

# 2022

## VIVOTEK SUSTAINABILITY REPORT



# VIVOTEK

A Delta Group Company

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# Introduction

Echoing the theme of the Report, "Safe City, Marching towards Sustainability," VIVOTEK will continue to exert its influence as an industry-leading brand by integrating the spirit of caring for the brand to advance our corporate sustainability efforts.

Embracing the post-pandemic era, VIVOTEK has proactively transformed into a solution provider by integrating hardware equipment and software services. We have further elevated this transformation by integrating AI analysis capabilities across our product lines. In addition to our existing solutions catering to ten major vertical markets, including finance, small and medium enterprises, road traffic, factories, city surveillance, education, transportation, healthcare, retail, and airport applications, we have introduced the intelligent cloud surveillance service, VORTEX, to address the explosive growth of Artificial Intelligence (AI) applications. For the first time, VIVOTEK has ventured into the software subscription market with VORTEX. This service seamlessly combines AI network cameras and cloud-based image management software to create a highly integrated AI-based surveillance solution. This advancement provides customers with a smarter and easier way to address surveillance concerns in their lives through the creation of secure and comfortable living environments.





## About This Report

VIVOTEK's sustainability journey begins with its brand catalyst, "Concern for Others' Cares." This ethos has driven the Company to proactively issue Sustainability Reports, addressing the dimensions of E (Environment), S (Social), and G (Corporate Governance). These reports disclose issues of concern to various stakeholders, aligning with VIVOTEK's core values: Integrity, Accountability, Care, and Innovation while adapting a corporate culture that blends speed, transparency, quality, and teamwork in daily operational decisions. Moreover, VIVOTEK aligns with its parent group's objectives, focusing on the seven United Nations Sustainable Development Goals (SDGs), to establish a sustainable framework that involves setting short, medium, and long-term goals, along with action plans, while upholding the spirit of sustainability. VIVOTEK is committed to advancing as a global leader in the surveillance industry.

This Report centers around the theme "Safe City, Marching towards Sustainability, " leveraging VIVOTEK's professional expertise in the surveillance industry. It effectively applies VIVOTEK's brand ethos of caring in responding to various stakeholders, echoing the Company's commitment to sustainability.

### Scope of Period and Boundary

Reporting Period: January 1, 2022 to December 31, 2022

Reporting Scope: This report covers VIVOTEK's headquarters and overseas branches. (See Section 7.1 Reporting Scope for more details)

- Any exceptions will be noted within the respective chapters.
- Chapter 6 "Employee Relations and Social Participation" primarily focuses on VIVOTEK's headquarters.
- The Company has a parent-subsidiary relationship with the Delta Group which will be referred to as "Delta Group" when the parent company is referenced throughout the succeeding parts.

### Reporting Guidelines

VIVOTEK has formulated the structure of this report based on the concerns of the stakeholders, and the content of the Report is disclosed in accordance with the "GRI Sustainability Reporting Standards" (GRI Standards) issued by the Global Sustainability Standards Board (GSSB). Additionally, this report aligns with the United Nations Sustainable Development Goals (SDGs). Each chapter outlines specific actions taken in response to the SDGs.

The financial data in this report were based on the annual financial report certified by PwC Taiwan.

Content of this Report	BSI Type 1 Moderate Assurance Level
Environmental Data used by this Report	ISO 14064-1 certification issued by Afnor Asia Ltd.
Financial Data	PwC Taiwan



2022 Annual Report can  
be downloaded here

## Internal Management Process and Issuance of the Report

This report was prepared by VIVOTEK's ESG Team, with information collected through collaborative efforts. The report was published following authorization from the Board of Directors and approval from the President. In response to the paperless initiative, a digital copy of the Sustainability Report is available to the public on the company's official website under the ESG section.

2022 Sustainability Report release date: September 2023

2023 Sustainability Report release date: Expected to be issued in September 2024

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	VIVOTEK Sustainability Official Website:	<a href="https://www.vivotek.com/csr/content/10/ESG">https://www.vivotek.com/csr/content/10/ESG</a>
	VIVOTEK Sustainability Report:	<a href="https://www.vivotek.com/zh-Hant/csr/content/9">https://www.vivotek.com/zh-Hant/csr/content/9</a>



## Message from the President

VIVOTEK experienced remarkable growth in 2022, thanks to the collective efforts of its 1,300 colleagues and management team. The consolidated revenue reached NT\$9.95 billion, marking an 82.48% increase compared to 2021. This impressive growth demonstrates the company's resilience and stability. Both VIVOTEK's proprietary brands and OEM business witnessed substantial growth, particularly in the North American and Japanese markets. Looking back at the past few years, the world has faced the impact of the pandemic and the escalating effects of climate change. Throughout these challenges, VIVOTEK has consistently led sustainable development in the surveillance sector. The Company's ability to navigate these waves of change and growth has garnered attention from stakeholders. VIVOTEK has established strong connections with government agencies, partners, corporate customers, associations, investors, shareholders, and employees. Through these partnerships, the Company aims to accelerate Taiwan's societal and corporate sustainability transformation, contributing its efforts to this important cause.

And now, as we enter the sixth year of issuing our sustainability report, we continue to take proactive steps in aligning our sustainability initiatives with major themes and stakeholder interests. In the following sections, we will elaborate on our efforts in the three key dimensions of Environment (E), Social (S), and Governance (G).

### Environmental Sustainability

VIVOTEK is actively responding to Delta Group's global initiative of RE100 which advocates for renewable energy. This initiative aligns with our commitment to environmental sustainability. In addition to our U.S. office utilizing rooftop solar power equipment, we have procured renewable energy certificates for wind, solar, and hydropower, significantly reducing our carbon emissions. Adhering to government policies, we disclose our greenhouse gas (GHG) emissions and have obtained third-party verification for our headquarters. We are extending this verification process to our overseas subsidiaries for future planning. We are also dedicated to the evolution of smart factory practices. By implementing lean production methods and standardized workflows, we introduced automation to enhance production line efficiency. Streamlined production processes improved handling efficiency, optimized space utilization for work-in-progress inventory, and increased factory floor and capacity efficiency. The introduction of automated equipment for lens production and final testing standardized and digitized workflows, leading to reduced working hours. In response to the market's demand for high-definition products, we have established our own 4K ultra-high-definition six-axis automatic focusing equipment. This demonstrates our commitment to enhancing technical capabilities and delivering products and services of the highest standards.



Alex Liao, President of VIVOTEK.

VIVOTEK is committed to developing Artificial Intelligence (AI) application solutions.

## Social Sustainability

To cultivate a workplace that embodies work-life balance, we consider our employees as sustainable growth partners. We strive to create a friendly and joyful work environment by offering domestic and international travel subsidies, allowing employees to have ample time for self-fulfillment and relaxation. We also gauge market salary levels and economic indicators as a basis for salary adjustments. Through our reward system, education, and training initiatives, we established stable and transparent career advancement paths and comprehensive training programs to attract, retain, and motivate exceptional employees. In the past two years, leveraging our expertise in the surveillance industry, we've introduced the engaging and interesting "Community Safety Map" sustainable project. Employees form cross-departmental surveillance teams, engaging in real-life interactions within communities and special education institutions. By identifying risks and concerns in these environments and utilizing employees' expertise, we provide constructive security proposals for different fields. This initiative contributes to the creation of safer living environments and promotes societal sustainability.

## Corporate Governance Sustainability

VIVOTEK has established robust internal management mechanisms and maintained a Level 2 rating in the 9th Corporate Governance Evaluation announced by TWSE. This achievement underscores our effective operational management. Furthermore, our strong research and development capabilities drive continuous operational enhancements. In recent years, we've been dedicated to advancing cutting-edge image and artificial intelligence (AI) application solutions. We've integrated edge computing into both front-end network cameras and back-end network video recorders. This technology is applied to various applications, including image quality enhancement, image detection, surveillance analytics, and cloud-based analytical services. This cohesive approach harmonizes software, hardware, and services while prioritizing user experience and interfaces. In 2022, we introduced a range of AI products, including the next-generation high-resolution fisheye smart camera, intelligent counting network camera, specialized gun-type camera for license plate recognition, and the intelligent cloud video surveillance management system and service. VORTEX, our intelligent cloud surveillance service, integrates VIVOTEK's extensive experience in surveillance technology, software, hardware, and advanced AI capabilities. This move towards user-friendly AI surveillance applications contributes to creating a safer living environment.

Facing the challenges of the post-pandemic era, VIVOTEK has proactively embarked on a transformation to be a solution provider. We've integrated hardware equipment and software services, as well as interconnected our product line with AI analysis capabilities. In addition to our existing solutions tailored to ten major vertical markets, including finance, small and medium enterprises, road traffic, factories, city surveillance, education, transportation, healthcare, retail, and airport applications, we have responded to the explosive growth of AI applications by introducing the VORTEX intelligent cloud surveillance service. For the first time, VIVOTEK has ventured into the software subscription market with VORTEX. This service seamlessly combines AI network cameras and cloud-based image management software to create a highly integrated AI-based surveillance solution. This advancement provides customers with a smarter and easier way to address surveillance concerns in their lives through the creation of secure and comfortable living environments. This effort is aligned with the theme of this Report, "Safe City, Marching towards Sustainability," VIVOTEK will continue to exert its influence as an industry-leading brand by integrating the spirit of caring for the brand to advance our corporate sustainability efforts.



# 1 Overview

**Speed  
Transparency  
Quality  
Teamwork**

In 2022, VIVOTEK officially launched the intelligent cloud surveillance service VORTEX:

VORTEX debuted in the software service subscription market by integrating AI network cameras and cloud-based image management software to create a highly integrated AI surveillance solution.

It presents five key advantages, effectively accelerating expansion plans for chain stores, fast-food outlets, and small and medium-sized enterprises:

1. Comprehensive Camera Product Line: A diverse range of cameras with resolutions ranging from 2 to 12MP, including fixed, bullet, dome, and panoramic cameras, cater to various surveillance needs from entry-level to advanced requirements for different scenarios.
2. High-Resolution Image Content: Equipped with intelligent infrared and WDR capabilities, it significantly enhances nighttime visibility and image quality in high-contrast environments.
3. High-Performance AI Analysis: Smart analysis of human and vehicle trespassing, line-crossing, and lingering behavior. Customizable paths and real-time alerts enhance security.
4. Easy Installation and Upgrades: Users can effortlessly install the system app by scanning QR codes with their smartphones. Firmware and AI algorithms are automatically updated.
5. Capitalizing on Taiwan's local research, development, and manufacturing strengths, and benefiting from the strong reputation of a reputable surveillance brand.

## 2022 Awards and Honors :

1. Level 2 rating in the 8th Corporate Governance Evaluation / Level 1 rating in under the small and medium-cap (NT\$ 5 – 10 billion) category
2. Won the 2022 Taiwan International Brand Potential Star
3. Ranked among in the Top 20 in the Global Top 50 surveillance list. VIVOTEK is the only Taiwanese Company in the list
4. Won the 2023 Taiwan Excellence Award.
5. Held a corporate sustainable activity - the "Security Map Planning Order" for Ankang Special Education School was implemented, active participation in social welfare.

# 1.1 Operating Philosophy and Overview

## Overview

VIVOTEK Inc. (VIVOTEK) was established in February 2000, with its headquarters located in Zhonghe District, New Taipei City. It encompasses Brand Business Group and ODM Business Group and operates globally under its own brand, "VIVOTEK," making it a leader in the global surveillance industry. The brand name "VIVOTEK" is composed of four English words: "VI" representing Video, "VO" for Voice, "O" also representing Communication, and "TEK" signifying Technology.

With 22 years of industry experience, the Company has established itself as a leader in advanced video and audio technology. Focusing on Taiwan's foundation in research, development, production, and manufacturing, it is dedicated to the development of IP cameras and video management software. Furthermore, VIVOTEK incorporates AI, machine learning, edge computing, and more into its products and services, gaining widespread market recognition.

In 2017, VIVOTEK joined forces with Delta Group, a global leader in power management solutions. This collaboration has positioned VIVOTEK as a core player in the security and intelligence sections of Building Automation Solutions. The Company's commitment to providing trustworthy intelligent surveillance solutions remains steadfast as it strives to become a leading global brand in the surveillance industry.

## Performance Highlight



**99.5**

Consolidated Revenue  
NTD 9.95 billion



**8.11**

EPS NT\$8.11



**2**

Level 2 Corporate  
Governance Evaluation



**1,300**

Employee number 1,300  
(people)



Bill Lo, Chairman of VIVOTEK (left), and Alex Liao, President of VIVOTEK.

Company Name	VIVOTEK Inc.
Date of Establishment	2000
Head Quarters Address	No. 192, Liancheng Road, Zhonghe District, New Taipei City
Chairman	Bill Lo
President	Alex Liao
Capital	NTD 866 million
Global Offices	USA, Japan, Netherlands, India, Mexico
Stock Code	3454.TW

## Business Philosophy

Adhering to its core values of "Integrity," "Caring," "Innovation," and "Accountability," VIVOTEK's business philosophy is deeply rooted in "Integrity." This foundational value enables the company to extend "Caring" to customers, employees, shareholders, and strategic partners. The spirit of "Innovation" is integrated into its solutions, leading to the continuous launch of cutting-edge and innovative products that have garnered recognition through various international innovation and design awards. Ultimately, VIVOTEK is committed to fulfilling its responsibilities to stakeholders by embodying the spirit of "Accountability."

Looking ahead, VIVOTEK shall embrace challenges, seek new opportunities, and foster innovation. It will enhance the industry's ecosystem, expand its overseas brand channels, and collaborate with global strategic partners to create comprehensive surveillance solutions.

## Corporate Culture

As part of the rebranding initiative, the principles of "Speed," "Transparency," "Quality," and "Teamwork" have been adopted to represent the four key elements of the corporate culture. These values are actively promoted and integrated into the daily work routine, becoming the shared beliefs, attitudes, and work approach of every VIVOTEK employee.

VIVOTEK's staff continually hold themselves to high standards, ensuring the establishment of rigorous working practices in processes such as R&D, design, manufacturing, and production. This commitment guarantees the introduction of high-quality products into the market, fostering trust and support from customers.

## Corporate Sustainability Policy

Taking into consideration the evolving trends in domestic and international sustainability issues, the relevance to the core business, the alignment with group and company-wide operational activities, and the impact on stakeholders, the Company has formulated sustainability policies, systems, and related management guidelines, along with specific implementation plans. In the event of significant policy adjustments, these will be evaluated and decided upon by the Board of Directors or authorized senior management.

To achieve sustainable development goals and establish a robust corporate governance framework, VIVOTEK is committed to fulfilling its corporate sustainability responsibilities which will be implemented through the following four principles:

- 01** Implementation of Corporate Governance
- 02** Development of Sustainable Environment
- 03** Upholding Social Welfare
- 04** Strengthening Corporate Sustainability Information Disclosure



## 1.2 Honors and Awards

SDG 9

SDG 11

This chapter reflects the UN SDG 9.4 Industry, Innovation, and Infrastructure, SDG 11.3, and SDG 11.7 Sustainable Cities and Communities.

### Moment of glory

- Level 2 rating in the Corporate Governance Evaluation showcases the operational success of the Company



Securing Level 2 rating in the 9th Corporate Governance Evaluation announced by TWSE.

- Selected in the top 20 among Top 50 surveillance companies in the world for ten consecutive years



Selected as the top 17 surveillance international business by surveillance magazine a&s International. It makes VIVOTEK the only Taiwanese company in the list and it is expected to be the most trustworthy smart surveillance brand standing at the frontline in the world.

- Over 30 locally designed, developed, and manufactured products recognized with the Taiwan Excellence Awards



Our "AI Edge Computing Box" and "Smart City Vehicle Recognition Camera Kit" secured two prestigious awards. With a strong local presence and a global sales network, the Company remains dedicated to advancing smart surveillance solutions, catering to a wide range of customer needs.

- Selected in Taiwan's Top 40 international brands for three consecutive years by Industrial Development Bureau



Through a dual strategy of brand strategy enhancement and internal brand integration, the Company has successfully revitalized its brand influence, earning recognition as an outstanding Taiwanese brand enterprise. In recent years, the Company has transformed into a comprehensive smart surveillance solution provider, continuing to create secure environments.

- Obtained ISO/IEC 27001 certification from the British Standards Institution (BSI)



The Company established a dedicated information security task force, implementing information security risk management processes and procedures, and successfully attained the "ISO 27001 Information Security Management System" certification. Achieved ISO 14064-1 verification by Afnor Asia Ltd.: To enhance the quality and credibility of GHG data inventory, the Company has successfully completed the "ISO 14064-1:2018 GHG Inventory" verification process.

- The ongoing Safety Map series of activities continually contributes to our journey towards sustainability



Guiding colleagues to leverage their surveillance expertise to address security challenges, creating a safety map for the Ankang Special Education School at Taoyuan City. This effort not only aligns with the United Nations SDGs for sustainable development but also exemplifies our commitment as a leading surveillance brand dedicated to sustainability.

## International Standard Verifications

	Certificate		Certificate		Certificate
1	ISO 9001:2015	3	ISO 14064-1: 2018	5	IECQ QC0800002017
2	ISO 14001:2015	4	ISO/IEC 27001 : 2013	6	TIPS

## Awards and Recognitions

<b>2001</b>	▶	<ul style="list-style-type: none"> <li>The multi-media communication platform development plan was presented the top award for new product by the Ministry of Economic Affairs and approved by the Ministry of Economic Affairs for emerging strategic industries.</li> </ul>
<b>2004</b>	▶	<ul style="list-style-type: none"> <li>The newly developed swivel network camera won the SecuTech Expo Security Equipment Innovation and Technology Award.</li> </ul>
<b>2005</b>	▶	<ul style="list-style-type: none"> <li>Obtained the right to use the Taiwan Boutique Logo from the Ministry of Economic Affairs.</li> <li>The swivel zoom IP camera won the EURO TRADE magazine Best of Taiwan Award and received the Best Choice Award of Computex Taipei 2005 from the Ministry of Economic Affairs.</li> <li>Received the Taiwan and Asia-Pacific High-tech Growth Top 50 Award from Deloitte &amp; Touche.</li> </ul>
<b>2006</b>	▶	<ul style="list-style-type: none"> <li>The 3G-compliant IP camera won the Taiwan Excellence Award and the Best of Taiwan Award from EURO TRADE magazine.</li> <li>Received the 2006 Taiwan and Asia Pacific High-tech Growth Top 50 Award from Deloitte &amp; Touche.</li> </ul>
<b>2007</b>	▶	<ul style="list-style-type: none"> <li>Received the Asia-Pacific High-tech FAST 500 Enterprises award from Deloitte &amp; Touche.</li> <li>IP7138/IP7139 won the 2007 Taipei International Security Equipment Exhibition "Safety Technology Innovation Product Award" and "Online Voting Popularity King".</li> <li>Megapixel IP Camera IP7138/IP7139 and 3GPP IP Camera IP7131/IP7132 won the 2007 Taiwan Excellence Award.</li> <li>Ranked among the Global Security 50.</li> <li>Received the 10th Little Giant Award from the Small and Medium Enterprise Division of the Ministry of Economic Affairs.</li> <li>Received the 15th Industrial Science and Technology Development Award - Outstanding Innovative Enterprise Award from the Ministry of Economic Affairs Technology Office.</li> <li>Received the 16th National Rock Award from the Small and Medium Enterprises Division of the Ministry of Economic Affairs.</li> </ul>
<b>2008</b>	▶	<ul style="list-style-type: none"> <li>Received the 2007 Asia Pacific High-tech Fast 500 Enterprises award from Deloitte &amp; Touche.</li> <li>Won the SecuTech Award at the 2008 Taipei International Security Equipment Exhibition.</li> <li>PZ7151/PZ7152 won the 2008 Best Secu Tech Product.</li> </ul>
<b>2010</b>	▶	<ul style="list-style-type: none"> <li>Received the Taiwan Excellence Award from the Foreign Trade Association.</li> <li>Received the Top 50 Security Control Elite Award from A&amp;S.</li> <li>IP8161 was awarded the Symbol of Excellence.</li> </ul>
<b>2011</b>	▶	<ul style="list-style-type: none"> <li>IP8162P won the SecuTech Best Network Camera.</li> <li>FE8171V won the Outstanding Information Application and Product Award.</li> <li>Received the 19th Taiwan Excellence Award.</li> <li>Won Secutech Best Camera Contest.</li> </ul>
<b>2012</b>	▶	<ul style="list-style-type: none"> <li>Selected as the best megapixel camera at the 2012 International Security Surveillance Exhibition.</li> <li>Selected again among the world's top 50 security control (Security 50) products.</li> </ul>

**2013**



- 2013 Taiwan Excellence Award.
- 2013 Taipei International Security Expo Best Camera Award.
- 2013 Top 50 Best Operational Performance based on the Top 2000 Survey conducted by Commonwealth Magazine.

- A&S 2013 Top 50 Global Security Enterprises.
- 2013 Deloitte Asia Pacific High Technology, High Growth Fast 500.

**2014**



- Received the Deloitte Asia Pacific High Technology and High Growth Fast 500 award.
- Won the Best IP HD Camera Competition at the 2014 Taipei International Security Expo.

- IP Surveillance Solution won the Hong Kong IT Pro Corporate Choice.

**2015**



- 2015 China International Public Safety Expo Golden Tripod Award.

- 2015 Taiwan Excellence Award.

**2016**



- Top 100 Innovative Products in the 2016 Information Month.

- 2016 Taiwan Excellence Award.

**2017**



- Ministry of Economic Affairs' 4th Potential Backbone Enterprise Award.
- Ministry of Science and Technology Engineering Department's Industry-Academia Achievement Briefing Award.
- 2017 Taiwan Excellence Silver Award.

- Won the 2017 Taipei International Security Expo camera contest.
- Received the Product of the Year Award from US magazine Security Today.

**2018**



- 2018 Taiwan Excellence Award.
- Best IoT Security Award from Nordic magazine DETEKTOR International.

- Received Product of the Year Award from US magazine Security Today.
- Joined the International Open Security & Safety Alliance.

**2019**



- Won the 2019 Taiwan Excellence Award.

**2020**



- 20th anniversary of VIVOTEK Inc.
- Won the 2020 Taiwan Excellence Award.

- Selected as Taiwan's Best International Brand Potential Star in 2020.

**2021**



- Selected as Taiwan's Best International Brand Potential Star in 2021.
- Received top 20 honors as one of the world's top 50 surveillance companies.

- Received the Session Defense Award from the Industry Bureau of the Ministry of Economic Affairs.
- Passed the Ministry of Labor's talent development quality management system evaluation.

**2022**



- Level 2 rating in the 8th Corporate Governance Evaluation / Level 1 rating in under the small and medium-cap (NT\$ 5 – 10 billion) category
- Selected as Taiwan's Best International Brand Potential Star in 2022.
- As being the only Taiwanese company received Top 20 honors as one of the world's top 50 surveillance companies.

- Won the 2023 Taiwan Excellence Award.
- Organized ESG activities - Creating a Safety Map for the Ankang Special Education School at Taoyuan in support of sustainability.

## 1.3 Association Participation

**SDG 17** This chapter reflects the UN SDG 17 Partnerships for the Goals.

By joining public associations and surveillance industry organizations, VIVOTEK gains new knowledge and continues to gather important industry information, while promoting cooperation and exchanges involving production, government, the academe, and research in order to achieve inter-functional cooperation in different fields, industries, and companies that enhance competition and

international visibility. VIVOTEK is affiliated with the following associations in Taiwan: As a general member of "Taiwan Electrical and Electronic Manufacturers' Association", "Taipei Computer Association", "Importers and Exporters Association of Taipei", "Taiwan Security Equipment and Service Industry Association, Taiwan", "Taiwan CERT/CSIRT Information Security Alliance", "Taoyuan City Industrial Association", "Asia Silicon Valley-Major League IoT", "Taiwan Climate Partnership"; as a founding member of the "Industry Association of Intelligent Security and Safety." Internationally, VIVOTEK acts as a founding member and chief of the technology committee in "The Open Security & Safety Alliance (OSSA)" and as a general member of the "Open Network Video Interface Forum (ONVIF)" and "HDMI Licensing, LLC."

### VIVOTEK is affiliated with the following associations in Taiwan

• Industry Association of Intelligent Security and Safety	Founding Member
• Taiwan Electrical and Electronic Manufacturers' Association	Regular Member
• Taipei Computer Association	Regular Member
• Importers and Exporters Association of Taipei	Regular Member
• Taiwan Safety and Security Industry Association	Regular Member
• Taiwan CERT/CSIRT Information Security Alliance	Regular Member
• Taoyuan City Industrial Association	Regular Member
• Asia Silicon Valley-Major League IoT	Regular Member
• Taiwan Climate Partnership	Regular Member

### VIVOTEK is international affiliations with

• The Open Security & Safety Alliance (OSSA)	Founding Member Technical Committee Chairman
• Open Network Video Interface Forum (ONVIF)	Regular Member
• HDMI Licensing, LLC	Regular Member



## 1.4 A Service Milestone - Innovative Cloud Service VORTEX

VIVOTEK specializes in the R&D and manufacturing of network security surveillance products. With over twenty years of experience in the fields of video, audio, and network communication, the Company has leveraged its expertise in IP networking technology and video compression and decoding technology to stay at the forefront of the industry. VIVOTEK is best known for its extensive range of network cameras and network video servers, offering customers a comprehensive selection of camera styles. These include commonly used types like fixed dome, bullet, box, 360-degree fisheye, and speed dome, as well as more specialized options such as, 180-degree panoramic, multi-sensor patching, separated, thermal imaging bullet, and vehicle-mounted cameras.

We are committed not only to the R&D, production, and manufacturing of camera hardware but also actively engage in the development of video management software. We extensively apply technologies such as AI, machine learning, and edge computing in our products, offering customers comprehensive professional surveillance solutions.

In the upstream segment of the industry, our main partners include IC manufacturers, optical, electronic, and part component suppliers. In the downstream segment, we cater to a wide range of stakeholders, including end-users, agents, suppliers of surveillance and network equipment, as well as professionals engaged in the planning of surveillance systems and enterprise network solutions.

■ Industry relevance of upstream, midstream and downstream companies is shown in the following table:

### Upstream

- |  |  |   |  |   |
|--|--|---|--|---|
| <b>Optical components</b>  | <b>IC semiconductor</b>  | <b>Electronic components</b>  | <b>Parts components</b>  | <b>Other components</b>   |
| <ul style="list-style-type: none"> <li>optical lens of camera</li> </ul> | <ul style="list-style-type: none"> <li>CMOS chipset, video decoding/encoding chip, network-on chip, security crypto chip, ram, etc.</li> </ul> | <ul style="list-style-type: none"> <li>resistors, capacitors, inductors, transistors, etc.</li> </ul> | <ul style="list-style-type: none"> <li>molds, plastic shells, aluminum shells</li> </ul> | <ul style="list-style-type: none"> <li>electromechanical modules, power supplies, connector wires, PC boards</li> </ul> |

### Midstream

- Network video servers
- Network cameras
- Network power supply, lighting, and other peripherals
- Video management software suppliers

### Downstream

- General users
- Agents
- System integrators
- Enterprise network system planners
- Network equipment suppliers
- Surveillance equipment suppliers

In recent years, due to the rapid advancement and convenience of cloud technology, the surveillance industry has also embraced the trend of cloud services. According to market analysis reports, the global VSaaS (Video Surveillance as a Service) market is projected to reach 7.6 billion US dollars by 2027, with an anticipated compound annual growth rate of 18% during the forecast period from 2022 to 2027. This represents a highly attractive market opportunity.

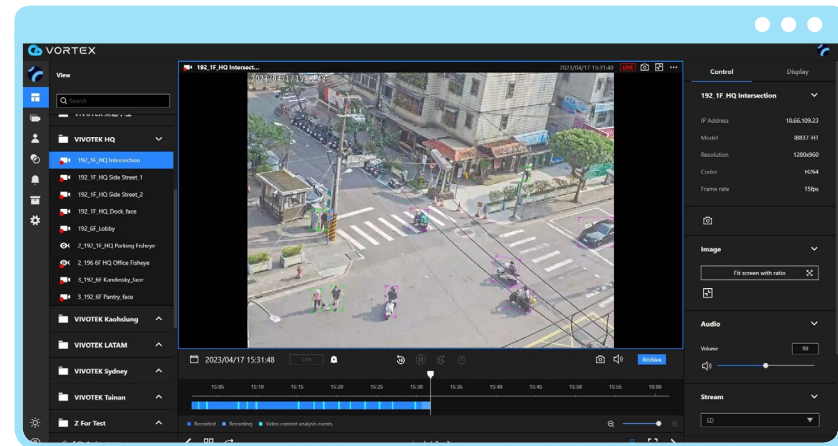
VIVOTEK has been dedicating efforts to develop next-generation cloud service products, aligning with the opportunities presented by AI and the Internet of Things (IoT). We are creating cloud-based surveillance solutions and introducing a groundbreaking service, VORTEX, which marks our entry into the subscription-based market. Built on the foundation of VSaaS, VORTEX integrates network cameras, cloud-based video management platforms, and cloud storage space. It harnesses powerful AI image analysis technology and deep learning capabilities, enhancing operational efficiency for our customers. VORTEX represents a significant milestone for VIVOTEK as we progress towards becoming a comprehensive surveillance service provider.



## The cloud service products and market competition of VIVOTEK VORTEX are briefly described as follows:

### A. VORTEX Cloud Service acts as a User Portal

The VORTEX User Portal is a user-oriented interface designed to simplify operations. Users no longer need to know the IP address of individual network cameras and connect to them as traditionally done. Instead, they can log in to the User Portal website to access and manage all their cameras. The VORTEX User Portal offers key functionalities including live view, recording and playback, event notification and management, cloud archiving and backup, intelligent video data search through Deep Search, as well as camera configuration settings.

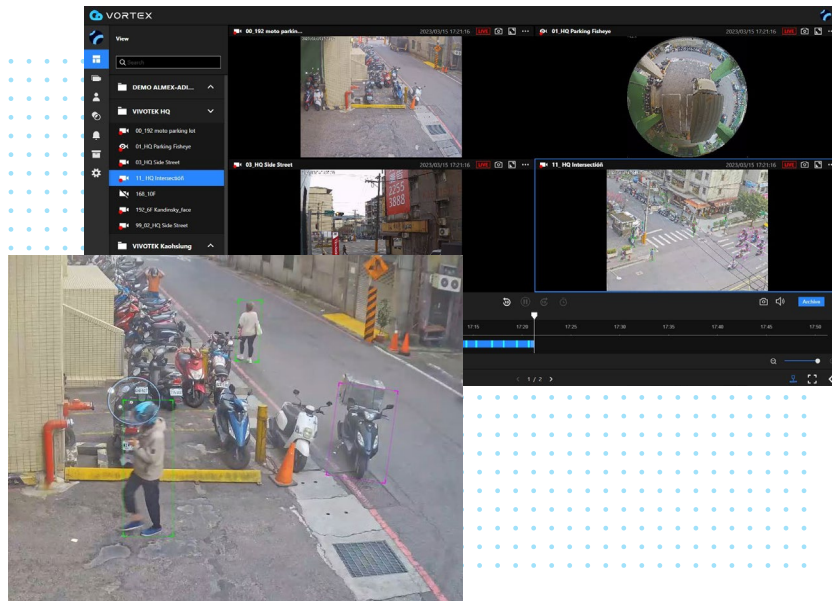


The real-time monitoring screenshot shown on the User Portal of VORTEX Cloud Service

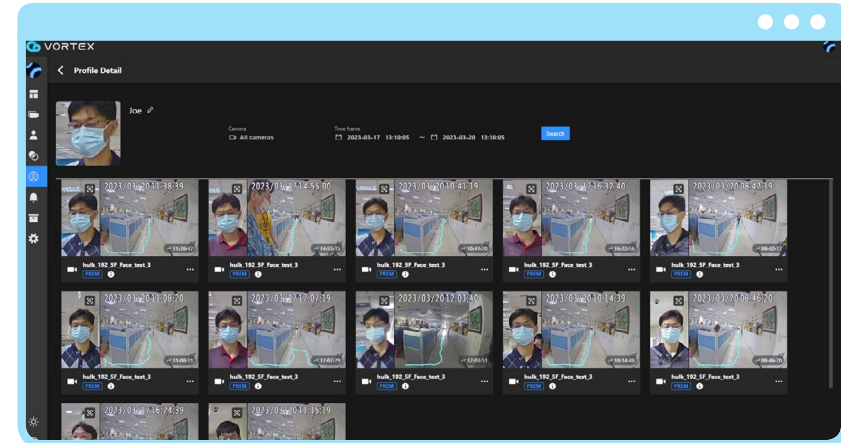


VIVOTEK's AI R&D team has independently developed the Deep Search feature which leverages deep learning Video Content Analysis algorithms to extract video metadata from a distributed edge side architecture. This metadata is then organized in an object-oriented format and stored in a database. This approach enables highly efficient and incredibly fast search capabilities. It makes a traditional search, which might have taken a team of people several days, achievable within minutes or even seconds, allowing users to quickly locate individuals or vehicles of interest.

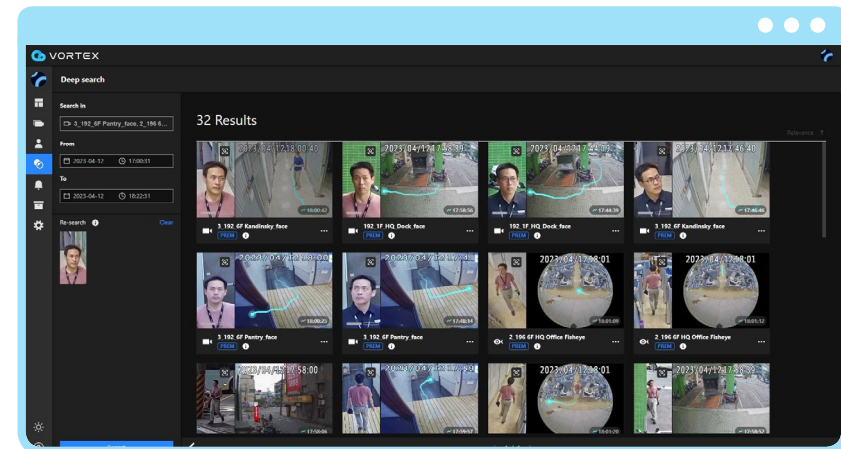
Real-time camera monitoring with a four-way split-screen on the VORTEX cloud service user portal website



The AI system conducted the real-time video content analysis at the camera side and highlighted the identified human with green bounding boxes.



Conducting a Deep Search by facial recognitions.



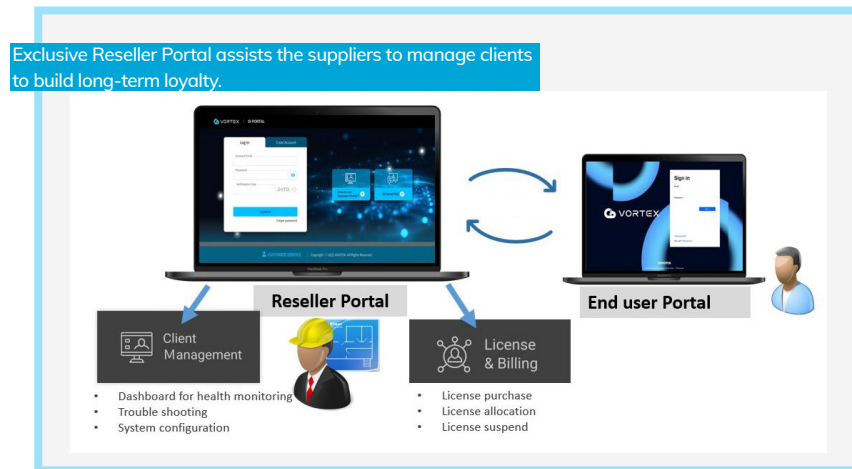
The Re-Search search technology, which uses pictures to find pictures, is also called Person Re-identification (Re-ID).

## ■ B. VORTEX Cloud Service acts as a Reseller Portal

The System Integrator plays a crucial role as a significant partner within our VORTEX service, acting as the intermediary to serve the end users of VORTEX. To cater to the needs of these System Integrators, we have designed the Reseller Portal. This portal offers various functions such as Client Management, Member Management for the personnel within the System Integrator's company, Licensing and Billing, as well as an FAQ section. These features are aimed at simplifying the management and service delivery process for System Integrators in their interactions with their end customers.

## ■ C. VORTEX Mobile App

Now, smartphones have become the most convenient portable devices for accessing the internet. Recognizing this trend, the VORTEX service not only offers the User Portal web interface but also features dedicated VORTEX mobile applications for both iOS and Android platforms. These mobile apps allow users to seamlessly add cameras to the VORTEX system by scanning the QR code on the camera itself. Additionally, the app provides functions such as Live View, Playback, Message Center for events, Archive, and other functions that are also available on the User Portal. This design facilitates convenient operation through mobile devices, enabling users to access VORTEX services anytime and anywhere.



The introduction of connectivity relationship and functionalities of Reseller Portal and User Portal on VORTEX.

#### ■ D. VORTEX Series Cameras

VIVOTEK is renowned for its expertise in designing and manufacturing cameras, and the VORTEX service extends its support to various types of Dome, Bullet, Fisheye, and Panoramic cameras, catering to a diverse range of customer needs. We are committed to providing flexibility to our customers. If customers decide to discontinue the subscription-based service after a period of time, they have the option to convert VORTEX cameras by updating their firmware to standard ONVIF-compatible cameras. This allows them to transition to traditional non-subscription usage. This approach ensures our customers' peace of mind. Unlike certain competitors, we do not render their camera assets useless or obsolete when they opt out of the service.



VORTEX product series: including various VORTEX cameras which can be connected to User/Reseller Portal through PC/NB or mobile phone.

#### ■ E. VORTEX NVR

In addition to the Direct to Cloud solution offered by the VORTEX series cameras, we have also developed the VORTEX NVR solution for customers who have existing traditional network cameras and wish to connect them to the VORTEX service. The VORTEX NVR serves as a bridge between the conventional cameras and the VORTEX Cloud. This allows various ONVIF-compatible network cameras connected to the VORTEX NVR to access the VORTEX service. The VORTEX NVR can also serve as a local storage device for recorded content.

#### ■ F. Subscription for Cloud License

The VORTEX cloud service operates on a subscription-based business model. To access the various features of the VORTEX service platform, customers need to purchase Cloud Licenses for their VORTEX cameras and VORTEX NVR for a duration of 1 year, 3 years, or 5 years. To consistently deliver value to our customers and encourage ongoing subscriptions, we will continue to introduce additional features and services, such as a wider range of AI video content analysis functionalities and services such as license plate recognition capabilities.

## Competitions

The surveillance industry is currently experiencing a rapid rise in the trend of cloud services, with many VSaaS (Video Surveillance as a Service) startups emerging rapidly, disrupting and transforming the traditional non-VSaaS surveillance market. According to market information, some VSaaS providers have witnessed high growth rates, with their performance doubling or even tripling in recent years. Established security and surveillance companies in the industry have also sensed this trend and pressure, leading them to announce the launch of cloud platform-related products. VIVOTEK, as a leading player in the Taiwanese surveillance industry with over 20 years of experience, possesses an in-house team of software and hardware developers, as well as a powerful team specializing in Artificial Intelligence (AI). Through the VORTEX cloud surveillance system, the Company is aiming to transform into a service-oriented entity. Leveraging the strengths of the Delta Group, VIVOTEK aims to become the export of subscription-based services across the entire group of companies.

## Application Scenarios

VORTEX is suitable for a wide range of surveillance scenarios, catering to both smart and easy surveillance needs. It is particularly well-suited for multi-location chain stores and restaurants, offering ease of installation, setup, maintenance, and flexible scalability. A notable success story comes from the Washing Well self-service laundry located in Jefferson, Iowa. The owner, Tech Zone, aimed to remotely monitor their establishment to ensure its condition, cleanliness, snow removal, and general maintenance, while also providing security for both property and customers. For this purpose, three 5-megapixel IT839-H cameras were installed in a storage room, within the self-service laundry and in the rear parking area. Additionally, two remote-focus dome FD839-EHTV cameras were set up in the front parking area and inside the self-service laundry. The owner's feedback highlighted the user-friendliness and convenience of the VORTEX system and cameras, which are easy to install and maintain. They expressed satisfaction with the ability to access real-time surveillance remotely, making monitoring efficient and convenient.

## 1.5 Sustainability Application Case

VIVOTEK aligns its future sustainability development goals with the key directions of the Delta Group and is focusing on 7 of the United Nations SDGs and is actively promoting sustainability initiatives in various successful cases to expand sustainable business opportunities in the global market. These cases include the James River Church School in the United States and Ise City in Mie Prefecture, Japan. These initiatives specifically align with 4 of the primary SDGs promoted by the Delta Group: SDG 4.5 Quality Education; SDG 9.4 Industry, Innovation, and Infrastructure; SDG 11.3 and 11.7 Sustainable Cities and Communities, and SDG 17.17 Partnerships for the Goals

### Global success stories detailing the implementation of the United Nations' SDGs

#### Case 1

#### Assisting Campus Safety with Smart Surveillance Solution: James River Church Campus, United States

The James River Church campus in the United States had initially installed a few cameras focused on specific areas of concern. However, the coverage of their security surveillance was not comprehensive enough, leading to concerns about blind spots in their security monitoring. To improve coverage in areas with poor visibility, they need to not only monitor abnormal activities across all areas of the campus but also count empty seats in specific areas or track specific individuals.

