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# 2021

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Foxconn Industrial Internet  
Corporate Social  
Responsibility Report



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# Report Preparation Instructions

This Report is the 2021 Corporate Social Responsibility (CSR) Report released by Foxconn Industrial Internet Co., Ltd. (hereinafter referred to as “Foxconn Industrial Internet”, “Company”, “the Company”, “Fii” and “We”) and its subsidiaries, communicating Fii’s philosophy, strategies and practices of corporate social responsibilities.

This Report is the fourth CSR report issued by Foxconn Industrial Internet since it was listed on the Shanghai Stock Exchange in 2018. We will continue to publish the CSR report annually to practice our commitment to good corporate citizenship and unveil our performance in the sustainable development strategy as a means of communication with stakeholders. We are intended to innovate and develop the industrial internet, promote industrial transformation and upgrading, serve the vast number of small- and medium-sized enterprises (SMEs), and drive sustainable social development.

## Report Scope

This Report covers Fii and its subsidiaries. The coverage of financial data keeps consistent with that of the consolidated financial statements in 2021 Annual Report. The data herein related to environmental, social and corporate governance issues (e.g. “Pioneer of Green Reform and Innovation”, “Supporter of Harmonious Ecology”, “Reliable Employer”, “Advocate for Sustainable Procurement”, “Builder of a Better Society”, and “Corporate Governance and Operation”) involves Fii headquarters and 64 subsidiaries of Communication And Mobile Network Equipment Business Scope, Cloud Computing Business Scope and Industrial Internet Business Scope. They are detailed in the *List of Subsidiaries for the CSR Report* attached herein.

Reporting Period: January 1, 2021 to December 31, 2021

## Reporting Period

Reporting cycle: This Report is an annual report.  
Current release: June 2022  
Last release: May 2021  
Expected next release: May 2023

## Data Source

All information and data disclosed in this Report are from the official documents, statistical reports and annual reports of Foxconn Industrial Internet and its subsidiaries. Financial information quoted in this Report is denominated in RMB. The financial data herein shall be subject to the annual financial report of the Company.

## References

This Report is prepared in accordance with the core option in the *GRI Standards* issued by the Global Sustainability Standards Board (GSSB), and referring to the *Guidelines for the Content and Form of Information Disclosure by Companies Publicly Offering Securities - No. 2 Document: Content and Form of Annual Reports (Revised in 2021)* (Chapter 5 Environmental and Social Responsibilities) issued by the China Securities Regulatory Commission, the *Guidelines of Shanghai Stock Exchange on Self-discipline Supervision of Listed Companies - No. 1 Document: Standard-based Operation* released by Shanghai Stock Exchange (SSE), the *Guidance on Social Responsibility of Information and Communication Technology Industry* (SJ/T 16000-2016), the *Evaluation Index System on Social Responsibility Governance Level of Information and Communication Technology Industry* (T/CESA 16003-2021) and other applicable standards.

## Access to the Report

This Report is published electronically, and can be viewed or downloaded online at the official Fii website (<http://www.fii-foxconn.com>).

## Feedback

If you have any comments, suggestions or questions about this Report, please feel free to contact us at:  
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Tel.: +86-755-2812 9588  
Email: [fii-csr@fii-foxconn.com](mailto:fii-csr@fii-foxconn.com)

## Third-party Assurance

In order to fully respond to the demands from various stakeholders and ensure that the Report is more substantive, TÜV Rheinland, a third-party testing and certification agency, has specifically been hired by Fii to carry out an independent, objective and fair assurance in accordance with v3 “Type I, Medium Degree” plan in AA1000 Certification Standard, and the Assurance Report is attached herein.

## Message from the Chairman | Fulfilling Social Responsibilities and Promoting Green Development



Amid the changing international situation and the major turn of the world that is unseen in a century, it is impossible for any organization or any individual to stay out of it. Instead, humans share the common future. As an international leader of digital economy in the full data industry chain, Fii has always applied digital technologies in producing cloud, network and terminal products as a move to promote automatic, digital, network-based and intelligent manufacturing, and achieve energy conservation and carbon emission reduction. Furthermore, as a national cross-industry and cross-field enterprise, Fii is committed to delivering mature, reliable and competitive solutions to green development building on its own advantages, and fulfilling its corporate social responsibility (CSR).

While ensuring its sound operation and sustainable growth, Fii takes action to perform its corporate social responsibility and sustainable development strategy. Since its listing, Fii has disclosed corporate social responsibility reports for four consecutive years. In this Report, we focus on the issues related to ecological environment, social development and corporate governance.

For ecological environment, we give priority to climate change, risk management, energy management, and clean technology innovation. In recent years, all countries have paid close attention to green and sustainable development. At the "Two Sessions" in 2021, the goals of "peaking carbon emissions and achieving carbon neutrality" were included in the report on the work of the government released by the State Council of the People's Republic of China for the first time, signaling China has embarked on a new journey of achieving the two goals. Under the guidance of these two national strategic goals, Fii remains committed to a green development featuring high technology content, low resource consumption, and reduced environmental pollution, and to continuously promoting the use of harmless raw materials, clean production, waste recycling, and low-carbon energy in intensive workshops with a view to energy conservation, carbon emission reduction and sustainable development.

For social development, protection of employee rights and interests, health and safety, chemical management, and supply chain management are issues of our concern. Fii takes various measures to protect the rights and health of employees, and provide a positive working environment for employees, which are also moves to implement the "common prosperity" strategy advocated by China. In 2021, Fii was titled "2021 Asia Best Workplace". For chemical management, we adhere to the principle of "safety first" and the responsibility

system in line with laws and regulations. And we introduce digital and intelligent methods into the full life cycle of chemicals to practice scientific management.

For corporate governance, we focus on such issues as business ethics, data governance, board composition, risk and compliance management. We have established a sound internal management and control systems, and formulated management regulations in technological development, safety production, sales management, quality control and financial accounting. To conclude, the basis for corporate operation lies in compliance with laws and regulations. Fii not only makes innovation and breakthroughs in technology and products continuously, but also keeps improving the corporate governance structure in accordance with the requirements of regulatory authorities.

Looking back on 2021, Fii, as a responsible A-share listed company, actively fulfilled its social responsibilities and made fresh progress in CSR. In 2021, Henan and Shanxi were hit by devastating floods that were the worst in a millennium. Fii donated 100 million yuan and 30 million yuan timely to the disaster-stricken areas in Henan and Shanxi provinces, and encouraged dozens of companies to contribute to flood fighting and disaster relief, fulfilling its social responsibility as a leading enterprise. Due to the contribution, Fii was tilted as one of Top 500 Chinese Enterprises for Charity and of Top 500 Chinese Enterprises for Donation to Flood Fighting and Relief (the third place).

Looking to the future, we will continue to adhere to the vision of "serving global intelligent manufacturing, and benefiting worldwide industries", and to the mission of facilitating the green, intelligent and high-quality development of the manufacturing industry driven by technological innovation, and we will also strive to implement the national strategies of a manufacturing power, a cyberpower and Digital China, and contribute to the "14th Five-Year Plan" in progress relying on our wisdom and strength.

李軍旗

Fii Chairman Li Junqi

## Message from the CEO and President of CSR Committee

# Practicing the Goals of "Peaking Carbon Emissions and Achieving Carbon Neutrality" and Building a Sustainable Future Together



To achieve high-quality development, an enterprise is required to practice sustainable development and fulfill social responsibilities. Rooting in China and developing globally, Fii, a leading business of digital economy, has always taken sustainable operation and green development as its core concept.

Over the past year, we stepped up investment in and construction of sustainable development, and helped the upstream and downstream enterprises of the industrial chain in green transformation. We established a sound information security management system to effectively enhance information security in the industry. We practiced full life-cycle management of chemicals to minimize their impact on human health and the environment. We promoted the harmonious development of Fii and its employees, sticking to the people-oriented principle.

In recent years, the goals of "peaking carbon emissions and achieving carbon neutrality" have been the priority for sustainable development. As a response, we have made great attempts and efforts. Under the guidance of the national strategy of "peaking carbon emissions and achieving carbon neutrality", we will upgrade this strategy to our core development concept. With years of experience in sustainable development, we have taken a series of actions, with certain achievements.

Particularly, we just prepared and released the first *Fii White Paper of Carbon Neutrality*. The document clearly states carbon neutrality goals and specific plans for the first time. We hereby make a solemn commitment: Reduce carbon emissions by 80% over the base year of 2020; achieve operational carbon neutrality by 2035; realize net-zero emissions across the value chain by 2050. For the goal of "enabling carbon neutrality in its own operation", we have proposed the 3R principles: reduction of carbon emissions from operation (Reduce); energy structure transformation (Replace); carbon offset and carbon capture (Resolve). We will implement the strategy of giving priority to carbon emission and renewable energy supply, supplemented by carbon offsets to realize carbon neutrality in its own operation and the entire value chain.

Strengthening the strategy of "peaking carbon emissions and achieving carbon neutrality" in the whole process of business operation, we focus our efforts on energy conservation and emission reduction, technological innovation, development of and investment in renewable energy, renewable energy procurement and carbon sinks. In order to better carbon reduction and performance efficiency, we have made more technological innovation in renewable energy, energy efficiency management, pollution prevention and green buildings to tackle excessive energy consumption problem from the root.

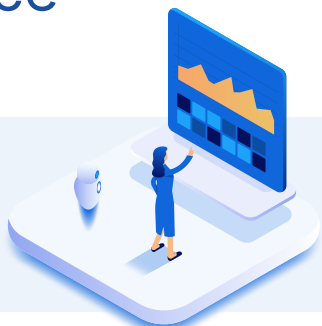
As a responsible leading enterprise, Fii still has a long way to go. Apart from accelerating our own carbon neutrality, we also promote carbon neutrality across the value chain to help the upstream and downstream enterprises of the industrial chain in green and win-win development. Furthermore, in business practices, we establish the carbon emission management system, expand carbon neutrality consulting, and provide digital energy efficiency improvement solutions to deliver carbon neutrality solutions for society. All these efforts are made to create greater spillover effect and make due contributions to the achievement of carbon neutrality goals in the industry, society and the state.

Sustainable development is our responsibility and mission. As a pioneer of green reform and innovation and a supporter of harmonious ecology, Fii will continue technological empowerment and team up with partners to build a sustainable future by implementing the goals of "peaking carbon emissions and achieving carbon neutrality".

CEO and President of CSR Committee of Fii Brand Cheng

# Performance Highlights

## Economy



## Environment



## Society



	2020	2021
Operating income (100 million yuan)	4,317.86	4,395.57
Operating profit (100 million yuan)	197.16	223.98
Year-on-year growth in the operating income of the industrial Internet industry (%)	130.85	16.92
R&D investment (100 million yuan)	100.38	108.35
Social contribution value per share	2.23	2.46

	2020	2021
Annual operating income from clean technology (100 million yuan)	1,753.06	1,776.94
Annual number of new patents in clean technology	190	217
Accumulated number of patents in clean technology as of the end of this year	587	804
Number of green factories of Fii	6	10
Total annual investment in environment, health and safety (EHS) (100 million yuan)	3.91	4.42

	2020	2021
Proportion of key suppliers signing the Code of Conduct (%)	100	100
Collective contract coverage (%)	100	100
Overall average employee satisfaction (points) <sup>1</sup>	8.37	8.44
Public welfare funding and supplies (10,000 yuan)	2,674.21	13,495.04

1. Employee satisfaction survey is scored on a 10-point scale.

# Social Recognition and Honors



Prize of "2021 The Best ESG Practices of Chinese Enterprises" by the Cailian Press · ESG Summit Forum



The Best Environmental (E) Responsibility Award in 2021 "Gold Responsibility Awards"



Award of "2021 Asia Best Workplace"



Among the shortlist of "2021 Top 500 Chinese Enterprises for Charity in China"; Ranking the third place in "2021 Top 500 Chinese Enterprises for Donation to Flood Fighting and Relief in China"



Guo Junhong, Chief Financial Officer and Secretary of the Board: the "Best Board Secretary Award" of Greater China in 2021

企业	进展备注
卡奥斯COSMOPlat	跨行业、跨领域、跨区域
航天云网	工业互联网平台解决方案提供商
工业富联	智能制造服务+工业互联网整体解决方案提供商
徐工信息	扫码溯源、AR技术实际应用案例
用友网络	打造跨领域通用工业互联网平台

One of "2021 TOP 50 in Industrial Internet Innovation"



"Application Solution Prize" in 2021 China Industrial Internet Security Contest



Certificate of "Intelligent Manufacturing Maturity Level 4" (for Fii's subsidiary)



The "Outstanding Science and Technology Innovation Enterprise" in 2021 List of Top 100 Chinese Enterprises in Science and Technology Innovation

# About Fii

## Company Profile

Founded in 2015, Foxconn Industrial Internet Co., Ltd. (hereinafter referred to as "Fii") has proposed a technology path driven by "intelligent manufacturing + industrial internet" since it went public, and is committed to developing into the world's leading provider of intelligent manufacturing and industrial internet solutions. With the production and business strategy of "rooting in China and developing globally", the Company continues to serve as a bridge role in "dual circulation" development pattern depending on the years of high-end manufacturing technology experience and the advantage in the whole industrial chain of data elements. Thanks to the years of development and catering to the global digital development trend, the Company takes "green development driven by data" as its strategic guideline, and strives to expand new fields of technology to foster another growth curve.

Facing the rapid changes in global situation, the Company will always serve new domestic infrastructure based on its development pattern in Chinese mainland, and integrate its advantage of global business layout to facilitate the economic and social development of China and the rest of the world.

Corporate name	富士康工业互联网股份有限公司
English name	Foxconn Industrial Internet Co., Ltd.
Stock code	601138
Registered capital	19.872 billion yuan
Headquarters	2nd Floor, C1, Foxconn Technology Park, Longhua District, Shenzhen, Guangdong, China.
Total assets	266.609 billion yuan
Operating income	439.557 billion yuan
Employees	191,970 <sup>2</sup>

2. [Statistical Coverage] Consolidated financial statements in 2021 Fii Annual Report.

## Main business

Adhering to the development strategy driven by "intelligent manufacturing + industrial internet", the Company has three major business lines, namely communication and mobile network equipment, cloud computing, and industrial internet. It focuses on the development of seven smart industries, including "cloud computing, mobile terminals, Internet of Things (IoT), big data, artificial intelligence (AI), industrial internet, and automated robots" and green technology applications, combines and uses six data streams of "personnel flow, process flow and logistics" on the physical side, and "information flow, financial flow, and technology flow" on the virtual side. It applies 5C messages (Connection, Conversion, Cyber, Cognition, Configuration) as important tools to four "F" scenarios (Factory, Facility, Field, Fleet) in order to achieve the three goals of "work reduction, worry reduction and waste reduction".

Fii has long been engaged in design, R&D and manufacturing of electronic products. Its core customers include global leading brands in intelligent terminals and wearable devices, communication and mobile network equipment, and cloud computing. Also, Fii has been introducing the industrial internet ecosystem into various industries and fields by cross-industry and cross-field strategic cooperation. At present, over 50 important customers have introduced industrial internet services. Diversified customer base and solid strategic partner ecosystem continue to promote Fii's sound development.

### Cloud Computing Products

- Modular computing and memory cell
- Edge data center
- One-stop solution of immersion liquid cooling technology



### Communication and Mobile Network Equipment

- 5G equipment: base station routers, 400G switches, base station RUs, small cell sites, mobile routers, household routers, 5G modules and Open-RAN solutions
- 5G Internet of Vehicles
- "Industrial Metaverse" construction
- High-precision mechanical components of smart phones and wearable devices
- Smart-home technology and products



### Industrial Internet Solutions

- "Lighthouse network + digital manufacturing platform" overall solution
- Enterprise-level cloud platform, data center and digital manufacturing platform
- Self-developed MES, WMS software, industrial App and third-party software products
- PHM, APS, Smart Andon AGV, IoT and other hardware and software integration products



## Business Coverage

With the layout strategy of "rooting in China and developing globally", Fii headquarters in Chinese mainland, and expands its business in 12 countries and regions of Asia, Europe and North America. It has set up production bases in 8 countries and regions.

### Table of Main Countries/Regions

Continents	Countries where subsidiaries are located
Asia	China, Vietnam, Singapore, Republic of Korea, Japan, India
Europe	Czech Republic, Hungary
North America	United States, Mexico
Country	Cities/regions where industrial parks/factories are located
China	Shanghai, Beijing, Tianjin, Hangzhou, Nanning, Zhengzhou, Jiyuan, Zhoukou, Langfang, Jincheng, Guiyang, Taiyuan, Chengdu, Chongqing, Hengyang, Hebi, Wuhan, Haining, Fuzhou, Shenzhen, Dongguan, Foshan, Huizhou, Taiwan and Hong Kong

## Economic Contributions

Apart from fulfilling its corporate social responsibilities, Fii actively creates economic value and makes great contribution to domestic employment. By the end of 2021, Fii's total operating income reached 439.6 billion yuan, up 1.8% over the previous year; its total profit totaled 22.3 billion yuan; the tax paid hit 2.83 billion yuan.

### Fii Financial Performance

Items	2020	2021
Total operating income (100 million yuan)	4,317.86	4,395.57
Operating profit (100 million yuan)	197.16	223.98
Total profit (100 million yuan)	197.46	223.18
Net profit (100 million yuan)	174.27	200.25
Net profit of shareholders (100 million yuan)	174.31	200.10
Other comprehensive income, net of tax (100 million yuan)	-2.04	-4.42

Items	2020	2021
Total comprehensive income (100 million yuan)	172.23	195.82
Interest expense (100 million yuan)	5.89	4.92
Total tax payment (100 million yuan)	30.93	28.27
Employee expense (100 million yuan)	230.22	252.73
Government subsidy (100 million yuan)	15.78	13.71
Earnings per share (yuan)	0.88	1.01
Social contribution value per share (yuan)	2.23	2.46

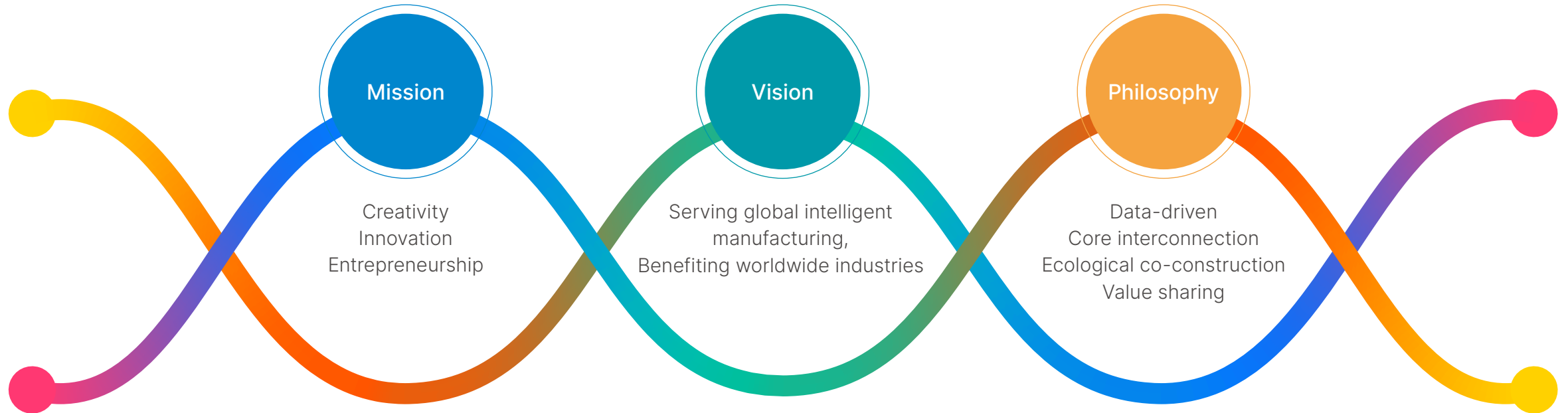
# Sustainable Development Strategy

## Concept of Sustainable Development

While investing in and developing intelligent manufacturing and technology services, Fii proactively undertakes and fulfills corporate social responsibilities, continues to contribute technology services and wisdom to customers, peers and society, and keeps committed to achieving sustainable social development powered by innovative technologies and a better future driven by industrial internet.

