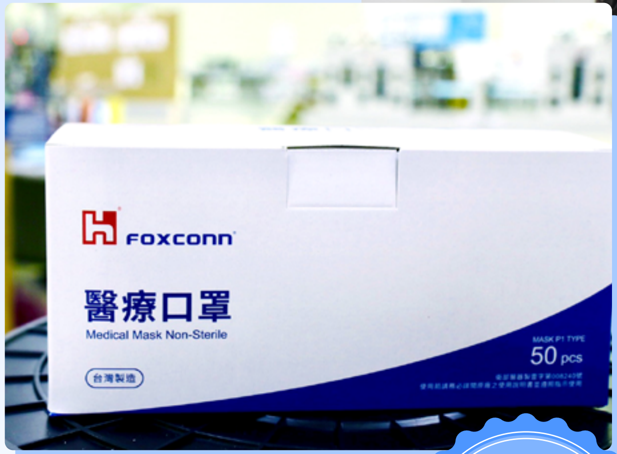
Epidemic Prevention Communications

- Epidemic prevention and safety communications: Published 604 communications which accumulated a total of 1.584 million views
- Quizzes: Hosted three quizzes for a total of 83 thousand participants
- Online activities: Organized 220 sessions attended by 81 thousand participants

Psychological assistance

- Mental health education: Released 46 weekly science communications through our official WeChat account, accumulating 56 thousand views
- 24-hour hotline: Provided phone and WeChat consultations to a total of 538 people
- Segmented counseling: Provided 72 online courses in 8 categories that accumulated a total of 1.568 million views

Held fast in response to the pandemic, self-produced masks, and built an inclusive society



donated
140,000
masks

Following the outbreak of the COVID-19 pandemic, the Group activated plans and production lines to self-produce masks in February; equipment designs, mold development, and assembly processes completed trial production runs and were certified in March. Compared to many of the complex high-tech precision products manufactured by the Group, these masks bearing the “Hon Hai/Foxconn” brand were among the simplest products produced by the Group, but held the most significance in increasing the supply of masks and strengthening epidemic prevention within our community. The Group hopes to contribute to epidemic prevention measures through these masks made from non-woven fabric.

We always strive to give back what we have taken from society and therefore provided these masks to the government, medical personnel, and our employees. We also donated 140,000 masks to neighboring communities and 10 social welfare organizations around Taiwan to provide peace of mind for patients with rare diseases and elderly people living alone. Our recipients all expressed their gratitude for our donations. The Foundation for Rare Disorders stated that they were grateful to the Group for considering those with rare diseases, especially as many of these patients were particularly vulnerable and required regular hospital check-ups, making masks highly essential.

In consideration of employee needs for international travel, the Group also provided personal protective equipment (including goggles, protective suits, medical-grade masks, N95 masks, exam grade gloves, alcohol, and hand sanitizer) and detailed guidelines for epidemic prevention during international travel to employees traveling long distances. The Group's internal epidemic prevention command center also provides weekly videos containing updates on global epidemic conditions through an internal enterprise application, helping our employees all around the globe keep abreast of latest developments.

救人之医 护国之军！富立足 耘梦 敬赠医患前线“杀菌干手机”
捐赠：消毒杀菌干手机50台
（价值约¥30000元）
捐赠方：深圳市富立足科技有限公司
耘梦集团（深圳）有限公司
受捐方：深圳第三人民医院

Donated 50 innovative and patented “disinfection and sterilization hand dryers” to Shenzhen Third People's Hospital

Silver
Epidemic
Prevention
from the TIVS

Received Silver Epidemic Prevention from the Taiwan Immunization Vision and Strategy

Corporate Integrity

The Group upholds a corporate culture of integrity and ethical management, adopts a zero-tolerance policy toward any behaviors and activities violating these regulations, and is committed to full compliance of international and domestic anti-corruption and anti-bribery regulatory requirements. All employees must sign the "Honesty, Integrity & IP Protection Agreement," "Confidentiality Agreement," and "IP Confidentiality Agreement" when entering the company. The Group also provides new employees of training in employee guidelines, management policies, corporate ethics, and codes of conduct on their first day to clearly communicate employee rights and obligations. We also require our suppliers and other collaborators to sign "Partner Commitment Statements" and rigorously implement the strictest anti-corruption policies for all partners.

In order to thoroughly implement corporate integrity and ethical management, the Group has established effective internal control systems and organizes annual training for employees. Training relating to ethical management issues in 2020 included courses on insider trading, the Trade Secrets Act and general legal information, operating procedures for communications networks, and introduction to corporate information security policies. A total of 1,316 people participated in these courses, which allowed our employees to constantly keep abreast of the latest regulatory changes, preventing our employees from violating laws or making similar mistakes. The Group did not incur any legal violations relating to anti-competition, anti-trust and monopolization, or corruption in 2020.

Group Code of Conduct

In 2005, the Group joined the Responsible Business Alliance (RBA) and became an official member. As an RBA member, the Group adheres to all RBA codes of conduct, promotes and implements CSR regulations, and audits relevant suppliers to ensure that they also comply with the Group's CSR policies and Code of Conduct. (For more information on the Group's Supplier Social and Environmental Responsibility Code of Conduct, please refer to Policies for Sustainable Management of Suppliers.)

The Group upholds principles of fairness, honesty, and integrity when participating in the competition and conducting business, and we have also established a legal compliance system at all of our factories worldwide. As an RBA member, we not only actively participate in RBA activities and assume our member obligations, but also work with our peers in the electronics industry and our various partners in compliance and promotion of CSR. CSR Committee used the RBA Code of Conduct as a basis to formulate the first version of the Group Code of Conduct (CoC) in June 2008. The CSR Committee reviewed and revised the Code of Conduct again in 2020. The Group's top executives signed off on and began fully implementing the revised Code of the Conduct and actively fulfilling the Group's corporate social responsibilities. Our Code of Conduct training course is mandatory for all recruits that enter the company each year, and we continue to promote Code of Conduct compliance to existing employees. The Group Code of Conduct encompasses eight main aspects: ethics, labor and human rights, health and safety, environment, management systems, responsible sourcing of mineral, anti-corruption policy, and anti-trafficked & forced labor.

Please refer to the Group Code of Conduct for more information.

The Group Code of Conduct Encompasses Eight Main Aspects Ethics

Ethics

Labor and Human Rights

Health and Safety

Environment

Management systems

Responsible Sourcing of Mineral

Anti-corruption Policy

Anti-trafficked & Forced Labor

Responsible Sourcing of Mineral

The Group adheres to international standards and governmental and non-governmental regulations on conflict minerals. The Group does not accept and does not use conflict minerals in any operations. The Group requires suppliers to trace the origin of products potentially containing conflict minerals, including gold (Au), tantalum (Ta), tin (Sn), and tungsten (W), and to provide all relevant information regarding the sources of those minerals to our company. In addition, The Group's downstream suppliers are required to fulfill their due diligence on conflict-free minerals pursuant to the relevant international standards and regulations. Additionally, we require all our downstream suppliers to comply with legal regulations prohibiting the use of conflict minerals, and violators are excluded from the Group's list of suppliers.