In response to this, VIVOTEK installed a variety of network cameras suitable for different scenarios, including corridors, classrooms, and open outdoor areas on the campus. These cameras are equipped with excellent night vision capabilities, ensuring clear image recording even during the nighttime. The smart video analysis features provide administrators with detection and notification of events such as intrusion and loitering, significantly enhancing management efficiency and upgrading the campus's security protection system.

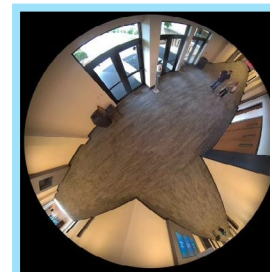
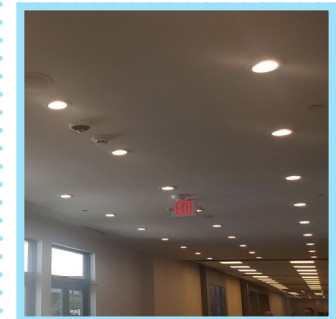
SDG 4

SDG 9

SDG 11

SDG 17

This is in line with the UN SDGs - SDG 4.5 Quality Education; SDG 9.4 Industry, Innovation SDG 11.3 and 11.7 Sustainable Cities and Communities, and SDG 17.17 Partnerships for the Goals.





## ■ Case 2

### **Smart people flow solution to assist in optimizing business activities: tourism promotion in Ise City, Mie Prefecture, Japan**

Since 2020, the COVID-19 pandemic has dealt a heavy blow to the tourism industry in Japan. In an effort to revitalize Ise City, the local government has planned a series of tourism activities aimed at attracting new businesses and shops to operate and promoting urban development.

VIVOTEK installed 3D stereo counting network cameras with AI analysis capabilities at seven locations in the city center of Ise City, providing a comprehensive 3D people counting solution. These cameras possess built-in machine-learning capabilities and can continuously optimize analysis accuracy. The captured images are transformed into data, which are then compiled into system reports. The insights derived from the analysis aid store managers in making precise business decisions and enhancing operational efficiency. Through the implementation of an AI-driven solution, business owners can immediately grasp changes in foot traffic outside their stores, enabling quicker assessment of whether increased sales are driven by in-store promotions or by foot traffic, allowing for the dynamic adjustment of sales strategies. Furthermore, by offering a comprehensive AI-powered surveillance solution, VIVOTEK effectively contributes to revitalizing local tourism and commercial activities.

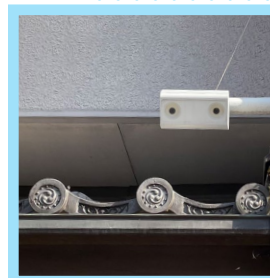
For more information about the United Nations SDGs, please refer to Chapter 2.2 Global Sustainability Alignment of this report and the relevant content of each chapter.

SDG 9

SDG 11

SDG 17

This is in line with the UN SDGs - SDG 9.4 Industry, Innovation SDG 11.3 and 11.7 Sustainable Cities and Communities, and SDG 17.17 Partnerships for the Goals.





## 2 Sustainable Initiatives and Stakeholder Engagement

1. The President heads the VIVOTEK's ESG Team and supervises the team to keep up with trends relevant to local and international laws, regulations, and issues. The team has to report the implementation result to the board of directors regularly.
2. To focus on 7 SDGs of the United Nations Sustainable Development Goals and follow the development directions of the parent Delta Group by striving to promote sustainability.
3. The 6 types of stakeholders are as follows: employees, corporate customers, investors and shareholders, associations, government agencies, and strategic partners.
4. In line with the group's sustainability policy, the Company discussed with various departments and defined 6 Material topics: environmental care, innovative research and development, operational performance, Recruitment and Retention, customer relationship management, and Supply Chain Sustainability Management.
5. To complete 2 large-scale internal trainings for corporate sustainability: a total of 12 hours; targets are first-level managers and report writers, including cross-functional training for around 30 people, and report-focused discussion courses with 16 people.



## 2.1 Sustainable Mission and Promotion

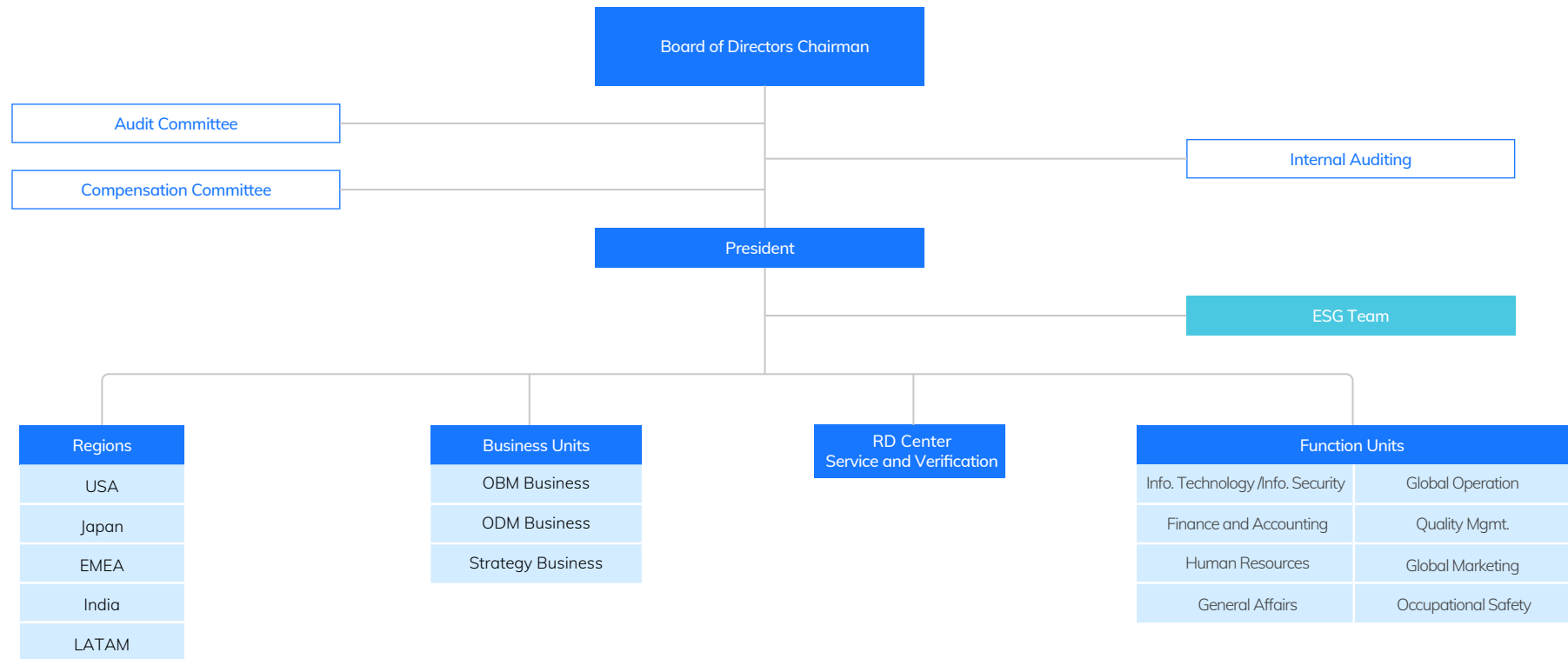
### 2.1.1 Sustainability Mission

VIVOTEK's corporate vision is to become a leading global surveillance brand, driven by its core purpose of providing society with the most reliable and trustworthy smart surveillance solutions. The driving force behind VIVOTEK's brand is "Concern for Others' Cares," representing a commitment to caring. With this spirit of care, VIVOTEK leverages Taiwan's strengths in R&D, design, and manufacturing, while consistently addressing Environmental (E), Social (S), and Governance (G) issues. Through setting goals and taking concrete actions, the Company is dedicated to promoting sustainable development as its mission.

We support and adhere to international labor and human rights standards, including the "United Nations Global Compact," the "Universal Declaration of Human Rights," the "UN Guiding Principles on Business and Human Rights," the "OECD Guidelines for Multinational Enterprises," and the "Social Responsibility International Standard," as well as the regulations of the countries in which we operate. We treat all partners with dignity and respect, including all VIVOTEK employees, subsidiaries, business partners, suppliers, and contractors.

### 2.1.2 Sustainability Promotion

The VIVOTEK ESG Team is established under the President's Office, with the President serving as the highest supervisory authority. The team consists of members from various departments, spanning across more than 8 units including Human Resources, Finance and Accounting, Global Marketing, General Affairs, Operations, Quality Assurance, Information Technology, and RD Center. Its primary responsibility is to drive corporate sustainability and publish sustainability reports. The team organizes regular courses and training sessions, aligns with domestic and international regulations and trends, and ultimately reports the progress and achievements of sustainability initiatives to the Board of Directors on a regular basis.



## ■ VIVOTEK completed 2 sessions of internal sustainability training in 2022

The first session involved a cross-departmental training for around 30 participants. The training focused on educating participants about GRI Standards, targeting departmental-level senior executives and designated colleagues. The session included sharing insights into corporate sustainability concepts and international trends, as well as an in-depth examination of the updated GRI guidelines. The training encompassed a comprehensive analysis of the content of the guidelines and provided detailed explanations of the principles for writing sustainability reports, such as accuracy, balance, clarity, reliability, and timeliness. Additionally, this training introduced practical explanations of United Nations Sustainable Development Goals (SDGs) indicators, guiding participants in shaping the core aspects of corporate sustainability.

The second session was a focused discussion on sustainability reporting, specifically targeting designated colleagues within the company. During this session, participants delved deeply into the key contents of the sustainability report and collaborated to compile relevant information from their respective departments. The main focus was on refining the themes of the corporate sustainability report while aligning with the United Nations Sustainable Development Goals (SDGs) initiative. The aim was to create a sustainability report that adheres to international standards and trends.



Photos of 2022 internal training sessions

## 2.2 Global Sustainability Alignment

### United Nations Sustainable Development Goals (SDGs)

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs), consisting of 17 overarching goals and 169 specific targets. VIVOTEK aligns its product and service development direction with these SDGs. This approach not only keeps the company in sync with global trends but also resonates with the brand spirit of "Care - Concern for Others". VIVOTEK aims to embody sustainability in its daily operations, leveraging its brand influence to contribute to the achievement of these goals.

## SUSTAINABLE DEVELOPMENT GOALS



The VIVOTEK ESG Team is guided by its core professional competencies and aligned with the future strategic directions of the Delta Group. It focuses on seven specific United Nations Sustainable Development Goals (SDGs) as outlined below, driving VIVOTEK's sustainability initiatives:

SDGs	Targets	Responding Material Topic by VIVOTEK
4	4.5	Recruitment and Retention
7	7.a	Environmental Care
9	9.4	Environmental Care
11	11.3, 11.7	Environmental Care
12	12.2, 12.5, 12.6	Environmental Care Supply Chain Sustainability Management
13	13.3	Environmental Care
17	17.17	Environmental Care

VIVOTEK takes concrete actions for each initiative and incorporates them into projects and daily operations. For more detailed information, please refer to the respective chapters of this Report.

## 2.3 Stakeholder Identification

VIVOTEK follows the stakeholder base of the 2021 Sustainability Report, considering feedback from various departments, the AA1000 Stakeholder Engagement Standard, international sustainability issue developments, and operational needs. Through this process, six main stakeholder categories have been identified: employees, corporate customers, investors and shareholders, society, government agencies, and partners.

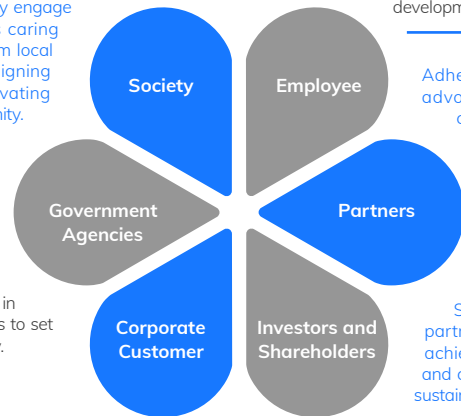
Stakeholders	Scope of Stakeholders	Issue of Concerns	Communication Channels	Communication Frequency	Result
Employee	All employees	Information on Recruitment and Retention Working Condition Labor Rights Important announcement of the Company Employee Question Performance Appraisal	Management-Labor Meeting Employee Welfare Committee Intranet Employee Mailbox Departmental Meeting Individual Interview	Quarterly Frequently Anytime Ad hoc Ad hoc Ad hoc	Please refer to Chapter 6.4 Employee Rights and Communication
Partners	Suppliers, outsourcing contractors, manpower dispatch, and system certification companies	Risk Management Partnership Management (including suppliers) Personnel Recruitment and Management Equipment and Calibration Maintenance	Telephone and Email Contact Supplier Factory Visit Supplier Audit Instrument Calibration Supplier, Reliability Equipment Manufacturer Email	Ad hoc Ad hoc Ad hoc in every 6 months	Please refer to Chapter 3.6 Supply Chain Sustainability Management
Corporate customers	Domestic and foreign customers (including domestic and foreign government procurement), distributors	Customer Relationship Management Company Information Update (innovation and technology sharing)	Corporate Website Client Meeting Customer Satisfaction Survey Online Customer Service System	Any time Ad hoc Every year Ad hoc	Please refer to Chapter 3.5 Customer Relationship Management
Investors and shareholders	General shareholders, institutional shareholders	Corporate Governance, Operation Disclosures Long-term Strategy & Operational Outlook Personnel Recruitment and Management Equipment and Calibration Maintenance	Financial Reports Annual Shareholders' Meeting Institutional Conference Teleconference & E-mail Corporate Website	Every quarter & every year Every year Twice a year Ad hoc Any time	Please refer to Chapter 3.1 Operational Performance
Society	Media, Social Welfare Organizations, Management Committees	Media Relations Maintenance Social welfare Discussion of the Working Environment	Corporate Website Press Release Media Meal Contact by Phone and E-mail	At least once a year Ad hoc	Actively obtain negotiation results through these communication methods and frequencies
Government agencies	Competent Authorities	Patent Related Affairs Laws, Event Promotion Environmental Safety Inspection Industry promotion and promotion of industry development	Phone and Email Contacts with Intellectual Property Office Telephone, Email, Official Correspondence Contact with FSC and IRS Phone and Email Contacts with Fire Department Phone and Email Contact and Event Participation with Other Associations	Every month Ad hoc Ad hoc Ad hoc	Please refer to Chapter 1.3 Association Participation

## ■ VIVOTEK's Six Major Stakeholder Groups

VIVOTEK maintains long-term relationships with domestic and international media outlets, proactively disclosing key product and operational information. This approach enables the Company to effectively communicate positive messages and its commitment to sustainable development to the broader society. VIVOTEK embraces social responsibility and environmental care as integral aspects of its operations. By fostering strong connections with local social welfare groups and committees, the headquarters actively engage in societal issues and embodies its caring ethos. This commitment extends from local initiatives to global perspectives, aligning with the brand's strategy and cultivating relationships within the online community. These efforts collectively enhance the overall impact of the company's sustainable practices.

In response to government mandates aligned with global trends, VIVOTEK implements concrete actions in product design and planning and aims to set an example in the surveillance industry.

VIVOTEK maintains a continuous effort to deepen collaborative relationships with corporate customers and enhance their loyalty by providing comprehensive solutions that cater to their needs.



VIVOTEK has a global workforce exceeding 1,000 individuals, covering both its headquarters in Taiwan and overseas branches. The Company places significant emphasis on each employee, devising comprehensive welfare and employee care policies that align with international initiatives such as gender equality. These efforts foster a sustainable workplace culture, attracting and retaining exceptional talent, while ensuring comprehensive protection of labor rights, career development, and benefits.

Adhering to international human rights advocacy and work protocols when it comes to suppliers, outsourcing contractors, manpower dispatch, and system certification companies. There should be consistent requirements and standards set to minimize environmental impact throughout the operational process, in line with various international norms. Suppliers are considered crucial partners, collaborating with VIVOTEK to achieve sustainable development goals and collectively uphold the commitment to sustainability.

VIVOTEK dedicates itself to securing financial support and backing from both individual and corporate shareholders (including the parent company Delta Group) for the Company's ongoing sustainable development endeavors.

## ■ Corporate Sustainability Promotion Team follows the process below to identify relevant material issues and communication effectiveness

<b>STEP 01</b>	The president sets up a corporate sustainability promotion team composed of subordinate departments
<b>STEP 02</b>	Internally organize and externally keep up with corporate sustainability trends and regulations through education and training
<b>STEP 03</b>	The group conducts internal discussions to identify material issues
<b>STEP 04</b>	Check the effectiveness of communication with regard to material issues
<b>STEP 05</b>	Review the discussion and use it as a basis for future reference

## 2.4 Materiality Assessment

VIVOTEK employs a proactive approach to review stakeholder feedback and monitor trends in sustainable development issues. This involves conducting criticality analysis to identify significant sustainability topics. Based on this analysis, the Company establishes sustainable development goals and formulates specific action plans. The progress and effectiveness of key actions are tracked, aiming to create a positive and sustainable impact on society.

Furthermore, VIVOTEK adheres to the sustainable policies of the Delta Group and follows the GRI Standards to identify critical issues and determine how to disclose relevant information. The Company assesses the level of concern for each issue, ensuring alignment with the expectations of various stakeholders. The evaluation for the year 2022 revealed a total of six material issues: Environmental Care, Innovation and Research, Operational Performance, Recruitment and Retention, Customer Relationship Management, and Supply Chain Sustainability Management.

In response to the domestic and international trends concerning climate change, the Company has addressed the critical issue of Environmental Care by integrating elements of Smart Factory Evolution which highlight the results related to the use of renewable energy. Additionally, VIVOTEK has incorporated the guidance of the Task Force on Climate-related Financial Disclosures (TCFD) to develop a framework for addressing climate change risks and opportunities. This framework aligns with the RE100 initiative and United Nations SDG13 on Climate Action, demonstrating the Company's proactive approach to addressing climate change.



## 2.5 Stakeholder Dialogue

VIVOTEK responds to stakeholder concerns and meets their needs and expectations through a variety of regular communication channels and frequencies. Currently, there are six categories of stakeholders: employees, corporate customers, investors and shareholders (including parent company Delta Group), social organizations, government agencies, and partners.

In 2022, the Company assessed six Material issues: environmental care, innovation and R&D, economic performance, customer relationship management, sustainable management of suppliers, and talent nurturing and retention. We will provide a more detailed report, consolidate the results of the analyses, and illustrate the degree of impact of the Material issues, the management approach, and the boundaries of the Material issues in accordance with the GRI criteria, as shown in the table below:

### ■ Six Material Issues

Major issue	2021 Priority	2022 Priority	Impact description	Impact level		Indicator	Policy and Management	Impact boundary					
				Positive/ Negative	Reality/ Potential impact			Internal	External				
								VIVOTEK Employee	Corporate customers	Partners	Government agencies	Social organization	Investors and shareholders
Environmental Care	1	1	Main impacts on environment: The impact of the national energy and net-zero emissions policy is to strengthen the efficiency and conservation of energy, and to extend the spirit to other environmental aspects, such as water resources, waste, and so on, in order to reduce greenhouse gas emissions and face climate change.	Negative	Reality	302 305 306	Refer to 5.1.1 5.2.1 5.3.1 5.4.1	V	V	V	V		V
Customer Relationship Management	4	5	Main impacts on social responsibility (customer): Customer relationship management, identifying key requirements, building brand image and increasing the value of the company's products, and striving to expand market size.	Positive	Reality	416	Refer to 3.5 Customer Relationship Management	V	V				V

## ■ Six Material Issues

Major issue	2021 Priority	2022 Priority	Impact description	Impact level		Indicator	Policy and Management	Impact boundary					
				Positive/ Negative	Reality/ Potential impact			Internal	External				
								VIVOTEK Employee	Corporate customers	Partners	Government agencies	Social organization	Investors and shareholders
Operational Performance	3	3	Main impact on the economy: The Company's stable development and continuous performance results bring confidence and support from stakeholders, instilling power in the Company's operation so as to achieve sustainable operation.	Positive	Reality	201	Refer to 3.1 Operational performance	V	V				V
Recruitment and Retention	6	4	Main impact on the social responsibility (employees). The stable development of employees and the continuous improvement of their professional competence and experience contribute to the competitiveness and profitability of the company.	Positive	Reality	401 402 404 405	Refer to 6.2 Recruitment and Retention 6.3 Employee development and training 6.4 Employee Rights and Communication	V		V			
Innovative R&D	2	2	Main impact on economic shocks: Investing in research and development (R&D) and proactively innovating in response to market trends and customer needs are the key to the Company's competency and operational capacity.	Positive	Reality	Self- defined	Refer to 4.1 Innovative R&D and Collaborative Resources	V	V				V
Supply Chain Sustainability Management	5	6	Main impacts on economic, environmental and social aspects. Suppliers are important partners of the Company, sharing the same philosophy and mutual assistance, and working together towards sustainable development.	Positive	Reality	204 308 414	Refer to 3.6 Supply Chain Sustainability Management	V	V	V		V	V

# 3 Corporate Governance

1. The 9th Corporate Governance Rating announced by TWSE remained at Level 2, presenting the performance of operational management.
2. Board of Directors' Performance Evaluation Result: Average 4.7 out of 5, rated as excellent.
3. In 2022, the General Manager reported to the Board of Directors, and the Board of Directors approved and announced the risk management policy and implementation status.
4. Information security management: completed and received ISO 27001 certification.
5. Customer Satisfaction: Customer satisfaction has exceeded 90 points for 6 consecutive years.
6. In 2022, VIVOTEK implemented the "VIVOTEK Sustainable Supplier and Integrity Pledge" and completed the signing of the English version for foreign suppliers, with a commitment rate of more than 70% (including customer-specified vendors and vendors with no subsequent transactions). In 2023, the Company will continue to counsel the suppliers who have not yet completed.
7. All suppliers are 100% RoHS and REACH compliant.
8. In 2022, the Company counseled and cooperated with manufacturers to pass more environmental protection related certificates to perfect the green supply chain.
9. In 2022, the Company didn't have any violation of environmental, public security, labor, personal information and company law.

## 3.1 Operational Performance

### 3.1.1 Management and Performance

#### A. Policy and Commitment of Management

1. Promote automation in production and factory intelligence to strengthen local manufacturing.
2. Focusing on sustainable brand development and investing in global deployment.
3. Be consistent in R&D innovation to expand the application of the surveillance industry, provide intelligent vertical market solutions, and integrate artificial intelligence technology: including AI image recognition technology, anti-epidemic image recognition applications, and development of VSaaS (Video Security as a Service) application solutions.

#### B. Evaluation and Performance of Management

Aiming to become the world's first-line surveillance brand, the Company will be ranked as top 10 of the IPVM NFR by 2023 and back to top 10 of the A&S Security 50 by 2025.

#### C. Actual Implementation

1. Maintained Level 2 in the 9th Corporate Governance Rating announced by TWSE, demonstrating the achievements in operational management.
2. Awarded Top 20 of the Global 50 Surveillance Companies for 10 years.
3. Won Taiwan Excellence Awards with over 30 products designed, developed, and manufactured locally: awarded "Artificial Intelligence Edge Computing Box" and "Smart City Vehicle Recognition Camera Kit".
4. Awarded as one of Top 40 international brands in Taiwan for three years by the Industrial Development Bureau, Ministry of Economic Affairs.
5. Awarded as Taiwan's Best International Brand Potential Star in 2022.
6. Nominated as Top 20 global surveillance companies for ten years, and the only Taiwanese brand included.
7. Over the past six years, the Company has issued its own corporate sustainability report, focusing on the environment, society and governance, reflecting the United Nations Sustainable Development Goals (SDGs), and actively responding to sustainability initiatives and issues of concern to stakeholders.
8. Every year, the Company measures on-market salary levels and economic indicators as the adjustment basis for employee salary. Per capita salary and welfare expenditures have been increasing year by year, and the Company is committed to staff welfare and development.
9. In 2022, VIVOTEK's patent grant rate reached 100% in Taiwan and 90% in the U.S. VIVOTEK's focus on R&D and intellectual property by actual actions in R&D investments.
10. In 2022, VIVOTEK's R&D investment was NT\$721,538 thousand, an increase of 11.76% over last year.
11. In 2022, the Company kept introducing lens production automation equipment, and kept carrying out intelligent planning and development of factories.
12. In 2022, the Company did not have any violation of environment, public security, labor, personal information, and company law.

## 3.1.2 Description of Operational Performance in 2022

3.1 The scope of the report on operational performance includes VIVOTEK's head office, VIVOTEK's overseas subsidiaries and VIVOTEK's subsidiaries. (For more information, please refer to 7.1 Scope of the Report.)

In 2022, overall revenue was NT\$9.95 billion, an increase of 82.48% of the last year. Both branding and OEM businesses grew, especially in the North American and Japanese markets. In 2022, the Company's consolidated net income was NT\$732 million, earnings per share (EPS) was NT\$8.11, and return on equity (ROE) was 22.35%.

The overall revenue in fiscal year 2022 comes from the consolidated financial statements of affiliated companies in accordance with the "Criteria for the Preparation of Consolidated Financial Statements of Affiliated Companies and Affiliate Reports" in fiscal year 2022, and in accordance with the International Financial Reporting Standards (IFRS) No. 10 endorsed by the Financial Supervisory Commission (FSC); the relevant information required to be disclosed in consolidated financial statements of affiliated companies has already been disclosed in the previous consolidated financial statements of parent-subsidiary companies, so it was not required to prepare consolidated financial statement of affiliated companies separately.

### ■ Residual Economic Value

Unit: Million dollars

Items	Year	2020	2021	2022
Direct Economic Value Generated (A)	Revenue	5,544	5,452	9,948
Distributed economic value (B)	Operating cost	3,819	3,959	7,334
	Salaries and Benefits	1,459	1,400	1,830
	Payments to funders	216	173	121
	Government Payments	18	19	2
	Community investment	0.2	0.1	0.5
Residual economic value (A)-(B)		31	(99)	661

### ■ Average salary and benefits

Unit: Million dollars

Year	2020	2021	2022
Average salary and benefits	1.20	1.26	1.29

### ■ Government Subsidies

Unit: Thousand dollars

Company	Amount	Supplementary
VIVOTEK	318	Subvention for Education and Training Costs, Labor Development Department
LID Light	530	SBIR R&D Program Grants
Total	848	

VIVOTEK annually participates in market surveys and measures market salary levels and economic indicators as the adjustment basis for employee salary, so per capita employee salary and benefit expenses increase year by year.

Scan the QR code to read more complete financial information.



## A. Sales ratio by regions

■ U.S. ■ Taiwan ■ Canada ■ Others

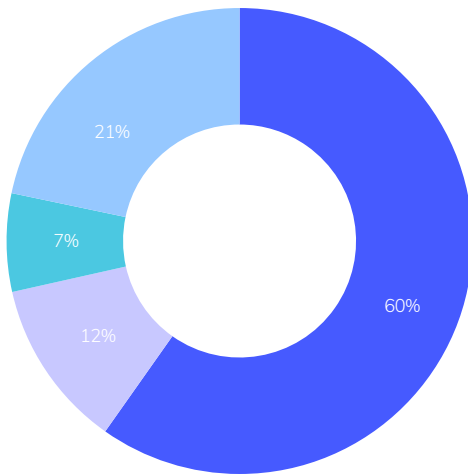


Chart:  
U.S. 59.78%,  
Taiwan 11.71%,  
Canada 6.81%,  
Others 21.70

VIVOTEK has been expanding into overseas markets for several years. In 2022, VIVOTEK pushed the fast change in branding, expecting to increase sales in all regions and develop new sales territories.

## B. Sales ratio by products

■ IP Camera ■ IP Video Recorder ■ AV Server ■ Others

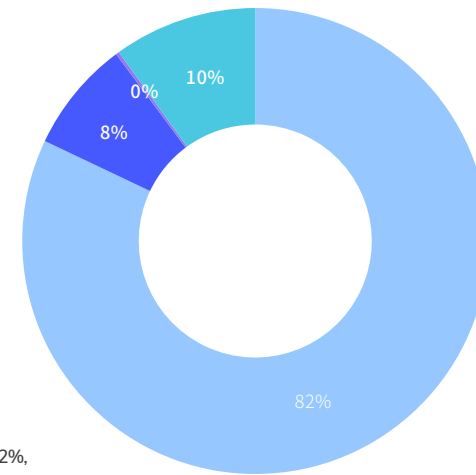


Chart:  
IP Camera 82.062%,  
IP Video Recorder 7.75%,  
AV Server 0.23%,  
Others 9.96

VIVOTEK is committed to providing comprehensive security solutions. In addition to hardware devices, VIVOTEK is also adding software solutions that are friendly to the environment and meet the market demand and is expected to increase sales to proactively innovate and respond to sustainability.

## C. Operation Performance from 2020 to 2022

Unit: NTD

Overall revenue in 2022 was NT\$9.95 billion, an increase of 82.48% from 2021. Brand and OEM business both grew, especially in North America and Japan.

Overall consolidated net income in 2022 was NT\$732 million, with after-tax earnings per share (EPS) of NT\$8.11 and return on equity (ROE) of 22.35%.

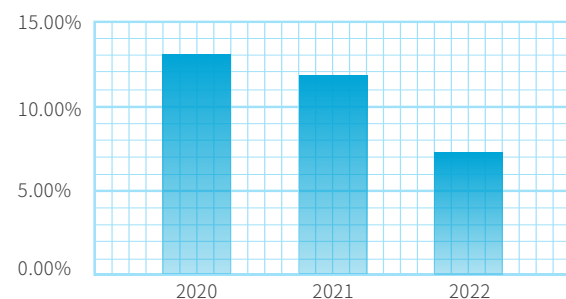
Looking ahead to the new year, VIVOTEK will continue to refine its operational capabilities and resilience for changing epidemics and for overcoming the impact of material and manpower shortages. VIVOTEK will promote production automation and factory intelligence, optimize manufacturing costs, and respond to environmental concerns. VIVOTEK will proactively expand its production capacity to match the dual-engine growth of its branded and foundry businesses, and to proactively respond to the expectations of its investors.

Year	2020	2021	2022
EPS (NTD)	2.90	2.17	8.11
Cash dividends (NTD)	2.0	1.4	5.5
Stock dividends (NTD)	0.00	0.00	0.00
ROA (%)	4.89	4.24	11.94
ROE (%)	7.62	7.02	22.35

## D. Industrial Innovation Ordinance

In 2022, VIVOTEK's research and development expenses were 7.25% of revenue, demonstrating the importance we place on R&D. We are actively engaged in R&D to maintain our competitive edge and add value to our business activities with innovative thinking. VIVOTEK is also committed to sustainable development by supporting tax policies that promote innovation and economic growth.

The chart shows R&D as a percentage of revenue from 2020 to 2022.



In 2022, VIVOTEK's R&D investment was NT\$7,215,380,000, an increase of 11.76% from last year. However, due to VIVOTEK's significant growth in revenue in 2022 compared to last year, VIVOTEK's R&D investment in 2022 was lower than last year's percentage.

With the increasingly fierce competition in the global market, the importance of intellectual property rights can enhance the Company's competitive advantage. VIVOTEK introduced the Taiwan Intellectual Property Management System (TIPS) in 2014, which has been verified for 9 years. As of December 31, 2022, the Company has accumulated a total of 613 global patent applications and a total of 463 global patent approvals. In terms of patent quality, the Company's approval rate for invention patents in Taiwan reached 100% in 2022, and the approval rate for invention patents in the United States reached 90%, demonstrating VIVOTEK's dedication to R&D and its proactive approach to valuing intellectual property rights. (For more information, please refer to 4.2 Patents and Intellectual Property)



## 3.2 Board Functions and Shareholder Communications

### 3.2.1 Professional Training for Directors and Enhancement of Board Structure and Operations

- At least one training course on integrity management per year, with 100% participation rate of directors.
- 100% signed the Code of Conduct
- Regarding the professional training course for directors, on 27 April 2022, the Company conducted re-education course for directors by appointing the lecturer from the Chinese Corporate Governance Association, with the course of "Trends and Challenges in Information Security Governance"; a number of directors participated in Delta Electronics' self-organized directors' training courses on topics such as "The Latest Development of International and Domestic Taxes and Trends in Law Revision" and "Net-Zero Emissions, Carbon Neutrality, and Corporate Compliance". A number of directors chose to participate in various seminars organized by the Chinese Association of Corporate Governance (CACG) and the Securities and Futures Market Development Foundation (SFMDf) according to the needs of their professional duties, for a total of 63 hours of training for the directors, as shown in the table below:

#### ■ Professional Training for Directors

Title	Name	Date	Courses	Hours
Chairman	Bill Lo	2022.02.24	The latest development of international tax and domestic tax and the trend of legislative amendments	3
		2022.04.27	Trends and Challenges in Information Security Governance	3
Director	Simon Chang	2022.02.24	The latest development of international tax and domestic tax and the trend of legislative amendments	3
		2022.07.28	Net Zero Emissions, Carbon Neutrality, and Corporate Compliance	3
Director	Ciou-Yuan Lai	2022.02.24	The latest development of international tax and domestic tax and the trend of legislative amendments	3
		2022.04.27	Trends and Challenges in Information Security Governance	3
Director	Zoe Cherng	2022.02.24	The latest development of international tax and domestic tax and the trend of legislative amendments	3
		2022.04.27	Trends and Challenges in Information Security Governance	3

## ■ Professional Training for Directors

Title	Name	Date	Courses	Hours
Director	Wen-Chang Chen	2022.04.27	Trends and Challenges in Information Security Governance	3
		2022.08.18	How boards use OKRs to enhance corporate governance effectiveness	3
Director	Chih-Chung Lan	2022.04.27	Trends and Challenges in Information Security Governance	3
		2022.08.11	Introduction to Corporate Governance and Commercial Court Trial Laws	3
Independent Director	Ji-Ren Le	2022.02.24	The latest development of international tax and domestic tax and the trend	3
		2022.05.05	How can business leaders lead low-carbon ESG transformation programs?	1.5
		2022.06.01	Corporate Governance and Securities Regulation	3
		2022.07.28	Net Zero Emissions, Carbon Neutrality, and Corporate Compliance	3
		2022.08.04	Update in Taxation and Securities Laws	1.5
Independent Director	Sin-Hui Yan	2022.04.27	Trends and Challenges in Information Security Governance	3
		2022.08.03	Challenges and Opportunities for Sustainable Development Pathways and Introduction to Greenhouse Gas Inventories	3
		2022.08.05	Corporate Governance and Securities Regulation	3
Independent Director	Chung-Yang Huang	2022.02.24	The latest development of international tax and domestic tax and the trend	3
		2022.04.27	Trends and Challenges in Information Security Governance	3

- In order to strengthen corporate governance, VIVOTEK has established a director to enhance the disclosure of relevant information, and in 2022, VIVOTEK was ranked as one of the top 6%-20% companies of level 2 in TWSE's "Corporate Governance Assessment", which recognizes VIVOTEK's efforts in protecting shareholders' rights and interests, treating its shareholders on an equal footing, strengthening the structure and operation of the board of directors, enhancing the transparency of information, and implementing corporate sustainability.
- There is no distinction between executive/non-executive directors.

## 3.2.2 Board Governance Operations

### A. Director Selection

Under the director selection system, the selection and nomination of board members is based on the candidate nomination system, or shareholders holding at least one-hundred percent (1%) of the total number of the Company's outstanding shares may propose a list of director candidates to the Company in writing. To evaluate the background and experience of the candidates, the opinions of the independent directors, "the provisions of the Articles of Incorporation", "the Code of Corporate Governance Practices", "the Regulations Governing the Establishment of Independent Directors and Matters to be Observed by Public Companies", and "Article 14-2 of the Securities and Exchange Act", to ensure plurality, independence, and incorporation of the opinions of the stakeholders in the overall consideration. After the Board of Directors' review, the shareholders will vote on the list of director candidates through an open and fair election process. In accordance with Article 20 of the "Code of Corporate Governance Practices", the Board of Directors should be structured in such a way that it determines the appropriate number of seats for more than five directors, taking into account the scale of the Company's business development and the shareholdings of its major shareholders, as well as the operational needs of the Company.

The term of office of the Board of Directors is three years. The current Board of Directors consists of 9 seats, comprising of 6 ordinary directors (67%) and 3 independent directors (33%). Aligning with Article 26-3 and Article 26-4 of the Securities and Exchange Act, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the company's directors. In addition to the professionalism of the directors in their respective fields, the independent directors also ensure the objectivity and independence of the operation of the board of directors. In this regard, the Company fully relies on and respects the participation of the independent directors to form a positive board of directors' operation culture.

The average tenure of the Directors of the company is 9 years. Directors whose years of service is less than 6 years are Bill Lo, Simon Chang, Ciou-Yuan Lai, Zoe Cherng, Sin-Hui Yan, Ji-Ren Lee, Chung-Yang Huang; directors whose years of service is 23 years are Wen-Chang Chen, Chih-Chung Lan. The term of office of Independent Directors Sin-Hui Yan and Chung-Yang Huang is 6 years; Ji-Ren Lee's is 5 years. The consecutive terms of the three independent directors shall not exceed 3 consecutive terms.(For details, please refer to page 10 of the 2022 Annual General Meeting.)

In addition, to provide stakeholders with a full understanding of the operation of the Board of Directors, the following pieces of information have been disclosed in the Company's annual report, on the Company's website, or on the Market Observation Post System (MOPS) of TWSE: (1) attendance status of Board members at meetings, (2) proposals and resolutions of the Board of Directors, (3) status of directors' continuing education, and (4) changes in shareholdings of members of the Board of Directors (shareholding ratios, transfers, and setting of pledge rights, etc.).

## B. Professionals of Board of Directors

The current Board of Directors is in its 8th term and consists of 9 Board members (including 3 independent directors), all of whom are outstanding individuals with extensive professional and practical experience, and generally possess the overall knowledge, skills, and qualities necessary for their positions, such as leadership and decision-making, operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market view, leadership, decision-making ability, and 3 independent directors with financial and accounting skills. The three Independent Directors have specialized backgrounds in finance and accounting, management, and electrical engineering. Three of the independent directors specialized in finance and accounting, management, and electrical engineering, while six directors specialized in electrical engineering, finance and accounting, management, and journalism.

With experience in the electrical engineering and information and technology industries, Bill Lo, Chairman; Simon Chang, Ciou-Yuan Lai, Zoe Cherng, Wen-Chang Chen, Chih-Chung Lan, Directors; and Sin-Hui Yan, Ji-Ren Le, Chung-Yang, Independent Directors. Lan, and independent directors Sin-Hui Yan, Ji-Ren Le, Chung-Yang Huang. Chih-Chung Lan, an independent director, Sin-Hui Yan, Ji-Ren Le and Chung-Yang Huang; Chih-Chung Lan, a director specializing in finance and accounting, and Sin-Hui Le, an independent director. Lan, an independent director, and Sin-Hui Yan, an independent director; Sin-Hui Yan, an independent director with experience in the aviation and financial industries; Zoe Cherng, a director with expertise in strategic planning, and Ji-Ren Le, an independent director; and Sin-Hui Yan, Ji-Ren Le, Chung-Yang Huang, an independent director, are all qualified accountants. The independent directors, Sin-Hui Yan, Ji-Ren Le, Chung-Yang Huang, have accounting or financial and business expertise and have many years of teaching experience.