Keeping the mission of creativity, innovation, and entrepreneurship in mind, Fii spares no effort to play its role and exerts its influence as a leader in the industry. We continue to uphold the philosophy of “data-driven, core interconnection, ecological co-construction, value sharing”, effectively promote the transformation and upgrading of intelligent manufacturing, utilizing industrial big data, industrial AI and industrial applications to achieve the strategic goal of building a new industrial internet ecosystem, and ultimately realize the vision of “serving global intelligent manufacturing, and benefiting worldwide industries”.

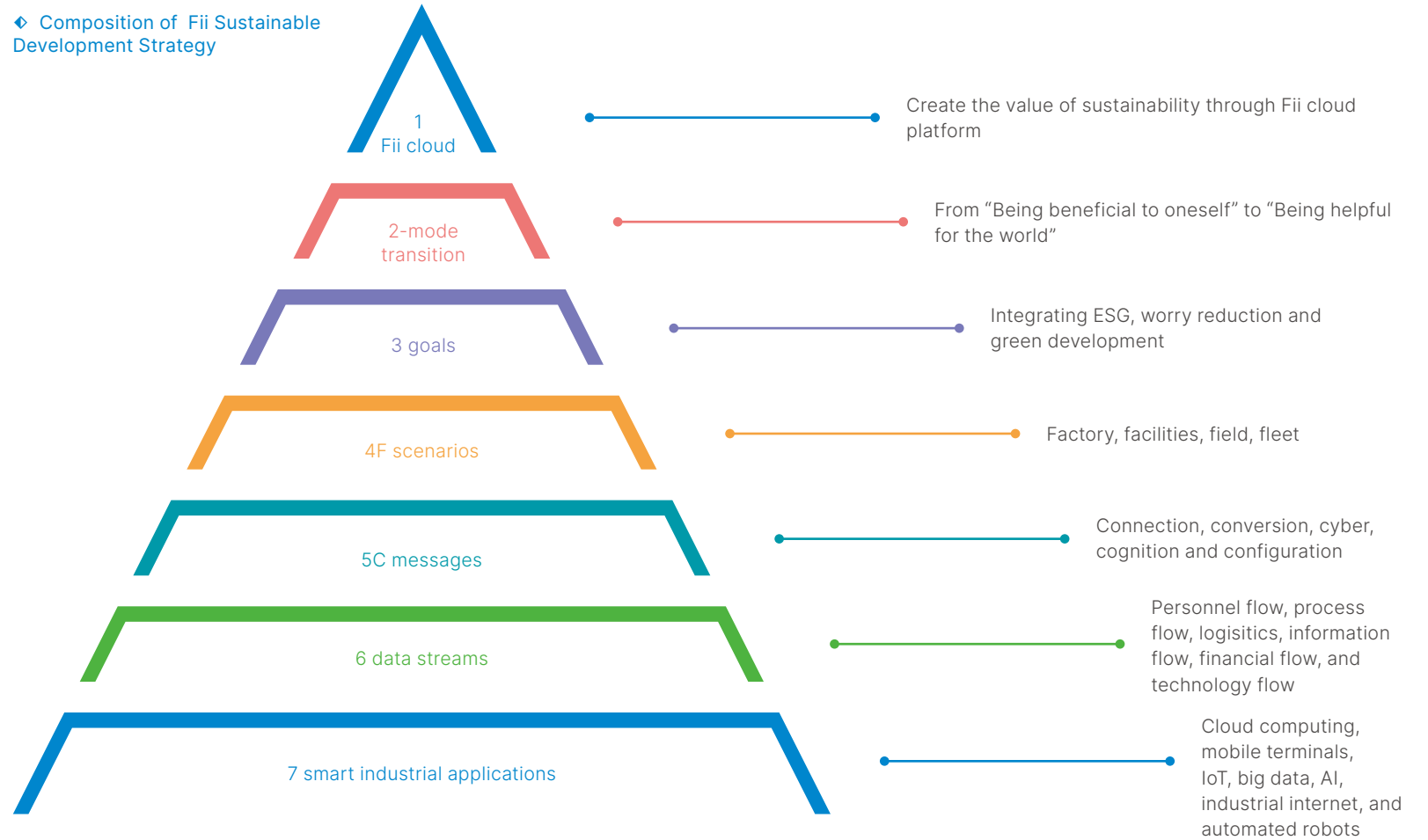
Following the strategic guidance of "green development driven by digital technology", the Company continues to take “smart industry and green technology” as its strategic development direction mainly in seven major industries, including cloud computing, mobile terminals, IoT, big data, AI, industrial internet, and automated robots, so as to achieve the three goals of “work reduction, worry reduction and waste reduction”, and complete the transition from “being beneficial to oneself” to “being helpful for the world”. It helps SMEs to transform and upgrade and continues to realize and consolidate the outcome of sustainable development jointly with them to create shared value for the industry chain.



Building on existing sustainable development strategy and integrating ESG, Fii took supply chain, new energy and carbon neutrality as its business priorities so as to better fulfill its corporate social responsibilities in 2021. For supply chain, the Company has improved the accuracy of equipment and process parameters and optimized efficiency as a semiconductor company by building lighthouses. For new energy, the Company has produced products with less negative impact on the environment by full use of lightweight, power-saving and intelligent new energy vehicles. For Industrial Metaverse, the Company has leveraged its existing strength, a large number of lean processes, data collection, transmission and computing as well as artificial intelligence and blockchain to improve the efficiency of production management. For carbon neutrality, the Company has actively promoted product innovation and business development building on clean technology to grasp the market opportunity of clean technology, and formulated carbon neutrality goals and commitments to achieve carbon neutrality in operation by 2035 (covering emissions in Scope 1 and Scope 2) and net-zero emissions across the value chain by 2050 (covering emissions in Scope 1, Scope 2 and Scope 3).



◆ Composition of Fii Sustainable Development Strategy

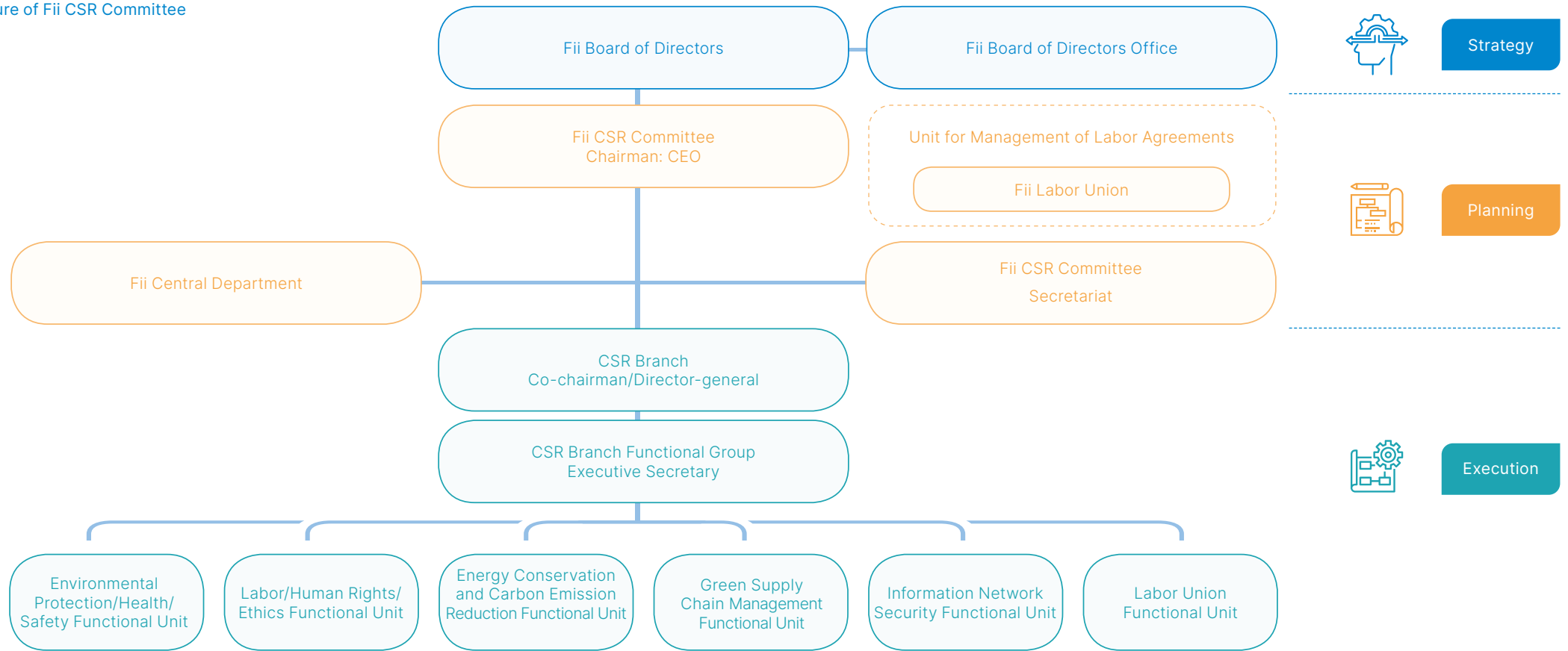


## Management Mechanism

The Board of Directors is the ultimate responsibility undertaker for the sustainable development of Fii. It urges the management to adhere to the principles of business ethics, integrates the management of sustainable development issues into business operations, and determines the short-, medium- and long-term strategies, visions, goals and operational performance for sustainable development in order to advance and deepen the sustainable development of Fii.

The Fii management should report sustainable development plans and work progress and results to the Board of Directors so that the Board performs the responsibility for supervising the above-mentioned sustainable development issues timely.

### Organizational Structure of Fii CSR Committee





## Communication with Stakeholders

The Company attaches great importance to the opinions of stakeholders. Considering group size, communication frequency and correlation analysis of important issues, Fii defines seven major stakeholders: employees, government and regulatory agencies, shareholders and investors, suppliers, customers, partners and communities. Fii establishes smooth communication channels and cooperative relationship with

stakeholders, analyzes the needs of stakeholders, identifies its material issues for sustainable development, defines division of internal responsibilities, and implements key management programs in order to achieve its high-quality development through its positive impact on the environment and society. Fii actively communicates with stakeholders through websites, media, conferences, reports, activities and other channels and means.

### ◆ Main Stakeholders of Fii and Communication Means with Them

Key stakeholders	Concerns	Communication and responses
<b>Employees</b>	Health and safety, protection of employee rights and interests, employee benefits, respect for employee diversity, remuneration and incentives, performance evaluation and promotion mechanism, communication with employees, training system, talent recruitment, talent team building, communication with stakeholders, energy, water resources, solid waste, exhaust gas, and chemical management	Employee activities, employees' congress, activities of the labor union, intranet, employee training and employee handbook
<b>Governments and regulatory agencies</b>	Business ethics, health and safety, data governance, risk and compliance management, exhaust gas, solid waste, climate change risk management, chemical management, and communication with stakeholders	Inspections, correspondences, policy implementation, and information disclosure
<b>Shareholders and investors</b>	Risk and compliance management, business ethics, reporting mechanism, data, executive remuneration management, communication with stakeholders, executive shareholding requirements, related transactions, board composition, and data governance	General meeting of shareholders, financial reports, corporate social responsibility reports, performance reports, roadshows, surveys and teleconferences
<b>Suppliers</b>	Product quality, energy, responsible supply chain, communication with stakeholders, and management of conflict minerals	Annual general meeting of suppliers, supplier management platform, regular supplier training, supplier verification, strategic cooperation negotiation, exchanges and mutual visits
<b>Customers</b>	Product quality, intelligent manufacturing, customer service, green products, chemical management, patent management, R&D and innovation, R&D strength, R&D investment, data governance, communication with stakeholders, energy, water resources, solid waste, and exhaust gas	CSR activities, product exhibitions, customer surveys, technical seminars, customer hotlines, customer satisfaction surveys, and regular audits
<b>Partners (such as academic institutions, research institutions and industry associations)</b>	Low-carbon economy policy changes, R&D and innovation, and communication with stakeholders	Telephone communication, irregular visits, CSR activities, academic seminars, industry exhibitions, industry training, and exchange meetings
<b>Communities (such as media and social organizations)</b>	Exhaust gas, energy, water resources, solid waste, green products, climate change risk management, chemical management, community engagement, and communication with stakeholders	Press releases, social media, event participation, questionnaire surveys, community volunteer activities, social welfare projects and other support projects of social undertakings

## Analysis of Material Issues

Following the Materiality Analysis Process as stated in the Corporate Social Responsibility Report, the Company establishes a systematic analysis model to identify sustainable development issues that stakeholders are concerned about, and takes it as a reference for information disclosure in the Report so as to facilitate effective communication with various stakeholders.

### Step 1: Set communication goals

In order to better communicate with stakeholders through the information disclosure in CSR reports, Fii has worked out three communication goals in delivery of the sustainable development results, acquisition of feedback from stakeholders, and improvement of corporate risk control and operation competence.

### Step 2: Identify sustainable development issues

Based on the business development and the results of the materiality analysis in previous years, the Company further improves the Fii's list of sustainable development issues this year. The list covers 38 issues in "environment", "society" and "governance" that are highly related to the Fii's business development and are highly concerned by stakeholders.

### Step 3: Conduct surveys among stakeholders

Taking the issues in the list as the core part in surveys among stakeholders, the Company designs an online survey questionnaire and invites stakeholders to evaluate the importance of the issues and express their views and expectations on Fii's sustainable development through open-ended questions. In 2021, the Company expanded the survey scope and collected 5,471 valid questionnaires from employees at home and abroad, government and regulatory agencies, shareholders and investors, suppliers, customers, partners and communities.

### Step 4: Analyze and evaluate material issues

Through the analysis of questionnaire results, the Company evaluates the importance of 38 issues, prepares the materiality evaluation matrix for this year, reviews the opinions of stakeholders and the results of the materiality evaluation, and discusses with the management over and determines key points of disclosure in the Report and major ways to improve sustainable development performance in the future.

## Step 1: Set communication goals

Fii has set communication goals and expects the information disclosure of corporate social responsibility reports to achieve the purpose of communicating with stakeholders.

### Communication goals



- Communicate the outcome of sustainable development of the Company
- Obtain feedback from stakeholders on company sustainability outcomes
- Improve the risk control abilities and operation competence of the Company

## Step 2: Identify sustainable development issues

Fii identifies 7 key stakeholders. Fii screens out 38 issues according to national and international policies and standards, such as the *Guidelines of Shanghai Stock Exchange on Self-discipline Supervision of Listed Companies - No. 1 Document: Standard-based Operation*, *GRI Standards*, *SDGs* (Sustainable Development Goals), the rules of the *Responsible Business Alliance* and ESG rating requirements, while fully considering the concerns of internal and external stakeholders, peer benchmarking analysis as well as the industrial characteristics and strategic direction of the Company.



◆ 38 Issues to be Communicated with Stakeholders

Categories	S/N	Issues	Descriptions	Reporting boundary
<p>Society</p>	1	Patent management	Improve its own intellectual property protection system and tap into its own intellectual property value and influence.	Customers
	2	R&D strength	Activities of the Company to innovate and introduce new products and services, including internal R&D, standard formulation and patents granted.	Customers
	3	R&D and innovation	Improve quality, performance and user experience through R&D and application of science and technology.	Customers and partners
	4	R&D investment	Establish R&D teams and set R&D investment growth goals.	Customers
	5	Product quality	Improve product quality management continuously, find out, follow up and tackle quality problems timely.	Customers and suppliers
	6	Customer service	Maintain and manage close relationship with customers actively, provide effective communication channels, respond to customers' opinions and complaints timely, and protect customer data privacy.	Customers
	7	Community engagement	Provide resources and assistance for community development (e.g. poverty alleviation, education, and enhancement of environmental awareness).	Communities
	8	Responsible supply chain	Formulate and continuously improve management policies and mechanisms for environmental and social risks in the supply chain.	Suppliers
	9	Management of conflict minerals	Identify and evaluate conflict mineral risks in the supply chain regularly to ensure products do not contain conflict minerals.	Suppliers
	10	Chemical management	Check and monitor the restricted chemical substances contained in products, and formulate plans of replacing restricted chemical substances. Launch environmental and human health impact evaluation at R&D stage, and make every effort to reduce the impact of restricted chemical substances on the environment and human health.	Employees, customers, communities, governments and regulatory agencies

Categories	S/N	Issues	Descriptions	Reporting boundary
<p>Society</p>	11	Health and safety	Implement occupational safety and health policies, regulations and monitoring and evaluation mechanisms, and pay attention to the physical and psychological health of employees.	Employees
	12	Talent recruitment	How well the recruitment strategy and performance match the strategic development direction of the Company.	Employees
	13	Remuneration and incentives	Motivate employees at all levels effectively through a scientific and reasonable remuneration mechanism.	Employees
	14	Employee benefits	Full benefits: vacations, paid medical and parental leaves, flexible work arrangements, health plans, and pensions.	Employees
	15	Talent cultivation	Develop talent strategies to attract and retain key talents and reserve talents for the management team.	Employees
	16	Training system	Provide employees with training related to skills and knowledge required for posts and career development.	Employees
	17	Performance evaluation and promotion mechanism	Review and optimize the functional system, promotion mechanism, career management and performance appraisal management continuously.	Employees
	18	Protection of employee rights and interests	Establish a negotiation mechanism, ensure compliance with labor protection laws in terms of salary payment, labor and social insurances, and prevent the employment of child labor and forced labor.	Employees
	19	Respect for employee diversity	Respect for the diverse backgrounds of employees, and give them equal access to recruitment, promotion, remuneration and benefits, free from any discrimination.	Employees
	20	Communication with employees	Establish effective channels of communication with employees to allow employees to propose opinions on employment system, remuneration and benefits, personal development and working environment, and respond to their opinions and needs timely.	Employees