Common Conflict Minerals

Au Ta Sn W

Anti-Corruption Policy

The Group upholds a corporate culture of integrity and is committed to full compliance with local and international anti-corruption and anti-bribery laws and regulations. The Group has a zero-tolerance policy towards activities or behaviors that are in violation of anti-corruption policies. Corruption, bribery, embezzlement, or improper activities are strictly prohibited. All employees are inducted with at least two hours of compulsory anti-corruption training every year. In addition, all partnerships with suppliers, vendors, and customers must strictly comply with the anti-corruption policy. The Group implements anti-corruption actions every year, promoting the "Employee Statement of Integrity" to all employees. Employees who engage in corrupt behaviors or who obtain improper gains through participation in joint corruption are rigorously investigated and handled. Employees, clients, and suppliers can also actively report grievances through the following channels: 117@foxconn.com; telephone number: +886-2-2268- 3466, ext.560-74422。 If we discover corruption in employees who have not actively reported such behaviors, they will be severely penalized in accordance with the law and Group regulations. We encourage our employees to report any corruption through the above channels and keep all personal information of informants strictly confidential.

Anti-Trafficked & Forced Labor

The Group does not accept human trafficking or employment that involves any form of slavery, forced labor, debt bondage, indentureship, or prison labor, and does not provide payment to any persons who transport, hide, recruit, transfer, or receive personnel who are controlled by threats, compulsion, coercion, abduction, fraud, or other means of control.

Mechanism for Reporting Grievances

The Group encourages reporting of any illegal behaviors, protects the confidentiality of informants, and allows for anonymous reporting to ensure that the identities of whistle-blowing suppliers and employees are kept confidential. The Group's point of contact immediately notifies dedicated units upon receiving reports and organizes a special team to investigate the suspected malpractice described in said report. The Group keeps informant identities and report contents confidential, and provides the results of its investigations via email.

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Internal Controls and Audits

1 Professional Certifications

CIA, CCSA, CISA, CEAP, ACDA

2 Internal Audit Training

2,168 hours

3 Total Number of Internal Control Self-Assessment Activities

24,958 activities

4 Digital Transformation

1. **Quick-screening for subsidiaries:** Set specific financial indicators for different subsidiaries, automatically monitor abnormal indicators through our system, and allow auditors to track subsidiary financial risks and strengths through cloud technology.
2. **Continued auditing platform:** Conduct continued auditing and analysis procedures through computers to quickly and accurately convey data analysis results to auditors for enhancement of auditing efficiency.
3. **Process automation:** Reduce routine inspection times by more than 50% through the use of robots that conduct repetitive and tedious tasks, and utilize the surplus time to increase inspection frequency and inspection scope, thereby enhancing audit quality.

The Group has an established internal control system, which is designed, implemented, and internally audited in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and other related laws. The Group judges the design and effective implementation of its internal control system in accordance with the assessment items used for determining the effectiveness of internal control systems set out in the Regulations Governing Establishment of Internal Control Systems by Public Companies. The assessment items used for determining the effectiveness of internal control systems set out in these Regulations divide the process of internal control into five major components: control environment, risk assessments, control procedures, information and communication, and supervision.

None of the Group's personnel were penalized under law or punished for violations of internal control regulations or major errors in 2020.

Internal Control System

- Control Environment
- Risk Assessments
- Control Procedures
- Information and Communication
- Supervision

Internal Audit Organizations

The internal audit unit of the Group is subordinate to the Board and is dedicated to internal audit tasks. In accordance with company size, business conditions, management needs, and other relevant regulations, the Group has appointed an audit manager and an appropriate number of competent internal auditors. The appointment and dismissal of internal audit managers must be approved by the Audit Committee and submitted to the Board for resolution. Additionally, to ensure that the qualifications of internal auditors adhere to regulatory criteria and enhance personnel functions, the Group requires internal auditors to undergo continued training for a specific number of hours.

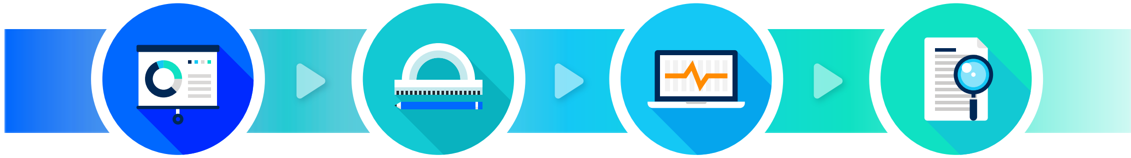
Internal Audit Operations

Internal auditors adhere to principles of independence and adopt an objective and fair viewpoint when implementing their duties and ensuring that they complete due diligence procedures. Audit managers regularly report audit matters to the Audit Committee and the Board.

Internal audit units periodically conduct risk assessments and formulate audit plans which clearly specify audit items, times, processes, and methods. Relevant audits are implemented in accordance with these plans. Additionally, auditors conduct routine audits and planned audits on both a regular and irregular basis while urging all internal units and subsidiaries to conduct regular self-assessments regarding the effectiveness of internal control systems. Audit results are attached to working papers and related materials for the compilation of audit reports to ensure that our internal control systems continue to be effectively implemented.

The Group's internal self-assessment procedures are conducted using digital platforms. The self-assessment managers in each unit assess the design and effective implementation of internal control systems based on internal control risk databases. Internal audit units review self-assessment reports from all units and subsidiaries, as well as improvements of internal control deficits and abnormal items discovered by audit units, to provide a reference for the Board and the CEO when evaluating the effectiveness of internal control systems and issuing statements on internal control.

Internal control deficits and abnormal items discovered by internal auditors during internal audit procedures, listed in statements on internal control, discovered during self-assessments, or discovered through CPA review should be disclosed in audit reports. Following submission of said reports, relevant items should be tracked through quarterly follow-up reports to ensure that associated units have adopted appropriate improvement measures, and the results of follow-up should also be listed as important performance indicators for all units. Following submission of audit reports and follow-up reports, completed audit items should be submitted to the Audit Committee for review before the end of the following month. If internal auditors discover major violations or find the company to be at risk of serious damage, they should immediately prepare and submit a report, as well as notify the Board and Audit Committee.



Assess/Plan

- Deficits for the previous year and manager suggestions are integrated into audit plans
- Risk assessment
- Formulation of annual audit plans

Implement Audits

- Design audit items and programs
- On-site observations/interviews
- Application of automated audit programs (such as RPA)

Audit Conclusions/Reports

- Convene conclusion meetings
- Compile audit reports/deficits list
- Implement quarterly follow-up of deficits until they are corrected

Report submission

- Submit a report to the Board and Audit Committee
- Prepare a business report for submission to the Board

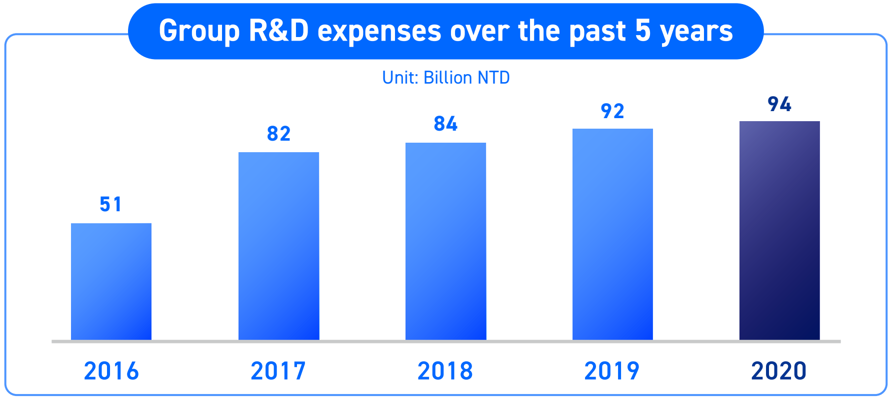
The Chief Audit Executive of the Group serves as the chairman of the Internal Audit Association and actively implements relevant measures

As internal auditors are indispensable in ensuring effective governance, risk management, and risk control, we proactively utilize Group advantages and resources to assist internal auditors in demonstrating their professional expertise, promoting sound operations within the company and making reasonable progress toward our three main goals (effectiveness and efficiency of operations; reliability, timeliness, and transparency of reporting; and compliance with related regulations and laws). The Chief Audit Executive of the Group serves as the chairman of the Internal Audit Association, executes corporate governance, and formulates subsequent corporate governance plans through sharing of accumulated internal multinational and cross-industry audit experiences, thereby promoting sustainable development and making strides toward internationalization and specialization.