### The members of the current Board of Directors are described below in terms of the relevance of their professional experience to ESG capabilities

Name	Conditions	Professional qualifications and experiences	
<b>Bill Lo</b>	Delta Electronics, Inc. Representative	Education: Experience: Professional field:	<ul style="list-style-type: none"> <li>• Bachelor in Department of Management Science, National Chiao Tung University</li> <li>• General Manager, Building Automation BG (6 years of experience)</li> <li>• Director of IBM Greater China Group Industrial Sector, IBM (China) Company Limited (More than 30 years of experience).</li> <li>• Programming, committed to computer related fields</li> <li>• Integrated green-smart-manufacturing automation building related technologies. Leading Delta Electronics, Inc. to step into another industrial technology and shifting the company towards sustainable operation.</li> <li>• Operations and business management</li> <li>Has not been a person of any of the conditions defined in Article 30 of the Company Act.</li> </ul>
<b>Simon Chang</b>	Delta Electronics, Inc. Representative	Education: Experience: Professional field:	<ul style="list-style-type: none"> <li>• EMBA, Chung Yuan Christian University</li> <li>• President and COO of Delta Electronics, Inc. (More than 40 years of experience).</li> <li>• Industrial automation, covering the fields of drive, motion, control, sensing, and visual inspection</li> <li>• Innovative research and development of "smart manufacturing" related products. Providing efficient integrated solutions for customers all over the world, and moving toward green-smart-manufacturing.</li> <li>• Operations and business management</li> <li>Has not been a person of any of the conditions defined in Article 30 of the Company Act.</li> </ul>
<b>Ciou-Yuan Lai</b>	Delta Electronics, Inc. Representative	Education: Experience: Professional field:	<ul style="list-style-type: none"> <li>• Master of Industrial Management, National Taipei University of Technology</li> <li>• Director of the global intelligent manufacturing project of Delta Electronics, Inc. , Regional President (More than 23 years of experience).</li> <li>• President of Delta Electronics Investment Subsidiary</li> <li>• Specializing in factory manufacturing management</li> <li>• Operations and business management</li> <li>Has not been a person of any of the conditions defined in Article 30 of the Company Act.</li> </ul>

■ The members of the current Board of Directors are described below in terms of the relevance of their professional experience to ESG capabilities

Name	Conditions	Professional qualifications and experiences	
<b>Zoe Cherng</b>	Delta Electronics, Inc. Representative	Education: Experience: Professional field:	<ul style="list-style-type: none"> <li>• Bachelor in Journalism, Cheng Chi University</li> <li>• Manager, Strategic Marketing Dept. and Corp. NBD Management Office, Delta Electronics, Inc.</li> <li>• Domestic and foreign technology industry brand management, public relations (More than 30 years of experience).</li> <li>• Marketing and Strategic Planning, providing the company with market development strategy, operations strategy and personnel cultivation policy</li> </ul> <p>Has not been a person of any of the conditions defined in Article 30 of the Company Act.</p>
<b>Wen-Chang Chen</b>	Director	Education: Experience: Professional field:	<ul style="list-style-type: none"> <li>• Master of Science (Automatic Control Engineering), Feng Chia University</li> <li>• Chairman and President of Vivotek (More than 20 years of experience)</li> <li>• Director, VATICS, Inc.</li> <li>• Chairman, Yen Yung International Investment Co., Ltd.</li> <li>• Specializes in programming</li> <li>• Developed "Digital Monitoring" products</li> <li>• Professional leadership, marketing, operation management, and strategic planning capabilities, providing professional advice on future development trends and strategies to the company</li> </ul> <p>Has not been a person of any of the conditions defined in Article 30 of the Company Act.</p>
<b>Chih-Chung Lan</b>	Director	Education: Experience: Professional field:	<ul style="list-style-type: none"> <li>• Bachelor of Accountancy from Tamkang University</li> <li>• Vice Chairman and President, Vivotek, Inc (More than 20 years of experience)</li> <li>• Chairmen, VATICS, Inc.</li> <li>• President, Uniform Industrial Corporation</li> <li>• Accounting practice</li> <li>• Auditing practice</li> <li>• Specializes in market development and strategic planning</li> <li>• Operations and business management</li> </ul> <p>Has not been a person of any of the conditions defined in Article 30 of the Company Act.</p>
<b>Sin-Hui Yan</b>	Independent Director	Education: Experience: Professional field: Professional qualifications:	<ul style="list-style-type: none"> <li>• Ph.D. of Accountancy, National Taiwan University</li> <li>• Master of Accounting, University of Illinois Urbana-Champaign</li> <li>• Bachelor of Accountancy, Tamkang University</li> <li>• Professor, Accountancy, Tamkang University, 30 years of teaching experience</li> <li>• Consultant and member of the Financial Accounting Committee, Accounting Research and Development Foundation</li> <li>• Member of the Board of Examiners, Examination Yuan</li> <li>• Audit Committee Convenor and Compensation Committee Member of the Company Audit Committee</li> <li>• Specializes in accounting affairs and tax planning, with rich planning experience in the industry</li> <li>• Auditing practice</li> <li>• CPA of R.O.C</li> </ul>

■ The members of the current Board of Directors are described below in terms of the relevance of their professional experience to ESG capabilities

Name	Conditions	Professional qualifications and experiences	
Ji-Ren Le	Independent Director	Education:	<ul style="list-style-type: none"> <li>• Ph.D. Strategic Management, University of Illinois at Urbana-Champaign</li> <li>• Master of Business Administration, National Taiwan University</li> <li>• Bachelor of Science in Industrial Engineering and Engineering Management, National Tsing Hua University</li> </ul>
		Experience:	<ul style="list-style-type: none"> <li>• Professor of International Business, National Taiwan University</li> <li>• Associate Dean of the College of Management and Executive Director of the EMBA Program, National Taiwan University</li> <li>• Associate Dean of the Teaching and Resource Development of the College of Management, National Taiwan University</li> <li>• Director, Taidah Entrepreneurship Center in National Taiwan University</li> <li>• Honorary Professor of International Business, National Taiwan University</li> <li>• Audit Committee Member and Compensation Committee Convenor of the Company</li> </ul>
		Professional field:	<ul style="list-style-type: none"> <li>• Strategy of ability-based growth</li> <li>• Strategy of professional division of labor and competition and cooperation</li> <li>• Strategy of operating emerging markets</li> <li>• Specializes in management and leadership, planning short, medium, long-term strategies and the establishment of personnel training and performance appraisal systems</li> </ul>
Chung-Yang Huang	Independent Director	Education:	<ul style="list-style-type: none"> <li>• Ph.D. in Electrical and Computer Engineering University of California, Santa Barbara, CA, USA</li> <li>• Master's Degree, Department of Electrical Engineering National Taiwan University</li> <li>• Bachelor's Degree, Department of Electrical Engineering National Taiwan University</li> </ul>
		Experience:	<ul style="list-style-type: none"> <li>• Professor, Department of Electrical Engineering National Taiwan University</li> <li>• Co-Founder, YOCTOL.AI.</li> <li>• Member of the National Development Fund Investment Commission</li> <li>• Deputy Director, Taidah Entrepreneurship Center in National Taiwan University</li> <li>• Senior Manager, Cadence Design Systems (ex-Verplex Systems Inc.)</li> <li>• Audit Committee Member and Compensation Committee Member of the Company</li> </ul>
		Professional field:	<ul style="list-style-type: none"> <li>• SoC circuit design verification</li> <li>• Automation and optimization of circuit design</li> <li>• Verifiable circuit design</li> <li>• Constraint satisfaction issue</li> <li>• AI research, specializing in IC design verification and AI technology application</li> </ul>

## C. Diversity and Independence

### Diversity of Board of Directors

In addition to the consideration that the number of directors who are also managers of the Company should not exceed one-third of the number of seats on the board of directors, the orientation, complementarity, and implementation of director diversity have already met the standards set forth in Article 20 of the "Code of Corporate Governance Practices".

In the future, depending on the operation of the Board of Directors, the mode of operation and the development needs, we will continue to revise the diversity policy and guidelines in a timely manner, including but not limited to the basic qualifications (gender, age, nationality) and values, professional background and knowledge, skills, industrial experience-orientated and other criteria, in order to ensure that the members of the Board of Directors generally have the ability to perform well.

This is to ensure that the Board members generally possess the knowledge, skills, and qualities necessary for the performance of their duties.

The current board of directors consists of nine directors (including three independent directors) with extensive experience and expertise in the fields of manufacturing, management, and finance and accounting. Representative directors account for 44% of the total number of directors, and natural persons account for 23% of the total number of directors of Delta Electronics Industry Co;

Target of management	Achievement
At least one female director	Yes
A director who is also a manager of a company should not be more than one-third of the total number of directors.	Yes
The number of independent directors exceeds one-third of the number of directors	Yes
The term of office of the independent directors have not exceeded three terms	Yes
At least one-third of the independent directors have expertise in financial accounting, strategic planning or the use of AI.	Yes

In addition, in order to implement the policy of promoting gender equality in Taiwan, increase women's participation in decision-making and improve the structure of the board of directors. Women directors account for 11% of the total number of directors, while men directors account for 89% of the total number of directors.

Three of the directors are aged 51-60, accounting for 33% of the total number of directors, and six of the directors are aged 61-70, accounting for 67% of the total number of directors. All of the directors have professional managerial qualifications, which enhance the diversity of the board of directors. All directors are nationals and do not have employee status.

Diversity Core	Basic Information						Industrial experience					Professional ability			
Name	Nationality	Gender	Company employee	ESG stakeholder relevance	Age	Term of office of independent directors	Electrical Engineering	Information and Technology	Finance and Accounting	Aviation and Finance	Professional Services & Marketing	Electrical Engineering	Finance and Accounting	Management	Media
Bill Lo	R.O.C	male	No	Investor and Shareholder Representatives	61 to 70	0	V	V						V	
Simon Chang	R.O.C	male	No	Investor and Shareholder Representatives	61 to 70	0	V	V						V	
Ciou-Yuan Lai	R.O.C	male	No	Investor and Shareholder Representatives	51 to 30	0	V	V						V	
Zoe Cherng	R.O.C	female	No	Investor and Shareholder Representatives	51 to 60	0	V	V		V					V
Wen-Chang Chen	R.O.C	male	No	Investor and Shareholder Representatives	61 to 70	0	V	V				V			
Chih-Chung Lan	R.O.C	male	No	Investor and Shareholder Representatives	61 to 70	0	V	V	V				V		
Sin-Hui Yan	R.O.C	male	No	Not applicable	61 to 70	3-9 years	V	V	V	V			V		
Ji-Ren Le	R.O.C	male	No	Not applicable	61 to 70	3-9 years	V	V			V			V	
Chung-Yang Huang	R.O.C	male	No	Not applicable	51 to 60	3-9 years	V	V				V			



## ■ Independence of the Board of Directors

The Board of Directors guides the company's strategy, supervises the management, and is accountable to the company and shareholders. In the various operations and arrangements of the corporate governance system, the Board of Directors exercises its authority and power in accordance with the laws and regulations, the Company's Articles of Incorporation, or the resolutions of the shareholders' meetings; at the same time, it emphasizes the independent operation and transparency, and the directors and the independent directors are independent individuals who exercise their authority and power independently.

The three independent directors also comply with relevant laws and regulations and, in conjunction with the duties of the Audit Committee, review the control of the Company's existing or potential risks to ensure the effective implementation of the Company's internal controls, the selection and dismissal of the certified public accountants, and the independence and fairness of the financial statements.

In addition, the Company adopts a cumulative voting system and a candidate nomination system for the election of directors and independent directors. The Company encourages shareholders to participate in the election by allowing shareholders holding a certain number of shares or more to propose the candidates. The examination of the qualifications of the candidates and the confirmation of whether there is any violation of the provisions of Article 30 of the Company Act are conducted and announced in accordance with the law. To protect shareholders' rights and interests, to avoid monopoly or excessive abuse of the right to nominate, and to maintain independence.

Name	Criteria	Independence situation (Note 2)	Number of Independent Directors of Other Publicly Traded Companies
Bill Lo	Delta Electronics, Inc. Representative	Not applicable	0
Simon Chang	Delta Electronics, Inc. Representative	Not applicable	0
Ciou-Yuan Lai	Delta Electronics, Inc. Representative	Not applicable	0
Zoe Cherng	Delta Electronics, Inc. Representative	Not applicable	0
Wen-Chang Chen	Director	Not applicable	0
Chih-Chung Lan	Director	Not applicable	1
Sin-Hui Yan	Independent Director	ndependent, please refer to below table.	0
Ji-Ren Le	Independent Director	ndependent, please refer to below table.	3
Chung-Yang Huang	Independent Director	ndependent, please refer to below table.	1

■ **SCHEDULE:** The Company has reviewed the independence of the Independent Directors who have met the following criteria in the two years prior to their election and during their tenure of office

Independence qualification	Sin-Hui Yan	Ji-Ren Le	Chung-Yang Huang
(1) (Not an employee of the Company or its affiliates.	✓	✓	✓
(2) Not the Directors or Supervisor of Company or its affiliates (except in the case where the independent directors of the Company and its parent company, subsidiaries, or subsidiaries belonging to the same parent company are concurrently serving as directors of each other in accordance with this Law or local laws and regulations).	✓	✓	✓
(3) A natural person shareholder who does not himself/herself, his/her spouse, minor children, or in the name of another person, hold more than 1% of the total number of issued shares of the Company, or is in the top ten shareholdings. The top ten natural person shareholders.	✓	✓	✓
(4) Spouse, relative within the second degree of consanguinity, or relative within the third degree of consanguinity of a manager not listed in (1) or an officer listed in (2) or (3).	✓	✓	✓
(5) A person who does not directly hold more than 5% of the total number of issued shares of the Company, the top five shareholders, or a person designated as a representative pursuant to Article 27, Paragraph 1 or 2 of the Company Act. The director, supervisor, or employee of a corporate shareholder who serves as a director or supervisor of the Company (Except in the case where independent directors of the Company or its parent company, subsidiaries, or subsidiaries belonging to the same parent company serve concurrently with each other in accordance with the Law or the local regulations).	✓	✓	✓
(6) A director, supervisor or employee of another company who is not controlled by the same person as the company's directorship or more than half of the voting shares. (Except in the case where independent directors of the Company or its parent company, subsidiaries, or subsidiaries belonging to the same parent company serve concurrently with each other in accordance with the Law or the local regulations).	✓	✓	✓
(7) Directors (Governors), supervisors (Supervisors), or employees of other companies or organizations who are not the same person or spouse of the Company's Chairman, General Manager, or equivalent (Except in the case where independent directors of the Company or its parent company, subsidiaries, or subsidiaries belonging to the same parent company serve concurrently with each other in accordance with the Law or the local regulations).	✓	✓	✓
(8) Not the directors (Governors), supervisors (Supervisors), managers, or shareholders holding 5% or more of the shares of specific companies or organizations that have financial or business dealings with the Company (except in the case that the specific companies or organizations hold more than 20% of the total number of the Company's outstanding shares and less than 50% of the total number of the Company's issued shares, and where independent directors of the Company or its parent company, subsidiaries, or subsidiaries belonging to the same parent company serve concurrently with each other in accordance with the Law or the local regulations.)	✓	✓	✓
(9) Not the business, legal, financial, accounting, and other related services professionals, sole proprietors, partners, owners, directors, supervisors, managers, and their spouses of companies or institutions that provide audits for the Company or its affiliates, or whose cumulative amount of compensation in the last two years has not exceeded NT\$500,000. However, members of the Compensation Committee, the Public Offer Review Committee, or the Special Committee on Mergers and Acquisitions who are performing their duties and responsibilities in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this limitation.	✓	✓	✓
(10) Has not been a person of any of the conditions defined in Article 30 of the Company Act.	✓	✓	✓

■ **Mechanism for Avoiding and Mitigating Conflicts of Interest**

The Company's Board of Directors approved the establishment of the "Code of Business Integrity and Operating Procedures and Behavioral Guidelines", which sets out the policies and practices of business integrity, in order to establish a good business operational model and create a corporate culture of business integrity. The Board of Directors is expected and requested to proactively implement the policy of business integrity, so as to ensure the sound development of business integrity.

The Code is available in the Corporate Governance section of the Investor Relations section of the Company's website.

■ **Status of Interested Party Transactions**

Please refer to page 13: 4 of the Annual Report for the status of directors' service on other boards of directors, (1) Disclosure of Directors' Professional Qualifications and Independent Directors' Independence Information. Please refer to page 269 of the Annual Report for the status of cross-shareholdings with suppliers or other interested parties: (5) Information on directors, supervisors and general manager of each affiliated company. For the existence of controlling shareholders, please refer to page 67 of the annual report: ix. Information on shareholders whose shareholdings account for the top ten shareholders and who are related to each other or who are spouses, second-degree relatives, and so on. For interested groups and their relationships, transactions and outstanding balances, please refer to page 156 of the annual report for consolidated information: VII. Related Party Transactions and page 216 of the annual report for individual information: VII.

## D. Major motion in 2022

VIVOTEK is committed to sustainable promotion. The management would report to the Board of Directors at least once a year on ESG promotion, performance results and future plans. At the Board of Directors' meeting on 26 October 2022, VIVOTEK collected feedback from stakeholders (e.g., shareholders and customers) and reported to the Board of Directors on the following five issues, and there would not be any material events of key importance in FY2022 having a potential or actual negative impact on the stakeholders. Furthermore, in order to effectively respond to stakeholders' expectations, the Company has adopted the following strategies and directions for sustainable development.

### Major motion in 2022

- Self-issuance of sustainability reports for five consecutive years, with a further RE100 initiative in 2022

- Bilingual version of the 2021 Corporate Sustainability Report

- Corporate Vision and Mission:

In order to provide the most reliable security solutions for the society, the Company has established a niche on Taiwan's R&D, design, and manufacturing since its founding, and its business operation and management have been progressively aiming at enhancing the sustainable development of ESG environment, society, and corporate governance. We support and comply with international labor and human rights standards such as the United Nations Global Compact, the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the International Social Responsibility System (ISRS), as well as the laws and regulations of the countries in which we operate, and we treat all of our partners, including all of VIVOTEK's employees, subsidiaries, business associates, vendors, and contractors, with dignity and respect.

Based on the international standard AA1000 Stakeholder Engagement Standard ("AA1000 SES") and with reference to the development of international sustainability issues and operational needs, VIVOTEK defines 6 major categories of stakeholders as follows: employees, corporate customers, investors and shareholders, and social organizations, government agencies, and partners.

- Greenhouse Gas Inventory and Verification Schedule Planning

Report on the planning of GHG inventory and verification schedules, cooperation with consultants, identification of emission sources, and identification of areas of disclosure for each plant (using ISO 14064-1:2018 version).

- **The RE100 Initiative**

Joined the Taiwan Climate Partnership (TCP) in 2022: Corporate Carbon Reduction and Sustainability Experience Sharing and Exploration for Zero Carbon Supply Chain Trend.

Establishment of ICP (Internal Carbon Pricing) Cost Centre to internally review carbon fee applications for use in carbon reduction investment programs such as regenerative power and energy technology development and low carbon innovation and initiatives. The ICP was officially launched in October 2022 after planning into the annual budget.

Introduction of renewable energy: Starting from August 2020, green electricity was introduced gradually. Use of solar panels:

Use of solar panels VIVOTEK's U.S. subsidiary officially launched a rooftop solar power generation facility in 2020. Located on the rooftop of its San Jose, California office building, VIVOTEK's U.S. subsidiary installed nearly 700 rooftop-type solar panels, with each panel measuring 77x39x1.57 inches, which was able to generate an estimated 253,000kWh of renewable energy annually through its solar photovoltaic (PV) system.

## E. Board Performance Assessment Result: Average score of 4.7, rated as excellent.

The company has established a board performance assessment system, which conducts an annual internal self-assessment of the board and a self-assessment of board members. The board performance assessment includes five dimensions: (1) level of engagement in company operations, (2) quality of board decision-making, (3) composition and structure of the board, (4) selection and continuous education of directors, and (5) internal controls. Board members' self-assessment includes six dimensions: (1) understanding of company goals and missions, (2) awareness of director responsibilities, (3) level of engagement in company operations, (4) management of internal relationships and communication, (5) director's expertise and continuous education, and (6) internal controls. Currently, although the board performance assessment does not fully incorporate sustainability (ESG) related impacts, it does consider sustainability (ESG) initiatives to a certain extent. In the future, the feasibility of integrating board performance assessment with sustainability (ESG) related impacts will be reevaluated.

Furthermore, according to the board-approved board performance assessment method, an external professional independent institution or a team of external expert scholars conducts an assessment once every three years. At the end of 2021, the assessment was conducted by the Taiwan Institute of Ethical Business and Investigative Accountants for the period from January 1, 2021 to November 30, 2021. The results of the self-assessment and external assessment are disclosed in the company's annual report and official website after presentation to the nomination committee and reporting to the board.

On February 21, 2023, a report was submitted to the board, and the measurement items for board performance assessment encompassed the following five dimensions:

1. Level of engagement in company operations.
2. Enhancement of board decision-making quality.
3. Composition and structure of the board.
4. Selection and continuous education of directors.
5. Internal controls.

1. Assessment  
results: Average  
score of 4.96  
out of 5.

### Improvement plan:

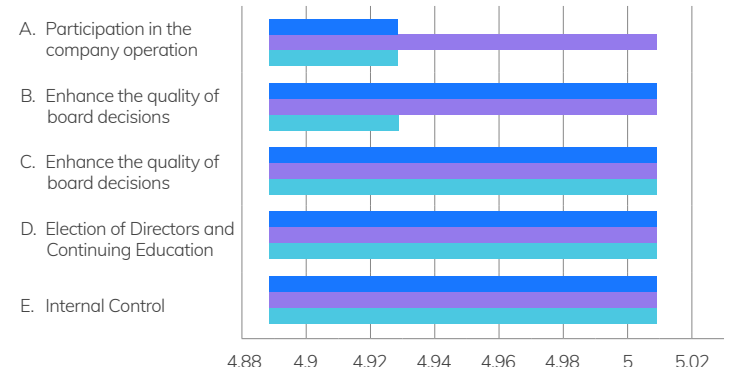
#### Level of engagement in company operations

1. Level of engagement in company operations: Due to the impact of the COVID-19 pandemic, some directors participated in shareholder meet
2. If a company operates through corrupt and unethical means, it will impact corporate image, brand reputation, and stakeholder rights. Therefore, the board leads by example, advocating for ethical business practices and anti-corruption policies, with the following results:  
At least one ethical business training course per year; 100% participation rate for directors in 2022.  
100% signing rate of the code of ethics.

Note: Self-assessment by the Board of Directors is unnecessary as the auditing procedures have been completed by external expert institute individually in 2021.

### 2022 Performance Evaluation of the Board Members and Directors and Audit Committee

2019~2022 Board Member Effectiveness Evaluation



## F. Board Member Assessment Result: Average score of 4.83, rated as excellent.

The measurement items for board members' (self or peer) performance assessment encompass the following six dimensions:

1. Understanding of company goals and missions.
2. Awareness of director responsibilities.
3. Level of engagement in company operations.
4. Management of internal relationships and communication.
5. Director's expertise and continuous education.
6. Internal controls.

Assessment  
results: Average  
score of 4.83  
out of 5.

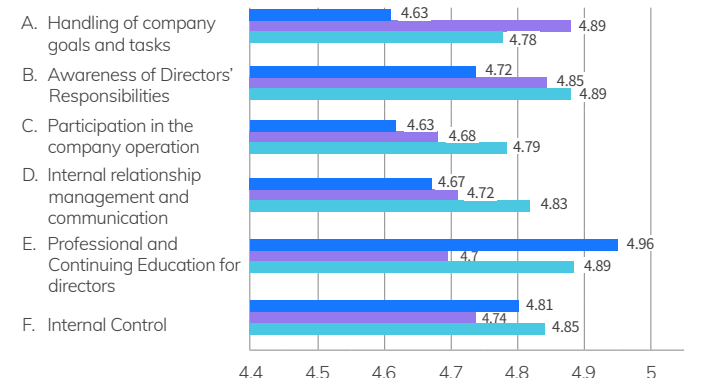
### Improvement plan:

#### Understanding of company goals and missions

1. Core values, mission, goals, and culture were achieved through the 2020 brand transformation initiative; future activities and execution results will be reported in quarterly board operation reports and director reports.
2. A ten-year strategic plan was presented in the third-quarter board meeting after completing annual strategic planning in the first half of the year.
3. In addition to highlighting industry opportunities and risks in strategic planning reports, director expertise will be utilized for industry analysis and seeking director recommendations.

## 2022 Performance Evaluation of the Board Members and Directors and Audit Committee

Comparison of self-evaluation for six aspects of Board Members in 2020, 2021 and 2022



## G. Functional Committee Assessment Result:

Audit Committee performance assessment measurement items include the following five dimensions:

1. Level of engagement in company operations.
2. Awareness of Audit Committee responsibilities.
3. Enhancement of Audit Committee decision-making quality.
4. Composition and member selection of the Audit Committee.
5. Internal controls.

■ Assessment results: Average score of 4.95 out of 5, rated as excellent.

Assessment  
results: Average  
score of 4.83  
out of 5.

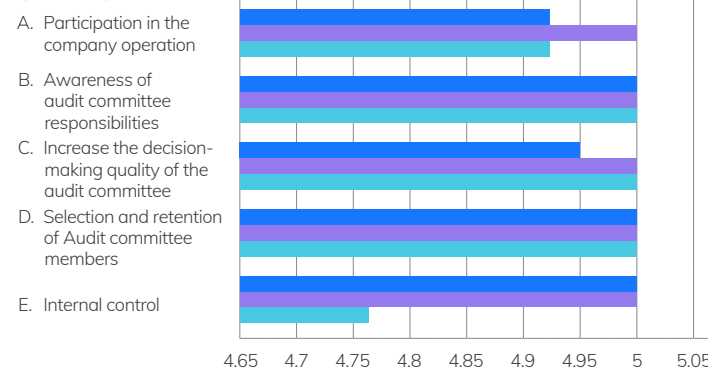
Improvement plan:

Internal controls

1. Audit report-related documents sent to the board 7 days prior.
2. Pre-communication of contents with the Audit Committee chair.
3. Strengthening company systems for prevention and early warning to assist effective management and tracking.

### 2022 Performance Evaluation of the Board Members and Directors and Audit Committee

Comparison of self-evaluation for five aspects of Audit Committee in 2020, 2021 and 2022





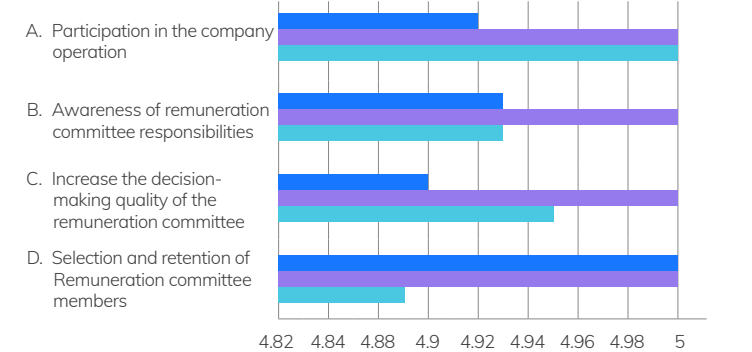
■ Assessment results: Average score of 4.95 out of 5, rated as excellent.

Remuneration Committee performance assessment measurement items encompass the following four dimensions:

1. Level of engagement in company operations.
2. Awareness of Remuneration Committee responsibilities.
3. Enhancement of Remuneration Committee decision-making quality.
4. Composition and member selection of the Remuneration Committee.

**2022 Performance Evaluation of the Board Members and Directors and Audit Committee**

Comparison of self-evaluation for five aspects of Remuneration Committee in 2020, 2021 and 2022



### 3.2.3 Board Organization and Structure Audit Committee

VIVOTEK has established an Audit Committee, as mandated by laws and regulations, composed of all independent directors. The committee meets at least once every quarter and may convene as needed.

The annual work priorities of the Audit Committee include ensuring fair presentation of the Company's financial statements; selection (dismissal), independence and performance of certified accountants, effective implementation of the Company's internal control, Company compliance with relevant laws and regulations, as well as management and control of existing or potential risks of the Company. In addition to sending the audit report to independent directors every month for review, the head of internal audit submits reports on the Company's internal control management findings to the members and directors of the audit committee and the board. The independent directors have at least one separate audit each year. The supervisor reports important Company internal control management findings and communicates with the accountant once a year on the audit of the Company's consolidated financial report (annual and individual reporting). Relevant information is disclosed on the Company website (i.e., Independent Directors and Internal Audit and Communication with Accountants).

#### ■ Audit Committee Operations in 2022

Number of audit committee meetings in 2022: VIVOTEK held a total of 5 audit committee meetings, and the average attendance rate of independent directors was 100%.

In the most recent year, the Audit Committee held 5 meetings (A), and the attendance of the independent directors is as follows:

Job Title	Name	Actual attendance(B)	Number of attendance by proxy	Actual attendance rate(%) (B/A)	Remarks
Independent Director	Sin-Hui Yan	5	0	100	No more than three consecutive terms
Independent Director	Ji-Ren Le	5	0	100	No more than three consecutive terms
Independent Director	Chung-Yang Huang	5	0	100	No more than three consecutive terms

## 3.2.4 Organization and Structure of the Board of Directors ' Remuneration Committee

The VIVOTEK Remuneration Committee is tasked to assist the Board of Directors with the implementation and evaluation of the Company's overall compensation and benefit policies, as well as the directors and managers' compensation. At present, the Remuneration Committee is composed of three independent directors and holds at least two meetings a year, and may organize ad hoc meetings from time to time as the case may be. Please refer to VIVOTEK's annual report for information on the committee meetings and the attendance rate of each member.

### ■ Remuneration Committee Operations in 2022

Results in 2022: VIVOTEK has 3 remuneration committee members whose term of office is from June 15, 2020 to June 14, 2023. A total of 4 meetings were held in 2022, with an average attendance rate of 100%.

Job Title	Name	Gender	Expertise
Convenor	Ji-Ren Le	Male	Business Strategy
Member	Chung-Yang Huang	Male	Electronic Communication
Member	Sin-Hui Yan	Male	Financial Accountant

## 3.2.5 Director Remuneration

The main form of director compensation in VIVOTEK is remuneration. In accordance with Article 12-2 of the company's regulations and the Compensation Management Guidelines, the Board of Directors is authorized to assess the directors' performance and contribution to the company's operations, their understanding of company objectives, their recognition of directorial responsibilities, their professional qualifications, and their records of continuous education. This assessment considers various indicators of their performance contribution and refers to industry norms. Additionally, if the company is profitable in the fiscal year, up to 4% of the profit is allocated as director remuneration as stipulated in Article 18 of the company's bylaws. Independent directors receive fixed compensation and do not participate in the distribution of ?director remuneration.

Furthermore, the following are not included: fixed and variable salary, signing bonuses or recruitment incentives, severance pay, clawback mechanisms, retirement benefits.

## 3.2.6 Shareholder Communication

VIVOTEK held two briefing sessions for legal entities during the first half and second half of the year on May 31, 2022 and December 29, 2022, respectively. Because of the pandemic, the sessions were held online wherein legal entities, shareholders, and media were invited to participate. The financial results and operational highlights were announced. The president and the management team discussed the business and financial reports and responded to real-time questions from the participants. They also talked about future prospects. The briefings and videos of relevant legal entities are published in the investor relations section of VIVOTEK's official website.

## 3.2.7 Internal staff integrity management training

VIVOTEK arranges an annual integrity and business ethics training program for all employees, with a participation rate of 98.7%. The course is titled "Corporate Governance and Integrity Advocacy," and the following are excerpts and highlights of the course:

### A. Code of Business Integrity

While engaging in business activities, we shall not directly or indirectly provide, promise, request or accept any kickback, or commit dishonest acts, or act in bad faith or illegally, or breach fiduciary obligation in order to obtain or gain benefits, including money, gifts, commissions, positions, services, favors, and rebates in any form or name. However, in socially accepted norms or situations that have no bearing on specific rights and obligations, this limitation is not applicable.

### B. Responsible unit

To improve integrity management, the Human Resources Department, Legal Affairs, and Intellectual Property Department are responsible for formulating and implementing the Company's integrity management policy, as well as managing trade secrets and confidential operating procedures. They also report the implementation of the integrity management policy to the board of directors once a year.

### C. Stakeholders are required to comply with the code of integrity management

Likewise, suppliers must uphold the business mission of VIVOTEK and follow the Sustainable Supplier and Integrity Commitment and Supplier Code of Conduct. They need to identify, monitor, and mitigate any negative environmental, social, and governance impacts along the value chain.

All company members are required to uphold the highest ethical standards, including but not limited to conditions relevant to business ethics, unjust enrichment, corruption, conflict of interest, protection of intellectual property rights, anti-trust laws, and use of conflict minerals.

## D. Violations of Code of Business Integrity

1	Bribes or accepts bribes
2	Make illegal political contributions
3	Improper charitable donations or sponsorship
4	Offer or accept unnecessary gifts, entertainment, or other improper advantages
5	Injure the trade secrets, trademarks, patents, copyrights, and other intellectual property rights
6	Fixing prices, rigging bid, limiting production or distribution, or allocating customers, suppliers, operating areas, and business types to share or divide the market
7	Products and services directly or indirectly damage the rights, health, and safety of consumers or other interested parties during research and development, procurement, manufacture, distribution or sale.
8	Disclosing the company trade secret or other vital information to the irrelevant person
9	Using the unpublished information to engage in insider trading or disclose it to others.

## E. Anti-bribery Procedures

An individual who offers or promises any form of kickback as well as the person with no conflict of interest should report the incident to his immediate supervisor within three days from the date of the incident and notify the Company's designated unit when necessary.

An individual who offers or promises any form of kickback and has a conflict of interest should return or refuse such inducement and report the incident to his immediate supervisor and inform the Company's designated unit. If the inducement cannot be returned, it should be handed over to the responsible unit within three days from the date of receipt.

## F. Punitive Measures for Violation of Integrity Management Code

If it is confirmed that there is a violation of relevant laws and regulations or the Company's integrity management policies and regulations, the perpetrator shall be immediately reprimanded, and appropriate measures shall be taken, and if necessary, the said individual shall undergo legal procedures to determine possible damages in order to protect the Company's reputation and rights. Information such as professional title, name, date of violation, violation committed, and situation handling shall be posted on the Company's internal website.

## 3.3 Risk Management

### 3.3.1 Management policy and implementation results

#### A. Management Policy and Commitment:

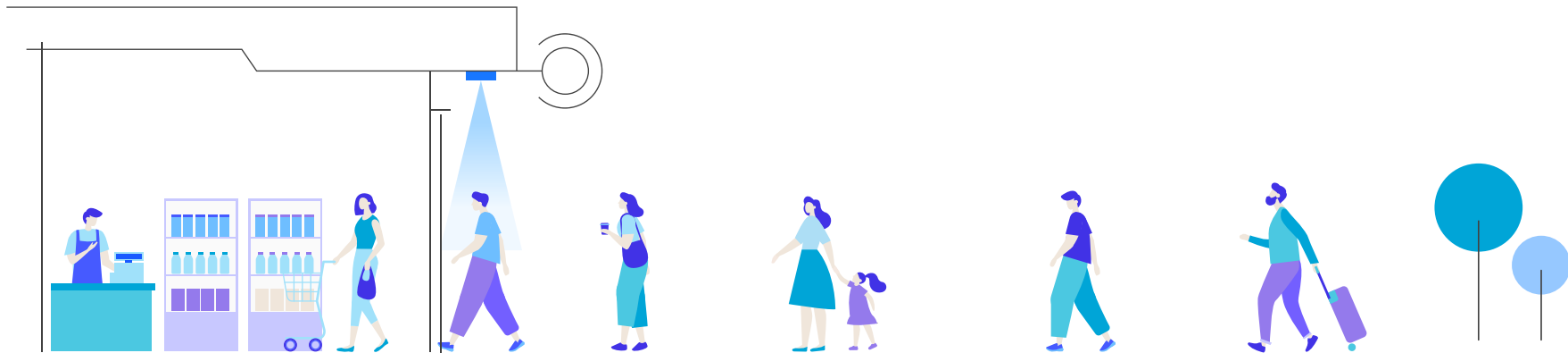
1. Improve and formulate risk management policies.
2. Regularly monitor and analyze risk issues and risk communication.
3. Regularly update the epidemic prevention management plan.

#### B. Management Policy Evaluation and Performance

1. Publish a risk management policy.
2. The top risk management executive reports to the board once a year.
3. Announcement of epidemic prevention management measures and procedures.

#### C. Actual implementation

1. In 2022, the general manager reported to the board of directors, and the board of directors approved and released the risk management policy and implementation.
2. VIVOTEK has set up an epidemic prevention team to actively monitor epidemic trends and development. In addition, an epidemic prevention section has been set up on the Company's internal website, and internal e-mails and other communication channels are regularly used to educate employees through epidemic prevention measures and to answer frequently asked questions, as well as to thoroughly implement epidemic prevention work.

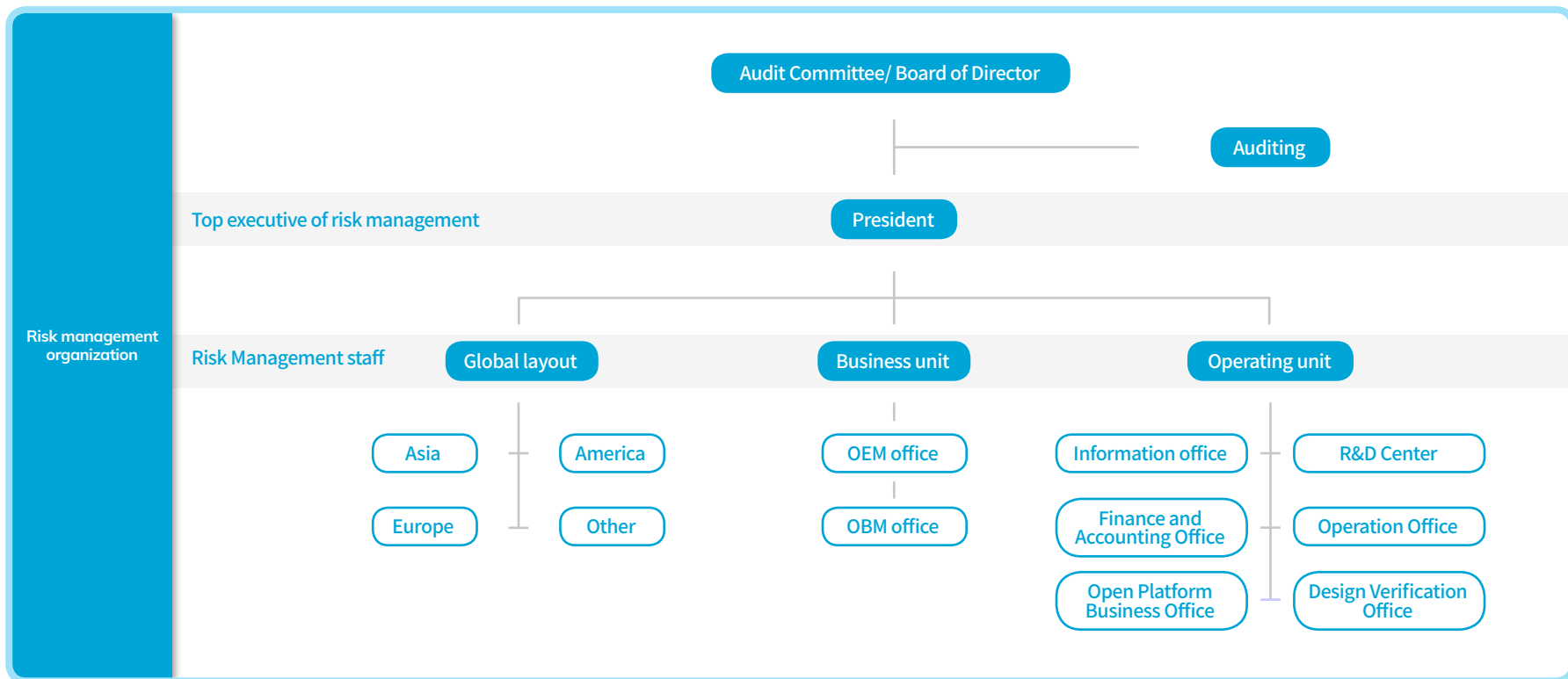




### 3.3.2 Risk management organization

In October 2021, the board of directors of VIVOTEK approved the risk management policy, with the general manager serving as the top risk management director, and the department heads, business unit directors, and regional directors serving as front-line risk management personnel. Relevant countermeasures have been determined, evaluated, and formulated, while regular review and supervision are ensured during operational meetings. For different risks, the general manager has set

up relevant incident response teams and assigns supervisors to handle team coordination. In terms of internal control system, the audit unit is responsible for ensuring implementation. It conducts impact assessments and policy responses for risk factors on strategic, operational, financial, hazardous events, and regulatory compliance.



### 3.3.3 Risk management assessment methods

According to the "Risk Management Policy" formulated by the Company, through the identification, evaluation, control, supervision and communication of potential risks, and qualitative or quantitative management methods, the risks faced during operations are reduced to a tolerable and controllable range with each potential risk described below:

#### ■ Risk types

divided into five aspects - strategy, operation, finance, hazardous events, and regulatory compliance.