Categories	S/N	Issues	Descriptions	Reporting boundary
 Environment	21	Management of climate change risks	Identify and manage the opportunities and risks that climate changes bring to the Company, such as greenhouse gases: Evaluate and reduce greenhouse gas emissions throughout the business development process.	Governments, regulatory agencies, and communities
	22	Low-carbon economy policy changes	Pay attention to regional warming and national policy changes to promote low-carbon economy, and work out response plans.	Partners
	23	Energy management	Reduce fuel and power consumption during production and operation, and improve energy efficiency.	Customers, employees, suppliers and communities
	24	Water resources	Reduce the consumption of fresh water resources, decrease waste water generated in production and operation, and ensure proper waste water treatment to lessen environmental pollution.	Customers, employees and communities
	25	Solid waste	Reduce hazardous waste and general waste generated in production and operation, and ensure proper disposal of waste to reduce environmental pollution.	Customers, employees, communities, governments and regulatory agencies
	26	Exhaust gas	Reduce unorganized emissions to the atmosphere.	Customers, employees, communities, governments and regulatory agencies
	27	Green products	Products that are helpful to customers' low-carbon transition and circular economy.	Customers and communities
	28	Clean technology innovation	Develop clean technology vigorously by seizing the market opportunities of green development, and introduce technologies internally and externally.	Customers
 Governance	29	Business ethics	Promote strict business ethics, and act with integrity, honesty, fairness and transparency in all markets we involve in when cooperating with business partners.	Governments, regulatory agencies, shareholders and investors

Categories	S/N	Issues	Descriptions	Reporting boundary
 Governance	30	Reporting mechanism	Provide confidential reporting channels for internal and external parties to report conducts violating the business ethics of the Company and protect whistle-blowers from retaliation.	Shareholders and investors
	31	Sustainable development management	Identify key issues, set practical goals, work out clear division of responsibilities, and guide the integration of business decisions and key issues.	Shareholders and investors
	32	Executive remuneration management	Work out a transparent remuneration decision-making mechanism, relate the performance to the performance of Fii's ESG issues, and implement a remuneration clawback mechanism.	Shareholders and investors
	33	Executive shareholding requirements	Set specific multiple requirements on the value of Fii's shares held by executives based on their annual fixed remuneration.	Shareholders and investors
	34	Related transactions	Reduce transactions with related parties.	Shareholders and investors
	35	Board composition	Independence, diversity, professionalism and effectiveness of the Board of Directors.	Shareholders and investors
	36	Communication with stakeholders	Maintain smooth channels of communication with stakeholders, and enhance sustainable development management by responding to the needs of stakeholders.	Employees, governments and regulatory agencies, shareholders and investors, suppliers, customers, partners and communities
	37	Risk and compliance management	Establish sound governance mechanisms and systems to ensure that the corporate operation meets the compliance requirements; identify and control risks affecting business activities such as global laws and regulations, global epidemic, and supply chain disruption.	Shareholders and investors
	38	Data governance	Supervise, control, communicate over, and integrate the acquisition, processing and use of data from internal and external parties to ensure the information security of the Company and its customers.	Governments, regulatory agencies, customers, shareholders and investors

### Step 3: Conduct surveys among stakeholders

Fii designs an online survey questionnaire over the importance of sustainable development issues with the issues in the list as the core part in surveys among stakeholders, and collects their views and expectations on the sustainable development of the Company through open-ended question. A total of 5,471 valid questionnaires were collected in 2021. With reference to industry practice, the company evaluates the impact of Fii's business development on various issues through a team of experts combining internal and external factors.




### Step 4: Analyze and evaluate material issues

In order to identify the material issues that stakeholders are concerned about, the Company charted a significant issue matrix analysis chart from two dimensions: importance of impact on the economy, the environment and society and importance of impact on evaluation and decisions made by stakeholders, on the basis of scores marked by stakeholders and weight of stakeholders.

Following the identification, evaluation and selection procedures, the Company, together with professionals, selected 26 material ESG issues, and within them defined 11 high-material ESG issues as being significant, as the management and reporting priorities of itself and its related departments. In this Report, we will strengthen the disclosure of our efforts and performance of these issues said, and take the results as an important reference for the sustainable development plan of next year.

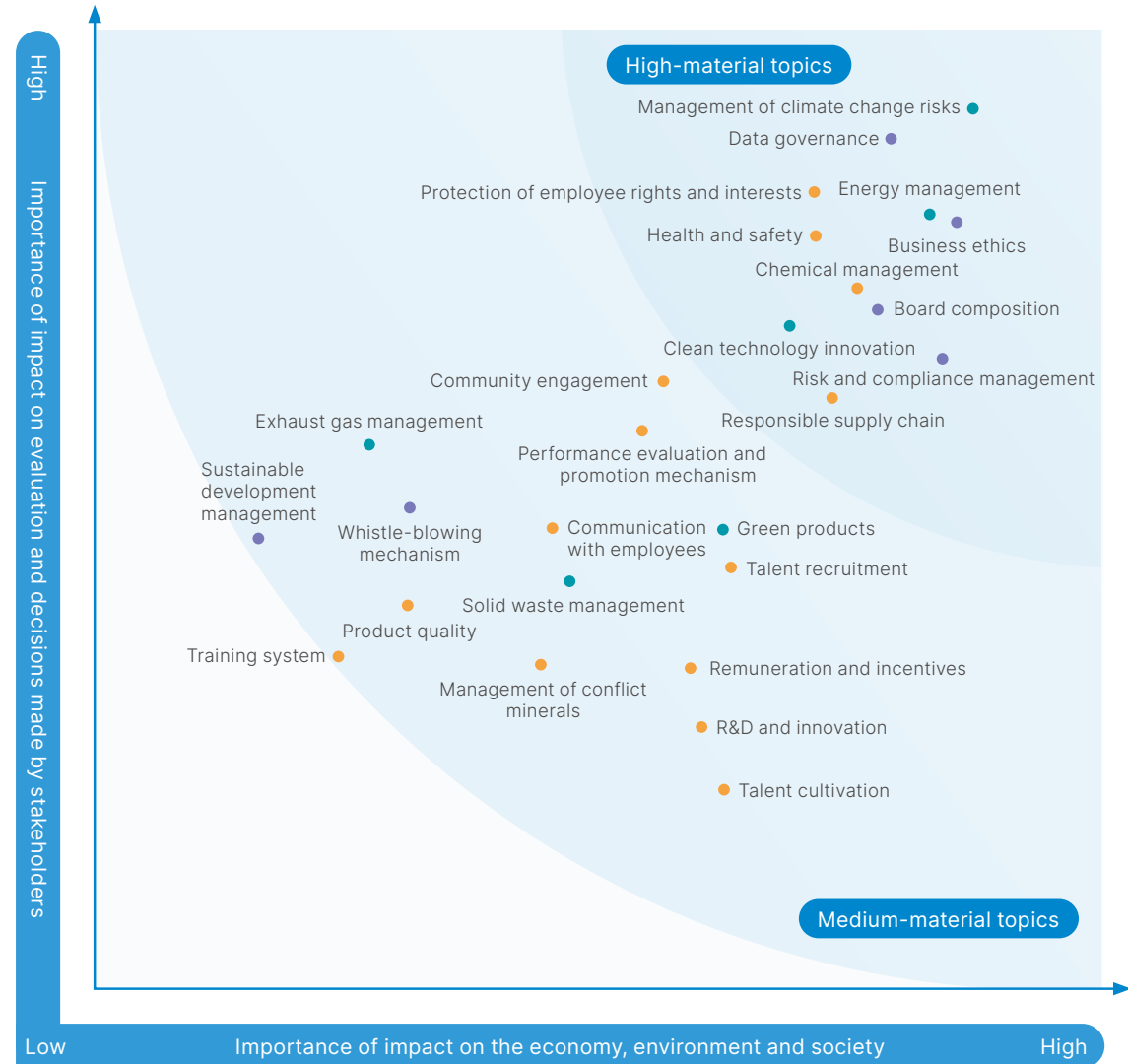
In 2021, protection of employee rights and interests, health and safety, risk and compliance management, responsible supply chain, business ethics, data governance, climate change and risk management, energy management, and clean technology innovation were still significant issues, and board composition and chemical management were added as new issues. The Company will constantly update and adjust the definition of high-material ESG issues upon communication with stakeholders.

#### Fii's Significant Issues and Division of Management Responsibilities

Concerns	Ecological Environment - E	Social Development - S	Corporate Governance - G
 <p>Significant issues</p>	<ul style="list-style-type: none"> <li>• Management of climate change risks</li> <li>• Energy management</li> <li>• Clean technology innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of employee rights and interests</li> <li>• Health and safety</li> <li>• Responsible supply chain</li> <li>• Chemical management</li> </ul>	<ul style="list-style-type: none"> <li>• Business ethics</li> <li>• Data governance</li> <li>• Board composition</li> <li>• Risk and compliance management</li> </ul>
 <p>Main Responsible Departments</p>	<ul style="list-style-type: none"> <li>• Corporate Sustainable Development Planning Department, Environmental Protection and Energy Management Department, Clean Energy Development Department, Accounting Management Department, and Legal Affairs and Intellectual Property Department</li> </ul>	<ul style="list-style-type: none"> <li>• Human Resource Department, Industrial Safety and Health Department, Procurement Department, Labor Union</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Department, Information Security Department, Securities Department, and Legal Affairs and Intellectual Property Department (Fii Global Risk Control and Compliance Committee has been established)</li> </ul>
 <p>Management methods and measures</p>	<ul style="list-style-type: none"> <li>• Reduce the impact of production process on the environment</li> <li>• Improve energy efficiency</li> <li>• Reduce the impact of corporate production and operation on the environment through chemical management and green product manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Protect the basic rights and interests of employees</li> <li>• Promote the occupational safety and health of employees</li> <li>• Formulate environmental and social risk management policies and management mechanisms for the supply chain</li> <li>• Strengthen the management of all chemical substances, and evaluate the impact of chemical substances on the environment and human health at R&amp;D stage</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the management mechanism of business ethics</li> <li>• Improve the mechanism, awareness and technological means to ensure the information security of the Company and its customers</li> <li>• Enhance the board composition continuously</li> <li>• Improve sound governance and risk management mechanisms and systems, and strengthen risk identification and control</li> </ul>

Significant Issues	Corresponding UN Sustainable Development Goals (SDGs)
Management of climate change risks	3 GOOD HEALTH AND WELL-BEING, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND
Business ethics	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Board composition <sup>3</sup>	
Data governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Protection of employee rights and interests	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
Energy management	7 AFFORDABLE AND CLEAN ENERGY, 8 DECENT WORK AND ECONOMIC GROWTH, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Health and safety	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Clean technology innovation	3 GOOD HEALTH AND WELL-BEING, 6 CLEAN WATER AND SANITATION, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Risk and compliance management	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Chemical management	8 DECENT WORK AND ECONOMIC GROWTH
Responsible supply chain	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

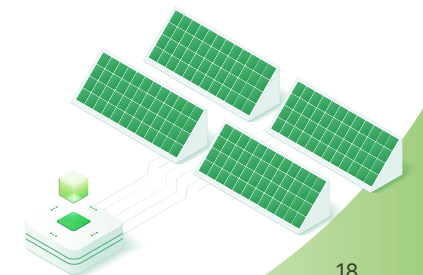
Analysis Matrix of Fii's Significant Issues



3. Note: The Issue "Board Composition" does not correspond to any SDGs indicators.

# 01 Pioneer of Green Reform and Innovation

- 19 | Environmentally-friendly Green Products
- 21 | Strategy and Application of Clean Technology
- 25 | R&D and Innovation Management System



As the world's leading provider of intelligent manufacturing and industrial internet solutions, Fii focuses its business on communication and mobile network equipment, cloud computing and industrial internet. Sticking to the business principle of "continuous improvement", we transform from "meeting social needs" to "serving society with innovation", continue to develop green products, and reduce the impact of products and services on the environment relying on clean technology. Following the core strategy of "green development driven by data", we expand market opportunities for clean technology applications. With strengthening R&D and management and the intellectual property layout specific to core R&D technologies, we are committed to empowering the transformation and upgrading of the manufacturing industry and bringing new vitality to global intelligent manufacturing and green manufacturing.

## Environmentally-friendly Green Products

### Design for Environment (DfE)

Through control of the product life cycle from design to production, Fii strives to weaken the negative impact of products on the environment while assuring product quality and safety and builds an environmentally-friendly corporate image for both its customers and itself.

Following the principle of design for environment in the *Regulations on Design for Environment* in product design, the Company integrates environmental factors into product design, and improves the environmental performance of products throughout the product life cycle.

The Company proposes five ecological indicators of "harmless", "reduction", "energy conservation", "easy to recycle", and "ergonomics" for independently-designed products. It carries out product design activities in the full life cycle on the premise of meeting the requirements of technology, safety, function and market so as to minimize the impact of products on the environment.



#### Five Design Indicators of Fii

<p><b>Harmless design</b></p>	<p>Evaluate the hazardous substance control standards for product parts to restrict the use of strictly-regulated substances and ensure that no hazardous substances are released or decomposed throughout the product life cycle.</p>
<p><b>Reduction design</b></p>	<p>Reduce product weight and volume in terms of product weight, volume, number of parts, packaging complexity and storage methods.</p>
<p><b>Energy conservation design</b></p>	<p>Strengthen energy consumption management, utilize energy reasonably and effectively, promote renewable energy, and reduce energy consumption during production, transportation and use.</p>
<p><b>Easy to recycle design</b></p>	<p>Consider recycling possibility, recycling value, processing methods and technologies when selecting raw materials, and adopt easily-recycled or reusable materials.</p>
<p><b>Ergonomic design</b></p>	<p>Design products catering to human needs to make product use more comfortable, safer and healthier.</p>

## Digital Management and Product Quality Improvement

Fii adheres to the manufacturing concept of energy conservation and high quality. Its communication and mobile network equipment sector involves network equipment, telecommunication equipment, high-precision components for communication network, intelligent products, and precision cutting tools. On the one side, we follow the energy-saving design indicators and work out a number of products and solutions to help customers design environmentally-friendly and energy-saving products. On the other side, we continue to develop high-quality and high-safety products in addition to design for environment.

Products	Points to be improved	Results
Roughing tools	Material: fracture toughness and stability in batches Structure: cutting force and strength Coating: abrasion resistance and adhesive force	<ul style="list-style-type: none"> <li>Prolong the lifespan by <b>160%</b> after improvement.</li> </ul>
Profile cutting tools	Improve chipping and chattering problems	<ul style="list-style-type: none"> <li>The lifespan was extended by <b>60%</b> after improvement.</li> <li>The product one-time yield is increased to <b>92.5%</b>.</li> </ul>
Heavy cutting tools	Adopt the chip pocket structure to improve product rigidity and chip removal	<ul style="list-style-type: none"> <li>The lifespan was extended by <b>100%</b> after improvement.</li> <li>Breaking and tipping rates are reduced to <b>3%</b>.</li> </ul>
Diamond-shaped PCD Inserts	Improve the chip breaker groove for better chip breaking effect, product surface roughness and tool quality	<ul style="list-style-type: none"> <li>The lifespan was extended by <b>177.8%</b> after improvement.</li> <li>The trial cutting yield is increased to <b>95%</b>.</li> </ul>
Recycled aluminum PCD Inserts	Increase the negative chamfer on the cutting edge to reduce the chipping of the end teeth	<ul style="list-style-type: none"> <li>The lifespan was extended by <b>36.8%</b> after improvement.</li> </ul>
Tungsten thread forming taps	Optimize cutting edge and select better materials	<ul style="list-style-type: none"> <li>Prolong lifespan <b>3~5</b> times after improvement.</li> </ul>

We expect to develop durable products, maximize the service life of products, and make the best use of resources. The Company has developed a variety of new cutting tools and blades by iteration and upgrading of stainless steel cutting tools, and optimization and improvement of aluminum alloy cutting tools, which betters product quality, prolongs service life, uses raw materials efficiently and reduces waste.

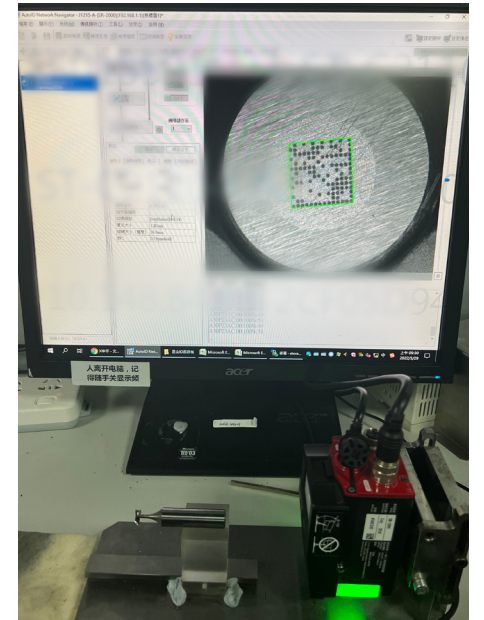
### Precise management of tool QR code

#### During manufacturing

We incorporate cutting tool products in the Enterprise Resource Planning System (ERP) and the Manufacturing Execution System (MES) through QR codes to record tool manufacturing information (e.g. time, equipment and personnel), bills of materials (e.g. raw materials), and quality status for future tracing.

#### During application

The user may incorporate cutting tool products in the tool management system on the client side through QR codes to assign tool identifiers, record tool use information (e.g. time, working condition and service life), and manage tools by classification so as to avoid material mixing and facilitates recycling. Besides, QR codes are used to realize process monitoring, and enable accurate cost analysis and performance optimization analysis through service life management.



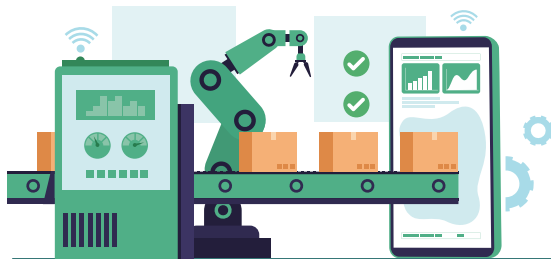
Tool QR Code

# Strategy and Application of Clean Technology

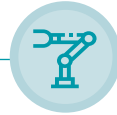
## Fii Clean Technology Strategy

With the core strategy of "green development driven by data", Fii continues to deliver clean technology products and services driven by "intelligent manufacturing + industrial internet", placing its strategic priority over clean technology innovation. Fii takes clean technology as the new technology and the new business model. It represents a range of products, services and processes with excellent performance at lower cost that are designed to reduce or eliminate negative ecological impact, and improve the production efficiency and responsible use of natural resources.

Thanks to continuous investment in technology R&D, Fii has accompanied initial achievements in renewable energy, industrial automation, artificial intelligence, intelligent manufacturing services, energy efficiency management, and technology application. Fii strengthens its strength of green development and seizes market opportunities of clean technology at the same time, provides a comprehensive variety of clean technology products and services.



### ◆ Clean technology products and services



#### Intelligent manufacturing

Achieve automatic, digital, network-based and intelligent manufacturing process; bring the perceivable, predictable and controllable manufacturing results; enable intelligent worry-free production modes.