Innovation Management and Patents

The Group continues to focus on the delivery of smart technology solutions through Innovative Integrated Design and Manufacturing (IIDM) services and is committed to the creation of smart manufacturing solutions that provide integrated software and hardware supply chains for our global customers. Under our F3.0 transformation to new industries goal, the Group actively invests in three emerging industries (“electric vehicles, digital health, and robotics industries”) and three technologies (“artificial intelligence, semiconductors and next-generation communication technologies”), setting “3+3” as a long-term development strategy while supplying solutions to leading global clients and serving as a comprehensive provider of smart life products.

In recent years, the Group has invested a large number of resources in R&D. A total of 94.1 billion NTD was invested in R&D in 2020 (2% of revenues in 2020). Following years of development, the Group now has a professional research and development network with sites in Asia, America, and Europe. The network is staffed by a top-level elite research and development team with a proprietary innovation platform that has accumulated numerous core technologies and key technologies with broad competitive potential. This buildup of core technologies has allowed the Group to achieve major breakthroughs in nanotechnology, metallurgy, plastics, ceramics, and heat conductors, and established the Group’s industrial leadership in precision machinery, molding, semiconductors, cloud computing, liquid crystal displays, tri-network integration, computers, wireless communications, and Internet technology, thereby making us the most important technology corporation in the field of integrated opto mechatronics.

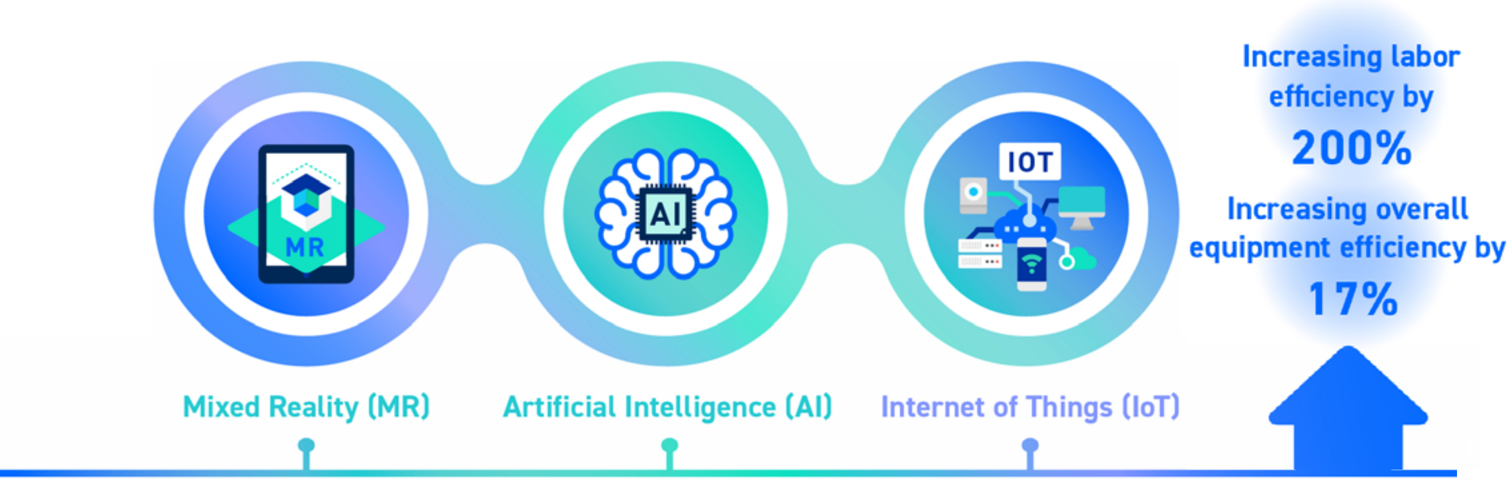

Group R&D expenses over the past 5 years

Top 100
Global Innovators Award
ASUS
FOXCONN 鴻海科技集團
工業技術研究院
金寶電子
Kinpo Electronics, Inc.
Quanta Computer

In 2020, we won the Top 100 Global Innovators award by Clarivate again, making us the only private enterprise in Taiwan to receive this distinguished award for four consecutive years. The Group also received a Global Lighthouse award from the World Economic Forum (WEF); following the nomination of our Shenzhen Factory in 2019, our Chengdu Factory also received a WEF Global Lighthouse nomination, making us one of the few enterprises with two WEF Global Lighthouse certifications. The Group once again verified its leading position in the global technology manufacturing industry.

Looking to the future, the Group will continue to promote a corporate culture of innovation to create synergies, reduce repetitive R&D efforts, activate intellectual property assets, and strengthen strategies for new technologies while formulating and implementing new measures (including new IP incentive measures) in response to the latest industrial trends and Group development policies, so as to build our R&D capabilities, enhance IP quality, and maximize impacts of our R&D achievements.

Chengdu Factory received WEF Global Lighthouse Network



Increasing labor efficiency by
200%
Increasing overall equipment efficiency by
17%

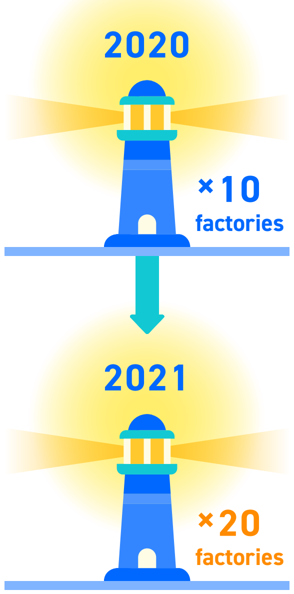
> Chairman Young Liu remarked,"The first lighthouse factory meant that we had a factory that met the high standards of the Global Lighthouse Network. This second designation is testament to the system we have built in the operation of factories that play leading roles in the world's industrial revolution. The Group committed to continuously improving on our manufacturing systems and to building even more lighthouse factories as we serve our customers and contribute to a better world."

The "Global Lighthouse" project is an initiative launched by the WEF in collaboration with McKinsey & Company to select leading global enterprises that have made impressive progress in applications of Fourth Industrial Revolution technologies. Since 2018, only 69 factories around the globe have received this award. The reasons were given by the WEF for nominating our Chengdu Factory this year emphasized the Group's adoption of Mixed Reality (MR), Artificial Intelligence (AI), and Internet of Things (IoT) in response to rapid growth in business needs and shortages of skilled workers, increasing labor efficiency by 200% and increasing overall equipment efficiency by 17%.