#### ■ There are two risk assessments:

Possibility of a risk event: Five-point rating scale:

1	almost unlikely
2	unlikely
3	likely
4	very likely
5	almost certain

Severity of impact once a risk event occurs: impact on revenue, costs, assets, and personnel; divided into high, medium, and low;

high	high with major impact >1% (about US\$100M),
medium	medium with a certain degree of impact 0.1 %~1% (about US\$10M-100M)
low	low is 0.1%~0.01% (about US\$1M-US\$10M) with minimum impact

### 3.3.4 Risk Analysis and Practical Response Strategies:

Strategic Aspect	Industry Changes, Business Model Definition	Risk Explanation	Mitigation Measures
		The security and surveillance industry falls under stable demand. Caution is advised against new entrants into the competition	<ul style="list-style-type: none"> <li>Be vigilant against EMS contract manufacturers or networking companies seeking entry into consumer devices aiming to enhance image quality technology to secure manufacturing opportunities.</li> <li>Prepare for the growth of the smart home market with the announcement of the Matter IoT standard and support from key industry players, seeking additional manufacturing opportunities.</li> </ul>
Operational Aspect	Supply Chain Disruption	New Business Model: Subscription-based Cloud Access Service	<ul style="list-style-type: none"> <li>Years of technical development have led to the establishment of a new business unit for product and service development, set to be officially launched in 2022.</li> <li>The new business model involves a subscription-based cloud access service.</li> </ul>
		Remote work during the pandemic has affected work efficiency, resulting in increased communication costs.	<ul style="list-style-type: none"> <li>To address these challenges, the company is striving to improve systems and processes to reduce manual labor costs.</li> </ul>
		Regional power limitations have disrupted production schedules and caused information system outages	<ul style="list-style-type: none"> <li>To address this, additional generators have been installed in data centers to enhance backup capabilities.</li> </ul>
	Production Disruption	In the face of power restrictions in China and Covid-19 lockdowns:	<ul style="list-style-type: none"> <li>Cultivate outsourcing partners moderately to enhance production capacity flexibility.</li> <li>Acknowledge the use of second sources to increase procurement flexibility.</li> <li>Exercise control over the list of critical materials and be vigilant of potential risks with Tier 1 suppliers.</li> <li>Enhance visibility into Tier 1 and other suppliers.</li> <li>Explore the development of suppliers outside of China.</li> <li>Manage and guide supplier risk management and emergency response capabilities.</li> </ul>
		Shortage of new workers and isolation of certain personnel due to the COVID-19 pandemic.	<ul style="list-style-type: none"> <li>Implementing split day/night shifts, relocating dormitories</li> <li>Segregating work and dining areas.</li> <li>Regular cleaning and disinfection of factory premises.</li> <li>Implementing access controls for migrant workers and coordinating with temperature monitoring.</li> <li>Staggered breaks and meals to manage primary ingredient supply status.</li> </ul>
		MES/SAP operations disrupted due to internet interruptions.	<ul style="list-style-type: none"> <li>Implementing off-site information system backups and establishing emergency response teams to restore operations.</li> <li>Setting up regional data centers at two facilities to enable offline system operations.</li> <li>Shifting MES operations offline, with production continuing and data being uploaded upon reconnection.</li> </ul>
		Heavy power load and fire risks from earthquakes	<ul style="list-style-type: none"> <li>Emergency response teams activate fire systems and contingency procedures.</li> <li>In the short term, inability to resume work, personnel transfers, and support from other facilities in Zhonghe/Taoyuan (day/night shifts).</li> <li>Prohibiting the use of extension cords and private electrical appliances.</li> <li>Management of flammable materials in workshops.</li> <li>Implementing off-site information system backups and emergency response teams to swiftly restore operations.</li> <li>Installing additional generators in data centers to enhance backup capabilities.</li> </ul>
		Border closures and a declining workforce due to demographic changes.	<ul style="list-style-type: none"> <li>Improving benefits to retain talent.</li> <li>Optimizing designs and refining operational procedures to reduce labor requirements.</li> <li>Enhancing smart manufacturing capabilities to decrease reliance on production labor.</li> <li>Employing overseas migrant workers to fulfill production line personnel needs.</li> </ul>

Operational Aspect	Corporate Image	Risk Explanation	Mitigation Measures
		Rebuilding the corporate image	<ul style="list-style-type: none"> <li>Establishing a spokesperson system, devising communication processes, and assigning dedicated personnel/units to promptly assess and respond to stakeholder queries, mitigating risks to the corporate image.</li> <li>Defining responsibilities for relevant departments and establishing headquarters and regional media communication protocols to ensure message consistency in external communications.</li> <li>Regularly disclosing financial information and hosting annual public corporate briefings to directly communicate financial status with stakeholders, media, and investors, thereby bolstering market confidence.</li> </ul>

		Risk Explanation	Mitigation Measures
Hazard Events	Climate Change	Following the Task Force on Climate-related Financial Disclosures (TCFD) framework	<ul style="list-style-type: none"> <li>formulating consistent voluntary recommendations for disclosing climate-related financial information to assist in clarifying significant organizational risks and evaluating climate-related risks and opportunities more accurately.</li> <li>Implementing ISO 14001 and ISO 14064-1:2018 for greenhouse gas verification</li> </ul>
	Natural Disasters	Improvement measures for COVID-19 infections among employees	<ul style="list-style-type: none"> <li>Actively procuring rapid screening kits and conducting periodic tests to prevent cluster infections.</li> <li>Embracing remote meetings and home-based work to reduce interpersonal contact opportunities.</li> <li>Regular disinfection of factory premises and offices.</li> <li>Pre-screening visitors and vendors for body temperature and contact history information before entry.</li> <li>Enhancing ventilation and airflow.</li> </ul>
		Developing contingency plans for power outages and earthquake prevention.	<ul style="list-style-type: none"> <li>Establishing relevant contingency plans.</li> <li>During power outages, emergency generators are activated to ensure the normal operation of the control room.</li> <li>Enhance ceiling suspension systems.</li> <li>Install generators at the Taoyuan and Zhonghe plant areas of the headquarters so that they can provide emergency power in the event of a disaster, preventing the control room from failing and the operating system from disconnecting.</li> </ul>
	Regulatory Compliance	Adapting measures to comply with greenhouse gas-related regulations	<ul style="list-style-type: none"> <li>ISO 14064-1 verification by 2022.</li> <li>Initiating the purchase of green energy in 2022.</li> <li>Gradually replacing energy-efficient equipment and implementing energy-saving measures.</li> </ul>

### 3.3.5 VIVOTEK risk management authority

(Data reference source: Company official website/Investor Relations/Corporate Governance Zone/Risk Management Policy)

	Risk Factor	Responsible Unit
Strategic Side	Industrial change	General Manager
	Technological change	General Manager
	Business model formulation	General Manager
	Organization structure adaptability	General Manager

	Risk Factor	Responsible Unit
Operational Side	Business continuity risk (i.e., risk of operational interruption, including supply chain interruption and production chain interruption)	Operations Office
	Information Security	Information Office
	Supply Chain Management	Operations Office
	Market demand and capacity expansion	Operations Office
	Intellectual property rights	Intellectual Property Department
	Customer concentration	All Business Units
	Corporate image	Global Marketing Office
	Talent attraction, retention and training	Human Resources office
	Strategic investment	GM Office

	Risk Factor	Responsible Unit
Financial Side	Interest rates, exchange rates, inflation	Finance Department
	Tax	Finance Department
	Credit	Finance Department
	Liquidity	Finance Department
	High-risk/high-leverage financial investment, derivative financial commodity trading	Finance Department

	Risk Factor	Responsible Unit
Hazardous Event	Climate Change	Labor Safety Team
	Occupational Safety and Health	Labor Safety Team
	Fire or other man-made disasters (including use, production and disposal of hazardous substances in products and processes)	Operations Office, Labor Safety Team
	Natural disasters	Labor Safety Team

	Risk Factor	Responsible Unit
Regulatory compliance	Environmental regulations (Including carbon pricing, energy taxes, renewable energy regulations, etc.)	General Affairs Department
	Anti-trust, Anti-Corruption and Fraud	Legal Office
	Personal information protection	Human Resources Department

### 3.3.6 Internal Audit and Operations

VIVOTEK has an internal audit office, which is an independent unit directly under the board of directors and reports to the board during the regular meeting and to the audit committee on a quarterly basis. The company has set up the internal audit to assist the board of directors, audit committee, and management with the inspection and review of deficiencies in the internal control system and assessment of effectiveness and efficiency of operations; its scope covers all operations of the Company and its subsidiaries.

The audit work is mainly carried out in accordance with the audit plan approved by the board of directors. The audit plan is formulated according to the identified risks, and the project audit or review is carried out as necessary. Combining the above general audit and execution of projects, it provides information on the operation status of the management's internal control function and provides recommendations for improvement in a timely manner. Internal audit involves reviewing the self-inspection performed by each unit, as well as the internal control deficiencies and abnormal issues found by the audit unit in order to improve the situation. This helps evaluate the overall internal and control system effectiveness, which is presented to the board of directors and the general manager for review.

Achievements in 2021: The annual audit plan was completed according to schedule, and the report was presented to the board of directors and the audit committee as non-voting delegates. There were no Material issues found in the 2022 audit.

### 3.3.7 Implement the ethical code of business integrity and anti-corruption

In order to improve the development of integrity management, VIVOTEK has established the Integrity Management Code, Operating Procedures and Behavioral Guidelines for the Board of Directors to specify integrity management policies and practices, so as to establish a good business operation model and create a culture of integrity. VIVOTEK expects and requires company members, including the board of directors and senior management to actively implement this policy.

In the VIVOTEK Code of Ethics and Conduct, offering or accepting bribes is strictly prohibited, as well as making illegal political donations, providing or accepting inducements, infringing intellectual property rights, having illegal third-party transactions, or breaching of implied covenant and fair dealing in accordance with the exchange act and prohibition of unauthorized publication of internal material information without the consent of the Company.

In order to implement integrity management, the human resources department, legal department, intellectual property and other relevant units formulate and implement the Company's integrity management policy, management of trade secrets and confidential operating procedures. The human resources department regularly reports to the board of directors on the implementation of the integrity management policy once a year. Education/training and promotion relevant to integrity management are organized for directors, managers and all colleagues at least once a year. Participants attended seminars on Corporate Governance and Integrity Management Promotion in 2022. There were a total of 1,093 participants, composed of directors, and the total accumulated hours amounted to 539.5 hours, achieving a participation rate of 98.7%. In addition, the Company required suppliers to sign the VIVOTEK Sustainable Supplier and Integrity Commitment, promising to abide by the VIVOTEK Supplier Sustainability Responsibility, VIVOTEK Supplier Code of Conduct, VIVOTEK Responsible Business Alliance, VIVOTEK Integrity Commitment and other related content.

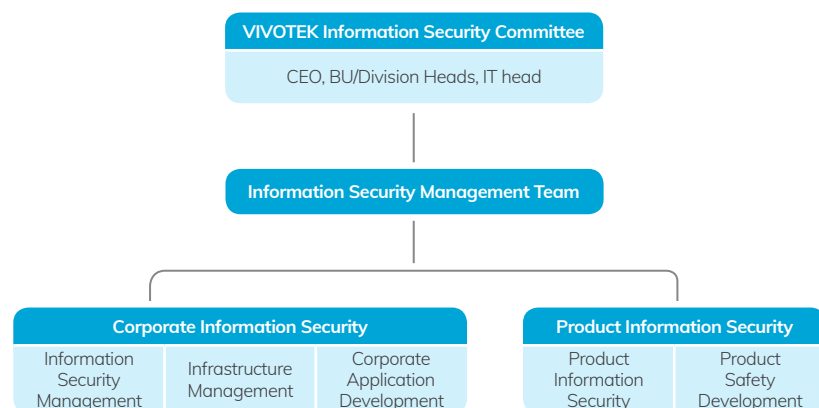
A whistle-blowing system and reward system, as well as convenient whistle-blowing channels have been established, and a staff is assigned to receive information from the whistleblower. The email address for reporting complaints is 1999@vivotek.com. The standard operating procedures for investigating reported cases, follow-up measures to be taken after completion of investigation, relevant confidentiality mechanism, and measures to protect the whistleblower from possible threats have been formulated. During the reporting period, there had been no incident reported.

## 3.4 Information Security Management

### 3.4.1 Information Security Organizational Structure

VIVOTEK, in the surveillance industry, established its Information Department in 2020, which encompasses two major functions: Information Management and Information Security Management. The Information Security Management team operates under this structure. The Information Security team includes the CEO and senior executives as members, convening regular meetings annually to discuss the following topics and reporting to the Board of Directors each year:

1. Review the status of information security implementation and assess recent significant information security threats.
2. Examine and review major cybersecurity incidents, tracking the outcomes of corrective measures.
3. Establishing unified metrics for information security risk objectives.
4. Resolving Annual Information Security Resources and Continuous Management Measures



### 3.4.2 Information Security Policy and Procedures

VIVOTEK's information security policy is:

1. To ensure the security of business information and safeguard continuous business operations.
2. This policy applies to all colleagues, temporary contract personnel, and outsourced vendors who use the company's information assets.

Each employee of VIVOTEK must adhere to relevant information security standards and policies, including:

1. Not infringing upon intellectual property rights.
2. Not installing or using any software or services for business without proper authorization.
3. Installing antivirus software.
4. Promptly reporting lost information equipment.
5. Using the company's email system exclusively for business purposes.
6. Not disclosing company business information and secrets without authorization.
7. Safeguarding company information system account passwords.
8. Promptly reporting any cybersecurity incidents and network security events.

#### ISO 27001 Information Security Management System

Starting from 2021, in response to ISO 27001:2013 certification requirements, a dedicated Information Security Working Group was established at VIVOTEK. This group developed mechanisms for information security risk management and standard procedures for cybersecurity incidents and incidents, ensuring low operational risk for sustained operations. Ongoing improvements are implemented through the PDCA (Plan-Do-Check-Act) cycle, management reviews, audits, annual risk assessments, and company-wide education and training. ISO 27001-related standards have been established, and future quality and security standards will also refer to this framework. The upgrade to the new version ISO 27001:2022 is planned for 2025.



### 3.4.3 Corporate Network Information Security

The key focus areas of corporate network information security for the year 2022 are as follows:

1. IT department obtaining ISO 27001 management system certification.
2. Upgrading the email system to a more secure O365 E3 framework, implementing two-factor authentication, and spam protection in addition to email loss prevention backups.
3. Adding redundancy to the firewall mechanism to enhance availability and external protection.
4. Equipping data centers with power equipment and systemized cabling.
5. Increasing external bandwidth to enhance system availability.
6. Providing annual information security education and training to non-direct personnel at the corporate headquarters, targeting an average of 1.5 hours per person.

### 3.4.4 Product Information Enhancement

VIVOTEK's products are primarily network-oriented, making them potential targets for hackers in the era of IoT. Customer concerns about product information security have been rising. Consequently, our software development process now incorporates static scanning software to ensure code quality. Additionally, our products undergo periodic penetration testing by external entities to ensure they don't have critical vulnerabilities.

The key focus areas of product information security for the year 2022 are as follows:


1. Continuously certifying products to comply with Taiwan's IoT security standards.
2. Developing products following the framework of IEC 62443 ML2.
3. Implementing enhanced encryption mechanisms for customer video data in cloud products to prevent unauthorized access, including by system administrators.
4. Continuously conducting static scans and subsequent black-box testing during product development, addressing critical and moderate vulnerabilities.
5. Removing unsafe IE browser-supported plugins from products, rewriting them in a plugin-free structure. The user interface for network video recorders has been rewritten to address OWASP TOP10 concerns. Continuous product revisions are anticipated for cameras.

### 3.4.5 Establish an emergency response mechanism

To effectively deal with information security issues related to enterprises and products, VIVOTEK established an information security emergency response team in 2020. Combining global marketing, sales operation, information security, product development, and research and development, the team handles and responds to product-related information security issues reported by external parties. In addition to dealing with product information security, it handles and addresses information security issues related to the Company website. Through standard operating procedures, efficient handling of issues can be achieved, damage can be controlled and customer complaints can be reduced.

In 2022, there were no major information security incidents and no complaints of customer privacy violations or loss of customer data.

VIVOTEK has an information security page on its official website, providing vulnerability policies, security enhancement guidelines, and related security bulletins. It also has an online customer service email: security@vivotek.com to immediately notify VIVOTEK of vulnerabilities and other security issues, and protect end user information security. There were four problems reported through this channel in 2021, but none of them were serious. Two issues were related to the Company's official website and the other two were product problems. After evaluation, the issues found on the official website had no actual impact. Some of the products encountered problems with Linux and all versions have already been updated.



The screenshot shows the VIVOTEK Cybersecurity Solution website. The page has a blue header with the VIVOTEK logo and navigation links. Below the header, there is a breadcrumb trail: Home > Products > Technologies > Cybersecurity Solution. The main content area is titled "Security Advisory" and contains a table with the following data:

Advisory ID	Advisory	CVE ID	Status	Last Updated
VVTK-SA-2022-01	None of VIVOTEK Product is Affected by Linux Kernel Privilege Escalation Vulnerability	CVE-2022-0847	Confirmed	March 09, 2022
VVTK-SA-2021-01	No VIVOTEK Products are Affected by Apache Log4j Vulnerability	CVE-2021-44228	Confirmed	December 16, 2021
VVTK-SA-2020-001	Allow Remote Command Execution via Uploaded Customized Script CVE-2020-11950 - #1 Remote Command Execution CVE-2020-11949 - #2 Arbitrary File Download	CVE-2020-11950, CVE-2020-11949	Fixed	May 26 2020
VVTK-SA-2019-004	Command Injection Vulnerability via CGI	CVE-2019-19936	Fixed	Jan 13 2020
VVTK-SA-2019-003	Multiple Linux Kernel DoS Vulnerabilities	CVE-2019-11477, CVE-2019-11478, CVE-2019-11479	Partial Fixed	Sep 6 2019

## 3.5 Customer Relationship Management

### 3.5.1 Management policy and implementation results

#### A. Management Policy and Commitment

1. VIVOTEK values user feedback and conducts satisfaction surveys through various channels such as customer service emails, online support, and phone services to assess the quality of consultation services.
2. Timely resolution of technical support and after-sales maintenance issues within the Turn-Around Time (TAT).
3. Establishment of a multilingual customer service center for international service expansion.

#### B. Evaluation and Performance Management

1. Monthly customer satisfaction surveys are conducted, with a maximum score of 100 points. Technical support and after-sales maintenance scores falling below 90 and 80 respectively are included in improvement plans.
2. Customer satisfaction surveys are conducted immediately after technical support case closure, with a target achievement rate of over 90%.
3. After-sales maintenance performance is measured based on the time from equipment reporting for repair until it's returned, and through semi-annual surveys of dealer customers' overall satisfaction, with a target achievement rate over 80%.
  - After-sales maintenance repair TAT should be under 7 days.
4. Customer service centers are planned for New Zealand and Europe within two years
  - A technical customer service center is planned for New Zealand in 2024.
  - A technical customer service center is planned for Europe in 2025.

#### C. Accomplishments

1. Technical support has maintained a customer satisfaction score above 90 for six consecutive years, reaching 98.4 in 2022.
2. The average TAT for after-sales maintenance repairs is 4.88 days, with an achievement rate of 83.7%.
3. After-sales maintenance customer satisfaction was 85.8 in 2022.
4. A Latin American customer service center was established in 2022, offering WhatsApp support for Spanish-speaking customers and strengthening customer relationships.
5. In 2022, the company complied with all relevant product and service regulations and voluntary commitments.

## 3.5.2 Responding to the UN SDG 17.17 Partnerships for the Goals.

### SDG 17

VIVOTEK cooperates with over 180 distributors and more than 100 software and hardware partners in 110 countries around the world. It has established mutual trust and a strong business relationship with global partners for over 20 years. Taiwan-based VIVOTEK has close cooperation with upstream, midstream, and downstream supply chains. In 2018, it joined the Open Security & Safety Alliance as a founding member and is committed to maintaining the best standards and specifications. It provides an implementation guide, minimizes integration resources, and leads the security control industry to new heights.

## 3.5.3 Customer Service

VIVOTEK values customer feedback and satisfaction. The company offers various forms of technical support through channels such as online customer service emails, software technical support, a dedicated technical support YouTube channel, and a technical support website (<https://www.vivotek.com/support>). This provides customers with a knowledge base, frequently asked questions (FAQs), troubleshooting guides, instructional videos, and technical documents. Collaborating with regional distributor technical contacts extends VIVOTEK's product support services to different areas, focusing on providing valuable and warm service. The technical team continues to provide improved product services and customer experiences.

For situations requiring product repairs, VIVOTEK has established repair service centers and a Return Merchandise Authorization (RMA) platform in major markets globally, including the Asia-Pacific, the United States, Europe, India, Mexico, and Brazil. This online platform with a user-friendly interface allows distributors to conveniently and instantly apply for system repairs, check product warranty status, and track repair progress. VIVOTEK aims to provide comprehensive repair or replacement services to ensure the most professional and complete protection for customers.

Since establishing the Taiwan Technical Customer Service Center in 2020, VIVOTEK has not only demonstrated commitment to the Taiwan market and brand but also focused on post-purchase product usage and customer feedback. The company strives for product optimization, preventative design for issues, and new feature development. Integrating global technical customer service centers into the same digital cloud service management platform allows for visualization, tracking, analysis, and statistics of global product issue records, enhancing knowledge management and sharing technical information. The successful Taiwan experience has been replicated in the global market,



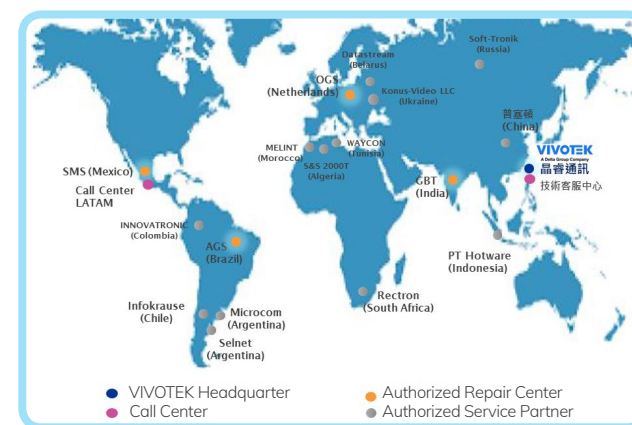
with a focus on creating localized service experiences. The technical service team continues to evolve. In 2022, VIVOTEK completed the setup of the Latin American technical customer service center and plans to establish one in the New Zealand and Australia region in 2024, expanding global service channels and improving regional technical service quality.

## 3.5.4 Customer Satisfaction

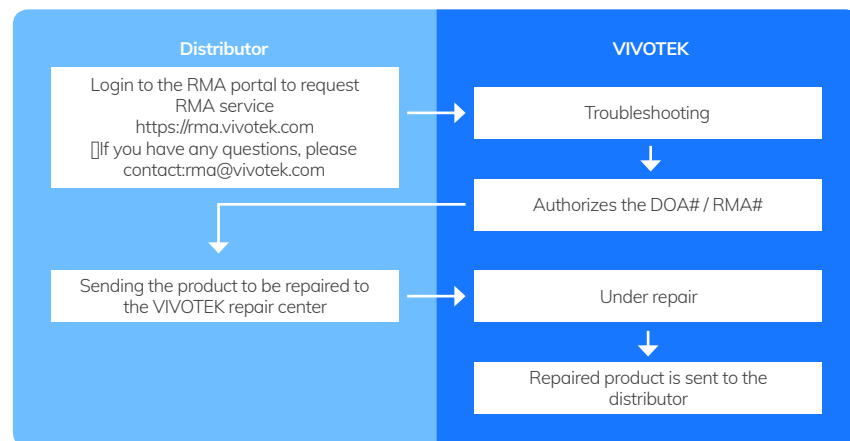
VIVOTEK upholds its responsibility and commitment to customers, aiming to enhance the quality of corporate services and exceed customer expectations. The company strives to provide comprehensive services to achieve higher levels of customer satisfaction. Internally, the company sets high standards for service efficiency, aiming to address customer technical support issues within 24 hours. Solutions are provided within 10 days, followed by customer satisfaction surveys regarding the provided technical support and services. This feedback informs subsequent product and service quality reviews and improvements. VIVOTEK continuously strives for higher levels of satisfaction, particularly in the context of after-sales maintenance and replacement services. To reduce customer waiting times and mitigate risks associated with downtime due to equipment malfunctions, repairs, and replacements, the company offers convenient pre-replacement services based on customer attributes and special requirements. VIVOTEK commits to addressing customer equipment needs for repair or replacement within 7 working days.

Whether it's product inquiries, technical support, or maintenance services, VIVOTEK approaches with customer empathy to provide thoughtful and high-quality product services. This approach enhances customer loyalty and strives to meet customer demands, elevating corporate service satisfaction. The company places importance on every service channel and its quality, aiming to provide customers with a comprehensive and excellent service experience.

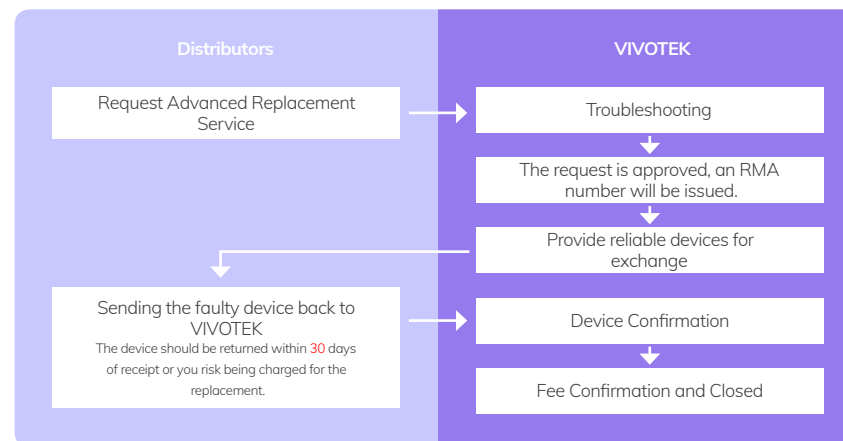
### ■ The location of the Overseas Maintenance Center



### ■ The RMA flow chart



### ■ Pre-exchange flow chart

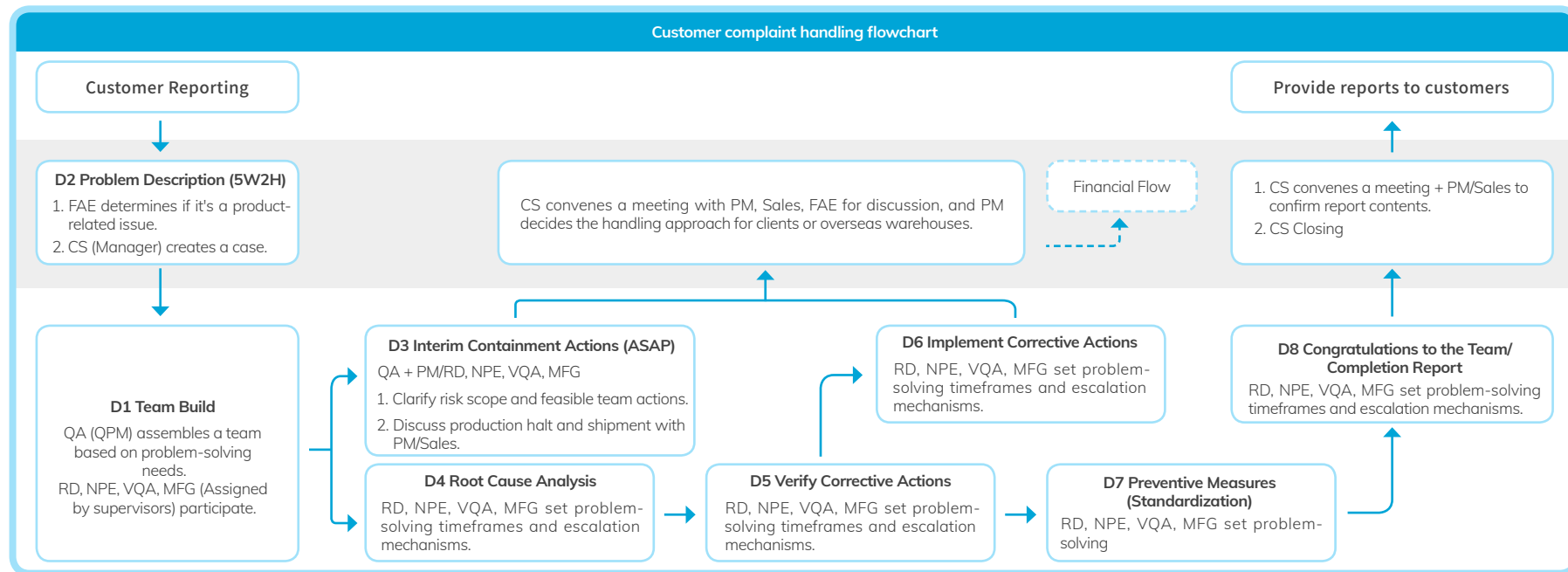


### 3.5.5 Customer Complaint Handling

In response to customer-reported complaints, VIVOTEK utilizes the Redmine platform to establish a customer complaint management system. Upon promptly understanding and collecting information about the causes of customer complaints, the company logs the cases in the system. This initiates an internal process to address anomalies, record improvements, and subsequently employ the 8D methodology to identify root causes, propose appropriate corrective actions, prevent recurrence, and quickly offer customer solutions. Regular statistical analysis of customer complaint data and periodic verification of the effectiveness of countermeasures are conducted. In 2022, a total of 33 customer complaint cases were addressed and resolved.

#### 8D definition

- D1: Team Build
- D2: Problem Description
- D3: Interim Containment Actions
- D4: Root Cause Analysis
- D5: Verify Corrective Actions
- D6: Implement Permanent Corrective Actions
- D7: Preventive Action(s) / Standardization
- D8: Team and individual recognition



## 3.6 Supply Chain Sustainability Management

### 3.6.1 Management policy and implementation results

#### A. Management Policy and Commitment

1. Sign the VIVOTEK Sustainable Supplier and Integrity Commitment.
2. Suppliers work together to protect the environment and comply with relevant regulations.
3. Encourage suppliers to actively invest in environmental protection and uphold social responsibility.
4. Commitment to compliance with labor laws.
5. Regular supplier evaluation.
6. Conduct conflict minerals surveys regularly.
7. In alignment with Delta Group's collaboration partner audit procedure, VIVOTEK is undertaking the process of updating and reviewing the assessment forms for collaboration partners. The plan is to complete the integration by the year 2023, within the context of the surveillance industry.

#### B. Evaluation and Performance Management

1. In 2022, all newly onboarded suppliers were required to sign the "VIVOTEK Sustainable Supplier and Integrity Commitment" form, with special consideration for cases where customers designate suppliers. This inclusion will be part of future planning as well.
2. In cooperation with Delta Group, advocacy was carried out for suppliers to adhere to standards such as ISO 14001, QC080000, and RBA, prioritizing those compliant with the standards.
3. Investigation and assessment were conducted to ensure supplier compliance with labor regulations.
4. Supplier evaluations necessitate a minimum rating of B grade; those in C and D grades are subject to guidance and follow-up, with ultimate non-compliance leading to elimination.
5. Advocacy for conflict minerals investigation.

#### C. Accomplishments

1. In 2022, the "VIVOTEK Sustainable Supplier and Integrity Commitment" was introduced, encompassing environmental protection (RoHS and REACH compliance, prohibition of conflict minerals) and social responsibility (integrity in business). An English version was established for overseas suppliers, achieving a commitment rate of over 70% (including customer-designated and non-transacting suppliers). Ongoing guidance will be provided to suppliers that have not yet signed.
2. All suppliers are fully compliant with RoHS and REACH regulations.
3. In 2022, guidance was extended to facilitate more environmentally related certifications among suppliers, enhancing the green supply chain.
4. Suppliers were guided to confirm adherence to labor laws and regulations across various regions, with no engagement in child labor or excessive overtime.
5. Supplier evaluations were categorized into four levels in 2022: A, B, C, D. Suppliers in C and D categories underwent reevaluation; those unable to meet the criteria even after guidance were integrated and eliminated.
6. In 2022, new suppliers assisted in advocating for conflict minerals tracking, with an ongoing commitment to thorough investigations.



## 3.6.2 Responding to the UN SDG 12.2, 12.5, and 12.6 Responsible Consumption and Production, SDG 17.17 Partnerships for the Goals, and SDG 13 Climate Action.

SDG 12

SDG 13

SDG 17

Suppliers are essential partners in VIVOTEK's ongoing growth, representing local outstanding enterprises. VIVOTEK and its suppliers engage in continuous technical exchange, fostering mutual growth and prosperity in the ever-evolving consumer market of the surveillance industry. This collaboration encompasses discussions on production techniques, eco-friendly material selection, quality enhancement guidance, conflict metal management, and encouraging suppliers to operate in line with labor, environmental, and business ethics standards, while adhering to relevant laws and regulations. Throughout, we comply with regulations by providing "Environmental Hazardous Substance Non-Use Declaration," "Conflict Mineral Investigation Form," and "VIVOTEK Sustainable Supplier and Integrity Commitment" for advocacy and signature by all partners. In 2022, we planned to cooperate with Delta Group's supply chain management team to conduct comprehensive investigations and advocacy for suppliers, thereby continuously assisting them in improving their overall capabilities and meeting international standards. To reduce greenhouse gas emissions during transportation, we persistently implement localized procurement and promote local economic development.

## 3.6.3 Supply Chain Sustainability Management

In order to achieve sustainable supplier management, VIVOTEK upholds the management philosophy of integrity, care, innovation and responsibility in supplier management and implements the following policies: compliance with the code of conduct advocated by the Responsible Business Alliance (RBA) and focus on sustainable supply chain development in view of social responsibility, human rights protection, business ethics, and environmental protection. In addition, no conflict minerals shall be used in products and supply chain materials. Continuous improvement in quality, cost, delivery, cooperation, and social responsibility among suppliers shall be carried out.

To perform better and to uphold sustainability efforts, VIVOTEK aims to:

1. Set sustainable development as its ultimate goal
2. Supply products that contain no conflict minerals
3. Update supplier roadmap and promote new technology to enhance competitiveness of both parties
4. Educate suppliers on four aspects: quality, cost, delivery time, and service, facilitate smooth cooperation between parties
5. Promote the importance of business ethics, human rights, and sustainability[]

### A. Sustainable Supplier Assessment Requirements: VIVOTEK has the following supply chain requirements based on the economy, environment and society.

#### Economic

- Delivery time is stable
- Material shortage resilience
- Prohibition of conflict mineral raw materials
- Advanced Process Capability
- Cost competitiveness

#### Environmental protection

- Follow the Environmental regulations
- Water resource management
- Waste output management
- Material recovery and reuse

#### Society

- Labor and Human rights laws
- Employee health and safety
- Community development evaluation
- Sustainable development corporate social responsibility
- Labor working hours
- Honest commitment
- Business ethics

## B. Green Supply Chain

VIVOTEK shall help maintain the ecological environment and uphold corporate environmental responsibility by ensuring that products and operations comply with international environmental protection laws and regulations, and raw materials for products are obtained from a green supply chain. All products sold in the market shall comply with environmental protection laws and regulations in various countries. Preventive green management measures shall be implemented to reduce negative impact on the environment and ecology during product design, production, and use.

### Green Supply Chain with Sustainable Commitment

Responsible unit	Management mechanism		Commitment	2022 Implementation Projects	2022 Implementation Results
VIVOTEK R&D, Quality Assurance and Supply Chain Management (VIVOTEK's responsibilities)	Corporate Sustainability	Material selection, supplier planning and evaluation	Qualification re-assessment of suppliers every six months	Regular re-evaluation every six months	Suppliers that were not eliminated in the 2022 evaluation results.
	Audit confirmation	Auditing corporate sustainability	Hazardous Substance Management and Supplier Advocacy Compliance with RoHS EU Directive REACH Regulation Update	Random regulatory updates, email investigation on supplier compliance with international environmental protection laws	Survey on existing and new qualified suppliers; 100% response rate in ROHS and REACH
	Action	Including deadline for improvement and termination of purchase contract			

## C. Types of Suppliers and Localization of Procurement

In order to promote social and economic development locally and reduce carbon emissions during transport, localization of procurement is VIVOTEK's primary consideration in finding partner suppliers.

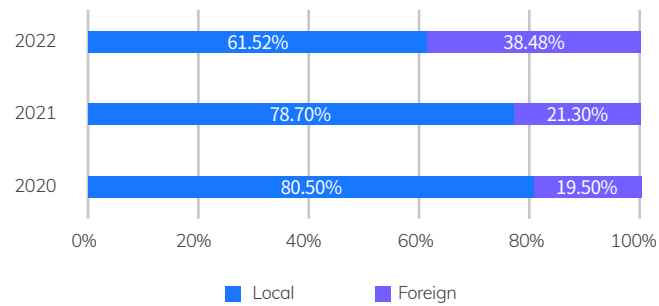
The VIVOTEK supply chain consists of electronic component suppliers, packaging material manufacturers, institutional manufacturers, and outsourcing facilities. Its materials are subdivided into PCBs, lens/MODs, electronics, wires, electromechanical, mechanisms, packaging materials, and others. Larger institutional materials and packaging materials are purchased locally to reduce carbon emissions caused by long-distance transport. In 2022, there were approximately 429 suppliers that cooperated with VIVOTEK, of which local suppliers accounted for 65.53% and the transaction amount reached 61.52%.

Please refer to page 102 of VIVOTEK's 2022 Annual Report for the categories of primary suppliers in the surveillance industry.

Affected by the overall market trend and the pandemic in 2022, the domestic procurement amount decreased by 17.2% compared to that in 2021, but domestic procurement would remain a priority in VIVOTEK's business operations.

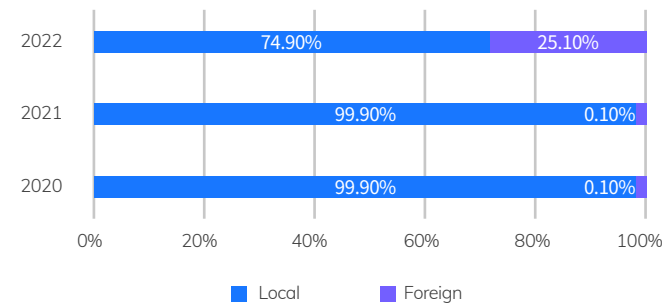
VIVOTEK's Supply Chain

Local / Foreign annual procurement amount



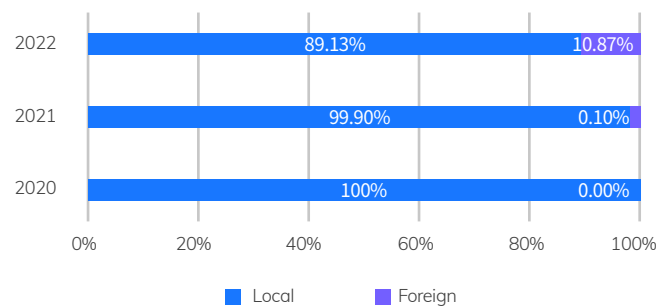
Packing materials Local

Local / Foreign annual procurement amount



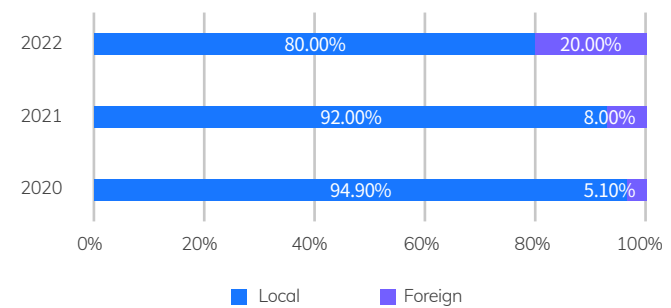
PCB Local

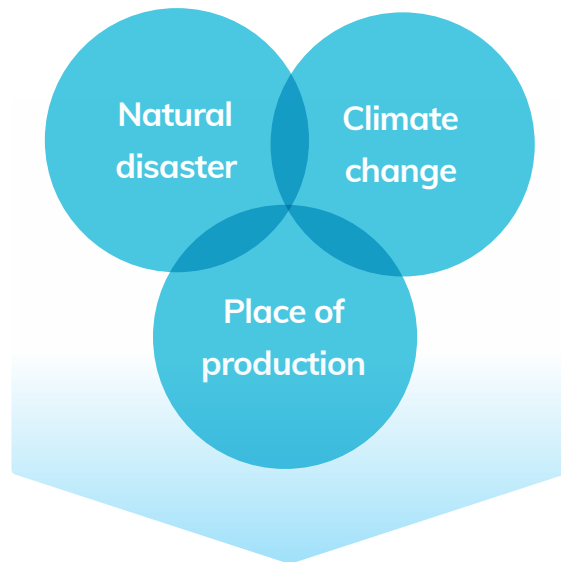
Local / Foreign annual procurement amount



Mechanical part Local

Local / Foreign annual procurement amount





#### ■ Summary of VIVOTEK's 2022 results based on the status of all purchased materials

- Develop contingency plans and procedures for potential risks may damage by products or services
- Establish an emergency notification system to provide immediate feedback when disasters occur
- Evaluation for preparing materials in response to shortages caused by seasonal natural disasters
- Diversified sources to avoid single raw material supplier

The selection of major suppliers is divided into four aspects: quality, cost, delivery time, and cooperation. In order to achieve sustainable supplier operations, future evaluations will include the supplier's management effectiveness in terms of economic, environmental, and social aspects. All operations follow the fair, impartial, and open integrity management code.

A supplier that has obtained certification related to environmental protection or hazardous substances management (ISO14001, QC080000) shall earn additional points in the evaluation. Starting from 2023, VIVOTEK will collaborate with Delta Group's supply chain management team to reduce supply chain risks and enhance overall supply chain competitiveness. In addition to guiding suppliers to obtain more environmental certifications and improving the green supply chain, we will also begin to follow their lead in promoting RBA and human rights-related audits and guidance for suppliers, practicing sustainability and making continuous efforts in the surveillance industry.

VIVOTEK does not support conflict minerals that utilize mining methods that finance the armed forces of the Democratic Republic of Congo and surrounding countries, which resulted in major bloodshed in the region. Since 2014, the Company has actively and passively conducted conflict mineral inspections of new suppliers or suppliers that customers recommend as a way of respecting human rights and to veer away from conflict situations. The inspection of conflict minerals and the response rate of new suppliers introduced in 2021 was 100%. In the future, VIVOTEK will continue to perform due diligence to ensure that there is no risk of conflict mineral issues.