##### Renewable energy

Inverters and their accessories of solar power systems, solar photovoltaic equipment and accessories, solar cells and solar battery packs

##### Industrial automation

IoT terminal equipment, industrial automatic control electronic equipment, industrial robots, intelligent factories, automation fixtures, mechanical automation equipment and parts, intelligent robots, intelligent vehicle-mounted electronic products, internet of vehicles terminal equipment, and multi-functional industrial robots

##### Artificial intelligence

AI application integration technology and AI application software development



#### Industrial internet

Build a cross-industry and cross-field industrial internet platform to interconnect with customers and supply chains to achieve personalized, customized and optimized resource allocation for manufacturing according to needs, reduce waste and inventory, and cut unnecessary loss in manufacturing and logistics.

##### Smart manufacturing services

Software platform R&D and big data analysis services, intelligent manufacturing system development and solution technical services, industrial internet platform technology development and technical services, industrial automation engineering technology R&D and design, smart factory digital services, lights-off factories, lighthouses, overall solutions to precision manufacturing and engineering services, excellence consulting services and smart factory solutions

##### Energy efficiency management

Environmental friendly, safe and smart facility monitoring control system, Smart Park EHS Overall Solution, core application system for green and energy-saving management, smart grid, computer room for mobile data center, and application system for photovoltaic energy storage service

##### Technology application

LED/smart light posts, intelligent sewage interception protection system of rainwater pipe network, frequency conversion control of oil contamination purification system, and digital application of smart factory

Fii attaches great importance to clean technology R&D in different fields with view to improving power and water utilization efficiency and safety in the manufacturing environment. For clean technology, the Company focuses on cloud computing. To be specific, it mainly engages in R&D of and one-stop solutions to new energy-saving air-cooling, liquid-cooling, and immersion servers, remaining the leading position globally in annual sales. In 2021, the cloud computing R&D expenditure accounted for 18% of the total R&D expenditure. Our green income mainly comes from the cloud computing business. In 2021, its green income measured 177.694 billion yuan, up 1.36% on year-on-year basis, accounting for 40.54% of its gross income. Fii has been fully recognized by FTSE Russell (an international professional investment service provider) in ESG evaluation in terms of its income from clean technology for two consecutive years.

Besides, in the communication and mobile network equipment sector, Fii focuses on the development of 5G, WiFi6/6E and other core technologies and the design and manufacturing of basic equipment. The income in the sector registered 258.966 billion yuan in 2021. In the Industrial Internet sector, the Company mainly delivers overall lighthouse solutions featuring "lighthouse + digital manufacturing platform" and expands 5G + industrial internet application scenarios. The income in the sector grew by 16.92% on year-on-year basis.

As of the end of the reporting period, eight subsidiaries of the Company, including Fii Science and Technology (Hebi), Henan Yuzhan and Nanning Foxconn Fugui, obtained the certificate of the Integration of Informatization and Industrialization management system.

### Immersion liquid-cooled servers and green data centers



Fii devotes itself to the most advanced cooling technologies, including liquid cooling (PUE < 1.2) and immersion cooling (PUE < 1.06) solutions. In 2021, Fii developed immersion liquid-cooling products jointly with customers to provide new solutions for the cloud computing data center. As shown by the statistical data of the Ministry of Industry and Information Technology in 2020, the average PUE (total energy consumption of the data center/energy consumption of IT equipment) of large in-service data centers nationwide was 1.55. Comparatively, the average PUE (including electric loss) was not higher than 1.09, and the energy consumption of IT equipment decreased by 10% at our immersion liquid-cooling data center. Besides, the new energy-saving server of the Company can switch to the power-saving mode automatically according to its running state. Under heavy load, the server has 100% power consumption; under low-power standby state, it turns to power-saving mode automatically, saving 20-30% electricity compared with that under heavy load. Fii has 34 R&D servers that have passed a number of domestic and international energy efficiency certifications currently, including certification for energy-saving products in China (China Certification Center for Energy Conservation Product, CECPP), Energy Star in the United States, ErP Lot9 in the European Union, and Top Runner certification in Japan. High-efficiency and energy-saving servers provide clean technology for the low-carbon transformation of the data center in the future.

2021 saw raging epidemic globally. As a result, remote learning, remote work, and video conferencing have been quite common. Under this background, all industries accelerate digital transformation, with strong demand for cloud services. As shown in the Global Cloud Infrastructure Hardware Spending Report released by IDC in September 2021, the total global cloud spending will grow from USD 128.2 billion to USD 168.1 billion from 2020 to 2024, with a compound annual growth rate of 6%, signaling increasing market demand. Besides, as the strategy of national computing network to synergize east and west rolls out, the cluster development of data centers nationwide has increased the demand in the server market. As predicted by IDC, server shipments will reach 14.06 million, with the growth rate of 8.3%, and the market size (in terms of operating income) will hit USD 114.6 billion in 2022.



Green and Efficient Computing Data Center in Wisconsin, USA

In 2021, Fii achieved



Green income

**177.694** billion yuan



Green income accounts for

**40.54** %



Year-on-year revenue growth of Industrial Internet

**16.92** %



## "Digital intelligent control" system effectively reduces comprehensive energy consumption



Aiming at energy-intensive equipment, Fii designs the "digital intelligent control" system by developing the most advanced "group control + AI" technology, and figuring out the most economical energy supply. The system works to control water chillers, air-conditioning systems, dryers, heat exchange systems, water pump rooms, and power systems, enhancing the efficiency of safety, power, and water usage as well as environmental protection in the manufacturing environment, and reducing energy consumption by around 20%.

In 2021, the system was put into service in Henan Science and Technology Park of the Company. The strict sewage classified management and treatment technology of the "digital intelligent control" system has increased water resource recycling rate to 80%. Moreover, Lankao Science and Technology Park, Taiyuan Science and Technology Park and Comprehensive Bonded Zone have applied "digital intelligent control" system, saving 37,210, 20,400 and 13,940 MWh each year.



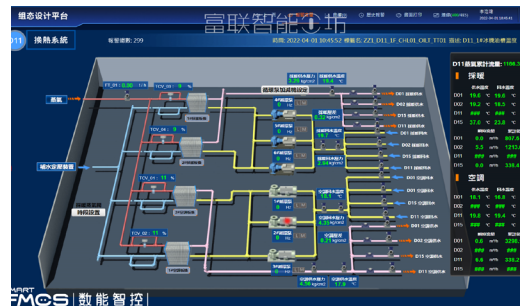
Operation Screen of Water Chiller



Operation Screen of Air-conditioning System



Operation Screen of Dryer



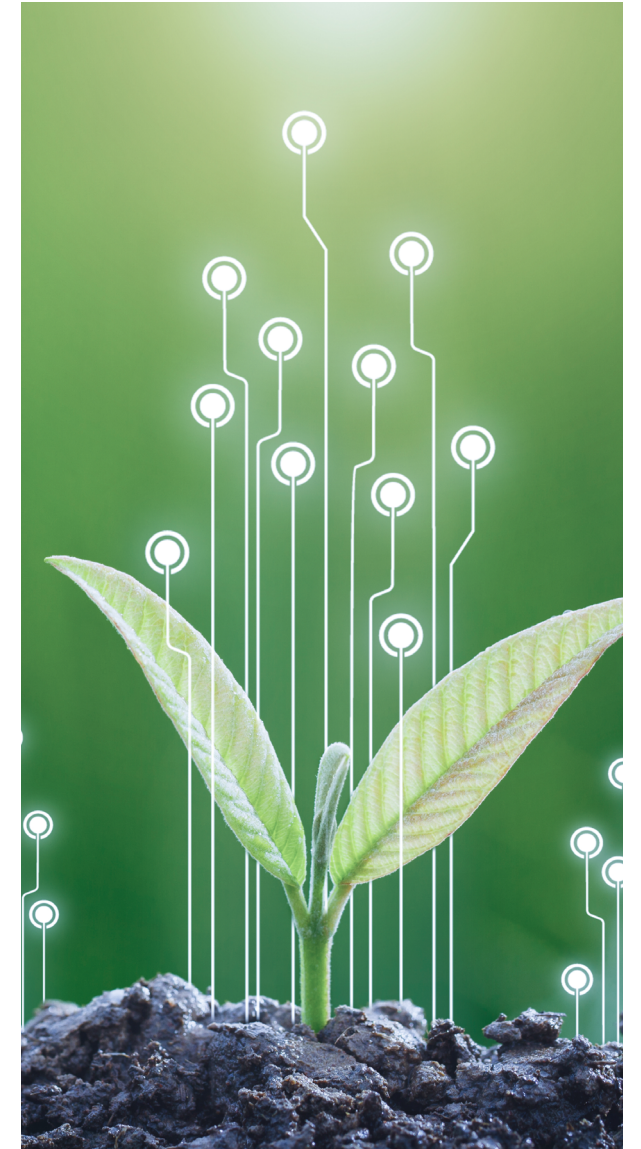
Operation Screen of Heat Exchange System



Monitoring Screen of Water Pump Room



Power Monitoring Screen



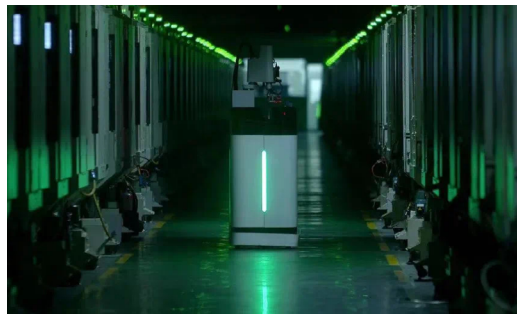
## Create a new "lighthouse" model for intelligent manufacturing



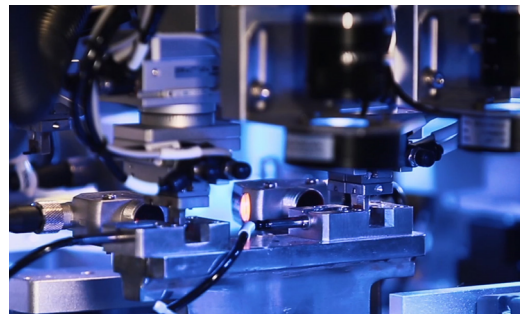
Fii optimizes layout and integrates business segments in lean factories, and combines all scenarios including intelligent production lines, logistics, testing, operation and maintenance, and decision-making to create a new "lighthouse" model for intelligent manufacturing. Relying on intelligent energy consumption analysis and automatic control, the lighthouse improves energy management efficiency by 80%+ and reduces energy consumption by 10%+. The carbon inventory system enables digital full-process carbon footprint tracking to facilitate product carbon footprint certification.

As of the end of the reporting period, the Company has incubated 10 "lighthouses", and its Shenzhen, Chengdu, Wuhan and Zhengzhou factories have been granted the world lighthouse certificates. In October 2021, Fii, together with e-works Research Institute and CITIC Dicastal Co., Ltd., released the White Paper for Digital Transformation of the Manufacturing Industry Led by Lighthouses, benefiting from our rich experience in the construction and certification of lighthouses.

In the future, we will empower more companies by launching the "Lighthouse Pilot Program", and plan to help 10 leading companies develop into world-class lighthouse transformation pacesetters within 5 years, and 100 leading companies achieve full digital transformation, to introduce digital technologies to 1,000 manufacturing companies, and to provide industrial and technical services for 50,000 SMEs through the platform. With these efforts, we aim to build and discover new lighthouses in more industries, actively enhance the digital production capacity of partners, and drive the sound development of upstream and downstream companies in the industry.



Fii Manufacturing Lighthouse



## Development Planning Direction of Clean Technology

Benefiting from the boom of the digital economy, Fii has set foot in the five industrial categories of the digital economy under the strategic guidance of "green development driven by data" after years of continuous development, and boasts competitive advantages especially in the products, technologies and global market shares of cloud and edge computing, industrial internet, smart home, 5G and network communication equipment, smart phones and smart wearable devices.

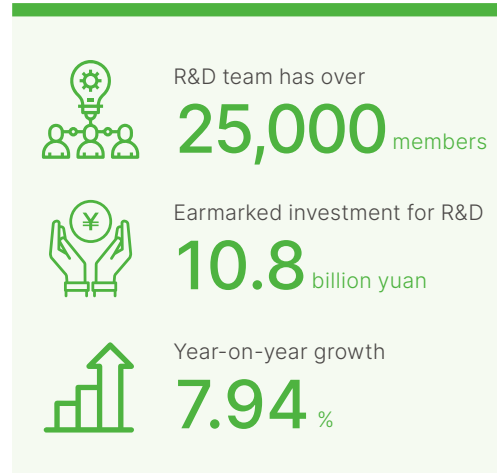
Following the path of "green development driven by data", Fii always takes data, and scientific and technological innovation as its strong drivers. For one thing, we will focus our efforts to optimize our business portfolio, consolidate our leading edge in the supply chain, enhance our R&D ability, strengthen out talent management and establish a digital management and operation system well. For another, we will expand the industrial layout by seizing opportunities to promote clean technology in semiconductors, new energy vehicles, Metaverse, and industrial internet with more investment in order to create another growth curve.

Planning directions	Descriptions
Speed up layout in the semiconductor field	<ul style="list-style-type: none"> <li>Help semiconductor design, processing and production, and increase the value of semiconductor applications building on the experience and technology in high-end precision manufacturing, strong business and product vertical integration and full-process solution planning abilities.</li> <li>Establish a semiconductor industrial internet ecosystem, and extend to core technologies especially in advanced packaging, testing, equipment and materials, EDA software and chip design by much investment relying on long-term clean and intelligent manufacturing experience and data accumulation as well as automation equipment, high-end precision equipment and technology.</li> </ul>
Promote the lightweight, power-saving and intelligent development of new energy vehicles	<ul style="list-style-type: none"> <li>Develop core components of new energy vehicles and integrate upstream and downstream resources in the supply chain, focusing on three fields related to new energy vehicles, namely electric drive and electronic control, intelligent vehicle-mounted devices and internet of vehicles.</li> <li>Continue to invest in R&amp;D of electric drives, internet of vehicles, radars, ACUs and control modules for lightweight, power-saving and intelligent development of new energy vehicles</li> </ul>
Facilitate the coordinated development of Metaverse infrastructure and industrial applications	<ul style="list-style-type: none"> <li>Continue its layout in infrastructure, human-computer interaction and decentralization; actively build a network ecology featuring short-delay, high-bandwidth, and high-reliability with 5G and WiFi6 as core technologies to expand "Metaverse" applications based on the greatest advantages.</li> <li>Expand the diversified industrial applications of "Metaverse" depending on abundant virtual reality and simulation technologies, and build the "Industrial Metaverse" referring to the "lighthouse" construction blueprint to speed up the implementation of equipment predictive maintenance, remote expert assistance and process guidance products.</li> <li>Improve production management efficiency in data collection, transmission, computing, artificial intelligence and blockchain relying on the lean process.</li> </ul>

## R&D and Innovation Management System

Fii attaches great importance to the research and development of new technologies. It has an excellent technology R&D team with outstanding R&D abilities, and concentrates on continuous improvement of process technology according to market needs. Our R&D fields cover smart mobile terminals, smart wearable devices, 5G communication network, cloud computing, industrial internet ecosystem, green manufacturing and clean energy. As of the end of the reporting period, our R&D team has over 25,000 members. We have increased R&D investment for many years. In 2021, the Company earmarked 10.8 billion yuan for R&D, a year-on-year rise of 7.94%.

We will continue to increase investment in R&D, cultivate more key talents. At the same time, we will also implement the global strategic layout and meet the different needs of customers with advanced technology, quality products and professional services.



## Intellectual Property Management

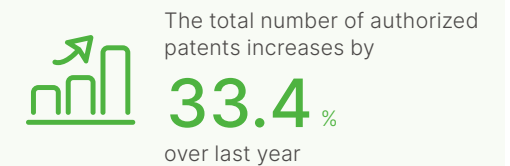
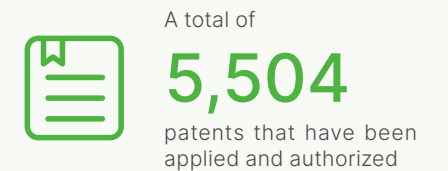
Fii is committed to improving its global intellectual property layout, and cooperating with the country's call to build a strong intellectual property country, leading intellectual property to empower the Industrial Internet and create more social, economic and environmental value. Fii pays attentions to protecting the intellectual property and trade secrets of others and itself. Its employees are not allowed to obtain, disclose, use and dispose the trade secrets of other illegally. In 2021, the Company promoted the development of intellectual property jointly with China Patent Protection Association and China Intellectual Property Society after its accession to these two agencies.

In 2021, the Company established the Fii Intellectual Property Management Committee. The Committee is responsible for improving the intellectual property management system and coordinating intellectual property management in various technical fields. Fii builds an intellectual property management system in three aspects: data management through data standardization, data analysis and systematization, portfolio management through intellectual property analysis, layout and portfolio; and operation management through integration of intellectual property licensing and intellectual property transfer.

In terms of R&D and innovation strength, the Company has been granted patents in 13 countries and regions globally, and the number of its patent applications and authorizations has increased year by year. In 2021, the Company had 5,504 effective patents that were applied for or authorized, up 33.4% over the last year. Particularly, patent reserves of cutting-edge technologies accounted for 47.9% and mainly covered cloud computing, big data, mobile

terminals, robots, Internet of Things and smart life. The focus of its technological innovation in industrial internet has been changing from hardware to software, and over 100 patents related to industrial internet reserved by now have covered application layer industrial App, industrial PaaS, edge layer and data collection. In addition, the company has further strengthened its digital intelligent manufacturing capabilities by investing in chips and industrial software. A solid digital foundation and increasing R&D investment contribute to the powerful product innovation and technology iteration strengths of the Company.

### Key Performance Highlights



### Fii was selected into the "China Digital Economy Industry Best Practices 50" by APEC.

In order to explore the best practices of leading technological innovation, enabling digital inclusiveness, and assuming the responsibility for the industry, APEC (Asia-Pacific Economic Cooperation) China Business Council released the "China Digital Economy Industry Best Practices 50" on December 25.

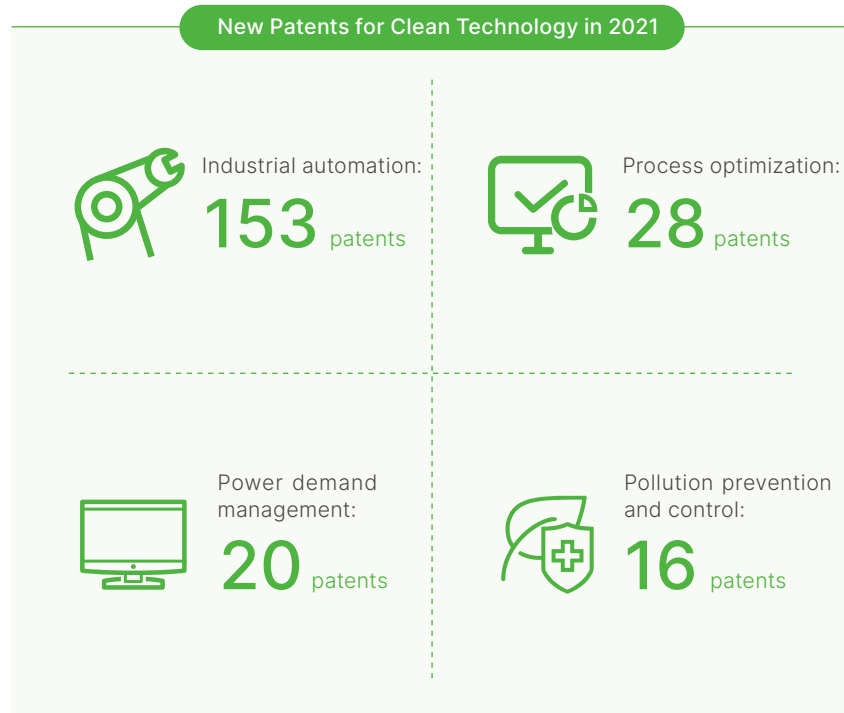
With contribution to empowering digital transformation by "intelligent manufacturing + industrial internet", Fii was successfully selected into the "China Digital Economy Industry Best Practices 50". As a benchmarking enterprise in the digital economy of China, Fii performs its business philosophy of devoting itself to digital economy more firmly. While fully promoting the transformation of its own digital industry, the Company also strives to empower other companies by launching overall solutions to communication infrastructure, digital infrastructure and innovation infrastructure in terms of products and manufacturing capacity.