Starting in 2015, our Chengdu Factory gradually established an IIoT team with more than 600 professionals, using OT (Operational Technology) and IT (Information Technology) for wider application of various artificial intelligence and IoT technologies, moving us from a "handicraftsman" to an "intelligent smith" while realizing our goals of quality operations and a "worry-free" factory as we successfully transformed from traditional manufacturing to smart manufacturing.

Additionally, the Group successively transformed ten internal "lighthouse factories" in 2020 by upgrading key production processes such as mold production, CNC manufacturing, surface mounting, and system assembly. These internal "lighthouse factories" were the first to successfully implement advanced automation, digital, and smart technologies, greatly enhancing the Group's product capabilities and production management. Through the gradual addition of digital tools, we were able to innovate our operational systems and create a single operating system applicable throughout the enterprise, setting a successful example for modernizing enterprise operating systems in the future. We plan to establish 20 lighthouse factories in 2021, promote IIoT and smart manufacturing to lay a solid foundation for transformation under our F3.0 goal, while further promoting future restructuring and upgrading.

TARGETS



Hon Hai Research Institute

The establishment of the Hon Hai Research Institute is an important step in the Group's development strategy, moving us closer to our F3.0 transformation to new industries goal. The Group established the Hon Hai Research Institute in 2020 to strengthen the Group technological and product innovations, support enhancements in core competitiveness, and move us from "brawn" to "brains" while acting as a cradle for cultivating new technologies and patents within the Group, thus supplying the Group with competitive innovative capabilities and serving as a foundation for sustainable development and growth.

Headed by Group Chairman Young Liu, the Hon Hai Research Institute has five research centers, each with an average of 40 R&D professionals as well as top experts in artificial intelligence, semiconductors, next-generation communications, information security, and quantum computing who serve as advisory members for the Hon Hai Research Institute. The Hon Hai Research Institute is focused on R&D of forward-looking technologies for the next 3-7 years, strengthening of the Group technology and product innovation pipeline, efforts to support the Group's transformation from "brawn" to "brains," and enhancement of core competitiveness for "3+3" strategy.

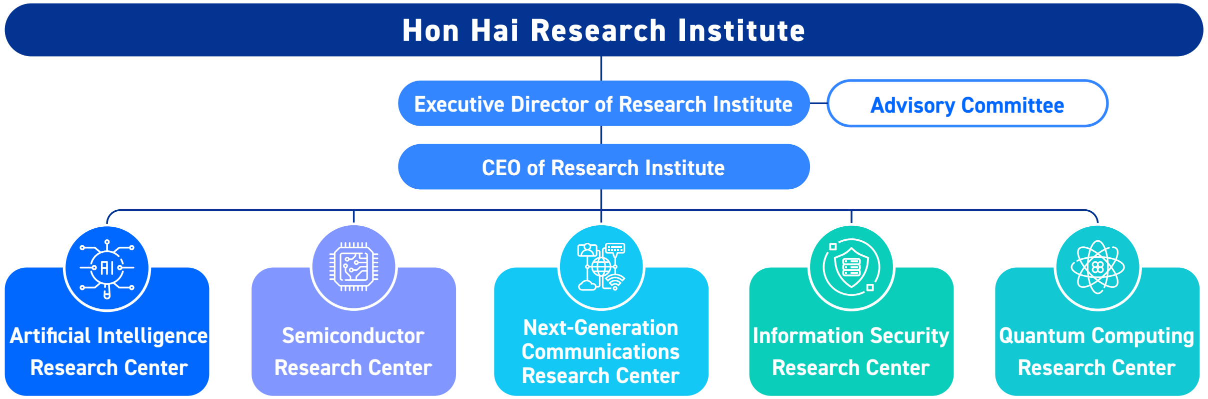
Hon Hai Research Institute Section

鴻海研究院
Hon Hai Research Institute
揭牌儀式

Watch highlights from the Hon Hai Research Institute opening ceremony

FOXCONN 鴻海科技集團
鴻海研究院
Hon Hai Research Institute
揭牌儀式
鴻海研究院

Group Chairman and Hon Hai Research Institute Executive Director Young Liu presided over the opening ceremony for the Hon Hai Research Institute. NDC Minister Ming-Hsin Kung, Group Founder Terry Gou, and Chief Financial Officer Chiu-Lian Huang were also in attendance.



Hon Hai Research Institute

Executive Director of Research Institute — **Advisory Committee**

CEO of Research Institute

Artificial Intelligence Research Center

By utilizing the Group's high-speed computing centers and its edge computing capabilities, the AI Research Center aims to carry out research and development of innovative technologies that will help address people's needs and improve their quality of life. It will also meet the needs of industrial development.

Semiconductor Research Center

The Semiconductor Research Center aims to cultivate talent in the manufacturing and design-related industries and to develop and design forward-looking nanoelectronic components. By improving existing semiconductor technologies, it will also drive the intelligence revolution in related industries such as artificial intelligence and next-generation communications.

Next-Generation Communications Research Center

The Next-Generation Communications Research Center is focused on the development of core technologies for 5G and next-generation networks. It also explores ways to apply the research, combined with insights from intelligence and semiconductor technologies, to three major industries, i.e. electric vehicles, digital health, and robotics, with the end goal of setting new standards within the industries.

Information Security Research Center

The Information Security Research Center aims to cultivate talents to meet the needs of industrial development, as well as innovate and develop new cross-domain applications that could be used in the industry. The aim of the center is to create a digital technology environment that is universally recognized.

Quantum Computing Research Center

The Quantum Computing Research Center aims to cultivate talents in the industry and to actively explore prospects in quantum computing application areas. The goal of the center is to lead the industry as it continues to prepare for the arrival of a new industrial era in quantum technologies that combines quantum technology and information technology.

MIH EV Open Platform

Climate change and environmental awareness issues are gradually attracting attention worldwide. In order to reduce the carbon emissions of transportation vehicles, governments in various countries are promoting electric vehicles with lower carbon emissions, and these have gradually become a mainstream trend. The traditional automotive industry currently faces three major challenges: high development costs, long lead times, and insufficient resources. In order to promote the development of electric vehicles in different countries, the Group built an MIH EV Open Platform (hereinafter referred to as MIH) which is available to all partners and third-party developers for the development of functional attributes and systems that will support the growth of the entire EV market. MIH provides developers with essential hardware and software components to build upon for the formation of a complete EV industry ecosystem.

MIH's mission is to facilitate collaboration in the EV industry, implement key technologies, and establish relevant testing and certification standards while combining the expertise of alliance members to complement each other's advantages, reduce developmental costs, and speed development timelines. MIH successively introduced leading manufacturing partners in various fields, organized seminars and forums and invited industry players to discuss topics relating to EVs and mobile applications.

3+ ∞
2020
FOXTRON
MIH

Four core features of the MIH EV open platform

01 Modular, Scalable and Customizable Platform

The MIH platform allows the main features of an EV, such as the wheelbase, the wheel track, ground clearance, battery pack sizes, and the suspension system, to be customized to meet all customer requirements. With the modular design, the platform supports B+ to E segment vehicle products, such as SUVs, sedans, MPVs, and even light commercial vehicles. In addition, it will allow vehicle components and applications to be upgraded with the latest technologies even after they have been delivered to customers.