#### ■ D. Supplier Labor Rights

Over the years, VIVOTEK has given priority to hiring domestic workers and abides by relevant labor laws and regulations to protect the legitimate rights and interests of employees. It respects internationally recognized principles governing basic labor rights and shall not violate workers' rights. In the future, all suppliers are expected to follow VIVOTEK's policy in protecting employees and safeguarding labor rights and interests. VIVOTEK will also take responsibility and continue to guide suppliers in complying with international standards.

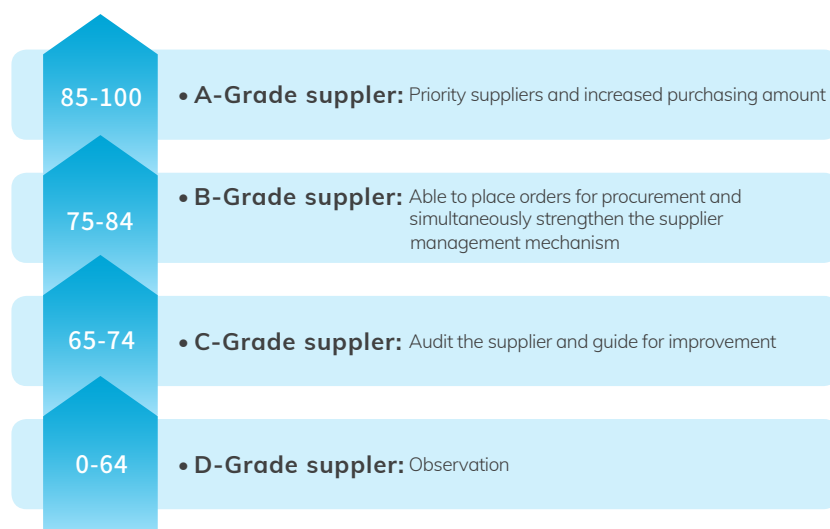
## E. Supply Chain Management Strategy and Objectives

All new suppliers need to be evaluated by multiple units based on these four aspects: quality (Q), cost (C), suitability (S), and delivery time (D). VIVOTEK will continue to conduct supplier management evaluation and uphold environmental sustainability.

Through supplier evaluation and control mechanisms, VIVOTEK will strengthen its effective implementation of management systems in order to maintain the interests of the enterprise and achieve sustainability, as well as create a win-win situation with suppliers.

## F. Supplier Rating and Corresponding Measures

The purchasing unit will cooperate with the quality assurance unit every six months to evaluate the status of each supplier based on the annual supplier re-evaluation and selection.



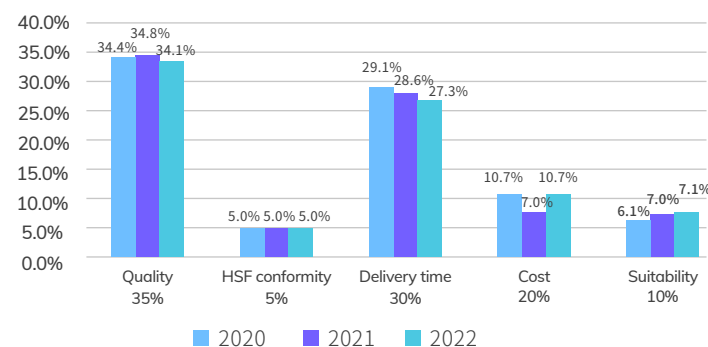
## 3.6.4 Results in 2022

In the second half of 2022, there were more B-grade suppliers than A-grade suppliers. This is due to the impact of COVID-19, rising cost of raw materials, and shortage of freight containers. The cost and delivery evaluation was lower than before.

In the 2022 four-letter grade scale (A, B, C and D) supplier evaluation, two of the suppliers were selected and re-evaluated. The evaluation during this period resulted in suppliers with A-level qualification.

2022 Result	Rank	First Half Year	Second Half Year
	A	154	156
	B	167	167
	C	23	20
	D	6	3

2020~2022 Supplier QCDS Evaluation Ratio



The table shows the weight of each of the criteria for scoring the quality (Q), cost (C), delivery time (D), and suitability (S) from 2020 to 2021. Each manufacturer maintains a certain level in each criterion scoring

# 4 Innovation and Quality Management

1. In 2022, VIVOTEK's products with built-in intelligent video analytics accounted for 40% of the total.
2. Four technology roadmap conferences and one innovation technology presentation were held in 2022.
3. In 2022, a range of products were introduced, including cameras, Network Video Recorders (NVRs), industrial-grade Ethernet switches, video management software systems, cloud-based video management systems, and services, all featuring next-generation intelligent video analytics technologies.
4. In 2020, technological advancements were made in areas such as electronic image stabilization, automated dust detection in images, intelligent object counting, intelligent object tracking, facial detection, image analysis for deblurring, and new web architecture design.
5. Collaborated on one industry-academic partnership project and one technology transfer project with the National Kaohsiung University of Science and Technology in 2022.
6. In 2022, hosted two intellectual property education and training sessions: "Patent Application Strategies and Application of Core Patents for Taiwan-US" and "Fundamental Concepts of Legal Trade Secrets."
7. The total number of global patent applications has reached 613, with a total of 464 patents granted. The approval rate for invention patents in Taiwan reached 100% in 2022, and the approval rate for invention patents in the United States increased from 86% in 2021 to 90%.
8. Passed the 2022 Taiwan Intellectual Property Management System (TIPS) verification, with the verified registration certificate valid until December 31, 2023.

## 4.1 Innovative R&D and Collaborative Resources

### 4.1.1 Management policy and implementation results

#### A. Management Policy and Commitment:

1. Enhance competitive advantages in the surveillance industry.
2. Regularly hold new technology presentations.
3. Strengthen collaboration with academia and industry.
4. Intellectual property strategy.
5. Enhance the precision and overall efficiency of intelligent analytics to achieve real-time and eco-friendly Greener AI.

#### B. Management Policy Evaluation and Performance:

1. Regularly produce technology roadmaps and host technology presentations.
2. Engage in at least one industry-academic collaboration project annually.
3. By 2023, ensure that products with built-in intelligent video analytics constitute over 50% of all products.
4. Continuously undergo verification by the Taiwan Intellectual Property Management System (TIPS).
5. Sustain annual intellectual property education and training while continuously accumulating a substantial number of effective patents.
6. Maintain a continuous assessment of the value of patents held by primary competitors.

#### C. Actual implementation

1. In 2022, products with built-in intelligent video analytics accounted for 40% of total offerings.
2. Organized four technology roadmap meetings and one innovative technology presentation in 2022.
3. Introduced multiple products in 2022, encompassing next-generation intelligent video analytics technologies, such as cameras, Network Video Recorders (NVRs), industrial-grade ethernet switches, video management software systems, cloud-based video management systems, and services.
4. Presented new-generation technological achievements in 2022, including electronic anti-shake, automated dust detection for imagery, intelligent object counting, object tracking, facial detection, image analysis for deblurring, and novel web architecture design.
5. Collaborated with the National Kaohsiung University of Science and Technology in 2022 to complete one industry-academic collaboration project and one technology transfer collaboration project.
6. Organized two intellectual property education and training sessions in 2022: "Taipei-Taichung Patent Application Strategies and Core Patent Applications" and "Fundamentals of Legal Concepts Regarding Trade Secrets."
7. The cumulative total of global patent applications has reached 613, with a total of 464 patents granted. In 2022, the approval rate for invention patents in Taiwan reached 100%, and the approval rate for invention patents in the United States increased from 86% in 2021 to 90%.
8. Successfully passed the Taiwan Intellectual Property Management System (TIPS) verification in 2022, with the validity of the verification registration certificate extending until December 31, 2023.
9. Completed a comprehensive assessment of the value of patents held by primary competitors.



## 4.1.2 R&D and execution result

### SDG 4

Echoing the UN SDG 4.4 Quality Education.

VIVOTEK is committed to developing cutting-edge imaging and artificial intelligence (AI) solutions, mastering key technologies in embedded system AI deep learning, actively researching simplified neural network designs, establishing an independent technology value chain, and optimizing systems. This involves integrating AI technologies into applications such as image quality enhancement, image detection, surveillance analysis, and cloud analysis services to enter the next-generation security and surveillance industry development field. This enables more users to experience the practicality and convenience brought by intelligent video analytics under limited resources.

Through continuous development efforts, VIVOTEK introduced several intelligent AI products in 2022, including next-generation high-resolution fisheye cameras, intelligent counting network cameras, license plate recognition specialized gun-type cameras, intelligent cloud video surveillance management systems and services, etc. In addition to optimizing product performance to provide users with an improved experience, VIVOTEK further meets market demands for next-generation AI-based security surveillance systems.

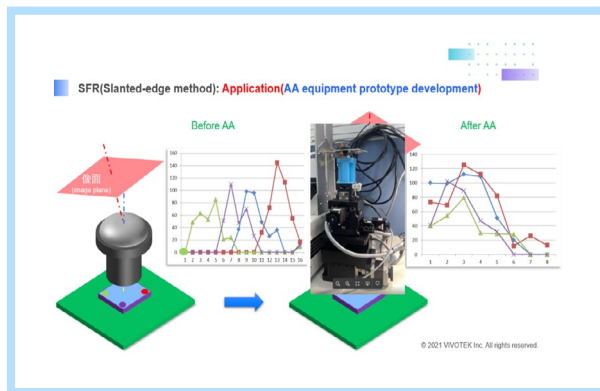
### ■ Execution Achievements

1. Continuing the development of AI technology with a user-centric approach, VIVOTEK develops new products and services that align with the trends and demands of the intelligent analytics market. AI technology is integrated into image detection and surveillance analysis products. VIVOTEK has progressively increased the proportion of products with built-in intelligent video analytics, reaching 40% in 2022.
2. Actively promoting collaboration and exchange with external resources, enhancing the integration of research resources, and improving the efficiency of resource integration. In 2022, VIVOTEK collaborated with the National Kaohsiung University of Science and Technology to complete one industry-academic collaboration project and one technology transfer project.
3. In 2022, VIVOTEK introduced a range of products, including gun-type, ultra-wide-angle, fisheye, and counting cameras, Network Video Recorders (NVRs), industrial-grade Ethernet switches, video management software systems, cloud-based video management systems, and services. These products and solutions incorporate next-generation intelligent video analytics technologies, providing users with more intelligent image analysis experiences.



VIVOTEK is committed to integrating feedback and information from clients, business units, and global subsidiaries to regularly produce technology roadmaps and host technical seminars. The product roadmap formulation is overseen by Product Managers (PMs), who further integrate technology into products. In 2022, VIVOTEK held four technology roadmap meetings and one innovative technology presentation, mainly showcasing the development achievements of next-generation electronic image stabilization, automated dust detection for images, intelligent object counting, intelligent object tracking, facial detection, image analysis deblurring, and new web architecture design.

## ■ 2022 New Generation Smart Image Analysis Technology Products



### ■ Facial applications

Thank to the Neural Network development in facial domain, surveillance camera can play a more important role in diversities of solutions.

In latest few years, the requests for face related scenario grows rapidly.

Face Detection

Attributes Extraction

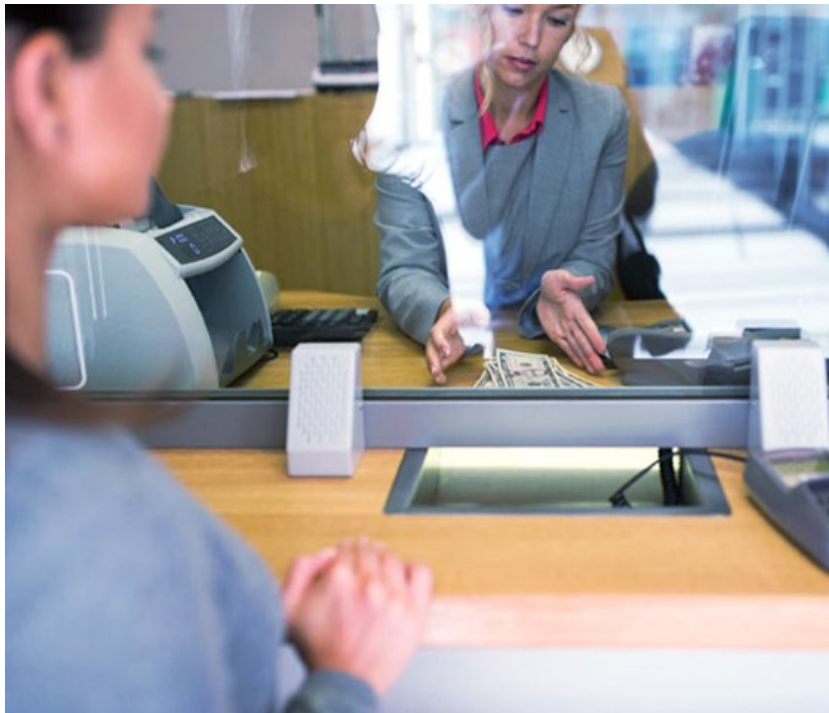
Face ReID

Face GAN

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### 4.1.3 Innovation Technologies and Product Introduction

#### Actual Application of Innovative Technologies and Solutions:



#### A. Financial Solutions

**SDG 11** Echoing the UN SDG 11.3 and 11.7 Sustainable Cities and Communities.

Banks play a crucial role in financial stability and national economies by accepting public deposits and providing loans to individuals and businesses. As a result, the surveillance and security of banks are of paramount importance, exceeding the standards of other industries. VIVOTEK, a leader in the surveillance industry, introduces solutions designed to safeguard banks of various scales, offering concealed cameras, redundant backup recording, and intelligent facial recognition technology.

#### Diverse Camera Selection

VIVOTEK provides an extensive range of network camera options, including various camera enclosures, resolutions up to 40 million pixels, indoor and outdoor options, infrared (IR) illuminators, and Wide Dynamic Range Pro (WDR Pro) capabilities. These options ensure the consistent recording of high-quality videos. Additionally, license plate recognition cameras can be used at banks with automated teller machines (ATMs) to record and automatically identify relevant license plate information.

## ■ Network Security Protection

VIVOTEK is the world's first network surveillance solution manufacturer to collaborate with renowned cyber security companies. Equipped with network cameras and Network Video Recorders (NVRs) featuring intrusion detection software, VIVOTEK offers high-security and robust network surveillance to protect users' assets and data.

## ■ Designed for the Banking Industry

VIVOTEK introduces a camera (VC9101) designed specifically for ATM surveillance. This camera can be discreetly installed within ATMs and features facial recognition technology to ensure that every transaction at the ATM is recorded. The network camera (CC9160-H(HS)) is another solution tailored for the banking industry. Concealed within a seemingly standard height bar, it hides a 2-megapixel 180-degree panoramic lens, which captures customer images at the bank's entrance with a horizontal view. This enables precise capture of facial images, even of customers wearing hats.

## ■ Facial Recognition Access Control

Network Video Management Software (VAST) utilizes facial biometric recognition technology for access control. Through facial recognition, only authorized personnel are allowed entry into specific secure areas, such as bank vaults. The facial recognition tablet (FT9361-R) simultaneously scans employee faces and access cards, providing dual-factor authentication for enhanced security.



## B. Education Solutions

**SDG 4** Echoing the UN SDG 4.5 Quality Education.

### ■ Comprehensive Surveillance for a Safer Learning Environment

In all levels of education, one constant is the need to provide students and staff with a safe and reliable environment. Unfortunately, potential risks from external intruders, student incidents, and accidents are ever-present. VIVOTEK offers the network video management software (VAST 2) system to centrally manage a variety of network cameras. Through AI analysis, network audio devices, and other products, educators can protect their students and minimize campus risks, significantly enhancing school safety.

### ■ Real-Time Prevention and Incident Response

VIVOTEK's AI-analyzed network cameras automatically identify harmful behaviors, such as loitering, entrance breaches, and object crossing. Paired with the INSIGHT series, specific applications can detect fire/smoke, firearms, and even altercations among students, enabling schools to prevent incidents before they occur.

### ■ Extensive Camera Selection for Various Use Cases

VIVOTEK's comprehensive camera portfolio provides schools with optimal surveillance solutions. Intelligent infrared and WDR technologies ensure clear imaging in low-light or high-contrast environments. Multi-lens and 360-degree fisheye cameras offer wide scene coverage. High-speed dome cameras with intelligent tracking closely monitor subjects of interest. Fixed dome cameras are suitable for indoor and semi-indoor monitoring, including hallways, classrooms, and stairwells.

### ■ Integrated Efficient Surveillance Management

Using VIVOTEK's network video management software (VAST 2), administrators can manage all network cameras, network video recorders, network audio devices, and more. Various playback and display modes are provided, ensuring secure storage and rapid retrieval of videos from hours or days ago.

### ■ Auxiliary Devices for Enhanced Campus Safety

VIVOTEK offers dedicated license plate recognition (LPR) cameras for capturing images and verifying identities at school entrances, exits, and parking lots. Paired with AI-analyzed network audio speakers, active audio alerts can prevent accidental incidents or malicious disruptions on and off-campus.





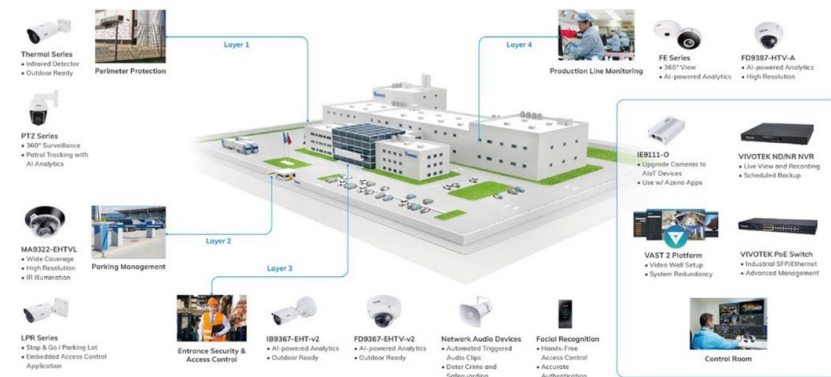
## C. Factory Solutions

### ■ Comprehensive Surveillance Solution for Smart Factory Management

Entrepreneurs invest significant time, money, and effort into important assets like factories and manufacturing equipment. Therefore, comprehensive security measures are needed to protect these assets. VIVOTEK's intelligent factory solution enables factory owners to build multi-layered security systems with advanced smart capabilities and a wide product range. VIVOTEK's solution provides accurate, visual, and real-time event notifications from a central security system, facilitating streamlined management for perimeter protection, accident prevention, personnel management, operational monitoring, and access control. With advanced monitoring and recording equipment combined with edge-based image analysis, it effectively safeguards every corner around production areas, transmitting high-resolution real-time images, and intelligent analysis data. Advanced monitoring and storage recording equipment, coupled with edge device-based image analysis technology, effectively safeguard every corner around production line and transportation areas. High-resolution real-time video and intelligent analysis data are transmitted, allowing security personnel to respond immediately to any potential threats. The stored data records also enable subsequent access for analysis, providing crucial data that can be used as a basis for optimizing passenger flow and improving spatial allocation efficiency.

## ■ Enhancing Workplace Safety with Multi-layered Protection

VIVOTEK offers 360-degree fisheye, dome, and multi-lens cameras for comprehensive coverage and perimeter protection. License plate recognition cameras and facial recognition devices aid door access control. Additionally, fixed dome and bullet cameras with clear image quality and AI analysis can trigger network audio speakers to warn administrators of potential intruders before crimes occur, preserving clear evidence in video clips. This multi-layered protection ensures facility and property safety.



## ■ Efficiency Improvement through Intelligent Management

VIVOTEK continuously innovates using cutting-edge technology, providing high-definition image quality with features like excellent night vision, wide dynamic range, intelligent infrared illumination, and image analytics. The versatile video management software (VAST 2) centralizes management of multiple network cameras and features configured on network video recorders, enabling monitoring of entrances, facilities, and efficient categorization of a large volume of video evidence. Additionally, the INSIGHT series offers an open platform for various AI-based applications applicable to diverse factory scenarios, including fire/smoke detection, personal protective equipment (PPE), fall detection, and accidents.

## ■ Comprehensive Product Integration and Lineup

VIVOTEK offers an all-encompassing security product lineup for factory safety, including network cameras, INSIGHT series products, network audio devices, facial recognition products; network video recorders, video management systems, and ethernet-powered network equipment. Moreover, the products can be compatible with well-known companies in the security field such as image management systems and access control, ensuring flexibility for global factories.





## D. Medical Health Solutions

### ■ Integrated Healthcare Monitoring Solution

Security surveillance with attributes related to healthcare is crucial to provide visual evidence for patient and healthcare staff protection and safety. Hospitals contain expensive equipment, controlled anesthesia drugs, and other potentially stealable items. VIVOTEK's healthcare solution helps hospitals and healthcare institutions ensure patient and staff safety and premises security.

### ■ Protecting Valuable Assets

VIVOTEK utilizes high-resolution cameras for controlled area access only through facial biometric recognition, granting permission to authorized personnel. For instance, only approved pharmacists and related staff can access the pharmacy. This can be complemented with dual authentication through access card scanning devices to enhance security. This ensures proper handling of high-value anesthesia drugs, controlled substances, and expensive medical equipment while reducing theft incidents.

## ■ AI Solutions

VIVOTEK's AI deep learning image analysis technology features intrusion detection and line-crossing detection to ensure capturing suspicious video evidence. Supporting deep search in video and audio recorders, image management systems, and cloud monitoring services (VORTEX), it enables rapid video retrieval based on target attributes like age, gender, and clothing color. Equipped with intelligent object tracking, PTZ cameras track moving objects and detect patient falls through image analysis, alerting staff for automated monitoring in healthcare institutions.

## ■ Superior Image Quality

Exceptional image quality is essential for patient protection, especially in neonatal units. VIVOTEK offers high-resolution network cameras up to 40 megapixels, with technologies like wide dynamic range for improved image quality in high-contrast lighting, infrared illumination for optimized night vision, and excellent low-light performance (SNV), ensuring optimal image quality recording.

## ■ Comprehensive Camera Selection

VIVOTEK provides cameras suitable for indoor and outdoor environments as well as custom solutions for healthcare. License plate recognition cameras integrate with parking systems for parking facilities, entrance/exit roads, and passenger drop-off/pick-up areas. High-speed dome and multi-lens cameras are ideal for monitoring airport parking lots and garages. The 360-degree fisheye camera enhances situation awareness in waiting areas and lobbies. Additionally, network audio speakers paired with entrance cameras offer audio notifications for ER entrances. Furthermore, network video recorders store reliable video evidence for safeguarding critical evidence and healthcare facilities.





## E. Airport Solutions

**SDG 11** Echoing the UN SDG 11.3 and 11.7 Sustainable Cities and Communities.

### ■ Comprehensive Airport Surveillance for Optimal Passenger Safety

Whether for business or leisure, there is an average of about 6 million people taking flights every day. Procedures such as check-in, baggage handling, and security checks are essential for everyone's safety and security during air travel. However, they also create major bottlenecks due to the crowds. Flight delays and connecting flights are also common, and airports need to provide places like restaurants, shops, and business centers to accommodate passengers. Once we reach our final destination, we need to retrieve our luggage from the baggage claim area, and each passenger hopes for a smooth process without any issues, confusion, or even worse, incidents like lost luggage.

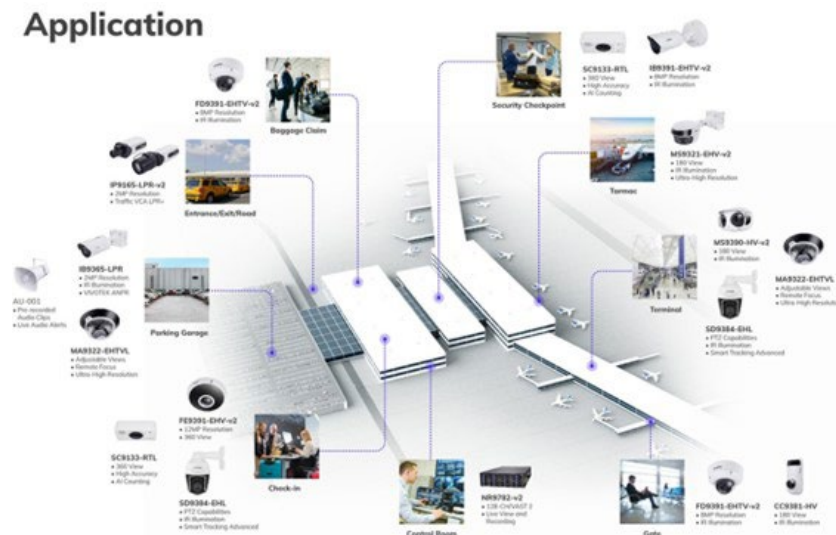
Essentially, airports can be seen as self-contained mini-cities, requiring various surveillance cameras and accessories to cover different areas. VIVOTEK provides a complete range of airport solutions to enhance airport security, queue management, parking management, and retail businesses.

### ■ Enhancing Operational Efficiency through Check-in Counting

Offering a positive experience at the start of any passenger's journey is crucial. VIVOTEK's people counting technology allows airports to efficiently dispatch staff for quick and efficient check-in services. The counting camera (SC9133-RTL) features a wide field of view and high accuracy, covering larger areas than traditional counting cameras. Built-in AI image analysis ensures accurate people counting, minimizing errors caused by luggage or other objects. Additionally, 360-degree fisheye and high-speed dome cameras are placed in boarding service areas to achieve comprehensive monitoring and suspicious individual tracking.

## ■ Queue Management and Productivity at Security Checkpoints

Security checkpoints are congestion points in every airport. After check-in at various airline counters, passengers must go through security checks, often causing long lines and anxiety. Similar to boarding service areas, the counting camera (SC9133-RTL) can provide alerts for additional security channels or personnel, optimizing queue management and crowd control.



## ■ Terminal Monitoring

VIVOTEK's multi-lens network camera (MA9322-EHTVL) covers multiple surveillance areas with 4 independent lenses, suitable for square intersections and parking lots. Network cameras (MS9390-EHV-v2) provide comprehensive panoramic monitoring in terminal walkways, restaurants, and retail stores. The 4K resolution camera (FD9391-EHTV-v2) captures detailed images of passengers waiting at boarding gates, and the unique camera (CC9381-HV) captures images of passengers boarding on air bridges. Outside the terminal, the camera (MS9321-EHV-v2) provides 180-degree coverage with a 20MP resolution, suitable for monitoring aprons, runways, taxiways, and other open areas.

## ■ Optimal Evidence for Baggage Claims

VIVOTEK's AI-powered deep search technology in network video recorders or intelligent surveillance systems (VSS) ensures fewer problems during baggage retrieval, resolving disputes or mishandling incidents in minutes. The attribute search feature using deep search technology allows security personnel to search baggage by color, significantly speeding up baggage confirmation and helping locate abandoned or lost baggage.

## ■ Accelerating Transportation Efficiency

License plate recognition cameras automatically identify vehicle license plates and integrate with airport parking systems, applicable to parking facilities, airport entrances/exits, and passenger drop-off/pick-up areas. This aids in achieving automated license plate capture and reducing manual costs. Additionally, network audio speakers can be placed at passenger drop-off/pick-up points, automatically playing voice notifications to prompt idle drivers to move their vehicles. This helps reduce traffic congestion and improve traffic flow.

## F. Future Research and Development Strategy

### ■ Wide-Area Surveillance

Wide-area surveillance has always been a primary challenge for the surveillance industry to overcome. Setting up a minimal number of cameras that can monitor the entire scene efficiently not only enhances security management but also conserves resources and energy effectively. However, achieving wide-area surveillance by using multiple cameras with different angles and environmental conditions poses difficulties in integrating existing information such as perspectives, colors, environmental brightness, and positional differences. The task becomes even more complex when it comes to seamlessly stitching images from different perspectives to provide users with a satisfying visual experience.

#### VIVOTEK is conducting the following research and development:

##### Wide-Area Surveillance

Developing multi-lens ultra-wide-angle spherical network cameras to capture the maximum monitoring area from multiple lenses and create panoramic images, providing users with an entirely new visual experience of ultra-wide coverage.

Introducing cloud-based wide-area object tracking services that utilize artificial intelligence and deep learning to analyze object behavior, detect anomalies, and provide intelligent security monitoring services over large areas.

### ■ Greener AI (Green Energy Artificial Intelligence)

Deep learning technology has become an inevitable trend in security surveillance. VIVOTEK is not only actively involved in the development of related technologies but also has introduced solutions for smart cities, smart transportation, smart factories, and more. The company aims to continuously optimize deep learning technology, enhancing the precision of intelligent analysis and overall efficiency. This effort contributes to the advancement of energy-efficient and eco-friendly artificial intelligence image analysis.

#### VIVOTEK is conducting the following research and development:

##### Greener AI

Continuously deploying embedded system artificial intelligence and deep learning technology at the edge devices for image analysis (edge AI). This move reduces computational costs and power consumption by shifting image analysis computations from central servers to edge devices, making smart surveillance more energy-efficient.

Incorporating more edge AI-based artificial intelligence image analysis techniques into intelligent cloud services, constructing hybrid cloud architectures, reducing network bandwidth requirements, and ensuring uninterrupted recording even in case of network disconnection. This approach allows users to benefit from energy-efficient and eco-friendly intelligent image analysis services under resource constraints.

Enhancing image quality and supplementary lighting based on the results of artificial intelligence image analysis, targeting different optical characteristics. This optimization significantly improves image quality, provides users with more realistic visuals, and boosts accuracy through improved image analysis.

## 4.1.4 External Research Resource Integration Mechanism

To enhance core technology and research capabilities of the development unit, promote industry collaboration, and master future trends, VIVOTEK strengthens research resource integration and collaborates with external resources.

**SDG 4**

**SDG 17**

Echoing the UN SDG 17.17 Partnerships for the Goals and SDG 4.5 Quality Education.

### A. Expected Benefits

1. Shortened product development cycles
2. Reduced and distributed risks and uncertainties of high investments
3. Addressing threats from emergency situations
4. Innovation and cooperation with partners to save transaction costs

### B. Collaboration Targets

1. Collaborative development with upstream and downstream industries
2. Forming alliances with peers for research and development
3. Collaborating with domestic universities for industry-academia partnerships
4. Establishing research collaborations with domestic research institutions or foundations

## ■ Long-Term Collaboration with National Kaohsiung University of Science and Technology

In 2022, VIVOTEK collaborated with the National Kaohsiung University of Science and Technology to develop the "Efficient Deep Learning-based Technique for Restoring Blurred Images of Moving License Plates." This technique aims to restore locally blind motion-blurred images and generate clearer alphanumeric details, effectively deblurring images of moving license plates. The result is improved clarity and recognition of alphanumeric images, with automatic identification by license plate recognition systems, enhancing the accuracy of license plate recognition.

Furthermore, in 2021, VIVOTEK and the National Kaohsiung University of Science and Technology's industry-academia collaboration resulted in the "Highly Efficient Video Stabilization Technology for Rapid and Significantly Shaking Screens," earning the Excellent Award in 2022 from the Ministry of Science and Technology.

In addition to actively engaging in industry-academia collaboration projects, VIVOTEK has also been involved in technology transfers with the National Kaohsiung University of Science and Technology for many years. Recent technology transfer projects include:

November 2014

Multi-moving target detection technology for mobile vehicles' vision.

September 2015

Rapidly moving vehicle's vision stabilization technology.

October 2016

Real-time clarity enhancement technology for motion-blurred video frames.

September 2017

Real-time face detection and tracking technology for crowds in surveillance systems.

March 2018

Intelligent real-time dynamic face detection and tracking technology.

May 2019

Intelligent real-time moving video stitching technology.

June 2020

Restoration technology for intelligent blind motion-blurred images.

May 2021

Intelligent in-vehicle depth stereo matching technology.

May 2022

Highly efficient video stabilization technology for cameras subject to significant shaking.



## C. Founding Member of the Open Security & Safety Alliance (OSSA):

**OSSA**



As a founding member of the Open Security & Safety Alliance (OSSA), VIVOTEK actively participates in establishing common standards and specifications for security and control, developing and promoting open and standardized platforms for smart security and safety applications. VIVOTEK has launched a variety of comprehensive image monitoring and intelligent analysis products that comply with OSSA standards and specifications, moving towards an open, efficient, and intelligent image application era.

To accelerate the technological transformation of the security industry and seize the enormous value and opportunities of open platforms in the future, VIVOTEK continues to introduce open platform network cameras and smart image analysis boxes with stronger machine learning capabilities and edge computing image analysis abilities. Collaborating with over 200 system integrators, VIVOTEK develops a variety of solutions, offering users and system integrators more than 100 application apps with intelligent image analysis technology, receiving positive feedback especially in traffic control and industrial safety protection.

## D. Future Outlook

VIVOTEK will expand the main concept of AI technology research and development and create new products and services from time to time based on the user's perspective to meet market demand for the next-generation AI surveillance system. In addition, the integration of research and development results into products and the development of high-tech differentiated products continue to inject momentum into the Company's long-term development, which is the core spirit of VIVOTEK's sustainable operations.

The Company actively promotes cooperation and exchange with external resources, strengthens the integration of research resources, and improves the efficiency of resource integration. A minimum of one project but not limited to industry-university cooperation shall be implemented every year.

To meet the trend and demand for intelligent analysis in the market, VIVOTEK will incorporate artificial intelligence technology into image detection and surveillance analysis products. VIVOTEK will gradually increase the proportion of products with built-in intelligent image analysis technology each year, with the goal of having products with built-in intelligent image analysis technology accounting for more than 50% of all products by 2023.

VIVOTEK will also continue to integrate information from clients, business units, and global subsidiaries, generating technology blueprints regularly from the Research and Development Center, organizing technology presentations, and developing overall product blueprints through the planning team, ultimately integrating the technology into product planning.



## 4.2 Patents and Intellectual Property

### 4.2.1 Intellectual Property Overview

#### A. Intellectual Property Achievements

1. Completed a total of 15 Patent Analysis Cases for key technologies and related industrial categories, and provided relevant information as reference for the product development team to understand the industry's advanced arrangement and development of patented technologies; based on this, the Company will form product development strategies to search for appropriate R&D technology areas. VIVOTEK has also completed 17 patent applications in various countries. It has properly and effectively maintained its achievements in R&D and innovation through a thorough intellectual property management system.
2. Held two annual trainings on intellectual property to increase colleagues' knowledge of intellectual property rights, actively increased patent proposals, and prevented risks such as patent infringement or disclosure of trade secrets Echoing the UN SDGs Initiative on Quality education.
3. VIVOTEK has been validated through the Taiwan Intellectual Property Management System (TIPS) in 2022, ensuring the continuous operation of the intellectual property system. The validation period for this registration is effective until December 31, 2023. We have initiated TIPS AA-level validation to enhance the implementation of the enterprise's intellectual property management plan, progressing from the stage of refining the operation of the existing TIPS A-level validation to the phase of deepening the application of intellectual property.
4. VIVOTEK has completed a comprehensive assessment of the value of patents held by key competitors, analyzing the strength and value of patents owned by these competitors. This analysis allows us to evaluate the differences in patent value between our company and key competitors, serving as a reference for formulating the Intellectual Property strategy and objectives.

#### B. Intellectual property strategy

During the early part of its operations, VIVOTEK implemented intellectual property strategies to increase its number of patents. Beginning 2017, its intellectual property strategy gradually moved on to the 2nd stage, focusing on intellectual property quality. The intellectual property department would conduct a preliminary patent search before submitting a patent application to determine patentability and procedures to improve the quality of patents. VIVOTEK continues to accumulate valid patents, strengthens application of intellectual property, and hopes to maintain its steady progress towards the 3rd stage which is creating intellectual property value.

1st Stage - (2000-2016) experienced growth in the number of patents.

2nd Stage - (2017-2023) focused on intellectual property quality, while increasing the number of valid patents.

3rd Stage - (2024 onwards) to create intellectual property value.

## C. Intellectual property management system

VIVOTEK places great importance on innovation and research and development. In order to ensure the effective and efficient operation of its Intellectual Property Management System, the company holds an annual management review meeting (most recently convened on November 28, 2022) before the end of each fiscal year to determine the Intellectual Property Management Policy and objectives for the following year. These serve as guiding directions for all company employees' efforts. The formulation of policies and objectives takes into account existing intellectual property-related laws, company business strategies, external environmental changes, internal and external issues, stakeholders, and the effectiveness and improvement of the company's Intellectual Property Management System. Additionally, the management review meeting evaluates revisions to intellectual property management policies, objectives, processes, and benefits, and confirms the appropriateness and effectiveness of the Intellectual Property Management System.

## D. Taiwan Intellectual Property Management System (TIPS) Certification

2023 Intellectual Property Management Policies and Goals:

### 1. Intellectual Property Management Policies

- a. Deeply cultivate key technologies
- b. Reduce operational risks
- c. Strengthen the planning of intellectual property
- d. Create intellectual property value

### 2. Intellectual Property Management Goals

- a. At least 15 new patent applications
- b. Hold 2 training sessions
- c. 90% patent application approval rate in Taiwan
- d. 90% invention patent application approval rate in the US

VIVOTEK has actively promoted its intellectual property management plan since 2012, with the following implementation mechanisms:

### Intellectual property management plan

2012	Established the Intellectual Property Management Department responsible for handling intellectual property related issues.
2013	Established a systematic intellectual property management system and formulated the Company's Intellectual Property Management Policies and Goals.
2014	Applied and passed TIPS verification for the first time.
2015	Continued to implement the intellectual property management system and ensured its appropriateness and effectiveness through internal audit and external verification.
2017	Based on new TIPS regulations, as well as internal and external circumstances, stakeholders, and risks and opportunities, the Company formulated its Intellectual Property Management Policies and Goals to comply with 2016 TIPS verification standards.
2019	Strengthened intellectual property protection measures in case of employee resignation, added an intellectual property ownership reminder to the work handover list, and established a notification mechanism for employees who are resigning.
2020	Strengthened confidentiality policy and procedures, and improved the labeling of confidential documents.
October 28, 2021	The Company has successfully renewed the TIPS Level A certification, which is valid until December 31, 2023; the company also started planning the improvement of the intellectual property management system and carried out the introduction of the TIPS Level AA - strengthening enterprise intellectual property operation and management plan since 2021. The intellectual property management system is expected to transition from the ideal operation stage of the current TIPS Level A certification to further intellectual property application.

Starting from 2022, VIVOTEK initiated TIPS AA-level certification to enhance the implementation of its intellectual property management plan, introducing new practices in intellectual property management, including:

#### TIPS AA-Level Certification: Intellectual Property Management Affairs

Establishing a scoring system for intellectual property proposals, evaluating criteria such as statutory requirements, technological/product advantages, and market benefits. This scoring system is interlinked with the company's intellectual property policy and objectives.

Improving the information of the patent inventory by conducting periodic reviews and updates of the corresponding relationships between various patents and technologies/products.

Developing a knowledge management system for intellectual property-related information, regularly updating industry-relevant intellectual property, business, and research and development information.

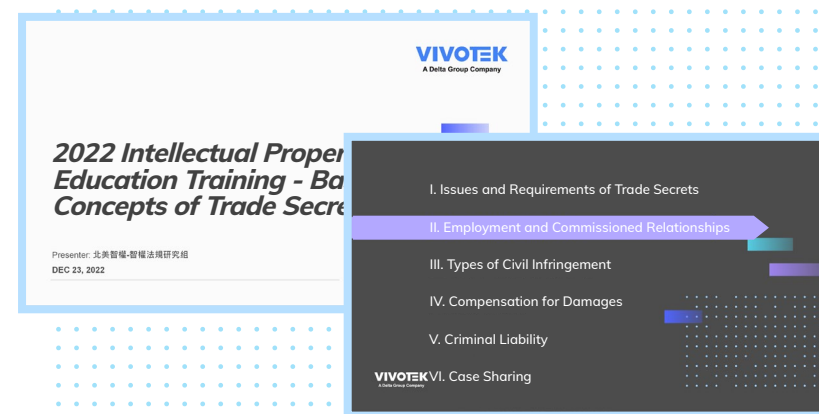
Strategically planning the potential future applications of unused or less significant intellectual property rights or their combinations. When considering relinquishing intellectual property rights, impact assessments are conducted, taking into account possibilities for commercial use such as licensing, technology transfer, or assignment.

VIVOTEK has achieved TIPS certification for nine consecutive years since its initial validation in 2014. The most recent certification was obtained on October 28, 2021, with a follow-up sampling audit successfully completed on July 20, 2022. The validity of the certification is in effect until December 31, 2023.

## E. Intellectual property management system training

When colleagues have little to no knowledge of intellectual property, it may cause damage to the Company's intellectual property management system. In light of this, VIVOTEK has taken active measures, in addition to requiring all new employees to complete basic training on intellectual property within a specified period, and attend annual trainings to increase their knowledge on intellectual property.

In 2022, VIVOTEK organized two intellectual property education and training sessions for colleagues in the research and product planning units. These sessions were titled "Taiwan-U.S. Patent Application Strategies and the Application of Core Patents" and "Fundamental Legal Concepts of Trade Secrets." The course content of "Taiwan-U.S. Patent Application Strategies and the Application of Core Patents" covered patent types, basic concepts and regulations of patents in Taiwan, the U.S., and China, patent application strategies, and extension strategies for core technologies. The intention was to provide insights into the layout and practical applications of core technology patents through case studies, serving as the foundation for patent application strategies during new product and technology development. The content of the "Fundamental Legal Concepts of Trade Secrets" course included the objects and requisites of trade secrets, employment and commission relationships, patterns of civil infringement, and actual cases related to criminal liability and damages. The objective was to enhance colleagues' understanding of trade secret regulations and their significance, thereby increasing awareness of confidentiality and mitigating potential losses due to trade secret leaks.