## Clean Technology Patents

To enhance the environmental protection awareness of R&D personnel during technology development and encourage inventors to consider the relevance to clean technology when submitting applications, Fii incorporated clean technology tags into its intellectual property management system in July 2021.

At present, the company has mainly set up four categories of clean technology labels, namely renewable energy, energy efficiency management, pollution prevention and green building, and subdivided into various sub-categories, such as electricity demand side management, system and process optimization and energy storage Technology, etc., to facilitate R&D management and data statistics. As of the end of 2021, the Company had 804 effective patents related to clean technology, including 217 patents authorized in 2021.



## Patent Cases of Clean Technology



**Industrial automation**

We are committed to improving energy efficiency during manufacturing by carrying out automation improvement solutions in all links of the production line, such as cutting manufacturing costs in the entire production process covering loading, clamping, punching, grinding and waste recycling.



**Process optimization**

In the manufacturing process of electronic products, it is difficult to control the priority of production links due to complex process, extensive factors and massive data. The process control system shows the processing status and time of each work piece, and figures out the manufacturing process that consumes the least time and energy to improve the efficiency of the surface treatment process.



**Power demand management**

Arrange power demand time reasonably relying on comprehensive utilization techniques, and practice overall system management and coordination to improve terminal power consumption efficiency and power consumption modes. Here is an instance. With networked handheld devices, we are able to remotely monitor and turn on/off home appliance systems automatically to save electric energy.



**Pollution prevention and control**

Multiple links in industrial manufacturing involve the treatment and recycling of pollutants such as exhaust gas, waste residue, and waste oil. These pollutants and energy consumption can be minimized through pollution prevention and control, and recycling. Recycling devices are set up in production lines to collect waste oil generated during production, which reduces consumption, and controls potential pollution in production.

## External Cooperation in Innovation

Fii, including its business groups and subsidiaries, has built and maintained cooperation with scientific research institutions, universities and enterprises at home and abroad, and has made breakthroughs in core technologies in such fields as intelligent application of the building industry, R&D of new materials, ultra-precision machining and high-end technology, which supports its development technically and greatly.

Partners	Cooperation programs	Cooperation period	Cooperation progress
Shanghai Jiaotong University	Intelligent Punching Die Development Project	Dec. 2019 to Oct. 2021	Completed
Peng Cheng Laboratory	Software Theory and Key Technology Development for Real-time Industrial Control Network	Jan. 2020 to Dec. 2022	In progress
National Taiwan University of Science and Technology	Program 1 Launched Jointly by National Taiwan University of Science and Technology and Fii in 2019: 3D Printing and Laser Technology Improvement and Internship Program	Feb. 2020 to Feb. 2022	In progress
Shanghai Jiaotong University	Architecture and Design Method of Industry-purposed On-site Wireless Control System	Nov. 2020 to Oct. 2023	In progress
National Cheng Kung University	Ultra-rapid Prototyping Technology Consulting Program	Dec. 2020 to Jun. 2022	In progress
Guangdong University of Technology	Laser Stress Strengthening Program	Apr. 2021 to Jun. 2021	Completed
National Taiwan University of Science and Technology	Program 2 Launched Jointly by National Taiwan University of Science and Technology and Fii in 2020: Material Testing and Analysis Technology Improvement Program	May 2021 to Apr. 2022	In progress
National Taiwan University of Science and Technology	Program 3 Launched Jointly by National Taiwan University of Science and Technology and Fii in 2021: Anode Film Sharp Corner Cracking	Jun. 2021 to Nov. 2022	In progress
Zhejiang Construction Engineering Group Co., Ltd. Shanghai Jiaotong University	R&D of a New Manufacturing and Control Platform Catering to Construction Industrialization Depending on Longyou Intelligent Flexible Production Line to Build a "Future Factory" Integrating Construction Industrialization and Intelligence	Jun. 2021	In progress
Frontier Manufacturing Science Laboratory, Southern University of Science and Technology	Ultra High-speed Precision Spindle Manufacturing and Machining Technology R&D	Jul. 2021	In progress
Central South University	Composite Pulse Shaping Spring-back Control Technology	Jul. 2021 to Jun. 2022	In progress



# 02 Supporter of Harmonious Ecology

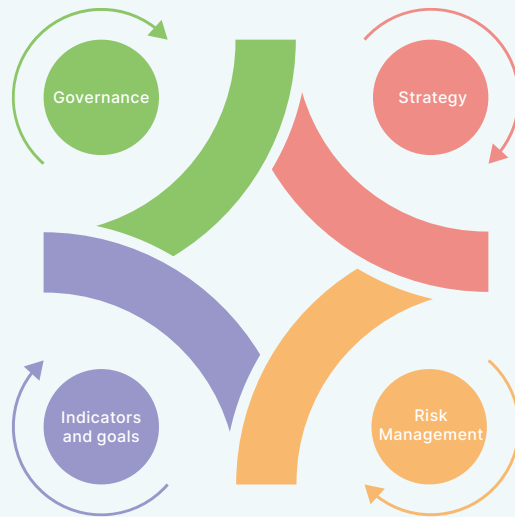
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# Special Topic: Strategy of Global Response to Carbon Neutrality

To ensure permanent business strategies responding to climate change, Fii has developed a climate change response system in terms of governance, strategy, risk management, and goals and performance referring to the suggestions of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>4</sup> of the Financial Stability Board (FSB) (See the *Fii White Paper of Carbon Neutrality* for more details).

- The Board of Directors guide climate change response strategies
- CSR Committee and CSR branches of business groups participate in planning and implementation of climate change response strategies
- Set carbon neutrality and net-zero carbon emission goals
- Disclose carbon emission data regularly to update target implementation progress



- Fii carbon neutrality path and action plans
- Facilitate carbon neutrality in the value chain
- Deliver carbon neutrality solutions to society
- Risk management system covering the identification of risks and opportunities for climate change topics
- Analyze and evaluate the financial impact of climate topics



4. TCFD is the world's most influential climate-related financial information framework standard. With developing a unified disclosure framework, it helps investors, lenders and insurers in reasonably evaluating climate change risks and opportunities, and making wiser financial decisions.

## Management System of Climate Change Issues

The Company has established a mechanism for the Board of Directors to participate in climate issue governance. The mechanism has a three-level management structure, namely strategy, planning and execution levels which are managed by the Board of Directors, the CSR Committee and its branches of business groups respectively. The details are shown as follows:

### ◆ Function Description of Climate Issues Management Framework

#### Board of Directors

The Board of Directors is the top supervision and management organization of the sustainable development in Fii. It is responsible for urging the management to integrate management of sustainable development issues into routine business operation and management. Its functions include:

- Formulate the vision, policy, strategy for sustainable development governance and management, and related work goals and priorities of Fii;
- Evaluate and draw up the risks and opportunities related to the sustainable development, including climate change issues, and incorporate them into the agenda of the Board of Directors for regular discussion according to the operation policy;
- Ensure the effectiveness of the sustainable development risk management and the internal control mechanism of Fii, as well as the management's adherence to the principles of business ethics, honesty and integrity, and compliant operation;
- Organize and appoint the president and members of Fii CSR Committee; review the sustainable development performance of Fii regularly, including the performance of climate change issues, receive reports from the management and make replies.

#### CSR Committee

The CSR Committee consists of the Secretariat, the Central Department and branches.

The Secretariat is responsible for identifying and implementing CSR policies and climate change issues, and helping improve related management processes. The Central Department is responsible for practicing related regulations, policies and plans, and collaborating with the Committee to execute tasks required. In 2021, the Central Department set up the Clean Energy Development, Environmental Protection and Energy Management Office. The Office is responsible for coordinating and managing the execution of carbon neutrality goals, promoting the implementation of internal carbon emission reduction tasks and conducting performance management.

#### CSR Committee Branch

Each business group has its CSR committee branch. The branch is responsible for holding review meetings regularly, working with the Central Department to promote carbon emission reduction planning, formulate goal monitoring schemes, facilitate digital transformation of carbon peaking and neutrality and external empowerment.

In order to strengthen the carbon management competence of the CSR Committee and employees' awareness of carbon neutrality, the Company held 2 internal seminars and external exchange meetings on carbon neutrality in 2021.

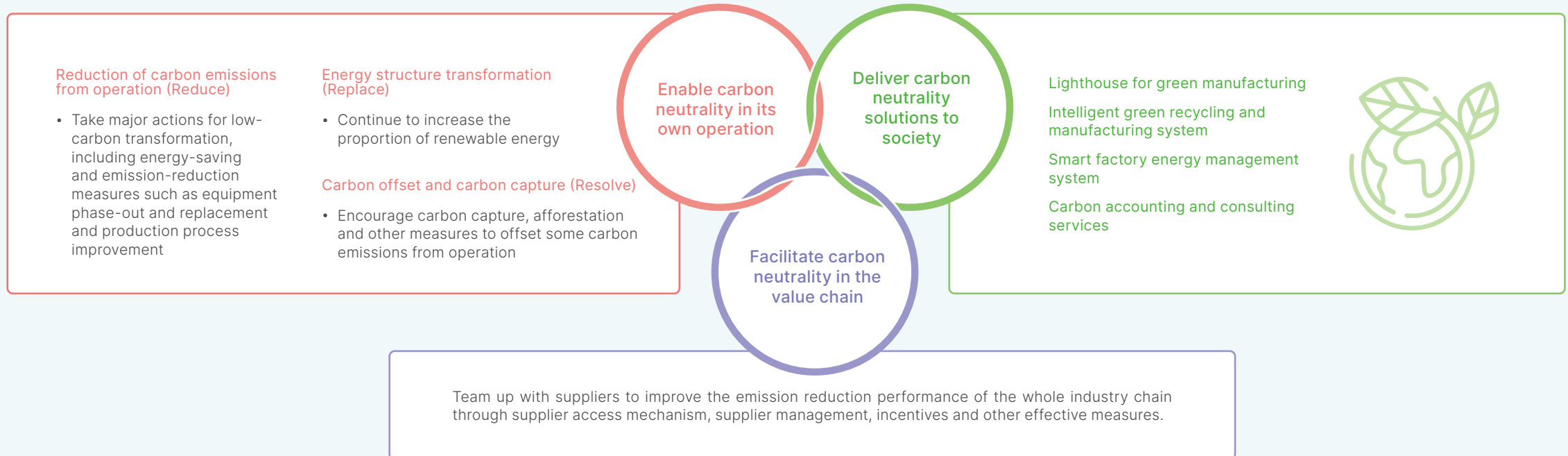


Theme Seminar among Governmental Authorities, Universities, Research Institutes and Fii

## Strategies for Response to Climate Change

Fii considers the Strategy of Global Response to Carbon Neutrality and formulates the carbon neutrality action plan to improve climate resilience and better adapt to and respond to the impact of climate change on Fii. Besides, the Company incorporates the value chain into its management. It actively promotes carbon neutrality in the supply chain for better development of the industry, and delivers carbon neutrality solutions to society through technological innovation to ensure its business strategies meet the social needs of zero-carbon development with expanded spillover effect.

### ◆ Fii Strategy of Global Response to Climate Change



## Climate Risk and Opportunity Management Policy

Fii has established an Enterprise Risk Management (ERM) system. The Global Risk and Compliance Management Committee (RCMC) is responsible for formulating policies and management procedures, identifying major risk and compliance matters, allocating resources, and reporting work progress to the Board of Directors. The CSR Committee is responsible for climate change risk evaluation and crisis management.

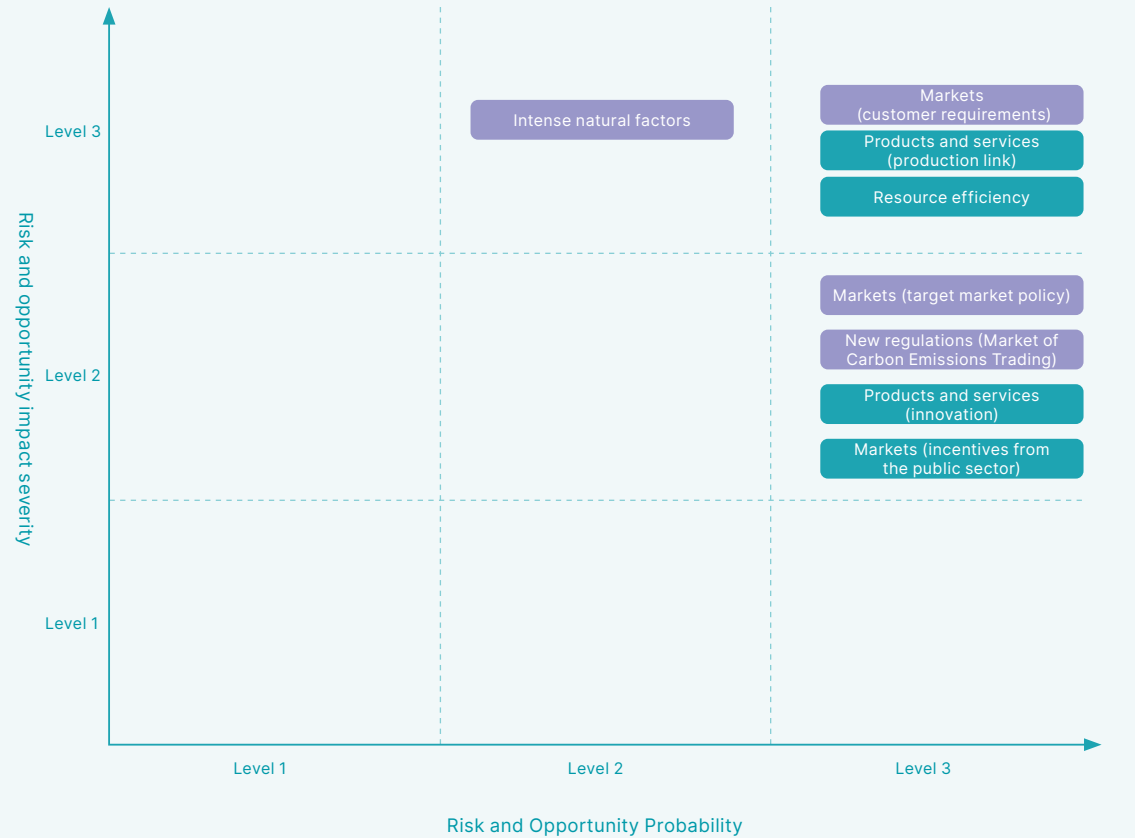
In line with the Risk Management Regulations and the Fii Enterprise Crisis Management Plan, the Company has launched elaborate risk and opportunity management. Specifically, it regularly conducts analysis and evaluation of risks and opportunities arising from climate change, ranks risks and opportunities, and responds to risks and opportunities at differently levels properly to minimize possible damage caused by risks and seize potential opportunities.

### ◆ Fii Risk and Opportunity Management Process



According to the results of management interviews, stakeholder surveys and peer benchmarking, we have identified material climate change risks and opportunities that possibly exert substantial economic or strategic impact on business in terms of probability of occurrence and severity of impact for risks and opportunities.

### ◆ Climate Change Risk and Opportunity Matrix



◆ Climate Change Risks and Opportunities Facing Fii

Categories	Descriptions	Status across the value chain	Action plans
Market risks	There is potential financial impact due to changes in market demands as the Company has to meet various requirements on climate issue management from downstream customers	Downstream	<ul style="list-style-type: none"> <li>Facilitate energy transformation and increase the proportion of renewable energy</li> <li>Work out carbon neutrality goals and path planning as scheduled and disclose implementation progress regularly</li> </ul>
Risks from new regulations	Enterprises in China may be affected by new policies and regulations amid the goals of "carbon emission peak by 2030 and carbon neutrality by 2060" set by China. For example, as the carbon emission allowance price will rise in the future, the operating sites included in the carbon emissions trading system face more compliance costs and financial impact.	Direct operation	
Risks from intense natural factors	Extreme weather conditions due to climate change may impact operating factories. For instance, Fii's Zhengzhou factory was shut down in 2021 due to the heavy rainstorm in Henan province.	Direct operation	<ul style="list-style-type: none"> <li>Conduct risk evaluation and crisis management continuously</li> <li>Organize risk response drills</li> </ul>
Opportunities of products and services	The development of low-carbon or climate-resilient products and services may help Fii set foot in new markets with potential opportunities. For example, the cloud computing business group has developed energy-efficient servers.	Direct operation, upstream and downstream	<ul style="list-style-type: none"> <li>Develop low-carbon products continuously and conduct product certification</li> </ul>
Market opportunities	With starting CSR management earlier, Fii has launched product transformation, upgrading, phase-out and replacement, placing a certain foundation for climate issue management. Therefore, it is more adaptable to climate issues compared with its counterparts.	Direct operation	<ul style="list-style-type: none"> <li>Fund CCUS and other related technologies and develop carbon sink projects</li> </ul>
Resource efficiency opportunities	The Company improves resource efficiency by independent development. "Digital intelligent control" system is a good example. Building on AI, IoT and sensor network technologies, it provides a series of strategies allowing dynamic adjustment specific to the rational use of resources according to actual production conditions, which improves resource efficiency, saves energy and reduces carbon emissions for customers.	Direct operation and downstream	<ul style="list-style-type: none"> <li>Facilitate system iteration to continuously improve energy efficiency and reduce energy consumption</li> </ul>

Fii takes corresponding measures for risks at different levels. If a risk is more likely to deteriorate into a crisis, the Company will incorporate it into the crisis management plan, and formulate crisis notification and response procedures in advance. If a risk is not likely to result in a crisis, the Company will establish proper response procedures or adopt general management procedures to prevent and control such risk.

## Fii's Net-zero Emission Goals

As a responsible enterprise, Fii actively responds to international initiatives and the calls of the Chinese government, and meets the requirements of customers at home and abroad. In 2021, Fii set carbon neutrality goals and commitments:

- Short-term goals: Reduce carbon emissions in operation by 80% over the base year of 2020, and increase the proportion of renewable energy to 80% by 2030;
- Medium-term goals: Achieve operational carbon neutrality (covering emissions in Scopes 1 and 2) by 2035;
- Long-term goals: Realize net-zero emissions across the value chain by 2050 (covering emissions in Scopes 1, 2 and 3 emissions). For more information about goals, please refer to the [Fii White Paper of Carbon Neutrality](#).