02 Lightweight Chassis and Unibody Design

To optimize the driving experience of the EVs developed on the MIH platform, the provision of a lightweight chassis with a unibody design was a key consideration. The unibody design reduces the number of parts needed to build both the strut tower and rear longitudinal rail, resulting in a smooth wheel load transfer. This will enable a better steering experience for drivers and reduces the amount of vehicle-generated noise pollution.

03 Powered by Stable Electrical/Electronic Architecture (EEA)

The challenge of a traditional Internal Combustion Engine (ICE) platform is maintaining the performance balance between the chassis and power train systems. However, as the trend of software-defined EVs becomes increasingly mainstream, a powerful and reliable EEA is essential for the seamless integration of electronics, electrical and mechanical systems. In a smart transportation environment, EEA serves as both the brain of an EV and the neurons of the entire transportation system.

04 Autonomous Driving Technology

The MIH is a drive-by-wire platform, engineered to produce EVs that rely mainly on electronics to control a wide range of vehicle operations. This provides two key advantages: An open-source platform that allows for a collaborative ecosystem for developers to work together with their partners to provide the seamless integration of autonomous driving systems into EVs; A human-centered design that is focused on the needs of the end-user, resulting in a safe and comfortable driving experience.

The MIH EV development tool (EV Kit) is expected to be delivered during the first half of 2021

MIH launched the “EV Kit” tool platform which allows developers to work on autonomous driving, smart cockpits, and power systems using open vehicle communications and information under the CAN communications protocol. We expect to commence deliveries at the end of April 2021. MIH offers software interfaces, hardware specifications, and system architectures. In future, MIH alliance members with the “EV Kit” will be able to participate in alliance discussions and specification formulations. Apart from providing open vehicle information, the platform will also be continually optimized to enhance international competitiveness.

Watch an online video relating to our “Key Components”

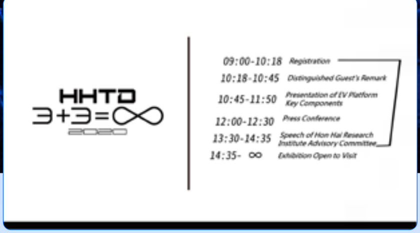
Watch an online video relating to our “EV Software Open Platform”

Watch an online video relating to our “EV Hardware Open Platform”

MIH Platform

Join the MIH Alliance

Hon Hai Technology Day (HHTD)



HHTD 3+3=∞ 2020

09:00-10:18 Registration
10:18-10:45 Distinguished Guest's Remark
10:45-11:50 Presentation of EV Platform Key Components
12:00-12:30 Press Conference
13:30-14:35 Speech of Hon Hai Research Institute Advisory Committee
14:35- ∞ Exhibition Open to Visit

The Group hosted the first Hon Hai Technology Day (HHTD) in October 2020 and unveiled the MIH EV open platform, key components, and other associated technologies to the public, demonstrating the Group's readiness to enter the EV market. The new platform's three main features: “software definition,” layered software/hardware,” and “open ecosystem” will help to solve current pain points in EV development. The Hon Hai Research Institute also unveiled ten research projects relating to forward-looking technologies, including high-performance computing platforms, ultra-low power IoT chip designs, heat dissipation technologies and mechanisms for semiconductor chips and extension systems, hardware safety mechanisms for automotive electric control units (ECU), and quantum computers for silicon industries, encompassing R&D which revolves around the Group's “3+3” core strategy. We hope that the innovation and development of these forward-looking technologies can lead the electronics and technology industries to greater heights.

Watch the full video for the HHTD event

Watch the highlights video for the HHTD event

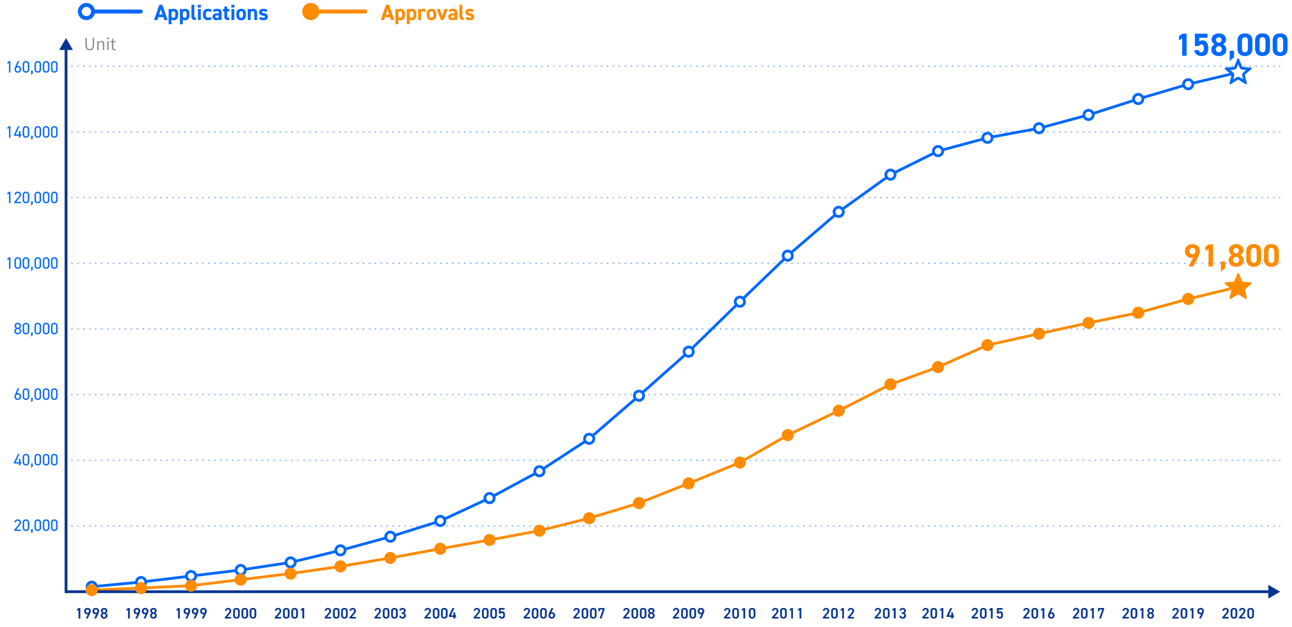
Patents

As a primary holder of numerous patents and commercial partner of other patent holders, the Group is committed to investments in research, development, and innovation, and is actively engaged in protecting the novel technologies and intellectual property used in its global operations. The Group currently holds more than 40,000 global patents encompassing computer components, 5G communications, semiconductors, robotics, and other domains, making it possible for us to meet the rigorous requirements of different clients. More than 20% of patents obtained over the past two years are associated with "3+3" technologies; more than 5.13% of patent applications over the past five years have focused on automotive components and batteries; and artificial intelligence, semiconductors, and next-generation communication technologies, our three core technology domains, respectively account for 10% of patent applications, highlighting the Group's determination in implementing our F3.0 transformation to new industries goal.

Despite our past successes, we continue to submit more than 3,000 patent applications each year. Faced with ever-changing global conditions, we understand that accumulating R&D capabilities and strengthening innovation is the only way to increase shareholder returns and ensure sustainable development.

The Group accumulated a total of 158,000 global patent applications and received approval for 91,800 patents in 2020. We were ranked at 17th place in the "Top 100 Global Patent Holders for 2020" by IFI Claims. Our patent application and approval numbers have been at the forefront of Taiwan industries for 18 consecutive years (from 2003 to 2020), and our patent application and approval numbers were ranked at 8th place in 2020.