## F. Leading the industry in the number of intellectual properties

- VIVOTEK has focused on intellectual property for a long time and ranks among the best in the field of security control in Taiwan with fruitful results. The quantity statistics are as follows

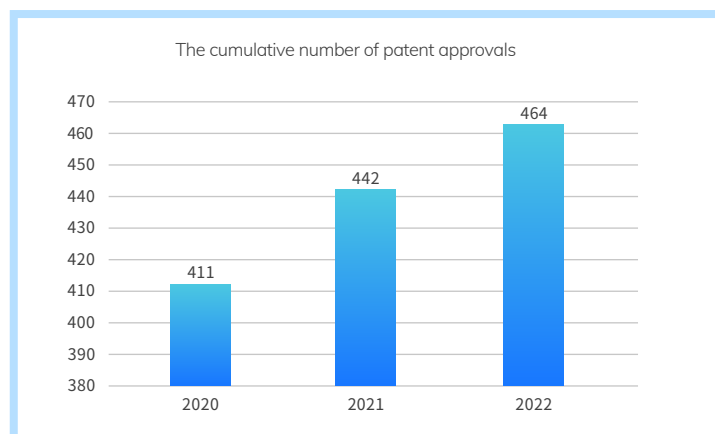
Types and Quantity of Intellectual Property	
Patents	As of December 31st, 2022, the Company has accumulated a total of 613 patent applications all over the world. The total patents granted worldwide have reached 464. In terms of patent quality, VIVOTEK achieved a 100% approval rate for invention patents in Taiwan and improved the approval rate for invention patents in the United States from 86% in 2021 to 90% in 2022.
Trademarks	As of December 31st, 2022, the Company has obtained 121 trademarks in 42 countries and 25 trademarks are pending application.
Copyright and trade secrets	Steady growth.

## Statistics on intellectual property rights

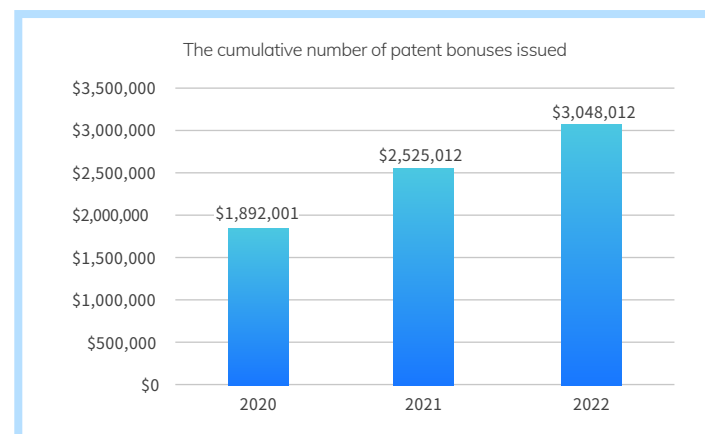
Statistics on intellectual property rights as of December 31, 2022

Intellectual property rights			Number of cases
Patent	Invention patent	Number of certificates received	346
		Number of applications	37
	Utility model patent	Number of certificates received	17
		Number of applications	0
	Design patent	Number of certificates received	79
		Number of applications	13
Trademark		Number of certificates received	80
		Number of applications	27
Copyright and trade secrets		Steady Growth	

#### Statistics on the cumulative number of patent approvals in the past three years



#### Statistics on the cumulative number of patent bonuses issued in the past three years



Note: The patent bonus is paid in NTD.

## 4.2.2 Future Outlook

VIVOTEK places significant emphasis on intellectual property and aims to maintain its competitive edge in the surveillance industry through strategic IP deployment, sustaining a leading market position. This is accomplished by long-term intellectual property investment and risk management to achieve sustainable business goals. The following are the four strategies for future intellectual property management:

1. VIVOTEK will continue to perform patent analysis on key technologies and related industries, providing insights to product development teams. This aids in understanding the industry's advanced patent technology landscape, enabling the formulation of development strategies. The company seeks appropriate technology research and development areas, while its robust Intellectual Property Management System ensures optimal protection and management of innovative outcomes. Furthermore, efforts will enhance both the quantity and quality of patent applications, facilitating broad deployment of core technology patents.
2. VIVOTEK will continue to host annual Intellectual Property Management System training, sharing intellectual property knowledge with employees to raise awareness, increase the likelihood of patent proposals, and mitigate risks such as patent infringement or confidential information leaks.
3. VIVOTEK will consistently pursue validation under the Taiwan Intellectual Property Management System (TIPS) to ensure secure IP system operations. The Company will progressively implement the enhanced enterprise IP management plan validated under TIPS AA level, advancing from the stage of full operation under TIPS A level to a deeper integration of IP practices under TIPS AA level.
4. VIVOTEK will continuously assess the value of patents held by key competitors, analyzing and monitoring the strength and worth of their patent portfolios. This real-time evaluation of the difference in patent value between the Company and its main competitors serves as a reference for shaping intellectual property strategies and objectives.

## 4.3 Quality Management System

SDG 9

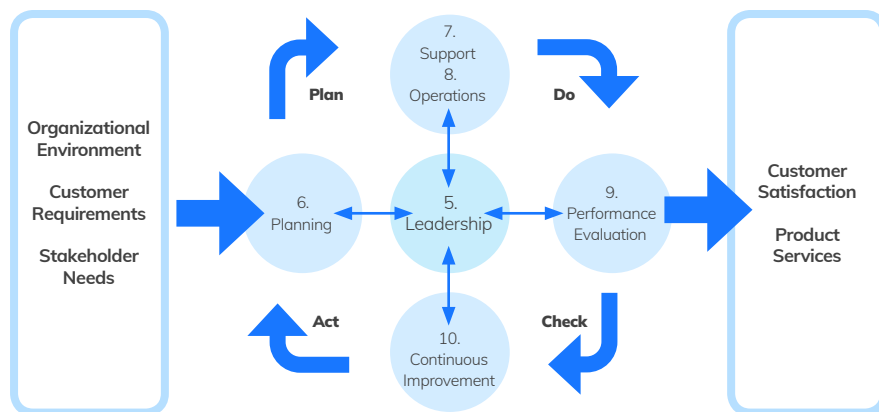
SDG 12

This section aligns with the UN SDG 9.4 Industrialization, Innovation, and Infrastructure, as well as SDG 12.2, 12.5, and 12.6 Responsible Consumption.

### 4.3.1 Quality Management System

VIVOTEK continues to provide excellent products and services to customers, while consistently increasing its profit and market share. The Company believes that one of the best strategies to achieve its goals is to improve the quality of its employees. It promotes an active quality culture and requires "quality first, service priority, and customer satisfaction" from the daily work performance of every employee. This is accomplished through quality improvement activities to enhance quality awareness, quality, and work efficiency among employees:

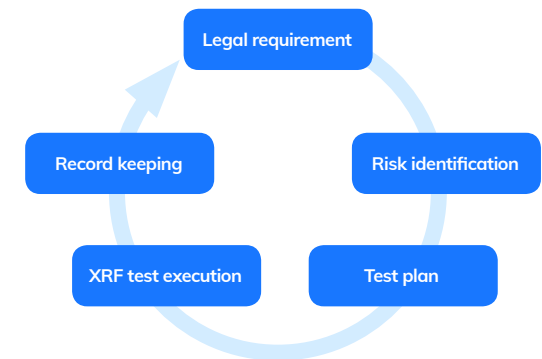
- Based on the processes and related procedures in quality improvement proposals.
- Arrange for employees to participate in quality training courses.
- Gather feedback on product quality satisfaction through customer satisfaction surveys and use these as basis for improvements.



### 4.3.2 Hazardous Substance Process Management

To confirm that the products developed and produced comply with international environmental protection laws and customer HSF requirements.

Following the IECQ QC080000 Hazardous Substances Management System, the identification and management of hazardous substances are required for finished products, semi-finished products, used components, accessories, packaging materials, and materials attached to the process:



XRF Testing Flowchart

- The Green Product Management (GPM) system is implemented internally for the establishment of a green components/product database to ensure environmental compliance of parts and suppliers.
- Implement the GPM system for suppliers to upload inspection reports, enabling suppliers to clearly understand VIVOTEK's requirements
- Identification according to green regulatory requirements
- Implement incoming XRF sampling management operations in a timely manner based on material risk levels according to risk assessments
- Ensure compliance with the requirements of RoHS Directive, Appendix XVII of REACH Regulation, and SVHC (Substance of Very High Concern).
- Relevant test records and test reports provided by manufacturers are kept for customer audits.
- For the year 2022, the percentage of health and safety impact assessment on key products is approximately 15%. Efforts will be continuously made to increase this ratio in the future.

### 4.3.3 Environmental Management System

To fulfill its commitment and corporate sustainability goals, VIVOTEK has taken the following measures based on the ISO14001:2015 environmental management system (verified by TUV Rheinland, Germany):

- A. Commitment to abide by government environmental protection regulations and meet the Company's own benchmark.
- B. Design products in a way that there is minimal impact on the environment during production, use, and disposal, thereby reducing waste and resource (material and energy) consumption
- C. Implement carbon reduction and waste reduction, enhance employees' independent environmental management capabilities, and continuously improve environmental management performance.

#### ■ 2022 Environmental Targets

Environmental Targets	2022
Number of environment-related complaints from external stakeholders: 0	0
Recyclable business waste accounts for more than 95%	98%

### 4.3.4 Product Quality Assurance

VIVOTEK has established an internal reliability testing capability to conduct environmental tolerance verification for new products, ensuring that the products meet customer application requirements. Quarterly production reliability sampling tests are carried out to ensure the quality of mass-produced products.






Tools	Q'ty	Experiment Items
Constant temperature and humidity machine	6	High temperature and humidity (50 - 60°C / 95% Rh) Temperature and humidity cycle Low temperature (-20°C - -50°C)
Salt water spray testing machine	1	96-200 hours
Drop test machine	1	30-165cm drop tests
Oven	3	High temperature (life testing)
IPX7 Test Equipment	1	IPX7 Test (Water immersion at 1m depth for 30 minutes)



### 4.3.5 Improve Quality Capability and Promote Quality Improvement

Establishment and implementation of the quality improvement proposal system establish a quality improvement review committee and implement the quality improvement proposal system; the proposal implementation may come from a project approved by the committee (Top-Down) or improvement projects proposed by green belt certified colleagues themselves (Bottom-Down). In response to the implementation of the quality improvement system, there is a Six Sigma Green Belt course offered: members are assigned by each department to conduct various quality technique trainings, improve the ability to apply quality techniques, reduce variation of procedures and production process, and practice process improvement. A presentation of the results of the implementation project each term provides an opportunity for employees to participate and learn. In this period, VIVOTEK proposes a total of 5 projects. The main focus was on enhancing efficiency, product quality, and process improvement. All of these projects have been completed and passed the closure review.

Plan	Date	Status	
Arrangement and Training for Phase 2 Six Sigma Green Belt Course at VIVOTEK	2022 Q2 & Q3	Done	
Presentation of Graduation for Phase 2	2022 Q4	Done	
Closure Review	2023 Q1	Done	



# 5 Environmental Care

1. Commit to promoting smart factories.
2. Introducing lens auto-focusing automation equipment, a finished product testing automated line, and a six-axis Auto-Alignment automatic focusing device, effectively reducing production time, labor demand and increasing space utilization. Standardizing and digitizing testing processes effectively reduce production failure time. Production values can be tracked and subjected to big data analysis.
3. In 2022, VIVOTEK purchased renewable energy sources such as wind, solar, and hydropower. As of the end of December 2022, a total of 1,101,176 kWh of green energy and 683 renewable energy certificates were purchased, resulting in a reduction of 560.5 metric tons of carbon emissions.
4. In 2022, in accordance with the organizational greenhouse gas inventory ISO 14064-1:2018, third-party external verifications for the 2020 and 2021 neutralization plant areas were completed.
5. In 2022, the proportion of recyclable business waste reached 98.69%. Compared to the set goal for 2019: recyclable business waste accounts for more than 90% of the total amount; the recycling rate of waste has significantly increased, achieving remarkable results and meeting the company's objectives.

## 5.1 Smart Factory Evolution

### 5.1.1 Management policy and implementation results

SDG 11

SDG 12

SDG 13

In line with the UN SDG 11.3 and 11.7 Sustainable Cities and Communities, SDG 12.2, 12.5, and 12.6 Responsible Consumption and Production, and SDG 13.3 Climate Action.

Enhancing factory manufacturing capability follows the development principles of rationalization, standardization, automation, and intelligence. The purpose of factory intelligence is not only to improve production efficiency and quality, reduce production costs, and integrate production data management, but also to strengthen operational decision-making quality, respond to demand changes in real-time, and achieve energy-saving and emission reduction in production management.

#### A. Management Policy and Commitment

1. Rationalized and standardized product design	Rationalizing product design helps reduce material costs and simplify production hours, while standardizing product design makes material preparation and production operations more consistent. This not only improves quality but also prepares for automation.
2. Introduction of automation equipment	Analyze all manual operations in the factory production process, evaluate and promote the use of automation equipment to replace manual labor, thereby enhancing efficiency, eliminating uncertain human factors, and ensuring stable and consistent production quality.
3. Equipment networking and data integration	Connect all equipment to the network, collect production data from all equipment, and integrate data from various production lines and factory areas for more effective comprehensive production management.
4. Remote monitoring and management	Monitor the production status of various factory area production lines in real-time, enabling immediate command and dispatch to respond quickly to various demand and supply changes.
5. Integration of AI technology	Incorporate evolving AI technology, combined with automation equipment, continuously optimize production technology, and assist management personnel in making more informed decisions.

## B. Management Policy Evaluation and Performance

Percentage decrease in manpower demand	Percentage decrease in production hours	Percentage increase in space utilization
VIVOTEK continues to drive various intelligent production projects. Due to the significant increase in orders in 2022, factory capacity and production value have more than doubled. Additional labor has been hired to meet the demand. Additionally, the average production value per hour for each operator has increased from US\$286 in 2021 to US\$365 in 2022. This trend is expected to continue in 2023. Through intelligent automation, the goal is to reduce manpower demand by 17% in 2023.	The introduction of automation equipment will reduce production hours and enhance efficiency. Individual equipment settings, such as lens auto-focusing automation equipment and finished product testing automated lines, can reduce production hours by approximately 50%, meeting individual goals. Future efforts will focus on implementing automation equipment across VIVOTEK's entire setup, with a continuous goal to reduce production hours by 50%.	Space utilization is commonly referred to as "yield per unit area," which measures output or production within a given space. With the aid of automation equipment and restructured production lines, space utilization can increase by over 10%.

## C. Actual implementation

### Lens Auto-focusing Automation Equipment

- 67% reduction in manpower requirements
- 75% reduction of man-hours in production
- 38% increase in space utilization
- Test standardization and digitization to reduce production failure (man-hours)
- Production value can be traced and big data analysis can be carried out.



#### Automated production line for testing finished products

- a. 67% reduction in manpower requirement
- b. 12% reduction of production hours
- c. Test standardization and digitization to reduce production failure (labor hours)
- d. Production value can be traced and big data analysis can be carried out



#### Six-Axis Auto-Alignment Auto-Focusing Equipment (In Development, Planned for Production in 2023)

- a. No manual multi-axis adjustments required.
- b. Estimated production capacity is able to exceed manual operation by over 2 times.
- c. Algorithm-based multi-point focusing and digital assessment reduce production failure time.
- d. Production data is traceable for extensive data analysis.



## 5.1.2 Taiwan Brand, Local Manufacturing

VIVOTEK is proudly a Taiwanese brand. The Company started in Taiwan with its own brand VIVOTEK, selling products all over the world. It is committed to supporting Taiwan's R&D design as well as local manufacturing and putting quality first. VIVOTEK has its own excellent R&D team, key patents, and technologies. It develops various advanced solutions that lead the market and meet customer needs.

Taking product quality and information security as its first priority, the Company has established production bases in Zhonghe, New Taipei City and Taoyuan City, employing Taiwanese and Vietnamese migrant workers. It respects human rights, gives importance to the development of each employee, and ensures a good work environment. With its caring spirit and mission of giving back to the community, VIVOTEK continues to develop and interact with different communities in the area and looks forward to helping the region through advanced technologies and quality assurance in order to achieve mutual benefit and sustainable development.

ODS was not used during processes and on the product, thus has no traces of clear air pollution, being stick to the friendly environmental spirit.

## 5.1.3 Lean Production and Production Automation

VIVOTEK is committed to producing high-quality communication products. In order to achieve the company's long-term sustainable development goals, we have actively implemented automated production processes at our Zhonghe and Taoyuan factories in Taiwan. This initiative aims to reduce our dependence on human resources while enhancing production efficiency and product quality. Additionally, we are dedicated to fulfilling our corporate social responsibilities by making continuous contributions to environmental and societal protection.

Following its successful experience in production management, VIVOTEK further promotes lean production in which the production department and central coordinating unit formulate and promote the rationalization and standardization process, while the automation team plans and utilizes automatic production equipment. The overall production process is streamlined and optimized, while processing operations is reduced outside the production line and streamlined production schedules are set to reduce ineffective handling and waste of remanufacturing inventory space, thus effectively improving factory space and production capacity. In project process management, VIVOTEK introduces DPS (Daily Production Schedule), DVR (Daily Variance Report) and DRM (Daily Report Meeting), establishes specifications, and generates reports which can help improve overall operational efficiency.

## ■ SDG 9.4: Industrialization, Innovation, and Infrastructure

### SDG 9

By utilizing automated equipment to enhance the efficiency and quality of its manufacturing processes, including automated product testing lines, lens auto-focus equipment, semi-automated testing, and inspection programs, VIVOTEK aims to not only increase production efficiency but also reduce errors and the need for manual intervention. Moreover, these automated processes contribute to resource efficiency, waste reduction, and data-driven improvements.

In 2022, VIVOTEK continues to introduce lens auto-focus equipment to standardize and digitize operations, leading to a 75% reduction in work hours. The automated product testing line promotes standardization and data recording of test results, resulting in a 12% reduction in work hours. Additionally, to meet the demand for high-definition products, the development of the 4K-compatible six-axis auto-alignment auto-focus equipment is completed, further enhancing our production capabilities and product quality standards.

Adopting a "Point and Line to Plane" thinking, we have constructed an automated production line strategy with the goal of increasing capacity from 20 pieces per hour to 80 pieces:

#### Point

Differentiating each production stage and constructing individual station automation equipment. This involves implementing automated focusing machines and automated CO2 cleaning of sensor boards and lens assembly.

#### Line

Connecting each stage of the process equipment to form a complete production line, with the automated product testing line introduced to the Taoyuan factory.

#### Plane

Planning workflow for Zhonghe and Taoyuan factories, and developing a layered data management system for automated equipment to monitor production status and data, effectively controlling capacity and efficiency.

## ■ SDG 12.2, 12.5, and 12.6: Responsible Consumption and Production

### SDG 12

Through automated production, waste of energy and raw materials is reduced, and errors and waste quantities are minimized. Additionally, in product design, shared molds and structures are considered, and universal carriers and fixtures are utilized in the production process. Reusable trays, anti-static boxes, and pallets are used for material transport, emphasizing the minimization of environmental and social impacts in the production process to achieve responsible consumption and production.

## ■ SDG 13.3: Climate Action

### SDG 13

Through ongoing lean production operations, VIVOTEK gradually reduces production hours and labor requirements, leading to reduced energy consumption. After the implementation of factory automation equipment, space requirements are minimized, eliminating the need for air conditioning in the production areas. This comprehensive approach significantly reduces power consumption, greenhouse gas emissions, and carbon footprints, contributing to environmental sustainability.

## 5.2 Use of Renewable Energy

### 5.2.1 Management Policy and Achievements

#### A. Management Policy and Commitment

Support the use of renewable energy. Aim to achieve 100% renewable energy usage by 2030.

#### B. Evaluation and Performance of Management Policy

Tracking the proportion of renewable energy usage: Planning to use 30% green energy by 2025 and target 50% by 2027.

#### C. Actual Implementation

1. The Finance Department has incorporated carbon fees into internal management reports and established a corresponding ICP cost center. Carbon fee applications are reviewed, and carbon investment plans, including renewable energy and low-carbon innovation, are included in the annual budget.
2. In 2022, VIVOTEK purchased renewable energy such as wind, solar, and hydropower. By the end of December 2022, a total of 1,101,176 kWh of green energy and 683 renewable energy certificates were purchased, resulting in a reduction of 560.5 tons of carbon emissions.
3. Solar energy-saving equipment has been gradually implemented, including the installation of rooftop solar panels in the US subsidiary in 2020, enhancing the utilization of renewable energy.



## 5.2.2 Responding to various international initiatives of parent company Delta Group

Actively responding to the global renewable energy initiative RE100 advocated by the Group, VIVOTEK focuses on saving energy, using solar energy for self-consumption and investing in renewable power plants. At the same time, it evaluates the transaction maturity of the local green power market on top of the green power PPA (Power Purchase Agreement) or RECs (Renewable Energy Certificates), and strives to achieve its set goals. Joining the RE100 Initiative would further promote the development of green energy in the downstream supply chain and prepare the entire industry for a move to 100% renewable electricity and carbon neutrality. In addition to actively deploying manpower and resources required for RE100, VIVOTEK set up a corresponding ICP cost center unit to review applications for carbon fees, usage, and plan in the annual budget in order to invest in carbon reduction projects such as renewable power and energy technology development and low-carbon innovation and initiatives.



Since joining Delta Group in 2017, VIVOTEK has also relocated the offices of some overseas subsidiaries to the overseas building of Delta. Currently subsidiaries in Australia, Europe, Japan and other countries have moved in the common office buildings. On the one hand, it is advantageous for these companies to use the existing building resources and the core technological capabilities of Delta to develop smart energy saving solutions and invest in the application and promotion of green buildings to alleviate the impact on climate; on the other hand, they can reduce rental costs and improve operational efficiencies.



## 5.2.3 Use of Solar Panels and Purchase of Renewable Energy Resources

### SDG 13

Echoing the UN SDG 13.3 Climate Action.

In 2020, the US branch of VIVOTEK officially utilized a rooftop solar power generation equipment. Nearly 700 rooftop solar panels were installed in VIVOTEK's office building in San Jose, California. The area of each solar panel is 77x39x1.57 inches. It is estimated that 253,000kWh of renewable energy can be produced through the solar photovoltaic system. The solar panels can help maximize output by generating energy independently from a local power company. Moreover, it helps save electricity cost, which benefits the utilization of resources and the expansion of operations towards a green business culture.

VIVOTEK purchased renewable energy such as wind, solar, and hydropower in 2022, resulting in a total of 1,101,176 kWh of green energy and 683 renewable energy certificates purchased by the end of December 2022, leading to a reduction of 560.5 tons of carbon emissions.



Image source: Archimedes Mandap

## 5.3 GHG Emissions, Water, and Waste Management

SDG 7

SDG 12

SDG 13

This chapter reflects the UN SDG 7.a Affordable and Clean Energy, SDG 12.2, 12.5, and 12.6 Responsible Consumption and Production, and SDG 13.3 Climate Action.

### 5.3.1 Management Policy and Achievements

#### A. Management Policy and Commitment

1. Yearly reduction of 1-2% in greenhouse gas intensity.
2. Achieve over 90% of recyclable waste in total volume by 2025.
3. Complete organization-wide greenhouse gas inventory by 2027.

#### B. Evaluation and Performance of Management Policy

1. Actively promote energy replacement projects within the company.
2. Implement organization-wide greenhouse gas inventory according to planned schedule.
3. Review and improve carbon emissions, waste, and other indicators annually.

#### C. Actual Implementation

1. For organization-wide greenhouse gas inventory, completion of third-party external verification for Zhonghe factory for the years 2020 and 2021 in accordance with ISO 14064-1:2018 in 2022. External verification for Zhonghe and subsidiaries, Taoyuan factory, and Taiwan regional office for the year 2022 will commence in 2023. An organization-wide greenhouse gas inventory plan for overseas offices is planned to launch in 2024.
2. Promote water conservation and cherish water resources in office environments, enhance water-saving equipment, and strive to reduce water resource waste.
3. The proportion of recyclable waste reached 98.69% in 2022, significantly surpassing the target set for 2019 of over 90% recyclable waste in total volume. The recycling rate of waste has grown substantially, achieving notable results and meeting company goals.
4. Recycling of waste experienced significant growth in 2022 due to effective breakdown, classification, and recycling of TRAY pallets and mechanisms.

## 5.3.2 Environmental Care Objectives

Using 2022 as the baseline year, VIVOTEK responds to various environmental care policies and sets energy-saving, carbon reduction, and waste management goals. The achievements are periodically discussed with the Sustainability Committee, and progress in greenhouse gas inventory is reported quarterly to the Board of Directors for oversight.

	Policy Objectives	Measures for the Next 2 Years	Remarks
<b>Energy Conservation and Carbon Reduction</b>	Reduce by 1% every 2 years	<ul style="list-style-type: none"> <li>Implement energy-saving lighting replacement (T8/T5/LED) in office areas</li> <li>Adjust work area lighting to reasonable levels as needed</li> <li>Promote production line automation</li> <li>Implement scheduled equipment shutdown to save electricity</li> <li>Regularly maintain air conditioning to ensure operational efficiency</li> <li>Educate employees about turning off lights when not needed during lunch breaks and after work</li> <li>Regularly disconnect refrigerators</li> <li>Encourage employees to use stairs and public transportation</li> <li>Promote a vegetarian and eco-friendly lifestyle</li> <li>Starting from 2022, purchase renewable energy to increase the usage rate annually</li> </ul>	Due to the nature of the industry, the focus is on energy savings, energy efficiency, and greenhouse gas reduction strategies within the factory.
<b>Waste Management</b>	Achieve over 90% of recyclable waste in total volume by 2025	<ul style="list-style-type: none"> <li>Continuously promote tray recycling within the production area, breaking down to the smallest units for recycling</li> <li>Collaborate with qualified recycling vendors for recycling materials, particularly plastics and metals</li> </ul>	

Note: Water consumption goals are not set as there is no process water usage.

### ■ 2022 VIVOTEK Energy Conservation and Carbon Reduction Action Plan and Achievements:

Starting in 2022, in conjunction with the purchase of renewable energy and the LED lighting replacement project, a total of 569 tons of carbon emissions were reduced.

	Procurement of renewable energy	Replacement of LED lighting
Electricity Savings (Unit: KWH)	1,101,176	4,615
Reduced Energy Consumption (Unit: MJ)	3,964,234	16,614
Reduced Carbon Emissions (Unit: tonCO2e)	560.5	8.5

Note:

1. Calculation formula for purchased electricity: 1 kWh = 3.6 MegaJoules (MJ)
2. 2022 electricity carbon emission factor: 0.509 CO2e/kWh
3. Renewable energy carbon reduction formula = Amount of renewable energy purchased (electricity savings) \* 2022 electricity carbon emission factor
4. Lighting carbon reduction formula = Reduced energy consumption per ELD lamp by 35.64 kWh/year \* 180 lamps

## 5.3.3 Energy Use Explanation

### A. Energy Use Strategy

VIVOTEK is committed to controlling energy use within the factory area and conducting greenhouse gas emission inventory to demonstrate the environmental and climate impact caused by greenhouse gas emissions. In pursuit of sustainable operations, we assume responsibility towards society, meet customer or government environmental regulations, and implement this policy. We educate our colleagues to understand and proactively support these actions and are dedicated to:

1. Continuously promote energy conservation and carbon reduction measures.
2. Engage all employees in energy conservation and carbon reduction activities.
3. Comply with environmental regulations, customer requirements, and other relevant provisions.

VIVOTEK commits to self-improvement based on the most advanced international and domestic standards.

### B. Energy Management Organization

Appointed by the General Manager's Office, a verification team leader is designated, and a verification team is formed.

Responsibilities of the verification team: Conduct internal audits and external verifications, address related issues, improvements, and investigations. The data team includes relevant units such as General Affairs, Human Resources, Quality Control, Shipping, and Accounting, providing internal activity data collection.

### C. Energy Management Measures

An annual greenhouse gas emission collection and internal audit are conducted, recording the implementation results and tracking improvements.

## ■ VIVOTEK Electricity Consumption and Energy Use Data (2020-2022):

Year	2020	2021	2022
Gray Electricity Consumption (kWh)	2,075,995	2,034,227	3,600,471
Gray Energy Consumption (MJ)	7,473,582	7,323,217	12,961,696
Renewable Electricity Consumption (kWh)	0	0	1,101,176
Renewable Energy Consumption (MJ)	0	0	3,964,234
Energy Intensity (MJ revenue -per million)	1,348(Million Revenue: 5,544)	1,343(Million Revenue: 5,452)	1,701(Million Revenue: 9,948)

### Note:

1. Calculation formula for purchased electricity: 1 kWh = 3.6 MegaJoules (MJ)
2. Electricity carbon emission factor: 0.509 CO<sub>2</sub>e/kWh for 2022, 2021, and 0.502 CO<sub>2</sub>e/kWh for 2020
3. Energy intensity: Energy consumption / revenue (in millions of NTD)
4. Electricity consumption scope: Zhonghe Factory Area, Taoyuan Factory Area, Taiwan Office, and subsidiaries in 2022; Zhonghe Factory Area in 2021 and 2020

## 5.3.4 Greenhouse Gas Emission Disclosure

The issues related to greenhouse gases have gained increasing attention and discussion among businesses and internationally. This has been a sustainable concern of VIVOTEK, as we recognize the potential impact and risks of greenhouse gases on the environment and are committed to reducing their impact to mitigate climate change.

In 2022, we obtained third-party verification statements for the years 2020 and 2021, with a verification scope covering the Zhonghe Factory Area and the Zhonghe District Office. In 2022, we included internal audits for the Zhonghe Factory Area, Taoyuan Factory Area, Taiwan Office, and subsidiaries. Third-party verification statements for the year 2022 are planned to be obtained in Q3 2023.

- A. The total greenhouse gas inventory is measured in metric tons of CO<sub>2</sub>e.
- B. The included gas categories are: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), sulfur hexafluoride (SF<sub>6</sub>), perfluorocarbons (PFCs), hydrofluorocarbons (HFCs), and nitrogen trifluoride (NF<sub>3</sub>).
- C. Baseline year setting: Using 2022 as the baseline year, if the change in greenhouse gas emission data exceeds 3% (significant threshold), the established baseline inventory list will be recalculated and updated according to actual conditions.
- D. The 2022 coefficients are derived from the GWP ratios of IPCC AR6.
- E. As VIVOTEK has complete authority over the disclosure of all emissions sources within the organizational scope, operational control approach is adopted for disclosure.

## ■ The 2022 greenhouse gas emissions statistics:

Gas	2020	2021	2022
Category 1: Direct Greenhouse Gas Emissions (metric tons of CO2e)	82.2094	87.3350	121.8840
Gas Category 2: Indirect Greenhouse Gas Emissions (metric tons of CO2e)	1056.6815	1035.4215	1832.6397
Gas Categories 3-6: Indirect Greenhouse Gas Emissions (metric tons of CO2e)	200.1209	195.6384	834.9095
Total Emissions (metric tons of CO2e)	1339.011	1318.395	2789.433
Gas Intensity (metric tons of CO2e per million revenue) (Formula: CO2 / Revenue - Million= Greenhouse Gas Intensity)	0.2415(Million revenue: 5,544)	0.2418(Million revenue: 5,452)	0.2804(Million revenue: 9,948)

NOTE \* The data for 2020 and 2021 in the table have been verified by a third party, Afnor Asia Ltd., for the Zhonghe Factory Area and Zhonghe District Office. The 2022 data is from internal audits and includes the Zhonghe Factory Area, Taoyuan Factory Area, Taiwan Office, and subsidiaries. Third-party verification statements are expected to be obtained in Q3 2023.

## 5.3.5 Water Usage Disclosure

VIVOTEK's product production process does not involve process water consumption; the incoming water volume is equal to the effluent volume. The factory and offices are leased, and water expenses are shared among the building management committee and rental companies, making the actual water consumption insignificant.

We promote water conservation and cherish water resources in our office environment. We have installed sensor-equipped faucets and urinals in restrooms to increase water-saving efforts.

Due to increased production capacity in 2022 and the increased water usage from new employees, water consumption has increased by 24,072 tons compared to 2021.

Year	2020	2021	2022
Water Consumption (tons)	12,148	11,155	13,562

## 5.3.6 Waste Disclosure

VIVOTEK strengthens waste management measures, promotes waste reuse, and collaborates with suppliers to recycle packaging materials and cardboard to extend the concept of a green economy. This helps delay the disposal of materials and reduces waste. In terms of waste disclosure statistics, as follows:

- VIVOTEK's assembly, testing, and packaging processes generate business waste such as plastics, packaging materials, and metal components, with no hazardous waste produced. In 2022, a total of 32.3715 tons of waste were processed by qualified clearance organizations, with priority given to recycling and reuse, followed by incineration and landfill disposal.
- Reducing waste starts from within. We collaborate with the supply chain to recycle packaging materials like cardboard and TRAY trays.
- Waste Flow Chart :

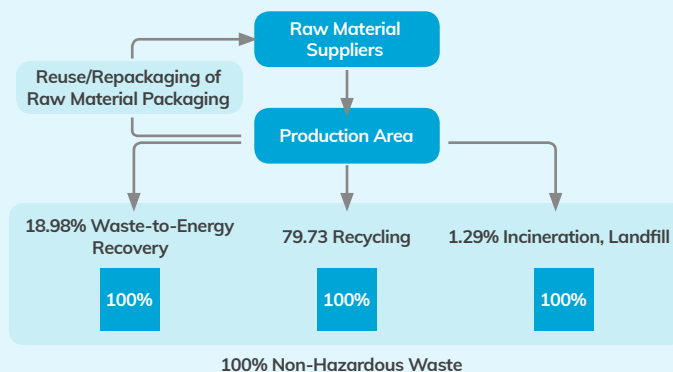


Image: the vendor's cardboard recycling area.

- The proportion of recyclable industrial waste was 98.69%, compared to the target set for the year 2019 of more than 90% of total recyclable waste. The recycling rate of waste has significantly increased, achieving the company's goals.
- In 2022, there was substantial growth in recyclable waste due to effective disassembly, classification, and recycling of TRAYs and components. The quantity of TRAYs recycled in 2022 was 8.2215 metric tons, and the quantity of classified recycled materials, including components, was 16.0095 metric tons, resulting in a total of 31.954 metric tons of recyclable waste.
- No violations of environmental regulations or fines occurred in 2022.



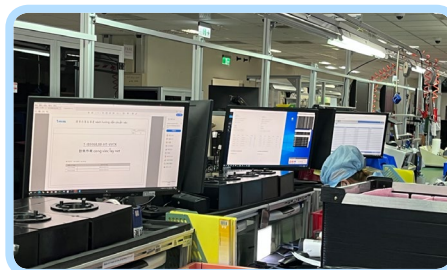
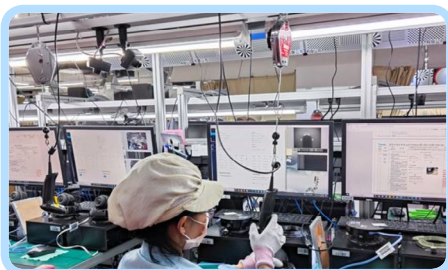
## ■ Distribution of Waste Disposal Methods:

Year			2020		2021		2022	
Classification	Disposal Site	Disposal Method	Output	%	Output	%	Output	%
General Business Waste Non-Hazardous Waste	Off-site (Domestic)	Recycling	0.584	51.59	18.9525	79.65	25.811	78.73
	Off-site (Domestic)	Waste-to-Energy Recovery	0.276	24.38	4.272	17.95	6.143	18.98
	Off-site (Domestic)	Incineration, Landfill	0.272	24.03	0.5715	2.4	0.4175	1.29
Hazardous Business Waste	None	None	None	None	None	None	None	None
Recycled Quantity/Total Waste Quantity		Total Waste Quantity	1.132		23.796		32.3715	
		Proportion of Recyclable Waste	76%		97%		98.69%	

## 5.3.7 Electronic Approval Implementation

### ■ Promotion of electronic approval to reduce paper waste

In addition to implementing the electronic document management system in 2007, VIVOTEK has fully adopted electronic SOP procedures for its diversified product range. Over five years ago, production units equipped screens as required by production operations. Prior to production, SOP documents are directly accessed through the computer-connected document management system to provide the basis for operation execution. This has reduced document retrieval time, ensured the use of current versions, minimized pre-changeover work hours, and saved paper printing, all contributing to environmental conservation efforts.



## 5.3.8 International Standard Certification

VIVOTEK continually aims to comply with various international standard certifications. The acquisition dates and validity periods of relevant system certifications are disclosed as follows:

Management System	Acquisition Date	Certificate Validity Period
ISO 9001:2015	2021-04-30	2024-04-29
ISO 14001:2015	2021-05-22	2024-05-21
IECQ QC080000:2017	2022-01-17	2025-02-14
ISO 14064-1	2022-10-12	



## 5.4 Risks and Opportunities of Climate Change

### SDG 13

This chapter reflects the UN SDG 13.3 Climate Action.

### 5.4.1 Management Policy and Achievements

#### A. Management Policy and Commitment

1. Supporting and responding to use renewable energy and achieving 100% of electricity application in 2030
2. Accomplish organizational green gas inventory throughout the Group in 2027

#### B. Evaluation and Performance of Management Policy

1. Follow up the percentage of use of recycled power: Planning to use 30% green power in 2025 and achieving 50% in 2027.
2. The inventory will go by schedule.

#### C. Actual Implementation

1. The Finance Department has included carbon fee into the internal management statements and set up correspondent ICP Cost Center to review application of use of the carbon fee. It also has budgeted the carbon-reduction investment plan including recycled power and energy technology development as well as low-carbon innovation and advocacy plans into annual budget.
2. In 2022, the Company bought recycled energy including wind, optoelectronics, water conservancy, where a total of 1,101,176 kWh green power, 683 sheets of credentials of renewable energy has been bought as of end of December 2022, thereby reducing 560.5 tons of carbon emissions.
3. For organizational greenhouse gas inventory, the Company has accomplished external checks on Chongho Plant for the year 2020 and 2021 in 2022 in accordance with ISO 14064-1: 2018.  
(It corresponds to the managerial pivots and achievements in 5.2 renewable energy use and 5.3 greenhouse gas, volume of water usage and waste management.)



To collect information is helpful for decision-making and forward-looking financial impact to facilitate the organization to understand the risks and opportunities when transforming to a low-carbon economy, VIVOTEK has referenced the structure of Task Force on Climate-related Financial Disclosures (TCFD) and formulated a set of consistent and voluntary climate-related financial information disclosure recommendations, explaining the practices of VIVOTEK in four core elements of climate change management in governance, strategy, risk management, indicators and targets.

## ■ Governance: Disclose climate-related risks and opportunities of the organization

Guiding Principles	Specific Practice
<b>The role of Board oversight in climate-related risks and opportunities</b>	The VIVOTEK ESG Team is established from the president's office downwards, and the top guiding officer is the president. Members include representatives from each department of the Company, across multiple units such as human resources, finance and accounting, marketing, administration, operations, environmental safety, procurement, quality assurance, intellectual property, IT, etc. The ESG Team is mainly responsible for promoting corporate sustainability and publishing the annual report. It also arranges regular courses and trainings in line with international and regulatory trends, and its implementation results are regularly reported to the board of directors.
<b>The role of management in assessing and managing climate-related risks and opportunities</b>	Regarding the issues related to climate change, VIVOTEK values and acknowledges their impact. Various responsible departments within the company assume different roles in addressing these issues. The Corporate Sustainability Development Task Force continually promotes these efforts by convening group and individual meetings for communication. Emphasis is placed on interviews, education, training, and information exchange to ensure that the management is up-to-date with the latest trends and can effectively implement initiatives.
	The Corporate Sustainability Development Task Force is responsible for monitoring international climate change trends and the latest developments. They also stay informed about international initiatives and indicators, establishing operational frameworks. They actively participate in planning climate change-related education and training courses, inviting management to participate and thereby grasp the latest climate-related issues. These efforts are combined with the actual work of various units to brainstorm and discuss, aligning with sustainable goals.
	VIVOTEK achieves climate change mitigation and responds to international climate actions by
	1. The Business Group is responsible for developing energy-efficient solutions beneficial to the environment.
	2. They are committed to enhancing product energy efficiency and developing cloud-based products to reduce carbon emissions. Investment in cross-generation cloud service products that align with AI IoT opportunities, creating cloud-based security solutions. They introduce a new subscription-based service, VORTEX, based on VSaaS, integrating network cameras, cloud image management platforms, and cloud storage space, effectively reducing the carbon footprint and emissions.
	3. The General Affairs Department enhances the energy efficiency of office equipment, while the Operations Department focuses on smart factory initiatives to save manpower and electricity. They optimize production processes, eliminate inefficient handling, and reduce waste in work-in-progress inventory space. This enhances overall factory space and capacity, making significant efforts towards climate change mitigation and energy conservation.
	The General Manager and top-level executives participate in climate change-related courses (as shown in the attached table). They also stimulate awareness of corporate sustainability by organizing internal sustainability events and planning brand activities that integrate sustainability for the coming year. This ongoing effort aligns with the United Nations Sustainable Development Goals. In addition to internal training, they actively participate in education and training programs organized by the parent company, Delta Electronics Foundation, and the Sustainability Committee, echoing the parent company's sustainability initiatives and advocacy.