Short-term goals	Medium-term goals	Long-term goals
Reduce carbon emissions by 80% over the base year of 2020, and increase the proportion of renewable energy to 80% by <b>2030</b>	Achieve operational carbon neutrality by <b>2035</b>	Realize net-zero emissions across the value chain by <b>2050</b>
Scope 1, Scope 2	Scope 1, Scope 2	Scope 1, Scope 2, Scope 3
Scope 1	Scope 2	Scope 3
Scope 1: Direct and fugitive emissions from combustion of fossil fuels directly used by the Company.	Scope 2: Indirect emissions from electric power and heat purchased by the Company, as the main source of carbon emissions at the operation level.	Scope 3: Indirect emissions in the supply chain of the Company, mainly from commuting of employees, purchased raw materials or services, and upstream and downstream transportation and distribution.

Since 2020, Fii has conducted carbon emission data checks by the operation control method. In 2020, Fii collected the fullest carbon emission data from its business groups. Following SBTi and other standards, Fii defined the latest year with full data, i.e. 2020, as the base year to set carbon emission goals.

It is particularly mentioned that greenhouse gas emissions in Scopes 1 and 2 include those of the six greenhouse gases as specified in the Kyoto Protocol: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs and SF<sub>6</sub>.

Scopes	Base year: 2020 <sup>5</sup>	Reporting year: 2021
Scope 1 greenhouse gas emissions <sup>6</sup> (tCO <sub>2</sub> e)	57,297.52	58,965.75
Scope 2 (location-based) greenhouse gas emissions (tCO <sub>2</sub> e) <sup>7</sup>	1,695,144.89	2,104,551.96
Scope 3 greenhouse gas emissions (tCO <sub>2</sub> e) <sup>9</sup>	10,957,075.42	13,231,717.58
Total greenhouse gas emissions (Scopes 1, 2 and 3) (tCO <sub>2</sub> e)	12,709,517.83	15,395,235.29
Greenhouse gas emission intensity (Scopes 1 and 2) ( tCO <sub>2</sub> e/100 million yuan)	406	492

The Company will carry out key actions for low-carbon transformation. In the future, we will promote carbon management and energy system optimization by energy-saving and emission reduction measures such as phase-out and replacement of outdated equipment and improvement of production process, supplemented with carbon offset measures in order to reduce carbon emissions and increase the proportion of renewable energy as an active response to the trend of climate change governance.

5. In 2021, the Company conducted full statistics of 2020 greenhouse gas emission data. Hence, the data here was different from that in 2020 CSR Report.  
 6. Data of Scopes 1 and 2: calculated by the UL Turbo Carbon system according to ISO14064 Part 1: 2018 Greenhouse Gases - Part 1: Specification with Guidance at the Quantification Level for Qualification and Reporting of Greenhouse Gas Emission and Removal. Global warming potentials (GWP) are the values as released in the Fifth Assessment Report (AR5) of the United Nations Intergovernmental Panel on Climate Change (IPCC).  
 7. Data of Scope 3: According to the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, statistics and calculations are performed for categories in Scope 3, mainly including indirect carbon emissions from activities in the value chain such as upstream transportation, procurement of raw materials and services, commuting of employees and business trips.

# Environmental Management System

Fii attaches great importance to environmental management. It strictly abides by applicable national and local laws and regulations, including but not limited to the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Conserving Energy*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and the *Law of the People's Republic of China on Prevention and Control of Water Pollution*. During the reporting period, the company did not have any violations of environmental laws and regulations. We have identified environmental impact related to our production and operation, and built an environmental protection system referring to the ISO14001 environmental management system to practice and improve the management of energy and resources. We have paid taxes and fees related to environmental protection aspects timely in accordance with the *Environmental Protection Tax Law of the People's Republic of China (2018 Revision)* and other regulations. In 2021, resources consumed by the Company and resultant major pollutants are shown in the table below.

## ◆ Table for Analysis of Major Environmental Factors in Fii

Main resources	Energy: electric power, natural gas, diesel and petroleum
	Water source: Municipal water supply
	Raw materials: copper, printed circuit boards, aluminum alloys, plastic particles, stainless steel, white steel bars and iron blocks
Major pollutants	Packaging materials: cartons, trays, PE bags and foam
	Exhaust gas: sulfur oxides, nitrogen oxides, volatile organic compounds, particulate matters, non-methane hydrocarbons and sulfureted hydrogen
	Waste water: biological oxygen demand, chemical oxygen demand, suspended solids, ammonia nitrogen, and animal and vegetable oils
	Non-hazardous waste: scrap steel, waste packaging materials, aluminum skimmings, waste plastic products, waste cartons and household waste
	Hazardous waste: waste paint slag, polishing paste waste liquid, waste filter elements and filter cotton, and waste alcohol

As of the end of the reporting period, 19 subsidiaries of Fii have passed ISO14001 environmental management system certification; 10 subsidiaries have obtained ISO 50001 energy management system certificates; 4 factories have been granted greenhouse gas verification certificates; 10 factories have been titled national/provincial/municipal green factories.

19 subsidiaries have passed ISO14001 environmental management system certification



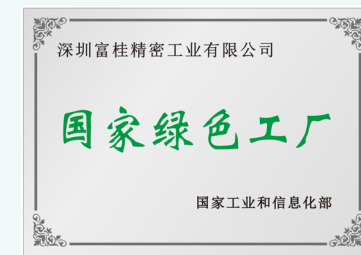
10 subsidiaries have obtained ISO 50001 energy management system certificates



4 factories have been granted greenhouse gas verification certificates



10 factories have been titled national/provincial/municipal green factories



### A Fii subsidiary was titled the "Leading" Enterprise of Environmental Protection in Tianjin.

Fii has made great progress in environmental management which wins recognition widely. Fii Hongfujin Precision Electronics (Tianjin) Co., Ltd., subordinate to Fii, was titled the "Leading" Enterprise of Environmental Protection of Tianjin by Tianjin Ecology and Environment Bureau in March 2021 upon evaluation by third-party institutions and review by experts.



Certificate of the "Leading" Enterprise of Environmental Protection in Tianjin

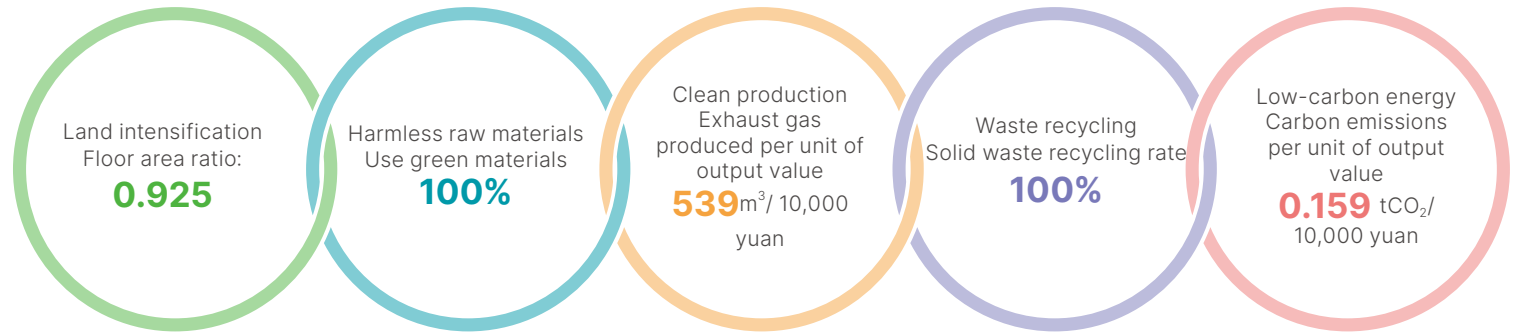


### Shenzhen Jingjiang Yunchuang was rated as a national green factory



In 2021, Shenzhen Jingjiang Yunchuang Science and Technology Co., Ltd., a subsidiary of Fii, was included in the 2021 Green Manufacturer List of the Ministry of Industry and Information Technology, and passed the "National Green Factory" certification. Sticking to green development, Shenzhen Jingjiang Yunchuang develops into a green factory in terms of infrastructure, management system, energy and resource management, product design, and environmental emission, enabling land intensification, harmless raw materials, clean production, waste recycling and low-carbon transformation, to help Fii in low-carbon transformation.

Infrastructure	Management systems	Energy and resource management	Product design	Environmental emission
Building, lighting, special equipment, energy-saving utilities, metering equipment and pollutant treatment equipment	Quality management system, environmental management system, occupational health and safety management system, energy management system and social responsibility	Application of clean energy and renewable resources, and green supply chain management	Green design concept, restricted use of hazardous substances, energy saving, carbon footprint and recycling	Emission control of industrial waste water, exhaust gas and solid waste, noise emission control, and greenhouse gas emission control



# Resource Management

## Energy Management

Energy needed by Fii includes electric power, natural gas, diesel and petroleum. Fii has formulated corresponding regulations, such as the *Energy Management Manual*, the *Standard Operating Procedure of Energy Goals and Management Plans*, and the *Standard Operating Procedure of Energy Evaluation and Control Planning*. Under the guidance by the clean energy development department and environmental protection and energy management department, we, following the "3R" (Reduce, Replace and Resolve) principle, reduce emissions in our operation, advance the energy structure transformation, and implement carbon offset and carbon capture in order to lessen energy consumption and carbon emissions during operation. Particularly, we prioritize "Reduce" and "Replace" measures. Furthermore, the Company employed professional third-party agencies to make energy audit so as to check energy flow and consumption routes and do a good job in energy conservation.

In terms of emission reduction during operation, the Company rises energy efficiency in the production process by replacing equipment with low efficiency, improving processes and procedures, and upgrading energy systems. Some parks of Fii have established smart energy online monitoring systems enabling fine management and control of energy consumption with digital means, thus rising energy efficiency.

### ◆ Technological Transformation and Upgrading Programs for Energy Conservation and Carbon Emission Reduction (Some Cases)

<p>Application of LED lamps for energy conservation</p>	<p>Magnetic levitation water chillers</p>	<p>Application of energy-saving pneumatic components</p>
<p>Automatic machine lighting control</p>	<p>Application of Energy-saving Wave Soldering</p>	<p>Motor energy efficiency improvement</p>
<p>Additional installation of frequency conversion controls for fans</p>	<p>Energy-saving filtration systems</p>	<p>High efficiency cooling tower fill replacement</p>

Moreover, we actively advance energy structure transformation by increasing the proportion of renewable energy including green electric power from 2021. We strive for a share of 40% for renewable energy by 2025, 80% by 2030, and 100% by 2035. In 2021, the Company generated about 42,690 MWh of photovoltaic power through the construction of distributed photovoltaic power plants, using the mode of "power for self-use, surplus power on the electrical grid".

### Introduction of New Technology - Selective Wave Soldering Machine



The existing wave soldering has been used for many years. It has multiple disadvantages: high energy consumption for operation, poor sealing performance of the equipment, quick heat dissipation of the furnace after heating, outdated welding mode, and excessive oxidization and loss of tin liquid in tin tanks.

After evaluation, the Company purchased the latest energy-saving equipment for selective wave soldering in 2021 to replace outdated equipment. The new equipment has the following advantages: good sealing performance and slow oxidization of tin liquid due to small tin liquid flowing window. Each set of equipment will save 602,700 kWh electric power and reduce 6,048 kg tin dross annually.



Application of Wave Soldering Technique (Left: Outdated Equipment; Right: New Energy-saving Equipment)

## Water Resource Management

Water needed for Fii mainly comes from municipal water supply. Some business groups in Fii have set water-saving goals, such as "reducing water consumption per capita by 1%" and "audits for at least 12 times", and have incorporated these goals into the annual assessment by the CSR Committee branch to strengthen water resource management internally.

We strive to reduce water consumption through such measures as improving water use efficiency, water resource monitoring and auditing, and reuse of reclaimed or concentrated water, making great achievements. In 2021, Nanning Fii Fugui Precision Industry was titled "Water-saving Enterprise in Guangxi Province".



### Smart factory water resource management and control system

- The smart FMCS system enables the park personnel to remotely monitor pure water quality data and waste water reuse rate in a real-time manner, and to monitor equipment and systems at the digital platform to improve the water reuse rate.



### Water resource monitoring and auditing

- Equip all devices requiring in the workshop with independent water meters to measure water consumption accurately.
- Improve the water inspection and audit process in the workshop, have management personnel implement their due duties, and regulate water consumption in the workshop.



### Reuse of reclaimed or concentrated water

- Reuse reclaimed water and concentrated water to reduce waste water discharge and rise waste water reuse rate for water conservation.
- For example, reclaimed water may be reused for greening, chemical preparation and toilet flushing; concentrated water may be reused for toilet flushing and other purposes.

## ◆ Fii's Key Highlights of Water Conservation in 2021

Water conservation category	Unit	Water conservation in 2020 <sup>8</sup>	Water conservation in 2021	Change ratio
Volume of reclaimed water reused	Ton	650,547	1,375,955	112%▲
Volume of waste water in production process reused	Ton	67,890	54,640	20%▼
Volume of steam condensate reused	Ton	10,392	11,478	10%▲
Volume of concentrated water reused	Ton	1,605,022	1,462,741	9%▼
Volume of circulating water in cooling towers	Ton	84,006,326	86,967,939	4%▲
Total recycled water consumption	Ton	86,340,177	89,872,753	4%▲

8. Statistical coverage for water saving data in 2020: 22 legal entities of Fii. It is particularly mentioned that the less consumption of reclaimed water in 2020 was mainly caused by the epidemic, and the reclaimed water reuse systems in some factories were shut down in 2021.



# Emission Management

## Exhaust Gas Emission and Waste Water Discharge Management

Responding to government policies, Fii makes active efforts to reduce industrial exhaust gas emissions. Business groups identifies exhaust gas emission sources, and takes targeted measures of exhaust gas emission reduction or compliance of emissions with standards to effectively reduce emissions of air pollutants such as VOCs.

Waste water produced by the Company includes domestic sewage and industrial wastewater in the production process. Domestic sewage and industrial wastewater are discharged into the municipal pipeline network after receiving treatment at waste water stations in the factory or in the industrial park. Alternatively, waste water is treated in accordance with applicable regulations by a qualified third-party service provider.

### Exhaust Gas Management Measures of business groups in 2021 (Some Cases)

Measures	Achievements
Improve protective covers for machines	<ul style="list-style-type: none"> <li>Avoid oil mist spillover while ensuring good ventilation and heat dissipation of spindle motors</li> </ul>
Install intelligent ventilation control systems additionally	<ul style="list-style-type: none"> <li>Keep exhaust fans running at low frequency and low energy consumption during CNC machining period, and control oil mist generated within enclosed protective covers at properly low blowing rate</li> <li>Increase the blowing rate by 8 times to prevent oil mist from overflowing into the workshop when CNC covers are opened to replace work pieces</li> </ul>
Build 88 VOCs exhaust gas treatment towers	<ul style="list-style-type: none"> <li>Emit exhaust gas in an organized manner after treatment instead of unorganized manner, reducing VOC emissions by over 70% in 2021 compared with that in 2020</li> </ul>
Replace electromechanical equipment	<ul style="list-style-type: none"> <li>Reduced exhaust gas emissions compared with traditional equipment</li> </ul>
Upgrade oil mist purification systems	<ul style="list-style-type: none"> <li>Purchase secondary gas purification equipment and install UV photolysis devices at the end of oil mist purifiers to achieve secondary purification of organic gases effectively</li> </ul>

## Waste Discharge Management

Highlighting waste management, Fii takes emission reduction measures from the source. After the waste is generated, full-time personnel will collect, temporarily store, deliver waste, carry out classification and weighing, data statistics and maintain electronic files, which are uploaded to the Turbo Waste system for archiving every month. We recycle general solid waste, and reduce emissions of hazardous waste and receive inspection of hazardous waste from the third-party treatment agency.

Waste categories	Treatment
General solid waste	<ul style="list-style-type: none"> <li>Employ a qualified third party to dispose of general solid waste such as card boards, waste leftover materials and trays, and recycle some waste leftover materials such as waste paper and waste plastics.</li> </ul>
Hazardous waste	<ul style="list-style-type: none"> <li>The Company works out the <i>Standard Operating Procedure of Hazardous Waste Control</i> and the <i>Standard Operating Procedure of Auditing Management of Hazardous Waste Disposal Manufacturers</i> for hazardous waste management, builds standard-based hazardous waste temporary warehouses, classifies and collects hazardous waste according to EIA requirements, and transports hazardous waste to a qualified third party for disposal.</li> <li>Evaluate external hazardous waste disposers regularly in terms of their qualification certificates, hazardous waste transportation and treatment, personnel training and environmental monitoring to ensure evaluation results meet the applicable rules of Fii, and laws and regulations.</li> </ul>

In addition, the business groups of the Company actively engage in hazardous waste reduction. Take the Communication and Mobile Network Equipment business group as an example. The business group set a goal of 16% annual emission reduction of hazardous waste at the beginning of 2021, and disposed of 47,435.67 tons of hazardous waste by such measures as high COD tank liquid emission reduction, emission reduction of waste water from gum dipping and washing with chemical and mopping waste water emission reduction, reducing annual emissions of hazardous waste by 9,180.36 tons, down 16.22%. It achieved its goal successfully.



# Chemical Management

Fii will use a variety of chemicals during production and operation. The use of chemicals are closely related to the quality and safety of products, employees' health and the environment. We strictly comply with laws, regulations and customer requirements concerning chemical registration, use, disclosure and management, and strive to minimize, control and eliminate the impact of chemicals on human health and the environment.

Laws and regulations

The *Regulations on the Control over Safety of Hazardous Chemicals* (China) the *Restriction of Hazardous Substances Directive* (RoHS) (EU), and the *Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) Regulations* (EU) and other applicable conventions, laws and regulations, 21 relevant international and domestic standards and 10 local standards.

Fii's management documents

A series of internal regulations, such as the *Chemical Management Policy of Foxconn Industrial Internet*, the *HSE Management Regulations on Hazardous Chemicals*, the *Fii Management Regulations on Chemicals/Substances*, and the *Implementation Measures for Management of Process Safety Evaluation and Acceptance*: These documents cover chemical procurement, accession, R&D and import, use, replacement, innovative development and disposal in the full life cycle process of chemicals in order to regulate the application and operation of chemicals in all key links of our routine operation.

Fii's management organization

The industrial safety and health department of Fii has set up the HSE Management Committee to take full charge of HSE affairs, and prepared to establish the Chemical HSE Professional Committee to manage chemicals overall. The environmental protection/health/safety functional units of business groups are responsible for identifying and classifying all chemical varieties used in the production process and related jobs (such as inspection and maintenance, and waste water treatment) and their hazardous characteristics according to their own business characteristics, and control risks arising from chemicals referring to the management specifications of Fii to ensure chemical compliance management to the greatest extent. Besides, the Chemical Management Professional Committee regularly evaluates the effectiveness and coverage of chemical management systems, improves chemical management procedures and encourages the use of safer chemical substitutes in order to manufacture safer and more reliable products.