Cumulative patent application and approval numbers for the Group



accumulated a total of **158,000** global patent applications and received approval for **91,800** patents

17th place in the "Top 100 Global Patent Holders for 2020"

patent application and approval numbers were ranked at **8th** place in 2020

Corporate Social Responsibilities

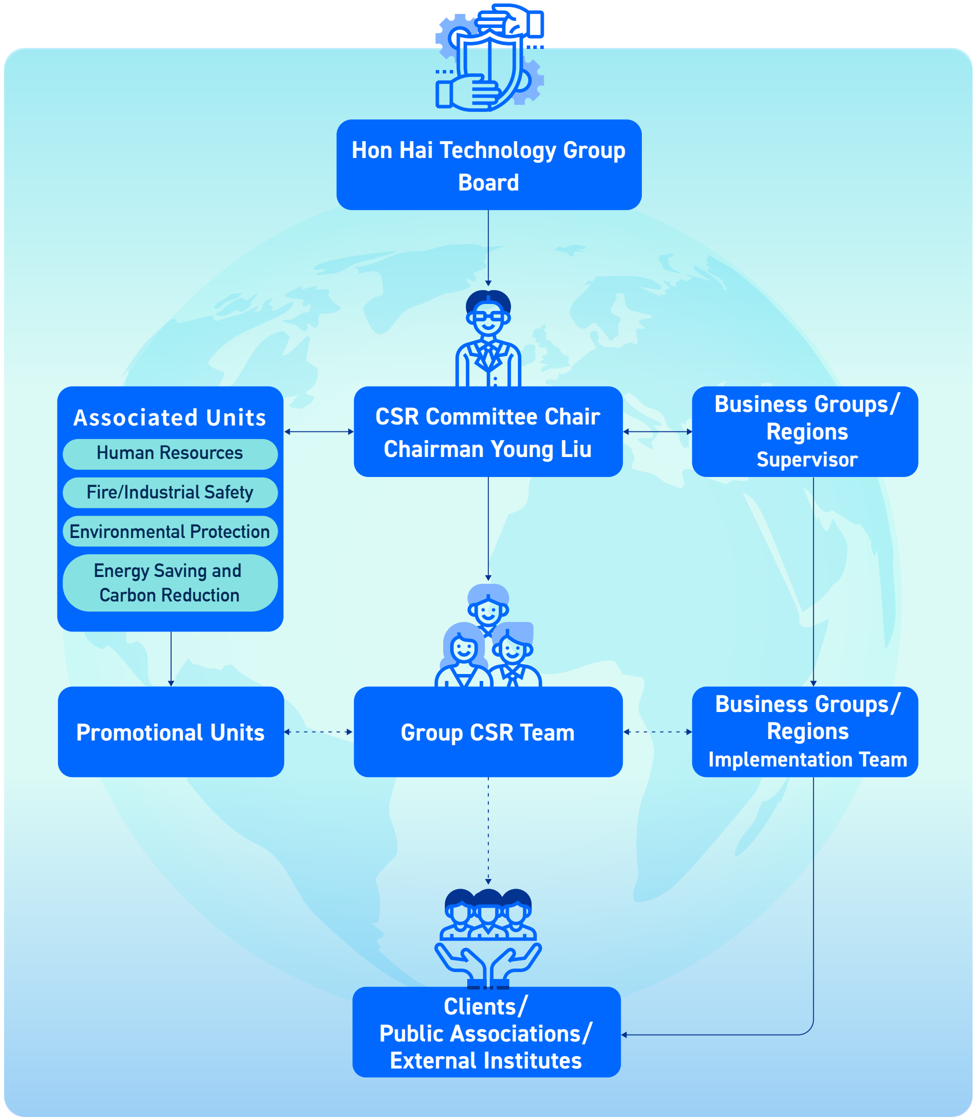
Global CSR Committee

As an ethical and responsible enterprise, the Group strives to be a good corporate citizen and promote the development of CSR even as we pursue profits, drive our operations, build our competitiveness, and realize our goal of sustainable management. The Group Global CSR Committee was established in March 2007 and is headed by Group Chairman Young Liu. Additionally, each business group under the Group has established CSR sub-committees to implement the Group's CSR policies; these sub-committees are supervised by the CSR Committee. The Group has established a dedicated CSR team composed of more than 1,000 people from factories all around the world to interact closely with clients, the government, and all sectors of society, enhancing corporate transparency as part of our comprehensive commitment to the promotion of social and environmental duties.

The CSR Committee has a dedicated staff responsible for compilation of CSR systems and regulations, monitoring of CSR policies and plans, regular follow-up and evaluation of CSR execution and performance, and review of CSR reports, as well as promotion and internalization of corporate social and environmental duties within the Group's corporate culture. The CSR Committee reports on CSR progress to the Chairman every two weeks. CSR implementation results are reported monthly to the Board's Management Committee and at least once a year to the Board.

The Group has established the Group CSR Policies and Code of Conduct to serve as the highest principle for promoting the Group's CSR. We hope that raising the management level of CSR duties and the objective professionalism provided by our directors can solidify the Group's CSR spirit, strengthen CSR decision-making and promotion, expand CSR coverage, strengthen supervisory mechanisms that assess whether action plans can be carried out.

The CSR Committee organizes internal audit activities each year and convenes personnel from dedicated units, including Human Resources, Fire/Industrial Safety, Environmental Protection and Energy Saving and Carbon Reduction units. Internal audits for labor, ethics, health and safety, environment, and management systems are conducted at each factory in accordance with RBA standards to ensure compliance with CSR policies and guidelines.


Hon Hai Technology Group Board
Associated Units
Human Resources
Fire/Industrial Safety
Environmental Protection
Energy Saving and Carbon Reduction
CSR Committee Chair Chairman Young Liu
Business Groups/ Regions Supervisor
Promotional Units
Group CSR Team
Business Groups/ Regions Implementation Team
Clients/ Public Associations/ External Institutes

Stakeholder Communication and Responsibilities

Stakeholder Identification and Communication

The Group identified stakeholders and material issues in accordance with the AA1000 Stakeholder Engagement Standards (AA1000 SES) and determined the environmental, economic, and social material issues of concern to our stakeholders so we could respond to their demands and expectations. Members of the CSR Committee assessment team identified stakeholders based on their importance and relevance to Group operations, confirming our seven stakeholder groups to be employees, clients, shareholders/investors, suppliers/contractors, government institutes, NGOs, and media. In order to strengthen communication with all stakeholders, the Group has established various communication channels with our stakeholders to listen to their feedback, understand their expectations toward the Group, and learn from their strengths. Selection of stakeholders, communication frequencies, issues of concern, and responses from the Group are shown in the table below.

Employees

Importance to the Group

Employees are the most important Group assets and help to enhance Group competitiveness.

Communication channels and frequency

We communicate non-periodically with our employees through channels including employee hotlines, seminars, mailboxes, satisfaction surveys, and counseling

Issues of Concern

- Employee rights and diverse equality
- Occupational health and safety
- Ethical management and legal compliance

Responses and results

- We employ those with mental and physical disabilities and expend our best efforts to help disadvantaged groups.
- We have also established an employee emergency fund, employee mutual assistance fund, and employee condolence fund to help employees in need.
- The Group has established an accessible communication system. We have established a 24-hour helpline that allows our employees to express their opinions and provide suggestions, and we have also set up a counseling center and employee care center to provide mental support and promote healthy growth for our employees.