■ Strategy: Immediate and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Guiding Principles	Specific Practice
Identified short-term, medium and long-term climate-related risks and opportunities	VIVOTEK actively identifies risks, builds adaptation capabilities, further researches and analyzes opportunities for climate change, promotes energy saving strategies, and follows sustainable trends. The ESG Team has set the schedule: short (3 years), medium (3-5 years), and long-term (more than 5 years).
	Inventory of short-, medium- and long-term risks:  Short term: Carbon tax and related regulations, uncertainty surrounding regulations and policies, increased cost of raw materials, renewable energy regulations. Medium term: Customers change supplier selection criteria, requirements for minimizing indirect greenhouse gas emissions –water conservation and waste reduction, increased severity of extreme weather events such as cyclones and floods, rising mean temperatures, international sector agreements. Long term: Long term: Rising sea levels, emission reduction requirements for suppliers.
	Inventory of short-, medium- and long-term opportunities:  Short term: Using more efficient production and distribution processes, recycling, moving towards more efficient buildings, using low-emission energy, having supportive policy rewards, using new technology, participating in carbon trading market, developing or expanding low-carbon products and services, maintaining diversified operations, responding to changing market demands, creating new market partnerships. Medium term: Participating in renewable energy projects and improving energy efficiency. Long term: Reducing the use of water resources, facilitating research and innovation of new products and services, promoting substitutability and diversity of resources.
Significant impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	VIVOTEK identified climate-related risks and opportunities covering the aspects of products and services, supply chain, activities of mitigation and adaptation, R&D, investment, operations, etc. and evaluated the probability and impact of events according to each risk and opportunity and formulated related measures.
Potential impacts of different scenarios on the organization's businesses, strategy, and financial planning	Actively introduce TCFD to evaluate the risks and opportunities of VIVOTEK caused by climate change, in order to take early action and countermeasures. VIVOTEK strategically screens key targets, integrating and analyzing the climate scenario analysis results of the Delta Group. This assessment evaluates the impact on market size, costs, and overall strategy.

■ Risk Management: The process that VIVOTEK utilizes to identify, assess, and manage climate-related risks within the organization.

Guiding Principles	Specific Practice
Process used by the organization to identify and assess climate-related risks	The ESG Team is accountable for performing annual inventory of climate change risks and opportunities, and convenes meetings to formulate corresponding strategies. Annually produce a risk assessment report with Material issues and communication results that concern stakeholders, discuss with the board regularly, and conduct further impact analysis and operational management.
Process used by the organization to manage climate-related risks	Manage with mitigation and adaptation: Mitigation: Actively promote the use of power-saving and renewable energy to improve the efficiency of energy use within the organization. Adaptation: Establish business continuity plans for climate-related physical risks and analyze the influence of climate change, research and develop corresponding strategies and production process improvement, adapt to climate change and provide customers with corresponding solutions to being kind to the planet and responding with sustainability in mind.
How to incorporate processes of identification, assessment, and management of climate-related risks into the overall risk management	VIVOTEK focuses on climate change issues and incorporates them into overall risk management. The ESG Team identifies and drives policies and projects related to climate risks and opportunities, takes inventory of climate related risks and potential financial impacts, discusses corresponding measures through regular internal meetings, faces potential risks, and formulates relevant plans in reference to the TCFD framework.

■ Indicators and targets: Used by the organization to assess and manage climate-related risks and opportunities

Guiding Principles	Specific Practice
In compliance with the policy and risk management process, indicators and targets used by the organization to assess and manage climate-related risks and opportunities	VIVOTEK actively responds to the announcement of its parent company, the Delta Group about joining the RE100 Global Renewable Energy Initiative, and commits to the overall goal of using 100% renewable energy and achieving carbon neutrality in all its offices around the world by 2030. Starting from 2022, VIVOTEK will initiate the inclusion of carbon fees in the internal management reporting plan. This will allow for gradual carbon management and the implementation of incentive programs in response to operational risks posed by global climate change. This effort contributes to realizing the global net-zero emission trend.
Disclosure of Scope 1, 2 and 3 emissions and related risks	VIVOTEK has formulated management targets and measures to reduce carbon and waste (see details below). Due to the characteristics of the industry, the strategy of reducing greenhouse gas focuses on in-plant energy management: Reduce greenhouse gas emission intensity by 1-2% in 2023. Recyclable business waste will account for more than 90% of the total by 2025.

■ Indicators and targets: Used by the organization to assess and manage climate-related risks and opportunities

Guiding Principles	Specific Practice	
Management targets and related performance		VIVOTEK actively responds to and follows the environmental sustainability goals and strategies of its parent company, Delta Group. The Office of the President and the Corporate Sustainability Development Team set goals proactively, conducting regular reviews of effectiveness. The following short, medium, and long-term plans have been established: short-term (three years), medium-term (three to five years), and long-term (over five years):
	Short-term	<ul style="list-style-type: none"> <li>• The Finance Department has included carbon fees in the internal management reports and established a corresponding ICP cost center. Carbon fee usage requests are reviewed, and carbon reduction investment plans, such as those related to renewable energy and energy technology development, low-carbon innovation, and advocacy, are planned into the annual budget.</li> <li>• Green energy adoption: VIVOTEK will start purchasing and integrating renewable green energy sources like wind, solar, and hydroelectric power from 2022 onwards.</li> <li>• Regarding organizational scope greenhouse gas inventories, external verification for the 2020 and 2021 emissions at the Zhonghe Factory was conducted according to ISO 14064-1:2018. The verification process will be extended to cover 2022 emissions for both the Zhonghe and Taoyuan Factories in 2023.</li> <li>• Development of cloud solutions and AI security solutions will reduce carbon emissions and greenhouse gases effectively.</li> <li>• Measures to reduce transportation-related emissions, such as centralized document delivery, are under consideration</li> <li>• Simplification and lightweight packaging of products will reduce transportation carbon footprint.</li> <li>• Comprehensive implementation of downsized packaging will save energy and reduce material volume.</li> <li>• Simplification: VIVOTEK emphasizes environmental protection, promotes electronic data usage, and provides information online to reduce physical printing.</li> <li>• Advocating for reduced paper usage contributes to a more eco-friendly operation by saving production time and storage space.</li> <li>• Solar energy-saving equipment activation: In 2020, the U.S. branch installed rooftop solar panels to increase renewable energy usage.</li> <li>• In 2023, plans for material reuse will be initiated to enhance the utilization of discarded packaging materials.</li> <li>• A series of sustainable brand activities will be launched in 2023, stimulating awareness and turning it into action.</li> </ul>
	Medium-term	<ul style="list-style-type: none"> <li>• Proactively drive internal energy replacement projects within VIVOTEK.</li> <li>• Promote the carbon reduction of products and services.</li> <li>• Reduce greenhouse gas indirect emissions - gradually transition the electricity ratio to 100% green energy through water conservation and waste reduction efforts.</li> </ul>
	Long-term	<ul style="list-style-type: none"> <li>• Drive supplier investigations into greenhouse gas reduction and disclose categories 3-6.</li> <li>• Support the use of renewable energy sources.</li> </ul>

■ Table: Climate change-related courses and hours attended by Board of Directors, President, and first level managers:

Title	Name	Date	Training course	Duration (hours)
Director	Zoe Cherng	2021.11.05	Global Risk Perception – Opportunities and Challenges in the Next Decode	3
Director	Chih-Chung Lan	2021.12.07	2021 Cathay Sustainable Finance and Climate Change Summit	3
Independent Director	Sin-Hui Yan	2021.01.14	CSR ESG trends and sustainable governance	3
General Manager	Alex Liao	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Bang-Yan Hsieh	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Jun-Ying Che	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Zhi-Hui Hsu	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Mei-Yu Li	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Joe Wu	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Cheng-Jie Liu	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Mei-Yun Hsu	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Sheng-Fu Zheng	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	William Ku	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Yan-Luo Chen	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Li-Ping Zhang	2022.03.02	GRI Standards and TCFD education and training course	6
First-level manager	Bang-Ting Liao	2022.03.02	GRI Standards and TCFD education and training course	6
Total hours				87

# 6 Employee Relationship and Social Participation

1. The parental leave without pay retention rate was 86% from 2021 to 2022.
2. The turnover rate remained below 17% from 2020 to 2022.
3. Structural and performance-based salary adjustments were implemented in 2022, with an average increase of approximately 14%.
4. Launched Green Belt Quality Certification courses with a 100% certification pass rate and proposed at least 5 quality improvement projects.
5. The total number of employees in Taiwan in 2022 was 1,273, with a total training time of 21,709 hours (including in-person and online courses), averaging 17 hours of training per person.
6. Conducted 12 mandatory promotion courses in 2022, totaling 19 sessions, with 649 participants.
7. The certification pass rate for quality certification courses over the past two years was 100%, with a total of 12 projects proposed.
8. Completed 360-degree assessments of managerial capabilities for 127 domestic and international supervisors in 2022. Conducted RiTE talent aptitude tests for 128 domestic and international supervisors, achieving a participation rate of 92%.
9. Held 4 sessions of the Welfare Committee meetings and 7 sessions of Labor-Management meetings in 2022. Employees raised 6 issues during the Labor-Management meetings, all of which were openly addressed.
10. Conducted biannual online employee communication sessions and monthly internal communication meetings in 2022, totaling 10 sessions.
11. Integrated human rights policy into integrity management education and training courses for advocacy in 2022, with a participation of 1,093 individuals and a total of 540 hours.
12. The annual health check in 2022 was conducted in October by professional medical institutions at the company. A total of 770 individuals participated in the health check, achieving a participation rate of 98%.
13. Employee care specific programs: Employee Assistance Programs (EAPs). In 2022, there were a total of 76 instances of telephone counseling used and 5 instances of individual counseling assistance programs used, with an average overall satisfaction score of 95.2.
14. Conducted safety and health education training for new and existing employees in 2022. Legal requirements necessitated certification (e.g., first aid personnel, occupational safety and health personnel), emergency response, and fire training, totaling 1,526 participants with a training time exceeding 8,202 hours.
15. Employee occupational safety: In 2022, the frequency rate (FR) of disabling injuries was 0, and the severity rate (SR) of disabling injuries was 0. No occupational disease cases occurred.
16. Introduced the "Safe Map Planning Order" sustainability project in 2022, proposing safety suggestions for the Taoyuan City An Kang Qi Zhi Caring Home to help create a secure and safe living environment for individuals with disabilities.



## 6.1 Employment Overview

The main disclosure area is VIVOTEK's head office.

The main operating base of VIVOTEK is Taiwan, and as of 2022, the total number of employees is 1,279. Employment type is divided into permanent employees (99.6%) and non-permanent employees, which include contract workers and dispatched workers (0.4%). In terms of rank distribution, there are supervisors (10.4%), indirect employees (46.6%), and direct employees (43%). In terms of age distribution, employees under the age of 40 account for about 70%, and the overall average age is 35 years old.

### ■ Number and Percentage of Employee

All Employees – By Employment Type	Type	Male		Female		Total	
		Number	Ratio	Number	Ratio	Number	Ratio
	Permanent Workers	532	41.6%	741	58%	1,273	99.6%
	Non-Permanent Workers	3	0.2%	3	0.2%	6	0.4%
	Total	535	41.8%	744	58.2%	1,279	100.0%
	Full-time Staff	532	41.6%	741	58%	1,273	99.6%
	Part-time Staff	3	0.2%	3	0.2%	6	0.4%
	Total	535	41.8%	744	58.2%	1,279	100.0%

Note: Senior executives refer to directors and above, middle-level managers refer to department-level managers, and frontline managers refer to section-level managers.

Permanent Workers – By Rank	Type	Male		Female		Total	
		Number	Ratio	Number	Ratio	Number	Ratio
	Senior Executives	13	1.0%	2	0.2%	15	1.2%
	Middle Management	47	3.7%	8	0.6%	55	4.3%
	Junior Management	41	3.2%	21	1.6%	62	4.9%
	General Indirect Workers	375	29.5%	218	17.1%	593	46.6%
	General Director Worker	56	4.4%	492	38.6%	548	43.0%
	Total	532	41.8%	741	58.2%	1,273	100.0%
By Age Group	<30	55	4.3%	345	27.1%	400	31.4%
	30-40	263	20.7%	230	18.1%	493	38.7%
	41-50	188	14.8%	127	10.0%	315	24.7%
	>50	26	2.0%	39	3.1%	65	5.1%
	Total	532	41.8%	741	58.2%	1,273	100.0%
By Education	Master's Degree or above	254	19.9%	67	5.3%	321	25.2%
	Bachelor's Degree	198	15.6%	139	10.9%	337	26.5%
	Others	80	6.3%	535	42.0%	615	48.3%
	Total	532	41.8%	741	58.2%	1,273	100.0%



## ■ Employee Count Changes in the Past Three Years

Permanent Employees	2020	2021	2022
Senior Executives	16	16	15
Middle Management	44	47	55
Junior Management	64	57	62
General Indirect Workers	566	570	593
General Direct Workers	321	279	548
Total	1,011	969	1,273
Non-Employee Workers	2020	2021	2022
Dispatched	0	17	71
Contracted	10	6	9
Outsourced	16	57	30
Total	26	80	110

Note: In 2022, due to the easing of the epidemic and the government's allowance for migrant workers to come to Taiwan to meet order shipping demands, there was a significant increase in migrant and dispatched labor.

## ■ Salary Ratio

Note: Senior executives refer to directors and above, middle-level managers refer to department-level managers.

Employee Category	Male	Female
Senior Executives	1	0.96
Middle Management	1	0.97
Frontline Workers*	1	0.77
Direct Workers	1	0.99

Frontline employees' manpower structure is predominantly composed of engineering and technical roles, accounting for 69%.

## ■ Employment of Employees with Disabilities

	2020	2021	2022
Male	5	5	3
Female	7	7	6
Total	12	12	9
Total Workers	1,011	969	1,273
Percentage	1.2%	1.2%	0.7%

## ■ Percentage of Local Residents among Senior Executives

	2020	2021	2022
Taiwan	100%	100%	100%
Overseas	33%	33%	33%
Definition	Local Residents: Refers to the nationality of executives' residence. Senior Executives: Refers to directors and above. Formula: Local Senior Executives / Total Senior Executives in that region.		

## ■ Non-Employee Workers

Category	Job Roles	Male	Female	Total
Dispatched Workers	Production Line Operators, Warehouse Management	24	47	71
Contractors	Contracted for equipment and building hardware repairs, on a project basis	30	0	30
Interns	Short-term administrative support	2	4	6
Janitors	Office cleaning	1	1	2
Consultants	Technical guidance	1	0	1

## 6.2 Recruitment and Retention

### 6.2.1 Management Policy and Achievements

#### A. Management Policy and Commitment

1. Providing Comprehensive Welfare and Employee Care Policies
2. Reducing Employee Turnover Rate
3. Offering Salary Increases Beyond Legal Requirements

#### B. Evaluation and Performance of Management Policy

1. Tracking Maternity Leave Application and Return Ratio
2. Monitoring Turnover Rate in the Past Three Years
3. Monitoring the Increase in Average Standard Salary

#### C. Actual Implementation

1. The Maternity Leave Retention Rate from 2021 to 2022 is 86%.
2. The Turnover Rate from 2020 to 2022 remained below 17%.
3. In 2022, the average indirect employee salary to statutory minimum wage ratio increased by 0.2 to 0.4 times compared to 2021.

### 6.2.2 Diversity and Inclusion Appointments

VIVOTEK recruits employees based on the principle of gender equality. Currently, the gender ratio of all permanent employees is 41.8% male and 58.2% female.

#### A. Ratio of New Employees

VIVOTEK complies with government labor laws and regulations, including the Labor Standards Act of the Republic of China and the Act of Gender Equality in Employment. It formulates all systems based on the most basic principles to protect the rights and interests of all employees. It recruits outstanding talents through various channels according to Company operational and developmental requirements. In 2022, there were 530 new permanent employees and their gender and age distribution are as follows

Note: New Employment Rate = Number of new employees / Monthly total number of employees

Year	2020		2021		2022	
Age Gender	Male	Female	Male	Female	Male	Female
<30	9	13	18	52	45	271
30-40	36	17	60	72	63	93
41-50	17	5	17	11	32	25
>50	2	1	2	2	1	0
Total	64	36	97	137	141	389
New Employment Rate	9.5%		23.8%		48.8%	

## B. Employment Turnover Rate

When an employee submits a resignation application, the supervisor and human resources department conduct an interview to determine the reasons behind the employee's resignation and to use these as basis for improvement to avoid losing talents. Below is the resignation statistics in the past three years:

Note: Employment Turnover Rate = Number of employee resignations / Monthly average of employees

Year	2020		2021		2022	
Gender \ Age	Male	Female	Male	Female	Male	Female
<30	10	27	20	23	20	26
30-40	48	29	51	43	46	35
41-50	7	11	17	11	21	21
>50	1	0	1	2	4	6
Total	66	67	89	79	91	88
Employment Turnover Rate	12.7%		17.0%		16.5%	

## C. Parental Leave

VIVOTEK respects the childcare needs of employees. It provides parental leave and assistance in applying for relevant subsidies. There were 5 applicants in 2022; the actual retention rate for that year was 100%, and the retention rate based on parental leave without pay from 2021 to 2022 was 86%. Interviews were conducted with employees who chose not to get reinstated, to determine their reasons for resigning. Supervisors were provided assistance in replacing manpower and a worry-free childcare mechanism was offered to employees to maintain a family-work balance.

- Note:
1. Parental leave application rate = Actual applications / Number of people eligible for parental leave
  2. Parental leave reinstatement rate = Number of people reinstated in the current year / Number of people who intend to get reinstated in the current year.
  3. Parental leave retention rate = Number of people who continued to work for one year after reinstatement in the previous year / Number of people reinstated in the previous year.

Definition	Male	Female	Total
Number of people eligible for parental leave without pay	58	23	81
Number of people who actual applied	3	2	5
Number of people who intend to get reinstated in the current year	2	4	6
Number of people reinstated in the current year	2	4	6
Number of people reinstated in the previous year	1	6	7
Number of people who continued to work for one year after reinstatement in the previous year	1	5	6
Parental leave application rate	5%	9%	6%
Parental leave reinstatement rate	100%	100%	100%
Parental leave retention rate	100%	83%	86%

## D. Salary and Compensation Policy

Senior Executives	Compensation for senior executives is based on the execution of key operational indicators of SPTS, company governance achievements, and factors including company revenue, achievement rate of post-tax net profit, EPS, and significant deficiencies in compliance with laws and internal audits of respective departments. It also takes into consideration market peer salary levels and anticipates future operational risks. The compensation is reviewed by the Compensation Committee and approved by the Board of Directors. Additionally, if the company is profitable for the year, not less than 7% is allocated for employee remuneration, as stipulated in the company's bylaws.
Employees	<p>Compensation is determined based on educational background, professional knowledge and skills, and performance. Compensation is not influenced by gender, race, religion, marital status, etc. Employee salaries comply with all relevant wage laws. Annual salary market surveys are conducted, combined with performance evaluations and promotion systems, serving as the basis for employee salary adjustments. In 2022, structural and performance-related salary adjustments were conducted, with an average increase of approximately 14%. VIVOTEK considers financial performance, operational achievements, and individual employee performance to establish various incentive reward methods to attract, retain, and motivate outstanding employees. Additionally, employee bonuses are distributed based on company performance and individual achievements, including performance bonuses, patent bonuses, R&amp;D project bonuses, production efficiency bonuses, and long-term incentive programs.</p> <ol style="list-style-type: none"> <li>VIVOTEK offer a diverse and competitive compensation system and employee benefits. Each year, we conduct salary surveys to benchmark market salary levels and economic indicators. These factors, along with performance appraisals and promotion systems, serve as the basis for adjusting employee salaries. The average "Compensation and Benefits" for employees in 2022 was NTD\$ 1,205 thousand</li> <li>The company provides year-end bonuses based on operational performance and individual performance. We also offer performance bonuses, patent bonuses, R&amp;D project bonuses, production efficiency bonuses, and long-term incentive programs to attract, retain, and motivate outstanding colleagues.</li> <li>In 2022, 12.45% of the company's expenses were allocated for employee compensation.</li> </ol>

### Competitive Compensation

VIVOTEK offers competitive compensation to attract and retain the talent required for the company's operations, ensuring steady growth and sustainable development. The company values the principle of equal pay for equal work, ensuring that gender does not result in pay disparities. In 2022, the basic salary ratio between male and female employees in management positions and direct personnel was 1:1, and for grassroots employees, it was 1:0.77. (A majority of the company's grassroots employees are male engineers, while female employees mainly hold administrative positions, leading to an unequal distribution of job roles.)

Employee compensation includes both fixed and variable components: fixed salaries are paid monthly and are adjusted based on industry standards, labor market statistics, position, job nature, professional skills, and market supply and demand. Variable compensation includes year-end bonuses, employee dividends, and performance bonuses, linking a portion of compensation to operational performance.

VIVOTEK has established the "Salary Management Regulations" and "Performance Bonus Regulations," educating new employees and disseminating information through internal emails to ensure understanding of the company's compensation system. Additionally, policies, systems, standards, and structures related to performance goals and compensation rewards are established. Compensation and benefits for management-level personnel require approval from the Compensation Committee and the Board of Directors, enhancing transparency in company governance and compensation. While the performance assessment of high-level management has not yet fully integrated sustainability-related impacts, such considerations will be moderately taken into account based on sustainability progress. Future assessments will explore the feasibility of aligning performance evaluation for high-level management with sustainability-related impacts.

## ■ Annual Total Compensation

With Taiwan as the primary operating location, the average total compensation for non-managerial employees in 2022 is approximately NTD\$ 1.19 million. The median total compensation for full-time non-managerial employees is NTD\$ 1.01 million. The ratio of median total compensation of the highest individual annual total compensation to other employees (excluding the highest individual) is 5.4 times. The increase in the highest individual annual total compensation is 35%, and for other employees (excluding the highest individual), the median total compensation increase is 40.6%. Therefore, the increase ratio of the highest individual annual total compensation is 0.86 times that of the median total compensation increase for other employees.

Average Employee Compensation (Unit: Thousands)

Full-time Non-Managerial Employees (Year)			Indirect Workers Average Standard Monthly Salary		Average Indirect Workers Standard Monthly Salary / Local Minimum Wage Note Direct Workers		Direct Workers Average Standard Monthly Salary		Average direct Workers Standard Monthly Salary / Local Minimum Wage Note Direct Workers	
Year	Average Salary	Median Salary	Male	Female	Male	Female	Male	Female	Male	Female
2021	909	721	73.4	54.5	2.9	2.2	29.1	27.8	1.2	1.1
2022	1194	1014	82.5	61.6	3.3	2.4	30.1	29.9	1.2	1.2

Note: In 2021, the local minimum wage was NTD\$ 24,000; in 2022, the local minimum wage was NTD\$ 25,250.

## 6.3 Employee Development and Training

### 6.3.1 Management Policy and Achievements

#### A. Management Policy and Commitment:

1. Enhance employee quality awareness.
2. Develop employees' capabilities to meet job title definitions.
3. Assist management staff in creating individual development plans and reserving key talents.

#### B. Evaluation and Performance of Management Policy:

1. Conduct Green Belt quality certification courses with a 100% pass rate and propose at least 5 quality improvement projects.
2. Offer mandatory courses for various job levels.
3. Administer 360-degree assessment of managerial competencies and RiTE talent suitability assessments for management staff.

#### C. Actual Implementation

1. In 2022, the total number of formal employees in Taiwan was 1,273, and the total company training hours amounted to 21,709 (including in-person and online courses), with an average of 17 hours of training per person.
2. Conducted internal instructor training courses in 2022.
3. Organized talent development strategy courses in 2022.

## ■ Training Overview in 2022 (Note 1, Note 2)

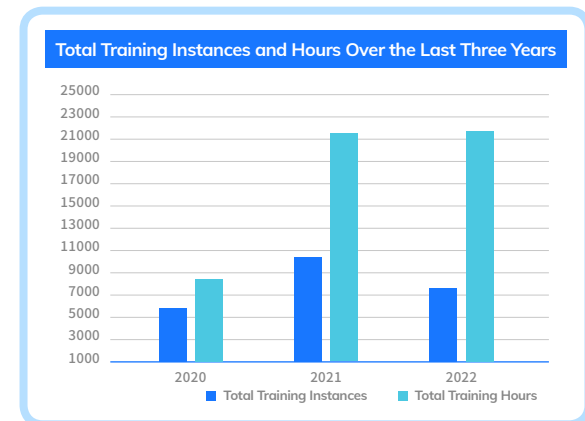
Note 1: The total number of formal employees in Taiwan was 1,273, with 725 indirect employees and 548 direct employees (as of December 31, 2022).

Note 2: The calculation standard for "Average Training Hours per Person" is "Total Training Hours" divided by "Total Number of Employees."

Training Overview	Training of Male Employees				Training of Female Employees				Overall Training Situation of the Company			
	Headcount	Number of Trainees	Training Hours	Average Training Hours	Headcount	Number of Trainees	Training Hours	Average Training Hours	Headcount	Number of Trainees	Training Hours	Average Training Hours
Managerial Staff	91	739	2,582	28	27	216	784	29	118	955	3,366	29
Non-Managerial Staff	439	3,032	8,514	19	271	1,905	5,277	19	710	4,937	13,791	19
Direct Workers	47	223	640	14	309	1,425	3,912	13	356	1,648	4,552	13
Total	577	3,994	11,736	61	607	3,546	9,973	61	1,184	7,540	21,709	61

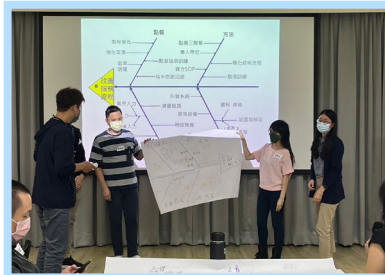
## ■ Employee Count and Total Training Hours Over the Last Three Years

Last Three Years	The total number of formal employees in Taiwan	The total company training instances	Total of hours (including in-person and online courses)	Resulting in an average of training per person
2022	1,273	7,540	21,709 hours	17.0 hours
2021	969	10,347	21,464 hours	21.7 hours
2020	1,011	5,610	8,176 hours	8.0 hours



## 6.3.2 Talent Learning and Development

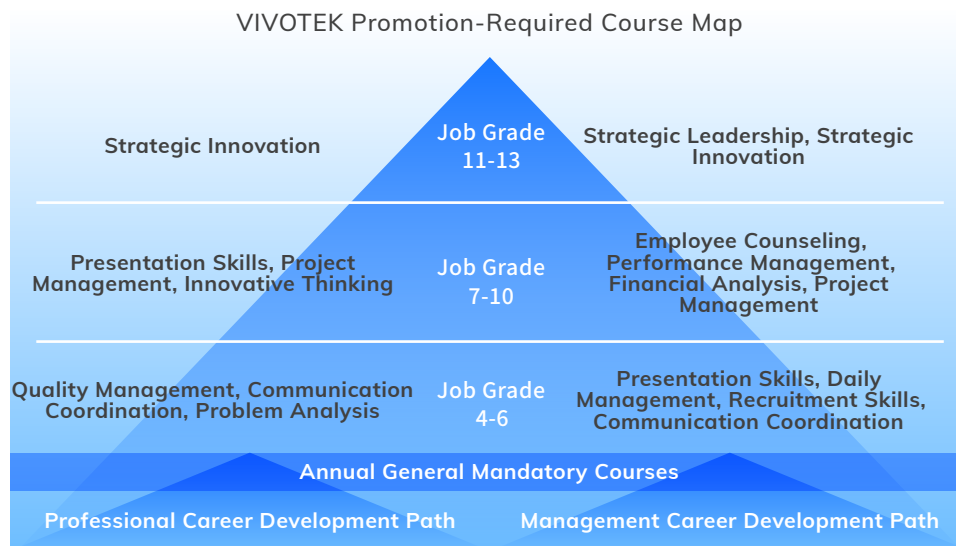
VIVOTEK has achieved the Taiwan Talent Quality System (TTQS) Bronze Certification through a comprehensive talent development system and nurturing plan. In 2022, we continued to enhance the quality of talent cultivation, actively understanding colleagues' learning needs, observing classroom interactions and post-course evaluations. Based on employees' career development needs and company growth requirements, we formulated training and development plans to help employees enhance professional skills and core competencies, thereby improving their work capabilities and enthusiasm. We actively participate in the Ministry of Labor's workforce development programs, offering courses on research and innovation, information application and technology enhancement, operational systems and production skills, business management, and professional language skills to meet employees' diverse learning needs. To clarify the career path for colleagues' competency development, we have designed a series of promotion-required courses to help colleagues proactively cultivate the required competencies for advancement. Course designs enhance interaction and introduce gamification into financial concept courses to make learning engaging and immersive.





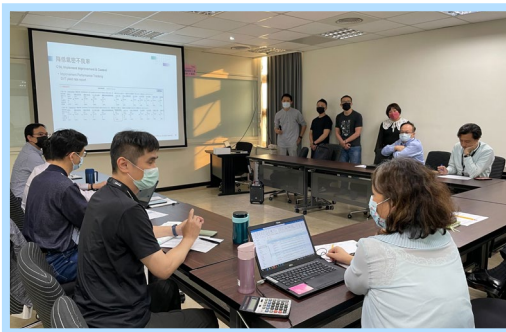
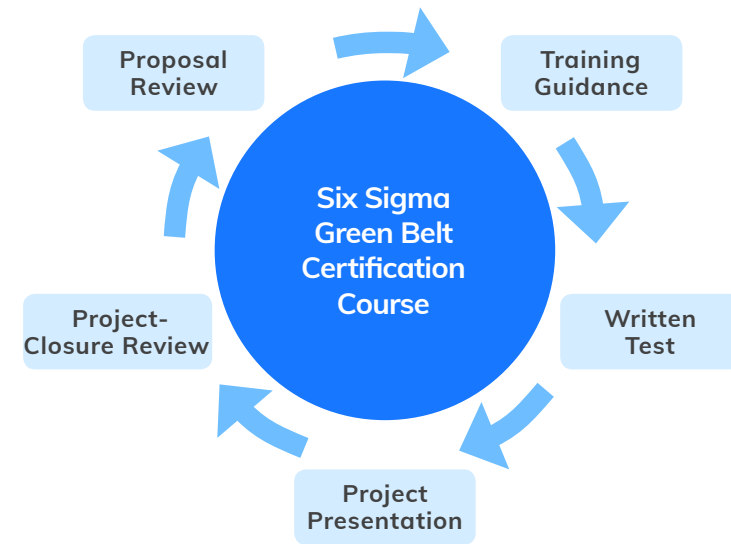
## A. Promotion-Required Courses

To continuously develop the necessary competencies for colleagues at different levels, VIVOTEK has designed promotion-required courses. These courses are tailored for management and professional positions, allowing employees to select courses based on their job series. The promotion-required courses are integrated with the promotion system; employees must complete the corresponding courses for their job level to be promoted to the next level, ensuring that employees possess the required competencies for their job titles. In 2022, we offered 12 courses in 19 sessions, with 649 participants.



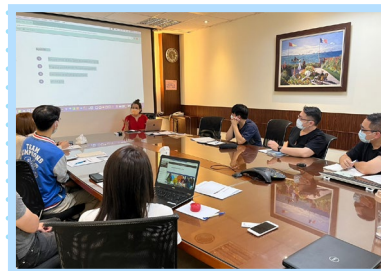
## B. Quality Certification Courses

VIVOTEK is committed to providing high-quality products and services. Quality is not only the responsibility of the back-end quality control unit, but it also requires collaboration from colleagues across various stages, including research and design, production, quality inspection, and marketing. We have implemented comprehensive quality management courses to help colleagues understand the importance of quality improvement and enhancement. We established a quality improvement project proposal review system to encourage colleagues from various units to discuss quality issues, establish project teams, and enhance product quality. As quality improvement tools and techniques require expertise, we also offer Six Sigma Green Belt certification courses to help colleagues new to quality improvement analyze issues using more professional tools and identify appropriate solutions. In the course, colleagues learn about quality methods and tools while receiving guidance from experts. They use suitable tools to advance the progress of improvement projects. At the end of the course, a certification written test and project presentation is conducted. The certification passing rate has been 100% over the past two years, with 12 projects proposed and rewarded. Colleagues who receive certification are eligible for additional allowances when submitting proposals again, further encouraging them to continuously help VIVOTEK achieve higher quality goals.



### C. Senior Management i Sharing

In order to cultivate outstanding managerial talents, VIVOTEK has implemented the "Senior Management i Sharing" program, promoting the sharing and exchange of management knowledge. In 2022, we invited a director with extensive recruitment experience to share his mindset during the recruitment process, his experience in cross-functional collaboration, and methods for understanding and attracting talents to join. In the latter half of the year, we invited a vice president with rich experience from various units within the Delta Group to share how to challenge oneself across domains, encouraging colleagues to engage in rotational assignments and plan for their future. Through these exclusive experiences tailored to VIVOTEK, we have gained unique insights beyond the conventional training programs.



### D. Business English Communication Course

As a globally positioned enterprise, there are numerous opportunities to communicate with foreign partners. Whether through correspondence, technical document discussions, online meetings, or face-to-face interactions, we aim to enhance colleagues' confidence and fluency in communication, as well as their ability to engage in conversations suited for business contexts. Even for colleagues whose current positions do not require English speaking skills, we provide language learning resources in advance to foster skills required for rotations or promotions. Prior to the course, we assess the English proficiency of participants and tailor the teaching content accordingly in small-group sessions. Through various business scenario simulations and conversations conducted with foreign instructors and fellow colleagues, we help enhance language competitiveness.

## E. Gamified Financial Concepts Course

To strengthen managers' ability to interpret and analyze financial statements, VIVOTEK combines tabletop games with coursework, allowing managers to learn financial concepts and decision-making skills in a relaxed atmosphere. During the game, real-life financial issues are triggered, and managers act as decision-makers to practice analyzing financial statements, market conditions, and formulating investment strategies. After the game, the instructor leads discussions and reflections, guiding participants to review their decision-making process and assess whether decisions align with financial principles and risk management requirements. This training approach offers better interactivity, practicality, and reflection, while sparking learning interests and enhancing learning effectiveness.



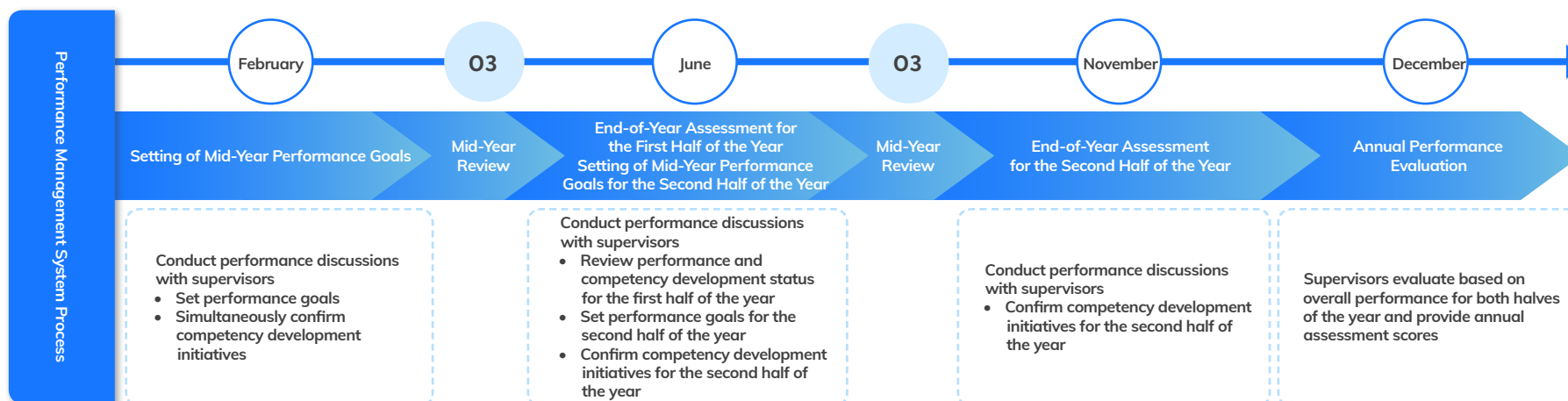


## 6.3.3 Performance Feedback and Development

### A. Comprehensive Performance Management System

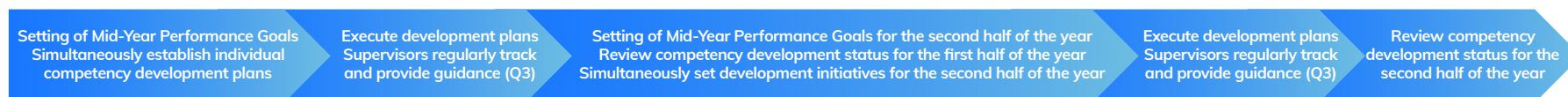
VIVOTEK's performance management system includes semi-annual and annual reviews, emphasizing one-on-one (O3) feedback and guidance.

During the mid-year and year-end performance reviews, managers initiate performance development discussions with their subordinates. This helps employees understand the company's development goals and assists them in setting individual performance goals aligned with organizational objectives. Managers provide encouragement, feedback, and timely assistance to help subordinates achieve their performance goals. Different ratios for undertaking organizational and team goals are established for managers at different levels.



### B. Individual Development Plan (IDP)

Starting from 2020, VIVOTEK has fully implemented Individual Development Plans (IDPs), which respect employees' viewpoints and encourage them to integrate personal and organizational needs. Employees propose personal goals and paths for achievement, which are integrated into the performance management system in 2021. Through regular One-on-One (O3) communication between supervisors and employees, employees' skills are enhanced. By executing employees' individual development plans, supervisors can arrange appropriate education and training for the development projects planned by their team members, helping them learn and grow.



For managerial positions, a personality trait assessment was introduced in 2022 to enable precise development planning based on needed skills. The individual assessment results are provided to supervisors as reference for planning individual development plans.

### ■ Management Competency 360-Degree Assessment

The Company utilizes the Delta Group's Management Competency 360-degree assessment tool as a reference for the development of all supervisors' management abilities. This comprehensive tool gathers feedback from supervisors, peers (within the same department and from different departments), subordinates, as well as self-assessment. It assists supervisors in objectively understanding their strengths and development needs in their job competencies.

In 2022, a total of 127 domestic and international supervisors completed the Management Competency 360-degree assessment.

### ■ RiTE Talent Aptitude Test

The Company employs the SSI Management RiTE Talent Aptitude Test as a reference for the personal development of supervisors. This enhances their self-awareness of their personality traits, aiding in empathizing with others and promoting effective team communication. Simultaneously, it helps supervisors leverage strengths and continue to improve themselves.

In 2022, a total of 128 domestic and international supervisors participated in the test, achieving a participation rate of 92%.

- Due to job attributes and considerations for future development, performance feedback and development primarily target indirect staff. Below is a list of the number of indirect staff who received performance feedback and development through the performance management system.

Note: The number of employees is based on the headcount as of the end of the reporting period on December 31, 2022.

Indirect Workers	Supervisors		Non-Supervisors		Total
Gender	Male	Female	Male	Female	Male Female
Number	103	28	358	196	685
Percentage of Total Indirect Workers	14.2%	3.9%	49.4%	27.0%	94.5%

## 6.4 Employee Rights and Communication

### 6.4.1 Management Policy and Achievements

#### A. Management Policy and Commitment

1. Comply with labor-related laws and regulations.
2. Create a good working environment and establish a safe workplace culture.
3. Diversified communication, improve employee recognition.

#### B. Evaluation and Performance of Management Policy

1. Regularly review the legality of policies and make necessary improvements if there are concerns of violation.
2. Conduct regular workplace safety inspections, aiming for zero workplace accidents within the company.
3. Hold labor-management meetings and welfare committee meetings quarterly, employee communication meetings semi-annually, periodically conduct employee engagement surveys, and organize focused group discussions as needed. Employee feedback is also collected through an open suggestion mailbox.

#### C. Actual Implementation

1. In 2020, the Board of Directors announced its Human Rights Policy.
2. In 2022, conduct regular equipment and facility safety checks and occupational safety education and training to achieve the goal of zero workplace accidents (see details in Section 5.7 Occupational Safety and Health).
3. In 2022, a total of 4 welfare committee meetings and 7 labor-management meetings were held, during which 6 issues were raised by employees and the company provided public responses.
4. In 2022, two semi-annual online employee communication meetings and 10 internal communication meetings were held.

## 6.4.2 Human Rights and Communication Focus

VIVOTEK believes in the fundamental rights, freedoms, and treatment standards that constitute human rights for all individuals. Human rights are deeply rooted in our values and apply to all aspects of our operations. The Company supports and adheres to international labor and human rights standards, including the "United Nations Global Compact," "Universal Declaration of Human Rights," "United Nations Guiding Principles on Business and Human Rights," "OECD Guidelines for Multinational Enterprises," "ISO 26000 Social Responsibility International Standard," and the "Responsible Business Alliance (RBA)," as well as regulations in the countries where the Company operates. The Company treats all partners, including employees, subsidiaries, business partners, suppliers, and contractors with dignity and respect. The company has established a Human Rights Management Policy in accordance with the protection defined in human rights conventions, which is published on the company's website.