## Chemical Life-cycle Management

Considering its chemical management policy and management organization, the Company has implemented chemical life-cycle management covering procurement, accession, evaluation, use, disposal and emergency response to ensure use safety of chemicals thoroughly.

### Chemical procurement

For chemical procurement, the Company requires suppliers to present qualification documents, chemical safety data sheets (SDS), chemical safety labels and other materials needed according to the *Fii Management Regulations on Hazardous Chemicals*, fill in the Breakdown List of Substance Ingredient or Components for Environmental Management to identify the content of hazardous substances contained in products or components they provide, and submit test reports for ingredients or components in terms of Cd, Pb, Hg, Cr6+ and PBB pursuant to the *Fii Management Regulations on Chemicals/Substances*.



### Chemical accession

For chemical accession, we have worked out internal control standards and management processes for chemical substances catering to our operation conditions in accordance with more than 30 international, national and industrial standards such as RoHS, REACH and WEEE. In line with the *Fii Management Regulations on Chemicals/Substances* and the *Control List of Chemicals/Substances*, we manage chemicals contained in our products designed and manufactured by three categories, namely, "prohibited chemicals", "restricted chemicals" and "controlled chemicals" and practice the principle of disposal by levels. Moreover, we develop and regularly update the control lists and directories of chemicals in R&D, procurement, quality control and other processes.

#### ◆ Control of Chemical Substances

Categories	Disposal
Chemical substances included in the list of prohibited chemicals	Replace materials
Chemical substances included in the list of restricted chemicals	Confirm whether the limit requirements of restricted chemicals are met, and replace restricted chemicals whose limits exceed required values
Chemical substances included in the list of controlled chemicals	Strengthen use management of chemicals/substances
Exempt chemicals/substances	Execute mid-term/long-term plans to phase them out or replace them



### Chemical evaluation

Fii has established a full chemical risk evaluation process. In the evaluation of new chemicals, the HSE professionals analyze and manage the potential risks of chemicals to operating safety, human health and the environment, and classify chemicals according to risk analysis records. For chemicals classified into the restricted category and the category requiring tests, Fii will take risk control measures for management of change (MOC), and conduct acceptance and effect confirmation of these risk control measures. For existing chemicals, it is required to work out chemical risk evaluation plans, and assign full-time personnel to conduct risk evaluation and take improvement measures (including chemical replacement). For products that may contain hazardous ingredients, it is required to identify hazardous ingredients. If there are prohibited or restricted ingredients whose content exceeds the specified limits upon identification, schemes should be developed to replace them.



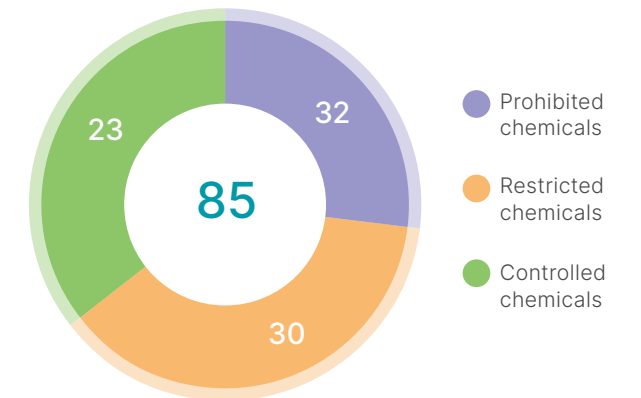
### Chemical use

During chemical use, we register the detailed information of chemicals contained in all products, services and activities to identify the hazardous characteristics of chemicals and take the registered records as an important source of information for risk evaluation of hazardous chemicals. And it is clearly specified that full-time personnel should be assigned to register chemical claiming information and put records on file. For various chemicals, we work out applicable standard operating procedures and emergency plans or on-site response plans, and conduct operation management and on-site engineering control to ensure the health and safety of employees. We keep tracking and pay close attention to the REACH Candidate SVHC Declaration that is regularly updated pursuant to the REACH Regulations, and add chemical substances accordingly to ensure clear information on all substances of very high concern. We regularly disclose the *Use Level of Restricted and Controlled Chemical Substances* on our official website to increase transparency in the use of chemicals.

## Chemical Control and Replacement

Fii has developed a plan of replacing prohibited and restricted chemicals in the *Control List of Chemical Substances* with low-toxic substances, and assigns personnel to implement the plan as scheduled and check implementation progress regularly. As required in applicable management regulations, the plan should cover all prohibited and restricted hazardous chemicals in the products, services and activities of Fii. We work out control schemes specific to prohibited and restricted chemicals to phase them out and use proper substitutes, and strive for innovation and R&D at the development/design stage to keep reducing chemical safety risks. For new chemicals, it is necessary to identify risks at the introduction stage and ban the accession of prohibited chemicals.

◆ Control List of Current Chemical Substances in Fii



### Strict control of volatile organic compounds (VOCs)



The Company controls chemicals pursuant to such requirements as are higher than those in laws and regulations. In response to multiple mandatory national standards released by China on March 4, 2020, such as the *Limit of Harmful Substances of Industrial Protective Coatings*, the *Limits of Volatile Organic Compounds (VOCs) in Printing Ink*, the *Limits for Volatile Organic Compounds Content in Cleaning Agents* and the *Limit of Volatile Organic Compounds Content in Adhesive*, the Company carried out VOCs checks and targeted management of chemicals in use 6 months before these standards were issued, and worked with suppliers to develop improvement plans including solutions to optimization, replacement and elimination of multiple chemicals. As a result, the Company completed the VOCs content control 3 months before the official implementation of the standards said.

In response to the *Emission Control Standard for Volatile Organic Compounds in Industrial Enterprises (DB12/524-2020)* that came into force by Tianjin in April 2021, the Tianjin facility of Fii set internal control goals in advance, and controlled VOCs in the full process, such as source control, process control, and end treatment to optimize emission performance continuously so that the emissions of VOCs in exhaust gas could meet the latest local standard.

In 2021, the Company practiced the *Evaluation and Improvement Plan of Restricted Substances Used by Facilities in Chinese Mainland*. It compared the restricted substances in the *Fii Management Regulations on Chemicals/Substances* with the lists of chemicals produced and used by facilities in 2020, and identified 10 substances included in "industrial protective coatings and cleaning agents" as restricted substances. Then, business groups worked out and implemented solutions to reduction, replacement and elimination.

◆ Progress of Fii's Chemical Substitution Plan in 2021

Chemical replacement	Achievements
Substitute of solvent-based wipe: water-based solvent	Reduce the use of alcohol by 0.20 ton/year
Substitute of alcohol-based cleaning agent: water-based cleaning agent	Reduce VOCs emissions effectively
Substitute of cleaning agent GC-014: cleaning agent DL-170A	pH: decrease from 12-14 to 6.5-9.5, indicating the change from strong base to weak base, with less corrosion
Substitute of nitric acid product: nitrogen-free desmut	The substitute to nitric acid, an explosive substance, does not contain explosive ingredients, with less danger.
Substitute of C-AK6849: VI cleaning agent DG-1120	The ingredients contained in the substitute do not have occupational hazards and are less harmful to human health.
Substitute of C-AK7849: VI gumming A-1 cleaning agent	pH: decrease from 11.4-12.2 to 7.7-8.3, indicating the change from strong base to neutral nature, with less corrosion
Substitute of furnace cleaning agent: N600 cleaning agent	Butyldiglycol is a prohibited chemical substance, and it is replaced to reduce the harm to human health.
Replacement of cleaning agents FS-C-01, FS-C-02, FS-C-03 and FS-395B	They contain sodium tetraborate decahydrate that is harmful to human health and have been banned at the R&D stage. In May 2021, they were replaced with tetrasodium pyrophosphate products completely.

For other chemical ingredients without clear regulatory requirements, the Company also has organized ingredient tests and conducted substitute verification. As of the end of the reporting period, Fii has received the inspections of external customers and fulfilled a full inspection of product sources according to its internal quality control requirements. The inspection results this year showed all its products contained no hazardous substances and met the requirements of the QC080000 hazardous substance management system. For substances included in the list of prohibited chemicals, the Company has stopped using them, as shown in the following table:

◆ Progress of Fii's Chemical Prohibition Plan in 2021

Chemical	Prohibition
Screen washing agent	Ethylene glycol ethyl ether acetate is harmful to human health and will be banned since March 30, 2022.
HF APM V0346	Toluene and xylene are harmful to human health, and have been banned since May 30, 2021.

Chemical Innovation and R&D

The business groups of the Company rolled out chemical innovation, R&D and phase-out plans. For example, the Communication and Mobile Network Equipment business group independently researched and developed 64 chemicals to replace hazardous ones, including 62 chemicals (that have been applied in CNC, polishing, cleaning, anodes, etching and assembly). Furthermore, we have prepared chemical elimination lists according to customers' requirements and applicable laws and regulations, managed chemicals that are eliminated regularly pursuant to environmental protection contracts, and regularly updated chemical control lists and elimination plans applicable to our products.





# 03 Reliable Employer

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## Talent Attraction and Retention

Following the basic people-oriented principle, Fii strives to protect the legitimate rights and interests of employees, care for their physical and psychological health, and build a talent development and knowledge system to create a stable, safe and reassured environment for them. Furthermore, Fii makes due contributions to society and fulfills its corporate social responsibility as a listed company.

### Talent Recruitment<sup>9</sup>

Fii strictly follows the applicable laws and regulations, such as the *Labor Law of the People's Republic of China* and the *Labor Contract Law of the People's Republic of China*, adheres to the labor and moral policy of "fairness, justice, humanity, and human rights", and establishes legal and compliant labor relations with employees, maintains a standardized and scientific system of wages and benefits to provide employees with rights protection and welfare care. The Company treats every employee equally, and does not discriminate against anyone on grounds of gender, religion, ethnicity, or occupational background, respects the diversity of employees, and encourages employees to form an altruistic spirit of mutual appreciation, mutual learning, and mutual achievement.

Fii has formulated recruitment and training plans specific to various posts, such as the *Campus Recruitment Plan* and the *Recruitment Plan Dedicated to Persons with Disabilities*, and the Excellent Cadre Training Class, provides talents with equal employment opportunities by online recruitment, online communications and face-to-face interviews. Also, it implements the recruitment process sticking to fair competition, selects candidates according to job requirements and provides competitive remuneration, and takes effective measures to help talents attracting, developing and retaining, facilitates the Company to grow and gain profits continuously at the same time. In 2021, the labor contract signing rate and social insurance payment rate are both 100% in the Company. During the reporting period, the Company had no employee discrimination, no employment of child labor, no forced labor and other incidents violating labor laws and regulations.

#### Overview of Fii's Employment and System of Safeguard Rights and Interests of Employees



**Recruitment:** Equal recruitment of employees; no forced labor, no child labor and no discrimination against any employee.  
**Decruitment:** Clear resignation procedures, and express provisions on the termination of labor contracts in the Employee Handbook;  
**Remuneration:** Remuneration determined according to the post



**Promotion:** The annual performance appraisal results of employees are an important basis for promotion. Supervisors at all levels pay continuous attention to employee abilities, fulfillment of jobs goals and performance, and encourage talents to grow together with the Company, and work out and submit employee promotion proposals.



**Working hours:** Standard working hours: 40 hours per week. Employees are allowed to adjust their working hours reasonably according to the specific job requirements.  
**Overtime:** Control work overtime so that employees can arrange work and rest time reasonably, provide meal subsidies for employee work overtime, reimbursement of taxi fares for employees work overtime on weekends or later than 21:00 on weekdays.  
**Vacations:** Paid annual leaves, marriage leaves, bereavement leaves, maternity leaves and sick leaves according to national regulations.



9. [Statistical Coverage] Data in "Talent Recruitment": consolidated financial statements of the Annual Report.

## Global workforce structure of Fii

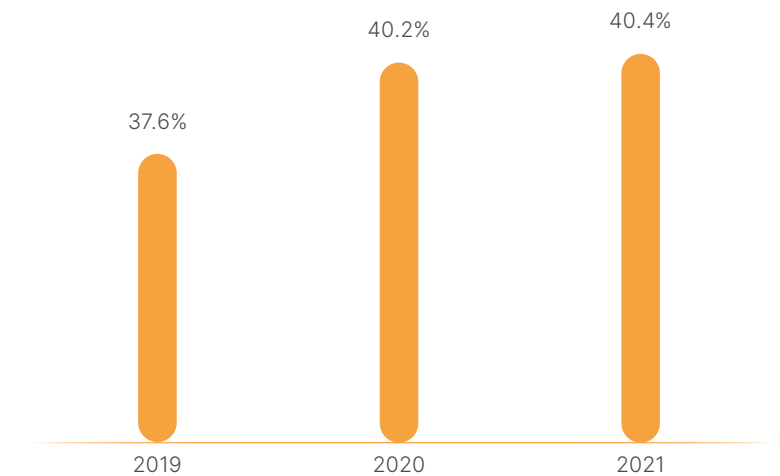
By the end of 2021, Fii has had 191,970 regular employees totally, including 2,191 senior managers, 18,819 middle-level managers, 47,471 professional technicians, and 123,489 operators. Those with bachelor degrees or above account for 34.5% of all managers and professional technicians.

For locations of workplaces, about 80% of employees work in China, while nearly 20% in the subsidiaries of the United States, the Czech Republic, Mexico, Singapore and other foreign countries.

Categories	Group	Male employees		Female employees		Total number and proportion	
		Number	Proportion in the group (%)	Number	Proportion in the group (%)	Total number	Proportion of total employees (%)
Posts	Senior managers	1,932	88.2	259	11.8	2,191	1.1
	Middle-level managers	15,263	81.1	3,556	18.9	18,819	9.8
	Professional technicians	34,434	72.5	13,037	27.5	47,471	24.7
	Operators	62,702	50.8	60,787	49.2	123,489	64.3
Workplaces	Chinese mainland	92,632	61.3	58,566	38.7	151,198	78.8
	Hong Kong, Macao, Taiwan and Overseas	21,699	53.2	19,073	46.8	40,772	21.2
age	< 30	45,894	62.2	27,926	37.8	73,820	38.5
	30-50	66,314	57.5	48,989	42.5	115,303	60.1
	> 50	2,123	74.6	724	25.4	2,847	1.5
Employment types	Full-time	114,331	59.6	77,639	40.4	191,970	100.0
	Part-time	0	/	0	/	0	0.0
Total							191,970

Fii respects all employees and does not treat them unfairly on grounds of gender, religion, nationality or occupational background. In recent years, the Company has made focused efforts to promote the development of female employees. By the end of 2021, it has had 77,639 female employees, a share of 40% of total employees, up 2.9% over 2019, and 114,331 male employees.

Proportion of Female Employees to Total Employees



In accordance with the *Law of the People's Republic of China on the Protection of Disabled Persons* and the *Regulations on Employment of Persons with Disabilities*, the Company hires disabled employees, allowing them to fully participate in work on an equal footing. Since August 2017, Fii has visited, inspected and surveyed factories nationwide dedicated to disabled people and learnt about their experience in construction and management together with parent company. It has built the "Sunshine Workplace" in Zhengzhou, the largest factory for the disabled nationwide, with the help of Zhengzhou City Federation of the Disabled. By the end of 2021, Fii has staffed 1,647 disabled employees, and increased the employment of disabled people steadily since 2019.

### "Sunshine Workplace" for Disabled Employees



Along with parent company, we have built sunshine workplaces for disabled employees in Zhengzhou (Henan province) and Shenzhen. These workplaces mainly aim to serve and train disabled people so that they master job skills and build confidence in life. Responding to the national policy of targeted poverty alleviation and to practice corporate social responsibility, Fii employs people with higher disabilities as regular employees at posts with simple job duties so that they are able to live on their own.

Disabled employees have access to the "Sunshine Training Center" through the Xiangxin Learning APP. At this learning platform, many course videos have sign language interpretation to facilitate learning by disabled employees. In 2021, to support the activity of "Breaking the Glass Wall and Promoting All-round Social Progress" mounted by the China Association of the Deaf and Hard of Hearing, the Company introduced sign language courses as an effort to "break the glass wall" in the Xiangxin Learning APP. With extensive publicity, disabled employees actively participate in learning.

Sunshine Workplace adopt a five-day working system, with "4+2+2" working hours per day, (4 hours of work, 2 hours of training, and 2 hours of rehabilitation). The rehabilitation center is furnished with more than 80 sets of equipment dedicated to the rehabilitation of disabled employees, such as finger muscle strength training tables, lower limb rehabilitation vehicles, and leg muscle group training chairs. Dormitories, workshops and canteens are equipped with ramps for wheelchairs. Moreover, in canteens, seats with larger space specially designed for wheelchairs are arranged, and personnel are assigned to prepare meals and clearing up tables for the disabled employees. Also, sunshine workplaces have free barbering, laundry and bathing services.

In Block D11, Shenzhen Longhua Park stands a production line specially for disabled employees, which was put into production in 2008 as the earliest production line of this kind. And more than 100 disabled employees are employed for this production line. It is titled the "Enterprise Supporting the Employment of Disabled Persons in Shenzhen".



"Sunshine Workplace" in Zhengzhou

## Wages and Benefits

Fii has worked out the *Standard Operating Procedure of Wages and Benefits*, the *Standard Operating Procedure of Employee Promotion*, the *Standard Operating Procedure of Remuneration, Performance Appraisal and Promotion*, and the *Standard Operating Procedure of Performance Appraisal, Incentive and Restraint* to provide employees with competitive remuneration, including base pay and variable pay, etc. Sticking to the principle of "equal pay for equal work", the Company determines the remuneration according to factors such as professional knowledge and skills of employees, and job duties, regardless of gender, nationality, religion, political standard, marital status and maternity. In 2021, the Company shared its long-term development with its employee according to the *2019 Incentive Plan of Stock Options and Restricted Shares*, and set a variety of internal awards for employees, such as the selection and commendation of excellent employees and managers, labor models, and outstanding operators, to encourage employees to work for the Company for a long term. On September 22, 2021, the Company passed the *Repurchase of the Company's Shares by Centralized Bidding*. The total amount of repurchase funds will not be less than 1 billion yuan and not more than 1.5 billion yuan, which will be used for the employee stock ownership plan. The plan is expected to be implemented after it is adopted at the General meeting of stockholders in June 2022, and the number of incentive objects is estimated to be 12,000.

The Company has developed a remuneration policy to maintain the market competitiveness of talents. The pay package includes base salary (standard salary, post allowance and job allowance) and variable salary (year-end bonus, incentive bonus for goal achievement and performance bonus). In terms of base salary, the Company sets the salary that is higher than the minimum limit in the locality pursuant to the Labor Law, remains the salary ratio of male and female employees close to 1:1, determines the salary standard specific to posts and skill levels according to the local living standard and actual conditions in the local labor market, and pays such regular salaries that cover the living costs of employees. In terms of variable salary, the Company offers year-end bonuses, incentive bonus for goal achievement and performance bonus that is earmarked from profits according to the performance of employees in order to stimulate the work enthusiasm of employees and improve the overall competitiveness of the Company.