Clients

Importance to the Group

Clients are our main revenue source. The Group provides the best products and services based on client needs.

Communication channels and frequency

- Quarterly and annual CSR activities
- Non-periodic client visits and audits
- Conference calls
- Quarterly and annual audits

Issues of Concern

- Financial performance
- Corporate governance and risk management
- Ethical management and legal compliance

Responses and results

- We keep in close contact with our clients, protect their privacy, and are open to client reviews at all times.
- We report the management of Group, supplier, and CSR matters to our clients.
- We continuously strengthen our client services and provide fast, convenient, highly efficient, excellent, economical, and innovative products and services.
- We also implement energy-saving and carbon-reducing actions in response to current trends and provide our clients with products for reducing carbon emissions.

Suppliers/ Contractors

Importance to the Group

Suppliers provide the raw materials needed for production; we work to grow alongside our suppliers and jointly build sustainable supply chains.

Communication channels and frequency

- Annual supplier conferences
- Supplier management platform
- External grievance channels

Issues of Concern

- Supply chain management
- Procurement practices and management
- Occupational health and safety

Responses and results

- We host annual supplier conferences and conduct non-periodic CSR audits to convey our supply chain requirements to our suppliers.
- We have also established a CSR management platform that allows our suppliers to learn about RBA regulations and Group CSR requirements.

Shareholders/ Investors

Importance to the Group

Any party (including legal entities or individuals) that has invested in or has an interest in investing in the Group.

Communication channels and frequency

- Annual shareholders' meetings
- Annual investor conferences
- We issue annual reports and CSR reports each year
- Establishment of spokesperson platform
- Non-periodic investor conferences/investor forums

Issues of Concern

- Financial performance
- Ethical management and legal compliance
- Innovation and R&D

Responses and results

- The Group shares company prospects, market trends, growth strategies, and information, and CSR implementation through shareholders' meetings, investor conferences, and other meetings.

Government agencies

Importance to the Group

The Group's operating bases actively adhere to all local government regulations, and we prohibit legal violations in all forms.

Communication channels and frequency

- Non-periodic correspondence via official documents, email, and telephone communications
- Participation in policy forums, seminars, and public hearings
- Communications for drafting industry standards
- Non-periodic on-site inspections

Issues of Concern

- Financial performance
- Corporate governance and risk management
- Ethical management and legal compliance

Responses and results

- We communicate with local governmental institutes through visits, meetings, and official documents, actively propose suggestions in response to government policies.
- We regularly provide relevant reports or responses in accordance with local regulatory requirements.

NGOs

Importance to the Group

In-depth exchanges with non-government organizations enable communication regarding issues of concern within the local community.

Communication channels and frequency

- Non-periodic conference calls
- Annual CSR activities and evaluations

Issues of Concern

- Ethical management and legal compliance
- Occupational health and safety
- Climate change responses

Responses and results

- Participation in international CSR forums and discussion of CSR issues with NGOs.
- Participation in NGO activities such as CDP and Climate Action 100+.
- We work with NGOs to promote environmental issues (such as RoHS and WEEE).

Media

Importance to the Group

The Group maintains good relations with all media outlets to facilitate communication of Group information.

Communication channels and frequency

- Timely transmission of press releases
- Non-periodic press conferences

Issues of Concern

- Financial performance
- Ethical management and legal compliance
- Innovation and R&D

Responses and results

- We use non-periodic media interviews and press releases to convey information on Group operations and future developments, and also publish our press releases on our official website.
- We compile issues of concern to the media and news items in our reports for the Group's management team, and these are used as references for enhancing Group operations.

Key Engagement Results and Responses

The Group attaches great importance to all stakeholder feedback, which is used as a reference for operational plans. We continue to make advances in ESG and other aspects and have proposed corresponding actions and projects. A brief summary of engagement results is provided below. Stakeholders with other suggestions and feedback are welcome to contact our team.

Contact information for stakeholder communications personnel

Listen to employee voices and improve their work and quality of life

Chairman Open Day

The Chairman directly communicated with entry-level employees during the event. Participating employees put forward more than 20 questions and suggestions, and Chairman Young Liu instructed relevant departments to respond within a week.

Q：Can our factories host open day events for employee families to bring in our family members?

A：The Group will become more and more open in the future. In 2019, we organized a "Foxconn Open Day" pilot event to help external parties learn more about the Group. Relevant activities will be promoted at other factories when the pandemic is over.

Host quarterly investor conferences to share future prospects

Investor Conferences

The Group organizes regular investor conferences presided over by our Chairman, who personally shared current operating conditions and information on future profitability.

Q：What are the biggest challenges and obstacles in promoting the MIH alliance, and what are the Group's responses?

A：The industry is hoping to keep abreast of current developments in the EV industry, and they hope to achieve this goal through the MIH alliance. Accelerating product development and reducing costs are the biggest challenges of MIH and the biggest competitive advantages of the Group. Therefore, we are confident that we can find solutions for these challenges.

Enhance supplier ESG competitiveness to achieve mutual growth

Occupational safety training and policy promotion

Organized occupational safety training and emergency drills for suppliers and contractors attended by a total of 26,694 people in 2020.

Assisted with greenhouse gas inventories and verifications

In 2020, the Group encouraged 165 suppliers to conduct annual energy and carbon reduction actions and assisted 88 suppliers in implementing greenhouse gas inventories; 58 suppliers also completed ISO 14064-1 verification.

Respond to international climate initiatives and promote low-carbon economic developments

Attended the "2020 Cathay Sustainable Finance and Climate Change Summit"

At the Summit, Chairman Young Liu spoke about the Group's responses to the specific goals, commitments, and visions of the "Climate Action 100+" initiative, in hopes of enhancing responses along the supply chain and within the industry to build responsible manufacturing principles.

Be attentive of social needs and create a better society

Foxconn Scholarship Program

The Group launched the Foxconn Scholarship Program in 2017 to provide economically disadvantaged students with opportunities for realizing their dreams.

Student A：I am very grateful to everyone at the Group and the judges for letting me know that the steps I am taking are in the right direction and will be beneficial for society.

Taiwan Hope Primary School

Taiwan Hope Primary School brings care and companionship into the families and environments of schoolchildren and provides professional assistance to help students overcome learning gaps, develop suitable education systems, and encourage diverse learning achievements.

Taiwan Hope Primary School believes that everyone is talented in their own way and did not force MeiMei to strive only for academic success but encouraged her to pursue other interests. MeiMei lived up to the school's expectations and won a Taekwondo championship. MeiMei said, "I began to have a little confidence in myself after receiving the medal."

Scope of Material Issues and Materiality Analysis

The Group communicates with stakeholders through a variety of channels and compiles their focuses for the initial identification of important issues based on inclusiveness, sustainability, importance, and comprehensiveness. We conducted assessments based on the two axes of “economic, environmental, and social impacts” and “level of concern for stakeholders” in accordance with AA1000 Materiality Test criteria. We then ranked these issues by level of importance to generate a materiality matrix which was used to review the Group's sustainability conditions, calibrate strategies and long-term goals for sustainable management, and promote continued enhancement of all organizations to create shared value for society and the Group.