### VIVOTEK Human Rights Commitment

- Diverse partner composition and workplace non-discrimination
- Compliance with or exceeding legal regulations regarding working hours, wages, and benefits to safeguard employees' employment rights in accordance with local laws
- Ensure employees' employment freedom in accordance with the regulations of the country where the operation is located.
- Prohibit business partners from engaging in forced labor and human trafficking.
- Refuse to employ child labor and underage workers.
- Implement humane treatment in the workplace.
- Safeguard employees' religious freedom.
- Safeguard employees' right to associate.
- Ensure a healthy and safe working environment for employees.
- Adhere to ethical behavior guidelines.
- Require business partners to comply with value chain responsibilities.
- Establish reporting channels and implement corrective procedures.

### ■ Specific Management Measures :

1. Implement a management process to fully comply with VIVOTEK's human rights policy. Practices include self-assessment forms, audits, etc. Reporting and corrective procedures will be ongoing. If employees, partners, suppliers, or contractors have concerns, they can communicate through various confidential channels and keep relevant documents and records.
2. To ensure policy compliance, a grievance and complaint procedure has been established, with a formal reporting channel provided for employees, suppliers, and other external stakeholders to report illegal actions, human rights violations, code of ethics violations, or integrity violations. The reporting email is GRIEVANCE@vivotek.com. Upon receiving a report, an investigation into the violation will be initiated and completed within one month. If necessary, an extension of one month may be granted. Investigation results will be provided to the complainant using the "Grievance Response Form."
3. VIVOTEK values employees' physical and mental well-being. In addition to regular annual health checks, the company also provides a seven-day paid vacation exceeding legal requirements and observes company-wide off-days to ensure work-life balance.
4. In 2022, the human rights policy was integrated into the ethics and business conduct training program for advocacy. A total of 1,093 participants attended for a combined duration of 540 hours.



## A. Fair Treatment of Company Employees

VIVOTEK does not require labor to pay recruitment or other related fees in connection with employment. Common scenarios include domestic or foreign labor intermediary companies collecting fees for foreign workers' employment-related expenses, allowances, and guarantees.

Furthermore, if labor is required by law to directly pay fees or bear expenses, including expenses incurred before or after foreign workers' employment, domestic or foreign labor intermediary companies cannot charge amounts exceeding the statutory fees and must charge based on the actual costs incurred. Such fees shall be paid by VIVOTEK to third-party labor intermediaries or returned to the foreign worker after the effectiveness of the employment.

## B. Employee Rights and Communication

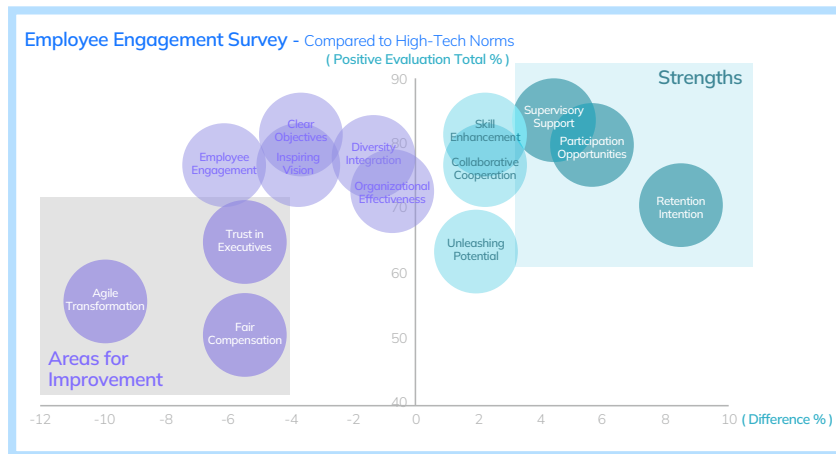
### Diverse Communication Mechanisms and Concrete Actions

To create more diverse employee communication methods, in 2022, VIVOTEK held 10 CEO-employee communication meetings, 4 welfare committee meetings, and 7 labor-management meetings. The company continues to maintain an open employee suggestion mailbox to promote a friendly work environment and enhance employee well-being through communication with colleagues. Regarding the shortest notice period for operational changes, relevant provisions of the Labor Standards Act are followed.



## ■ Employee Engagement Survey and Improvement Plan

In addition to daily communication, VIVOTEK also utilizes employee engagement survey tools to conduct employee opinion polls, compiling survey results to identify areas where employees excel compared to other technology industries, such as supervisor support, participation in decision-making, retention intention, as well as issues requiring improvement, such as agile transformation and trust in executives. The results are publicly discussed during the annual executive strategy meeting, followed by improvement proposals from various departments. These proposals are incorporated into the annual performance goals to implement improvement actions.



## ■ Actual Actions After Two-way Communication

Through understanding employee feedback and communication, the Company continuously monitors the progress of relevant departments. In 2022, the announced measures include: comprehensive office area updates with ergonomic chairs, providing healthier and more diverse free beverages, restroom upgrades, office floor improvements, and exercise equipment space. The Company also promotes cross-department issue communication and the implementation of a more complete OA system (partially to be completed in 2023).

## 6.4.3 Workplace Diversity and Gender Equality Policy

### ■ Workplace Diversity

VIVOTEK's workforce is diverse and extensive. The Company values various forms of diversity and are committed to creating an inclusive and respectful workplace, ensuring gender equality in the workplace and providing equal opportunities for all employees regardless of gender, race, ethnicity, nationality, religion, physical disabilities, sexual orientation, pregnancy, marital status, age, or political affiliation. The Company believes that diversity is a source of organizational and innovative strength, striving to foster a culture of workplace diversity and equality, where everyone feels valued and can authentically express themselves at work.

To ensure compliance with workplace diversity and equality, the company has established a policy for preventing and addressing sexual harassment, which has been reviewed and approved by relevant authorities. The Company also provides a reporting channel and promote internal education and training to prevent discrimination, harassment, or unequal treatment. Appropriate disciplinary measures will be taken against employees who violate these principles.

#### Implementation Status

Indicators	Percentage	2030 Target
Percentage of Female Employees (%)	57%	-
Percentage of Female Managers (%) Proportion	29%	-
Percentage of Female Senior Managers (%)	8%	20%

In 2022, VIVOTEK's workforce comes from 16 countries, with 9 employees with disabilities promoted. The male-to-female ratio is 1:1.4, and female managers account for 29%. For details on the gender pay ratio, refer to section 6.1 Employee Overview.

## 6.4.4 Employee Code of Ethics

To create better performance, provide better and more complete products to customers, adhere to legal and ethical principles, protect the company's assets, rights, and reputation, and ensure the sustainable operation and development of the company, as well as to help stakeholders of VIVOTEK better understand the company's ethical standards, a code of ethics is established. The code is reviewed and amended regularly to adapt to the company's development and changing circumstances. An updated version was issued in 2022.

Annual education and training are conducted for promotion, including the code of ethics, integrity guidelines, prevention of workplace harassment, and prevention of unlawful infringement to maintain a positive work environment.

### Code of Ethics

1. Code of Ethics
2. Prevent Conflict of Interest
3. Avoid opportunities for personal gain
4. Maintain confidentiality of trade secrets
5. Fair Transactions
6. Protect and appropriately use company assets
7. Comply with laws and regulations
8. Report any illegal or unethical behavior

### Integrity Guidelines

In the course of conducting business, no direct or indirect provision, promise, request, or acceptance of any undue benefit shall be made, or any other dishonest behavior, which violates integrity, legality, or entrusted obligations, shall be engaged in to seek or maintain benefits. This includes any form or name of money, gifts, commissions, positions, services, privileges, kickbacks, etc. However, if it falls within normal social etiquette and is incidental without the risk of affecting specific power or obligations, it is not subject to this restriction.

### Friendly Workplace

- The Company does not tolerate any form of forced labor and is committed to providing workers with a clean, healthy, and safe working environment for all employees. To provide better protection, the Company maintains a management system for occupational health and safety, complying with relevant regulatory requirements to reduce health and safety risks.
- Any form of violence and harassment is prohibited in the workplace, including sexual harassment, sexual abuse, physical punishment, mental coercion, verbal abuse, or any form of threat or intimidation.

## 6.5 Diversity, Welfare and Measures

### 6.5.1 Comprehensive Physical and Mental Health and Diverse Welfare Development Measures

#### Diverse Welfare Development Measures

VIVOTEK has long been committed to providing employees with diverse and comprehensive welfare measures, focusing on the physical, mental, and spiritual well-being of employees, creating a happy workplace.

Friendly Workplace	Physical and Mental Health	Leisure and Entertainment	Family Care
<ul style="list-style-type: none"> <li>• Annual Salary Adjustment System</li> <li>• Holiday and Birthday Bonuses</li> <li>• Special Leave for New Hires</li> <li>• All Employees Enjoy Volunteering Leave</li> <li>• Flexible Working Hours, Remote Work</li> <li>• Unlimited Supply of Snacks and Beverages</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Employee Health Check-ups</li> <li>• Employee Assistance Program</li> <li>• Visually Impaired Massage Services</li> <li>• Monthly On-site Doctor's Health Consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Diverse Club Activities</li> <li>• Sports and Recreation Areas</li> <li>• Employee Travel Subsidies</li> <li>• Departmental Dinner Subsidies</li> </ul>	<ul style="list-style-type: none"> <li>• Employee Breastfeeding Room</li> <li>• Employee Family Day</li> <li>• Marriage/Childbirth Subsidies</li> <li>• Funeral Rite Subsidies</li> <li>• Dependent Group Insurance and Additional Insurance Program</li> </ul>

## ■ A. Special Leave for New Hires & Volunteering Leave for All Employees

To provide each new employee with a positive onboarding experience and encourage work-life balance, a "Special Leave for New Hires" is offered that surpasses the Labor Standards Act, facilitating the arrangement of leave for new employees. Additionally, in order to encourage employees' participation in charitable and sustainable activities, each employee is entitled to one day of volunteering leave, inviting employees to engage in social service activities and contribute to society.

## ■ B. Annual Employee Health Check-ups & Monthly On-site Doctor's Health Consultation

VIVOTEK conducts regular annual employee health check-ups, tailoring different examination items for various job categories to provide employees with a comprehensive understanding of their health status. The 2022 health check-up was conducted in October by professional medical institutions at the company premises, with a total of 770 participants and a check-up rate of 98%. In addition to the annual employee health check-ups, a hospital physician is invited to the factory every month to provide health-related consultation services. Employees in need can consult on-site. In 2022, a total of 80 consultations were conducted.

2022 Health Check-up Statistics						
Hospital Name	Check-up Time	Items	Scheduled	Completed	Not Completed	Check-up Rate
Shuang Ho Hospital (On-site)	08/22-10/31	Supervisors and above	17	17	0	100%
		Department Heads	65	64	0	98%
	Total		82	81	1	99%
Cardinal Tien (Mobile)	10/17-10/20	Zhonghe Plant	593	582	11	98%
	10/13	Taoyuan Plant	97	95	2	98%
	9/26-10/7	Tainan Plant	12	12	0	100%
	Subtotal		702	689	13	98%
Total			784	770	14	98%

## ■ C. Employee Assistance Program

Since 2016, VIVOTEK has partnered with "CathayHealth Integrated Management Consulting Co., Ltd." to introduce the Employee Assistance Program (EAP). Each employee is entitled to three free counseling sessions each year, covering psychological, mental health, and management aspects. Through this assistance program, the Company aims to help employees in need receive the most secure and professional assistance. Each employee at VIVOTEK has an Employee Assistance Card. In case of any emergency, they can quickly contact EAP for timely and professional assistance.

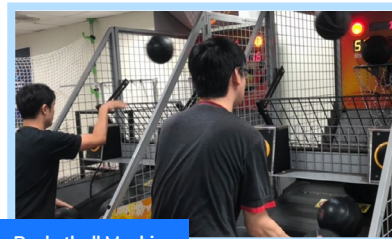
In 2022, a total of 76 phone consultations and 5 individual consultation assistance cases were recorded, with an average overall satisfaction rate of 95.2 points.

EAP Usage and Satisfaction Rate in the Past Three Years

Service Offerings	2020	2021	2022
Telephone Counseling (Number of Instances)	102	214	76
Individual Counseling Assistance Program (Number of Instances)	8	24	5
Satisfaction Rate (Percentage)	91.7	95.2	95.2

## D. Recreational Area

VIVOTEK values the physical, mental, and spiritual health of its employees and provides a recreational area equipped with weight training equipment, treadmills, stationary bikes, basketball machines, and table hockey machines. This encourages employees to engage in physical activity to relieve fatigue amidst their busy work schedules.



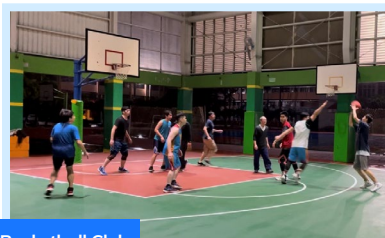
Basketball Machine

## E. Diverse Club Activities

Work-life balance is of great importance to us at VIVOTEK. The Company encourages employees to participate in club activities and even establish clubs of various natures. The Company provides financial support and venues for these activities. Beyond releasing work-related stress, these activities also promote employee interaction, emotional bonding, and team spirit.



Swimming Club



Basketball Club



Badminton Club

## F. Employee Family Day

Each year, during spring and autumn, the Company organizes a one-day employee family day outing. Employees are welcome to bring their families along to foster emotional bonds among colleagues and promote cross-departmental interactions, creating wonderful memories together.



Spring Travel



Autumn Travel



## 6.5.2 Employee Welfare and Insurance Systems

### Employee Welfare Expenses

VIVOTEK allocates 0.5% of employees' monthly salary, 0.15% of the total monthly revenue, and 40% of waste material price adjustments as employee welfare expenses

#### The range of benefits includes

Statistics of employee welfare expenses over the past three years, covering VIVOTEK Headquarters.

Item	2020		2021		2022	
	Number of occurrences	Amount	Number of occurrences	Amount	Number of occurrences	Amount
Marriage Subsidy	20	\$120,000	16	\$96,000	22	\$12,600
Childbirth Subsidy	26	\$168,000	24	\$144,000	23	\$135,000
Funeral Subsidy	21	\$110,000	21	\$105,000	32	\$168,500
Travel Subsidy	890	\$8,897,764	771	\$5,909,307	825	\$6,262,673
Birthday Subsidy	1,031	\$1,528,500	971	\$1,456,500	945	\$1,512,000
Club Subsidy	-	\$149,210	-	\$35,520	-	\$276,925
Dinner Subsidy	-	-	-	-	-	\$538,363
Dragon Boat Festival Bonus	1,075	\$1,462,000	993	\$1,641,800	991	\$1,312,900
Mid-Autumn Festival Bonus	1,038	\$1,425,800	961	\$1,305,500	1,130	\$2,101,600
Total		\$13,861,274		\$10,393,627		\$12,320,561

## 6.5.3 Comprehensive Insurance and Retirement Contribution System

VIVOTEK provides employees with legally mandated social insurance to safeguard their basic rights. Apart from the Labor Insurance and National Health Insurance, the Company also offers additional group accident insurance, group medical insurance, and overseas travel safety insurance for business trips, ensuring employees' safety and well-being in both work and life.

#### The Company prioritizes the retirement benefits of employees at VIVOTEK. In accordance with the Labor Standards Act and the Labor Pension Act:

Employees who joined the company on or before June 30, 2005, are entitled to the old retirement pension system, governed by the Labor Standards Act. The company contributes 2%-15% of the monthly salary to the old retirement pension fund at the Bureau of Labor Funds. The retirement pension is based on years of service, with 2 times the basic wage per year for the first 15 years and 1 time per year thereafter, up to a maximum of 45 times the basic wage. For those with less than half a year of service, half a year is considered; for those with over half a year, a full year is considered.

Employees who joined the company on or after July 1, 2005, or opted for the Labor Pension Act can choose to contribute 6% of their monthly salary to their personal retirement pension account. In addition to the employer's fixed contribution of 6%, employees can choose to contribute an additional 0%-6% to their personal retirement pension account based on their preference, ensuring that all employees have a secure retirement provision.



## 6.6 Occupational Safety and Health

### Occupational Safety and Health

At VIVOTEK, the Company adheres to the Occupational Safety and Health Management System, implementing occupational safety and health management work. The Company is responsible for planning, promoting, supervising, and checking occupational safety and health management, aiming to improve the safety of the work environment, reduce and eliminate hazards in the workplace, and mitigate related illnesses. Additionally, the Company has established an Occupational Safety and Health Committee in compliance with the law. This committee holds quarterly meetings to deliberate, coordinate, and propose matters related to occupational safety and health management, employee health, and workplace safety. The Company also regularly monitors the implementation progress.

#### 2022 Key Issues for Discussion in Safety and Health Committee Meetings

Key Issues	Labor Representative Ratio	Note
Pandemic Prevention and Response Measures for COVID-19	57%	Labor representative:4 Total committee members:7
Health Protection Program		
Equipment safety management		

### Risk Assessment Management

To ensure the safety of employees in fulfilling their tasks, the Company identifies hazards and conducts risk assessment analysis. The Company develops procedures for identifying operational hazards to minimize risks and enhance workplace safety. False alarm incidents pose potential risks. VIVOTEK efficiently tracks false alarm incident reports and corrective measures through its safety and health management system. In 2022, 33 operational hazard risks were identified, all of which were categorized as low risk. There were two false alarm incidents, both of which have been rectified. Furthermore, the COVID-19 pandemic was a major focus in 2022. To prevent the impact of COVID-19 on employee health and company operations, the Company adopted a flexible approach to adjust epidemic prevention measures according to the situation. For details, please refer to the COVID-19 Prevention Measures section in this chapter.

### Occupational Safety and Health Audit

To ensure the safety of employees and the plant, in addition to complying with government regulations and company operation standards, the Company conducts regular inspections on air compressors (2 units), local exhaust equipment (2 units), totaling 4 equipment, annually to ensure safe equipment usage. Drinking water quality is tested by an external professional institution quarterly to improve the quality of drinking water in the plant environment. The electrical panels (7 units) are inspected quarterly. Self-inspections for fire-fighting equipment are conducted monthly, and regular audits are carried out by occupational safety personnel monthly. A total of 15 discrepancies were identified, including issues related to safety labeling, malfunctioning safety devices, and material obstruction of escape routes.

## Occupational Safety and Health Audit

Category	Frequency	Occurrences	Results
Air Compressors	Annually	Once	Compliant
Local Exhaust Equipment	Annually	Once	Compliant
Drinking Water Quality Testing	Quarterly	Four	Compliant
Electrical Panel Inspections	Quarterly	Four	Compliant
Fire-Fighting Equipment Self-Inspections	Monthly	Twelve	Compliant
Occupational Safety Personnel Inspections	Monthly	Twelve	Identified 15 deficiencies

## Deficiency Improvement

	Solvent bottle body	Emergency stop button of equipment	Tying machine	Escape route
Before Improvement	 No hazard labeling	 No Chinese labeling	 No clamping hazard labeling	 Obstruction hindrance
After Improvement	 Added hazard labeling	 Added Chinese labeling	 Added clamping hazard labeling	 Cleared obstruction

## Environmental Safety and Health Management

To ensure drinking water quality and improve the quality of drinking water in the plant environment, the Company engages an external professional institution to test the water quality quarterly, controlling hazardous factors in the work environment.

## Safety and Health Education and Promotion

To enhance employees' safety and health knowledge and disaster response capabilities, increase awareness of hazards in the work environment, and provide necessary safety and health knowledge and concepts for disaster prevention, VIVOTEK conducted safety and health education and training for new and existing employees in 2022. Training includes those required by regulations (such as first aid and occupational safety personnel training) as well as relevant internal (external) education and training on emergency response and fire drills. A total of 1,526 people participated in training, accumulating over 8,202 hours.

Category	Participants	Total Hours
Safety and Health Education and Training for New and Existing Employees	1053	6318
Fire Drills	462	1848
Safety Personnel Refresher Training	1	6
First Aid Personnel Refresher Training	10	30
Total	8202 hours	



Safety and Health Management



Fire Drills

## Employee Health Management

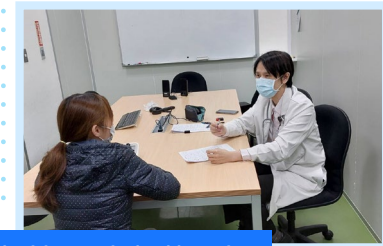
VIVOTEK conducts annual health check-ups that exceed legal requirements. In 2022, a total of 770 employees participated in health check-ups, achieving a participation rate of 98%.

Occupational health nurses conduct health risk assessment and management based on employees' health check-up results. On-site health consultation services are provided, with occupational specialists invited to the plant on a monthly basis for consultations. Through these consultations, employees receive assessments and advice for early prevention. In 2022, a total of 61 individuals signed up for consultations.

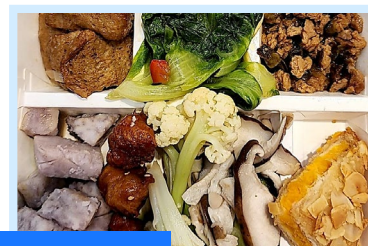
Health promotion and educational information is updated quarterly and posted on the bulletin board, enabling colleagues to have a comprehensive understanding and self-awareness of health concepts. Additionally, vegetarian meals are provided to encourage colleagues to take care of their health through their diet. The choice of vegetarian meal boxes also contributes to environmental friendliness and carbon reduction.



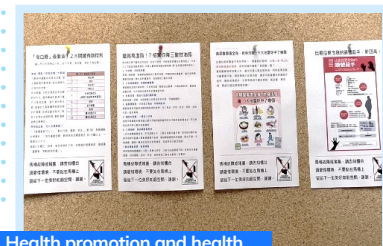
Health check-ups



Physician on-site health services



Vegetarian meals



Health promotion and health education information

## COVID-19 Prevention Measures

During the pandemic, regular disinfection was carried out in public spaces, and relevant information of confirmed cases was recorded for epidemic prevention management. Regular rapid testing was conducted in accordance with Delta Group's schedule.

Following the upgrade of epidemic alert levels, corresponding measures were implemented:

### Corresponding Epidemic Alert Levels and Preventive Measures

1. During Alert Level 2, all personnel entering the office premises were required to wear masks and disinfect their hands. Temperature screening procedures were established, and strict access control and registration of external personnel were implemented. The number of participants in meetings was controlled, and group dining was prohibited.
2. During Alert Level 3, the preventive measures from Alert Level 2 were maintained. In addition, a compartmentalized working system was implemented in the office area. Cross-campus interactions were prohibited, and visitors were required to register and present records of receiving three doses of the COVID-19 vaccine. Meeting room usage was suspended until Alert Level 3 was lifted.
3. Effective control measures were implemented during the pandemic period, with no adverse effects on factory operations.

## Contractor Safety Management

VIVOTEK manages contractors in accordance with established procedures, specifying that contractors entering the premises must comply with occupational safety and health regulations. Contractors are required to undergo safety education and training upon entering the premises and obtain qualified construction contractor certificates. They are also informed of potential hazards before entering the plant area. In 2022, there were no cases of occupational accidents among contractor personnel for various projects.

## Occupational Safety and Health Management Achievements and Outlook

In 2022, the Disabled Injury Frequency Rate (FR) was 0, and the Disabled Injury Severity Rate (SR) was 0. There were no cases of occupational diseases.

In 2022, the Disabled Injury Frequency Rate (FR) was 0, and the Disabled Injury Severity Rate (SR) was 0. There were no cases of occupational diseases. In 2023, the Company continues to pursue our goal of maintaining a zero-accident workplace. The Company will strengthen the expertise of occupational safety and health personnel and fulfill their responsibilities in compliance with regulations.

### 2022 Occupational Accident Statistics

Category \ Gender	Gender		Total
	Male	Female	
Disabled Injury Frequency Rate (FR)	0	0	0
Disabled Injury Severity Rate (SR)	0	0	0
Occupational Disease Rate (ODR)	0	0	0

Note 1: The statistical figures do not include commuting accidents.

## 6.7 Social Participation

**SDG 11** Echoing with the UN SDG 11.3 and 11.7 Sustainable Cities and Communities.

### 6.7.1 Fostering Social Participation and Care

As a longstanding player in the security and surveillance industry, VIVOTEK, Taiwan's leading security company, has made "care" a driving force of its brand. In this spirit, apart from focusing on research, development, design, and manufacturing within Taiwan, the Company also aims to contribute to the country. In both 2021 and 2022, the Company collaborated with nonprofit organizations and external partners to actively engage in social and environmental concerns, working towards creating safer and more secure living environments. This echoes the theme of this year's report, "Safe City, Sustainable Progress."

#### A. Caring for Vulnerable Groups with Concrete Actions

During the Mid-Autumn Festival, VIVOTEK purchases mooncake gift sets and pomelos to distribute to three childcare institutions, adding warmth to the festive atmosphere for the children. In 2022, the recipients included the Chung-yi Social Welfare Foundation's Taipei Private Zhongyi Childcare Center, the Catholic Welfare Association's New Taipei Private Joanna House, and the Bethany Children's Home in Taipei. Additionally, a water filter was donated to the Bethany Home, providing clean water for the children.

In 2022, a refrigerator was donated to the Bethany Children's Home as well.

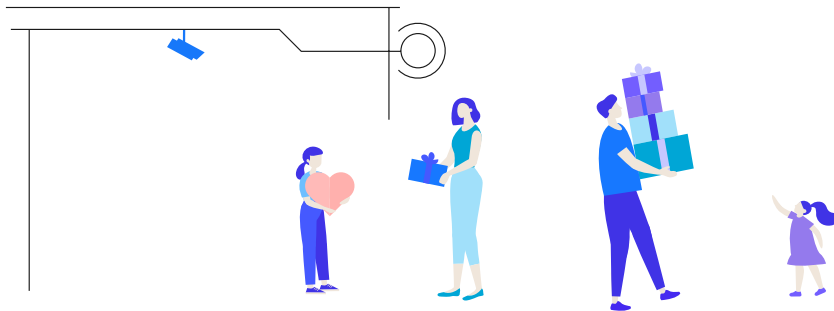


## B. Socially Responsible Procurement for Sustainability

During company events, VIVOTEK selects treats produced by the Joyful Buds Sheltered Workshop as refreshments. This choice of supplier reflects our commitment to social welfare and environmental sustainability. Joyful Buds provides an inclusive workplace for individuals with disabilities, emphasizing sustainable consumption by using sustainable ingredients, animal welfare eggs, and locally sourced rice flour. The provided treats are packaged in simplified packaging to reduce excess packaging and replace plastic bags with paper boxes. The Company also encourages our employees to bring their own eco-friendly cups, promoting environmental awareness and waste reduction.

## C. Expanding Employee Engagement with Volunteer Leave

To encourage employee participation in charitable activities, VIVOTEK has implemented volunteer leave, embodying our caring corporate spirit. Employees who participate in charitable events organized by the company during holidays or in social welfare activities organized by government-registered charitable organizations on regular days can accumulate volunteer leave hours. This allows employees to dedicate time to caring for others and contributing to society beyond their work responsibilities.





## 6.7.2 "Safety Map Strategy Directive" 2022 Corporate Sustainability Initiative

Starting from 2021, VIVOTEK introduced the "Community Safety Map," a local care and sustainability project, through engaging interactive experiences and real-world missions. This led employees into communities using engaging game mechanics, combining our security solutions expertise to enhance neighborhood patrols and utilizing our network cameras to create safer living environments. In 2022, the Company launched the "Safety Map Strategy Directive" sustainability project. Cross-departmental security teams of employees entered a facility area, identified hidden safety risks, and proposed safety measures for the Taoyuan City An Kang Chih Home for Intellectually Disabled Persons. This effort aimed to create a secure and safe living environment for residents with disabilities.

### A. Background: Taoyuan Longtan "An Kang Chih-Chih Home"

Located in Taoyuan Longtan, the "An Kang Chih-Chih Home" is a 24-hour residential institution caring for intellectually disabled and multi-disabled individuals aged 18 to 69. Providing living spaces and life skills training for 50 residents, the home has been rated as an excellent institution by the Taoyuan City Social Welfare Bureau. For many individuals with disabilities, the An Kang Chih-Chih Home is their most important place. In 2022, they moved to a new facility. To ensure a comfortable living environment, staff were increased and safety measures implemented, yet unforeseen circumstances could still lead to safety concerns.

### B. Goal: Leveraging Expertise to Provide Quality and Secure Living for Vulnerable Groups

Through discussions with social welfare institutions, it was understood that they lacked "preventive measures" and "clear responsibility" to address challenges. If a safety map could be created through a professional team and products, appropriate preventive measures could be identified. In the event of accidents, clarifying responsibility and reconstructing the scene is crucial for social workers and staff members.





### C. Activity Details:

The overall activity took the form of workshops. VIVOTEK volunteers discussed solutions based on their assigned areas, with An Kang teachers and residents present. This allowed deep understanding of residents' lives and challenges. Through dialogue and interaction, VIVOTEK proposed effective solutions, including camera selection and installation, as well as other equipment or service adjustments to address existing issues.



First Team: We Get The Picture



Second Team: Speed



Third team: Transparency



Fourth team: Quality

## **D. Activity Outcomes:**

### **■ 1. Group Presentations**

Each group focused on assigned areas: the second-floor activity space, as well as the living spaces on the third and fourth floors. After discussions about issues raised by teachers, groups shared their findings. Different angles brought diverse solutions, enriching the outcomes and optimizing safety measures at An Kang.

In a day-long workshop-style brainstorming session, programmers who usually sit behind desks interacted with disabled individuals, understanding their needs and using their professional skills to identify safety measures. They discovered that their regular work could effectively solve others' daily life problems, contributing to society and making a substantial impact. Participating employees expressed, "This activity is meaningful. It's fulfilling to both enhance our professional knowledge and engage in social welfare. It's a win-win situation. I'll join again next year!"

### **■ 2. Event Video**

Video: <https://www.youtube.com/watch?v=7zJuTRTLAOU>





VIVOTEK employees leveraged their expertise to give back to society through public welfare activities, benefiting both employees and the institution.

## E. Implementing Smart Solutions, Aligning with UN Sustainable Development Goals

The "Safety Map Strategy Directive" sustainability initiative not only demonstrates active social engagement but also involves donating network camera software and hardware solutions based on needs. This practical approach addresses safety concerns for the institution, taking into account safety, health, and comfort for residents. This initiative aims to create a secure living environment, aligning with the United Nations Sustainable Development Goals SDG 9.4 Industry, Innovation, and Infrastructure, as well as SDG 11.3 and 11.7 Sustainable Cities and Communities.

VIVOTEK is committed to enhancing inclusive and sustainable living facilities, promoting integrated and sustainable human settlement planning and management. This strong commitment echoes the United Nations Sustainable Development Goals and fulfills our responsibility as global citizens. VIVOTEK continues to build secure environments through the "Safety Map" sustainability initiative, not only embodying the valuable spirit of "teamwork" in our corporate culture but also contributing to the creation of secure and sustainable living environments for society.



Security teams comprising VIVOTEK employees used their knowledge to create a secure living environment for vulnerable groups.



Pictured: An Kang director Yu Chun-Yin (left) and VIVOTEK's Director of Global Marketing, Sean Hsieh (right).



## 7.1 Report Scope Boundaries

The scope of this report is based on considerations of substantial disclosure information and practical management needs. The reporting boundaries include VIVOTEK's headquarters and overseas branches. Exceptions are noted within each chapter.

Chapter 6, which covers Employee Relations and Social Participation, mainly focuses on VIVOTEK's headquarters.

Since subsidiaries are not yet publicly listed, plans are in place to disclose subsidiary-related information within the next five years.

The reporting entities for the 2022 financial report include VIVOTEK's headquarters, overseas branches, and subsidiaries listed below.

### VIVOTEK Headquarters

Includes offices and facilities in Taiwan.

1. Zhonghe Office and Factory:  
5th and 6th floor, No. 192, Liancheng Road, Zhonghe Dist.,  
4th, 5th, 9th, and 10th floor, No. 168, Liancheng Road, Zhonghe Dist.
2. Taoyuan Factory:  
4th and 5th Floors, No. 268, Shanying Road, Guishan District, Taoyuan City  
3rd floor, No. 252, Shanying Road, Guishan District, Taoyuan City
3. Offices in Other Areas:
  - 7th Floor, No. 130, Siwei Road, Hsinchu City.
  - 4th Floor, No. 875, Section 4, Wenxin Road, Beitun District, Taichung City.
  - 18th Floor, No. 425, Zhonghua Road, Yongkang District, Tainan City.
  - 12th Floor B06, No. 199, Siwei 4th Road, Lingya District, Kaohsiung City.

### VIVOTEK Overseas Branches

1. European Branch
2. Japanese Branch
3. American Branch
4. Indian Office
5. Mexican Office

### VIVOTEK Subsidiaries

1. Otus Imaging, Inc
2. Aetek Inc.
3. Lidlight Inc.

## 7.2 GRI Content Index

The company has reported information for the year 2022 (January 1, 2022, to December 31, 2022) in accordance with the GRI Standards, as referenced in the GRI Content Index. The following indicators have been externally verified, and verification results are detailed in the Independent Assurance Statement.

Using GRI 1	Foundation 2021
Applicable GRI Industry Standards	None

### GRI 2: General Disclosures 2021

Organizational Overview and its Reporting Practices			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
2-1	Organizational Details	1.1 Operating Philosophy and Overview	9
2-2	Entities Included IN The Organization's Sustainability Reporting	3.1 Operational Performance	35
2-3	Reporting Period, Frequency, and Contact Person	About this Report	4
2-4	Restatements of Information	No information restatement	
2-5	External Assurance	7.2 Third-Party Verification and Assurance Reporting	161

Activities and Workers				
GRI Standards	Disclosure title	Chapter, Page, or Content Overview		Page
2-6	Activities, Value Chain, and Other Business Relationships	1.1 Operating Philosophy and Overview 3.6 Supply Chain Sustainability Management	4.1 Innovative R&D and Collaborative Resources 4.2 Patents and Intellectual Property	9, 77 70, 94
2-7	Employees	6.1 Employment Overview		125
2-8	Workers Who are not Employees	6.1 Employment Overview		125

Corporate Governance				
GRI Standards	Disclosure title	Chapter, Page, or Content Overview		Page
2-9	Governance Structure and Composition	3.2 Board Functions and Shareholder Communications		39
2-10	Nomination and Selection of the Highest Governance Body	3.2 Board Functions and Shareholder Communications		39
2-11	Chair of the Highest Governance Body	3.2 Board Functions and Shareholder Communications		39
2-12	Role of the Highest Governance Body in Overseeing the Management of Impacts	2.4 Materiality Assessment 3.2 Board Functions and Shareholder Communications		31 39
2-13	Delegation of Responsibility for Managing Impacts	2.1 Sustainability Mission and Promotion 3.2 Board Functions and Shareholder Communications	3.3 Risk Management	25, 56 39
2-14	Role of the Highest Governance Body in sustainability reporting	2.1 Sustainability Mission and Promotion		25
2-15	Conflicts of Interest	3.2 Board Functions and Shareholder Communications		39
2-16	Communication of Critical Concerns	3.2 Board Functions and Shareholder Communications 3.3 Risk Management		39 56
2-17	Collective Knowledge of the Highest Governance Body	3.2 Board Functions and Shareholder Communications		39
2-18	Evaluation of the Performance of the Highest Governance Body	3.2 Board Functions and Shareholder Communications		39
2-19	Remuneration Policies	3.2 Board Functions and Shareholder Communications 6.2 Recruitment and Retention		39 127



Corporate Governance			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
2-20	Process to Determine Remuneration	3.2 Board Functions and Shareholder Communications 6.4 Employee Rights and Communication	39 140
2-21	Annual Total Compensation Ratio	6.2 Recruitment and Retention	127

Strategies, Policies, and Practices			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
2-22	Statement of Sustainable Development Strategy	Message from the President	6
2-23	Policy Commitments	1.1 Operating Philosophy and Overview 2.1 Sustainability Mission and Promotion	9 25
2-24	Embedding Policy Commitments	1.1 Operating Philosophy and Overview 3.3 Risk Management	9, 140 33
2-25	Processes to Remediate Negative Impacts	3.2 Board Functions and Shareholder Communications 3.3 Risk Management	39, 99 56, 140
2-26	Mechanisms for Seeking Advice and Raising Concerns	1.1 Operating Philosophy and Overview 3.3 Risk Management	9, 99 56, 140
2-27	Compliance with Laws and Regulations	3.1 Operational Performance 3.3 Risk Management	35, 99 56
2-28	Membership of Associations	1.3 Association Participation	15

Stakeholder Engagement			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
2-29	Approach to Stakeholder Engagement	2.3 Stakeholder Identification	29
2-30	Collective Bargaining Agreements	3.3 Risk Management 6.1 Employment Overview	56 125

## Material Topics

GRI 3: Material Topics 2022			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
3-1	Process to Determine Material Topics	2.4 Materiality Assessment 2.5 Stakeholders Dialogue	31 32
3-2	List of Material Topics	2.4 Materiality Assessment 2.5 Stakeholders Dialogue	31 32

Economic Performance			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	3.1 Operational Performance 6.2 Recruitment and Retention	35 127
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	3.1 Operational Performance	35
201-3	Defined benefit plan obligations and other retirement plans	6.2 Recruitment and Retention	127
201-4	Financial assistance received from government	3.1 Operational Performance	35

Procurement Practices			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	3.6 Supply Chain Sustainability Management	70
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	3.6 Supply Chain Sustainability Management	70
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	5.2 Use of Renewable Energy 5.3 GHG Emissions, Water, and Waste Management	108 111

Procurement Practices			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 302: Energy 2016			
302-1	Energy Consumption within the Organization	5.3 GHG Emissions, Water, and Waste Management	111
302-3	Energy intensity	5.3 GHG Emissions, Water, and Waste Management	111
302-4	Reduction of energy consumption	5.3 GHG Emissions, Water, and Waste Management	111

Emissions			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	5.3 GHG Emissions, Water, and Waste Management	111
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG Emissions	5.3 GHG Emissions, Water, and Waste Management	111
305-2	Energy Indirect (Scope 2) GHG Emissions	5.3 GHG Emissions, Water, and Waste Management	111
305-3	Other Indirect (Scope 3) GHG Emissions	5.3 GHG Emissions, Water, and Waste Management	111
305-4	GHG Emission Intensity	5.3 GHG Emissions, Water, and Waste Management	111
305-5	Greenhouse Gas Emission Reduction	5.3 GHG Emissions, Water, and Waste Management	111

Supplier Environmental Assessment			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	3.6 Supply Chain Sustainability Management	70
GRI 308: Supplier Environmental Assessment 2022			
308-1	New Suppliers that were screened using environmental criteria	3.6 Supply Chain Sustainability Management	70

Employment			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	6.2 Recruitment and Retention 6.5 Diversity, Welfare and Measures	127 145
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	6.2 Recruitment and Retention	127
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.5 Diversity, Welfare and Measures	145
401-3	Parental leave	6.2 Recruitment and Retention	127
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	6.4 Employee Rights and Communication	140
GRI 402: Labor/Management Relations 2022			
402-1	Minimum notice periods regarding operational changes	6.4 Employee Rights and Communication	140

Training and Education			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	6.3 Employee Development and Training	131
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	6.3 Employee Development and Training	131
404-3	Percentage of employees receiving regular performance and career development reviews	6.2 Recruitment and Retention	127

Diversity and Equal Opportunity			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	3.2 Board Functions and Shareholder Communications 6.1 Employment Overview 6.2 Recruitment and Retention	39, 127 125
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	3.2 Board Functions and Shareholder Communications 6.1 Employment Overview	39 125
405-2	Ratio of basic salary increase for women to men	6.2 Recruitment and Retention	127

Supplier Social Assessment			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	3.6 Supply Chain Sustainability Management	70
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	3.6 Supply Chain Sustainability Management	70

Customer Health and Safety			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2022			
3-3	Management of Material Topics	3.5 Customer Relationship Management 4.3 Quality Management System	66 99
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	4.3 Quality Management System	99
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.5 Customer Relationship Management	66

## Custom Material Topics

GRI 3: Material Topics 2021			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
3-1	Process to Determine Material Topics	2.4 Materiality Assessment 2.5 Stakeholders Dialogue	31 32
3-2	List of Material Topics	2.4 Materiality Assessment 2.5 Stakeholders Dialogue	31 32

Innovation and Research			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
GRI 3: Material Topics 2021			
3-3	Management of Material Topics	1.4 Service Milestones, Providing Innovative Cloud Service VORTEX 4.1 Innovative R&D and Collaborative Resources	16 77

Innovation and Research			
GRI Standards	Disclosure title	Chapter, Page, or Content Overview	Page
Custom	Innovation and Research	1.4 Service Milestones, Providing Innovative Cloud Service VORTEX 4.1 Innovative R&D and Collaborative Resources	16 77

## 7.3 External Assurance Statement and Report

### BSI Assurance Statement - GRI Standards, AA1000