Step 1 Identification

1 Stakeholder identification

We used the five principles of the AA1000 SES (Stakeholder Engagement Standard 2015) to identify stakeholders, which included seven groups: employees, clients, suppliers/contractors, shareholders/investors, government institutes, NGOs, and media.

2 Compilation of issues of concern-17 issues of concern

The Group compiled sustainability issues relating to international regulations and standards, industrial regulations and standards, industry peers, and the Group's annual targets. These were narrowed down to 17 issues following internal discussion.

Economic

- Corporate governance and risk management
- Financial performance
- Ethical management and legal compliance
- Innovation and R&D
- Information security and customer privacy
- Supply chain management
- Procurement practices and management

Environmental

- Climate change responses
- Energy and greenhouse gas management
- Water management
- Waste management
- Hazardous substances management

Social

- Talent attraction and retention
- Employee rights and diverse equality
- Employee training
- Occupational health and safety
- Community investment and participation

Step 2

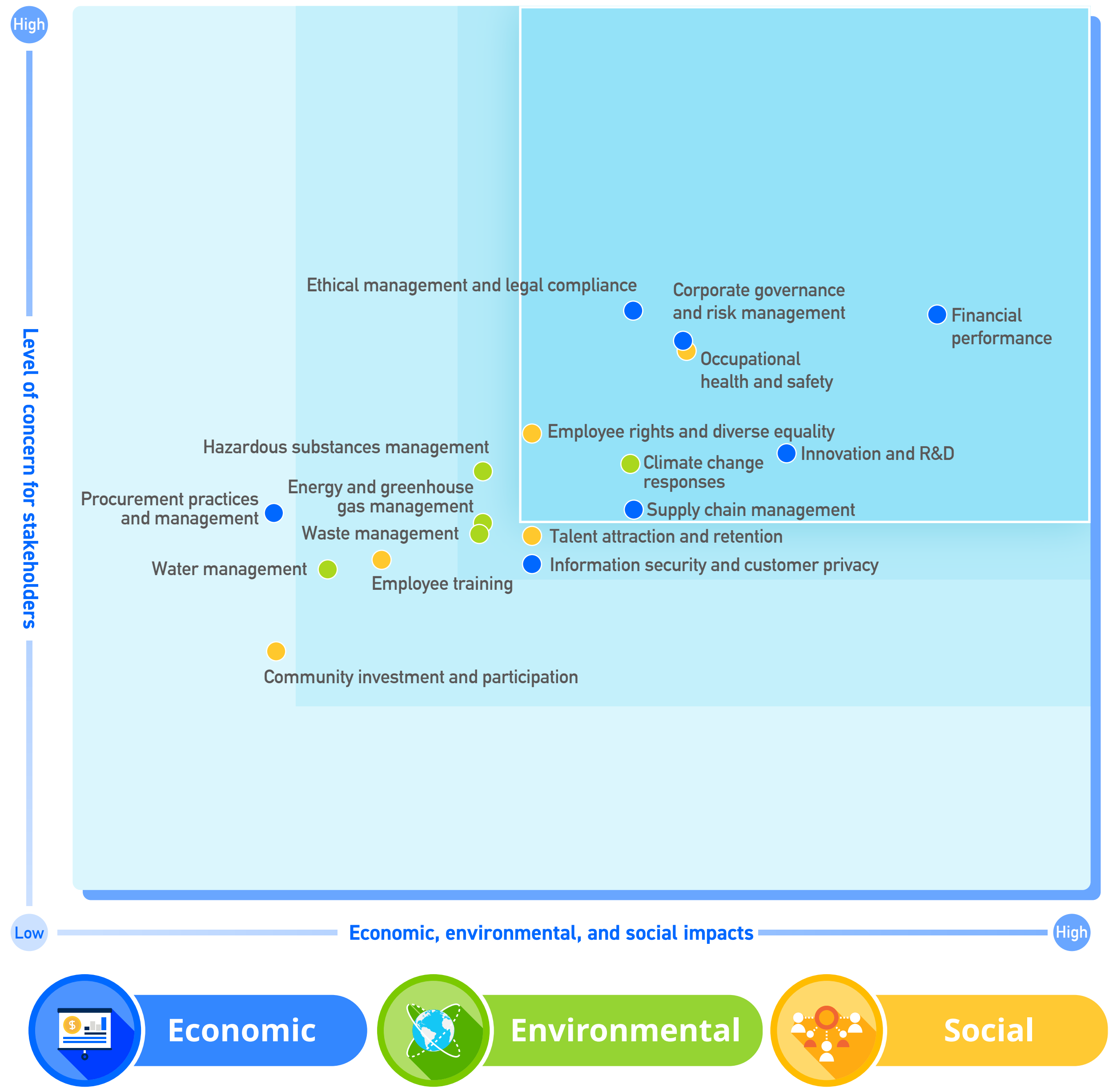
Ranking material issues

3 Analyze levels of impact on internal and external stakeholders for the 17 issues: 220 questionnaires

The Group used surveys to conduct material analysis of "the issues of concern to our seven major stakeholders." Additionally, senior executives within the Group assessed the "economic, environmental, and social impacts of the 17 issues," which were ranked on a scale of 1 to 5 from lowest to highest. We collected a total of 220 questionnaires in 2020.

4 Confirmation of material issues: 8 material issues

We analyzed "levels of concern for stakeholders" and "economic, environmental, and social impacts" for all issues to generate the Group's materiality matrix. Following identification and analysis, our material issues were determined to be: financial performance, corporate governance and risk management, occupational health and safety, ethical management and legal compliance, innovative research and development, climate change responses, supplier management, employee rights, and diversity and equality.



Step 3 Defining material issues for 2020

5 Confirmation and review of material issues in 2020

Following rigorous identification processes, the material issues for 2020 were determined to be those at the top right of the matrix. These were the 8 material issues with higher levels of concern for stakeholders and higher levels of economic, environmental, and social impacts. The boundaries for these material issues are as follows:

Material issues	Themes from GRI standards	Corresponding sections	Scope						
			The Group	Clients	Suppliers/ Contractors	Shareholders/ Investors	Government Institutes	NGOs	The media
Financial performance	GRI 201	CH1 Corporate Governance (P.22)	●	▲		○			
Corporate governance and risk management	Self-defined theme	CH1 Corporate Governance (P.21)	●			○	○		○
Occupational health and safety	GRI 403	CH3 Health and Safety (P.64)	●		○				
Ethical management and legal compliance	GRI 205 / GRI 206 GRI 307	CH1 Corporate Integrity (P.29) CH5 Environmental Management Systems (P.105)	●			○	○		
Innovation and R&D	Self-defined theme	CH1 Innovation Management and Patents (P.33)	●	▲		▲			
Climate change responses	GRI 201	CH5 Climate Change (P.95)	●					▲	
Supply chain management	GRI 308 / GRI 414	CH4 Policies for Sustainable Management of Suppliers (P.79)	●		○				
Employee rights and diverse equality	GRI 412	CH2 Protection and Communication of Rights (P.56)	●					▲	

● : The Organization has caused the impact ○ : Contributed toward creating on impact ▲ : Directly linked to the impact through business relationships

Note: A comparison of the material issues for 2020 and 2019 shows that newly emerged issues include “financial performance,” “climate change responses,” and “supplier management.” Material issues for 2019 that were not included in material issues for 2020 include “talent attraction and retention,” “customer privacy,” and “energy and greenhouse gas management.”