In order to regulate the relationship between the Company and employees in terms of rights and obligations, establish a harmonious

and stable labor relationship and protect the rights and interests of employees, the labor union signs the *Collective Contract* with the Company every year on behalf of employees. The Contract stipulates that the two sides should, according to the actual situation of the Company, conduct equal consultation on matters related to the vital interests of employees, such as labor contracts, wage adjustment negotiation, insurances and benefits, labor safety and health, and special protection of female employees, following the principles of mutual respect and friendly cooperation. The *Collective Contract* concluded annually will serve as the basis for the Company to work out labor rules and regulations. The rules, regulations and major decisions involving the vital interests of employees should be notified to employees through announcements and other forms.

### ◆ Ratio of Starting Salary to Local Minimum Salary Standard for the Lowest Employment Type in the Main Production Bases in Fii<sup>10</sup>

Area	During probation period	After probation period
South China	1.26	1.37
Central China	1.29	1.30
North China	1.21	1.26
West China	1.21	1.30
East China	1.27	1.38

### ◆ Average Salary of Employees in Main Production Bases (Ratio of Male/Female Employees)<sup>11</sup>

Employment types	Male employees	Female employees
Management	1	0.97
Non-management	1	0.96

10. [Statistical Coverage] The statistical coverage of the "Fii 2020 Corporate Social Responsibility Report".

11. [Statistical Coverage] The statistical coverage of the "Fii 2020 Corporate Social Responsibility Report".

The Company has developed a diversified welfare system to all employees, and provides multiple welfare items that are superior to statutory requirements to all regular employees. To be specific, we provide the "five social insurances and one housing fund" for all of the regular employees in our Company, and "five social insurances and two fund (a medical self-insurance fund)" for a portion of employees; and dormitories, gyms, swimming pools, canteens and other facilities; and help employees upgrade educational qualifications, apply for registered permanent residence and purchase houses. Moreover, Fii has formulated the *Employee Medical Subsidy and Welfare Manual* to set up medical subsidies for all employees in the factories in the Chinese mainland to reimburse partial expenses for medical treatment or hospitalization, topping 100,000 yuan.



◆ Overview of Wages and Benefits for Employees

- Base salary
- Year-end bonus
- Performance bonus
- Social insurances
- Paid annual leave
- Equity incentive
- Annual physical examination
- Medical subsidy
- Holiday welfare
- Free shuttle bus
- Canteen
- Dormitory

The Company is committed to maintaining a sound flow of talents to meet its sustainable development needs, and lists the turnover rate as one of its long-term management goals. The indirect turnover rate in 2021 of the Company was 18.6%.

Turnover rate by category <sup>12</sup>		Unit	Data
Turnover rate of regular employees by gender	Male employees	%	23.69
	Female employees	%	25.27
Turnover rate of regular employees by age	≤ 30	%	27.98
	31-50	%	21.90
	≥ 51	%	20.59



12. [Calculation Method] Employee turnover rate = the number of employees lost during the year/(the total number of employees retained at the end of the year +the number of employees lost during the year).

## Care for Employees

Fii kept caring for the physical and psychological health of employees by setting up an employee caring center. Adhering to the service aim of "serving employees sincerely and working hard for corporate development", Fii builds platforms to interact and communicate with employees. Following the design guideline of integrating resources, establishing one center, and enabling multiple functions, it has set up "two stations" (employee service station and energy station), "two rooms" (mediation room and psychological counseling room), and "four functions" (visit reception, protection of rights and interests, psychological counseling and information center) to carry out six tasks, namely dealing with requests and complaints from employees, assistance of employees in difficulty, labor dispute mediation, psychological counseling, legal aid and emergency response to abnormal incidents among employees.

Since September 2021, many provinces revised the population and family planning regulations, and extended marriage leaves, maternity leaves, paternity leaves (nursing leaves, caring leaves and leaves of taking care of babies), and additional childcare leaves and child nursing leaves. As a response, the factories of Fii have revised leave rules, provided employees with benefits such as maternity leaves, paternity leaves, and maternity subsidies, supported equal rights for men and women and childbearing policies to increase the child-bearing willingness of employees, and cared for female employees during pregnancy, perinatal period and lactation period. What's more, the Company has arranged "mummy huts" for female employees in the workplace, lounges for pregnant women, and special lines for pregnant mothers; provided a series of courses for mothers such as babysitter and nurse services and pediatric massage, and yoga and other training courses for all female employees. In 2021, our overall return rate after maternity and paternity leaves was 94%, reflecting that our services were helpful for employees to adapt to and return to work.

Items	Female employees	Male employees
Number of employees who actually took maternity/paternity leaves in 2021	4,445	4,183
Number of employees who should return to work after maternity/paternity leaves	4,293	4,148
Number of employees who actually returned to work during the reporting period after maternity/paternity leaves	3,794	4,135
Return rate	88.38%	99.69%

The Company has developed a living guarantee mechanism for employees, and cares for employees through activities such as assistance of employees in need, assistance of immediate family members of employees, welfare and assistance specific to family disasters, employee wedding welfare, visits and welfare specific to employees in hospitalization, and condolences specific to funerals. By the end of 2021, the cumulative annual expenses exceeded 47.81 million yuan.

In order to meet the needs of employees for a better life, Fii has carried out a variety of recreational and sports activities focusing on employees and the production that are proposed by employees, organized by the labor union and evaluated by union members. To enrich the work and life of employees, the Company mounts team activities during the Chinese New Year, the Lantern Festival, the Women's Day and other festivals to send sweet gifts to employees and their families; organizes various sports clubs to enrich the life and social network of employees; allocates departmental team building funds and travel funds regularly to cultivate the value of "cooperation" and enhance the sense of belonging of employees; prepares greeting cards and gifts for employees who have birthdays at the beginning of each month, and holds collective birthday parties from time to time to create a happy, healthy and harmonious working and living atmosphere.



### Rich Recreational and Sports Activities



In 2021, the factories of Fii mounted rich recreational and sports activities, including but not limited to the "Honor of Kings" electronic sports competition, basketball games, the "Better Life Style" elegance improvement course, "Infinite Originality" handicraft contests, chess competitions, and the "Enjoying Sports" fun games in order to help employees strike a balance between the work and the life.



### Employee Assistance and Caring



In 2021, Shenzhen, Zhengzhou, Nanning, Jincheng and other factories offered welfare and assistance to 2,000-odd employees in terms of assistance of their immediate family members, assistance of families in disasters, and condolences specific to funerals of immediate family members of employees.



Assistance of employees in need in Nanning factory



Welfare to the immediate family members of employees in Hangzhou factory



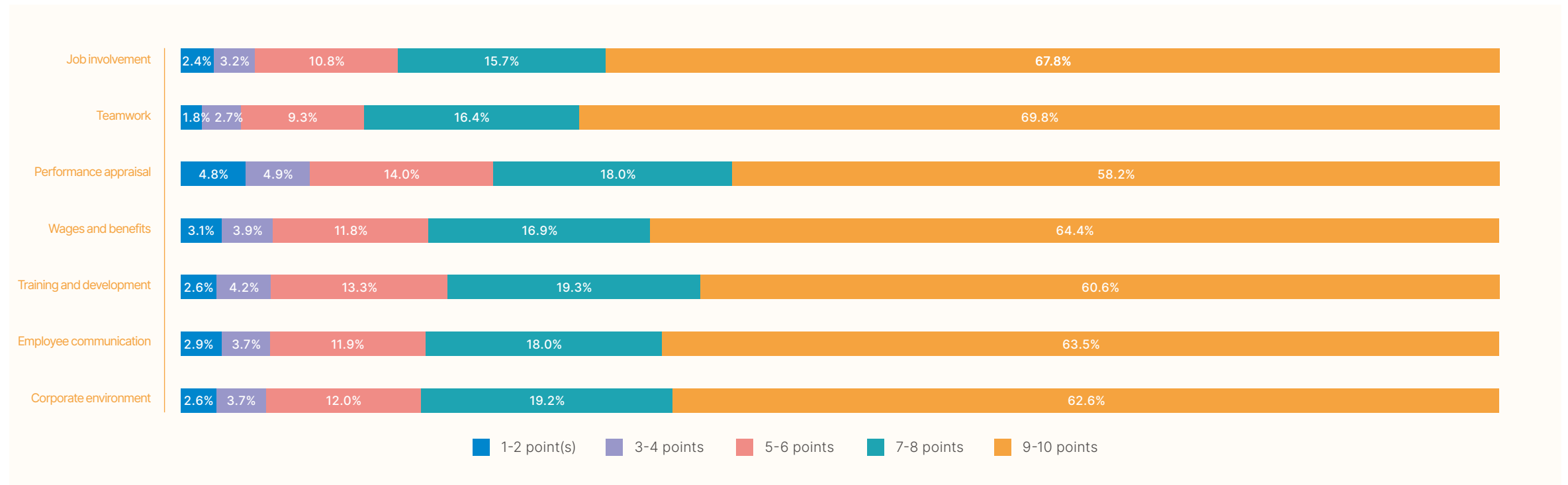
Assistance of employees stricken by the rainstorm in Jincheng

## Employee Satisfaction Survey

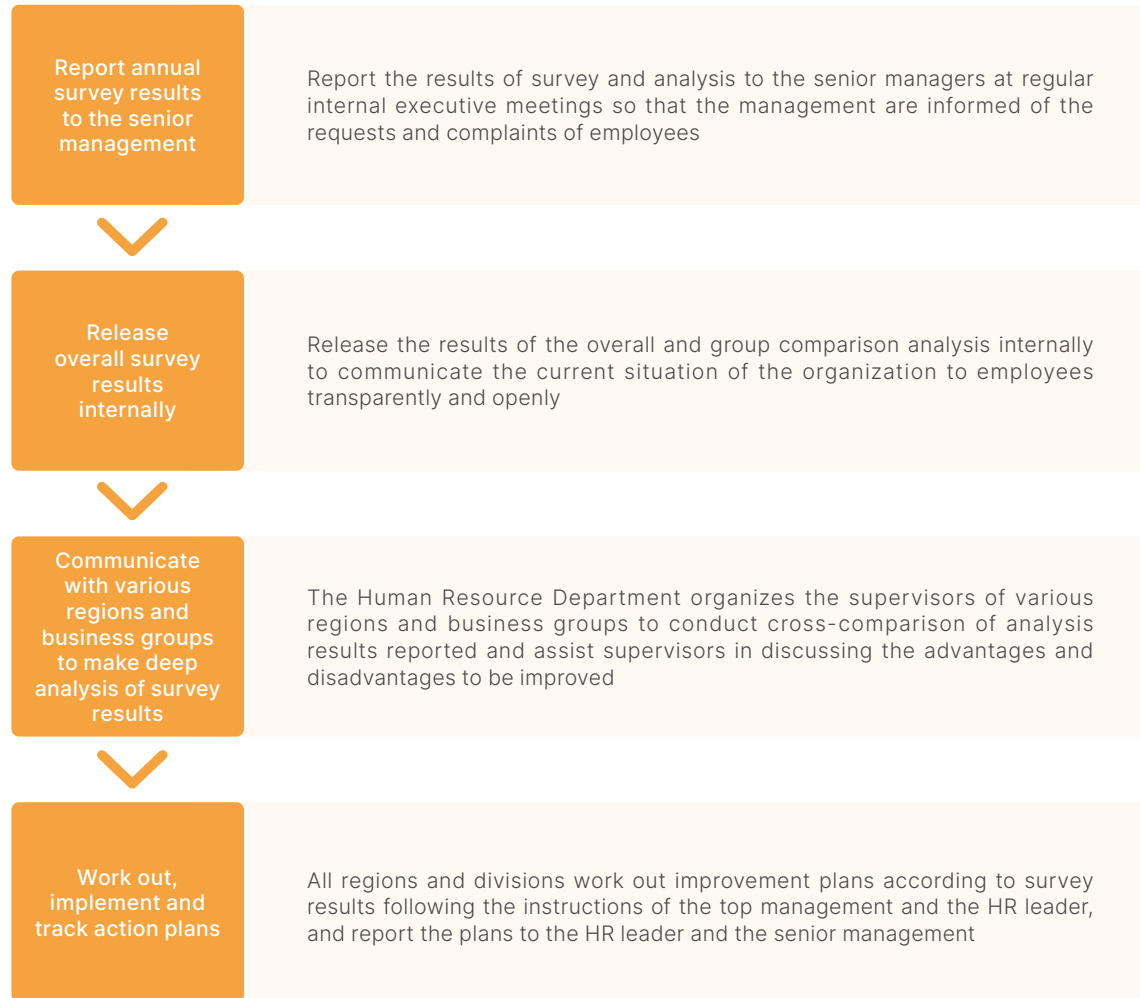
Fii always makes a detailed employee satisfaction survey on all employees annually to collect the opinions of employees on its corporate culture, values, working conditions and other dimensions, and implements improvement according to survey results.

From October to November 2021, Fii conducted the second employee satisfaction survey. The survey result showed the weighted average score in 2021 was 8.44, up 0.8% compared with 8.37 in 2020. In all dimensions, the responses with high scores (9-10 points) exceeded 60%, and those with low scores (1-4 point(s)) were less than 10%. And the proportion of high-scored responses in each dimension was higher than that in 2020. This survey covered the main factories in East China, West China, South China, North China, and Central China, as well as all subordinate business groups. Its dimensions included job involvement, teamwork, performance appraisal, wages and benefits, training and development, employee communication, and corporate environment. In order to fully understand the thoughts and demands of employees and to promote comprehensive improvement, the number of samples for our employee survey in 2021 increased by five times compared with 2020, and totally 22,746 samples were collected, with a recovery efficiency of 79.9%.

### 2021 Fii Employee Satisfaction Survey Results



◆ Follow-up Improvement Steps after Employee Satisfaction Survey



◆ Improvement Measures According to 2020 Employee Survey Results



Targeting at three dimensions, performance appraisal, training and development, and employee communication, whose scores in the annual employee survey are lower than the average overall satisfaction score, Fii has worked out targeted improvement goals and implementation measures. For performance appraisal, the Company has developed a performance appraisal self-inspection tool, and increased the frequency of communicating with C/D employees over performance interviews and improvement plans. For training and development, the Company has organized sufficient working hours for employees and arranged external training resources to meet the learning and growth needs of employees. For employee communication, the Company has reviewed the remuneration system, strengthened overtime management, optimized bonus evaluation methods and index setting, and communicated with employees fully over these issues. By the end of 2021, the Company has completed the development of the self-inspection tool that will be rolled out in Shenzhen factory and then other factories. It allows employees to check their performance in the performance appraisal system.

Fii strives to build a better workplace by making constant improvement according to employee satisfaction survey results, thus winning high recognition in society. In December 2021, Fii, together with other 12 enterprises including Tesla and MGM China, was included in the winner list of the "2021 Asia Best Workplace". It was jointly organized by American International Assurance, School of Public Health of Peking University and HRoot, a human resource media agency. The evaluation committee collected tens of thousands of survey questionnaires from enterprises in terms of physical and psychological health of employees, and office environment, and fully evaluated the workplace health of the participating enterprises.



2021 Asia Best Workplace

# Rights and Interests of Commercial Labor

## Human Rights Policy and Human Rights Management

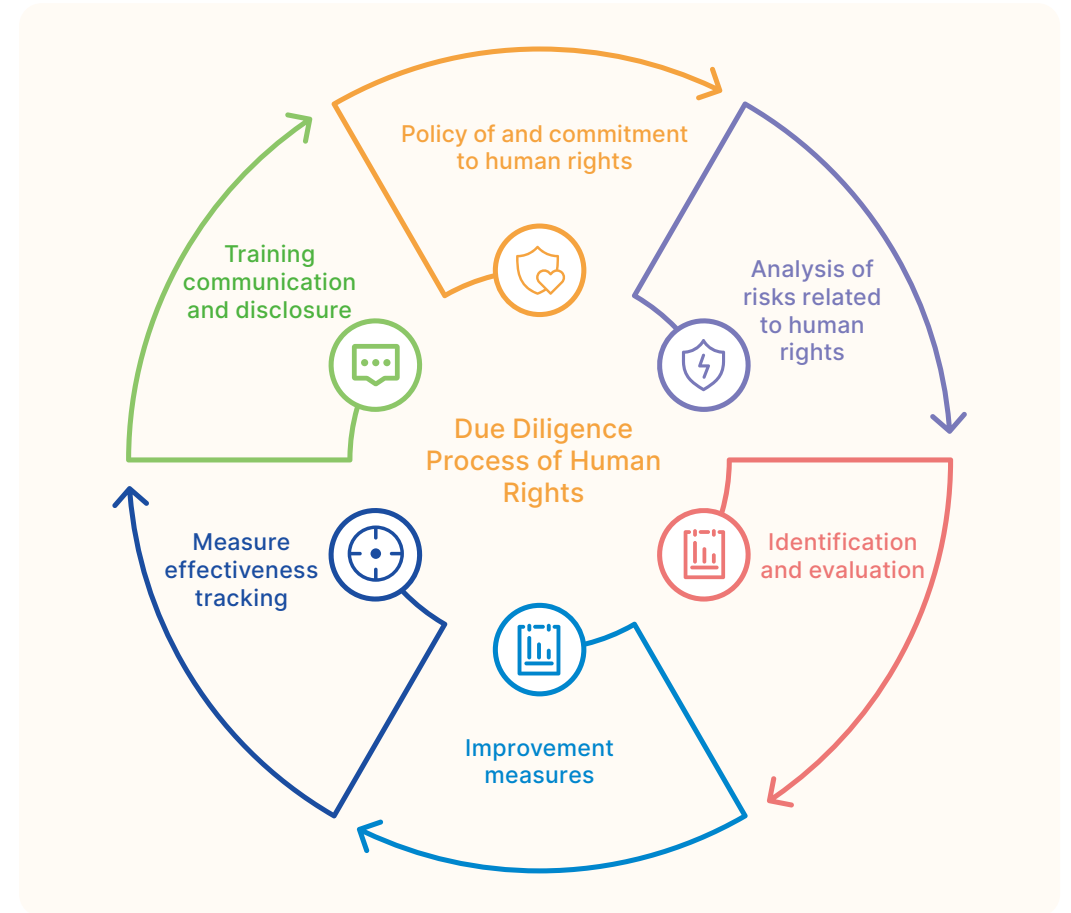
In line with the international initiatives and standards such as the *UN Universal Declaration of Human Rights* (UDHR), the *United Nations Guiding Principles on Business and Human Rights* (UNGPR), the Ten Principles of the United Nations Global Covenant (UNGC), the *ILO Core Conventions*, the Ethical Trading Initiative (ETI), the *Code of Conduct - Responsible Business Alliance* (RBA), Fii prepared and revised the *Corporate Social Responsibility (CSR) Code of Conduct* in 2021, covering all employees, such as temporary operators, foreign employees, apprentices, contract employees, and direct employees.

The *Corporate Social Responsibility (CSR) Code of Conduct Policy* clearly states Fii's position on labor and human rights protection, and sets forth the rules concerning "labor and human rights" in eight dimensions, including freely chosen employment, child labor prohibition and young workers protection, protection of maternity rights and health of female workers, non-discrimination, humane treatment, wages and benefits, working hours, freedom of association. We implement the management of key aspects of human rights by developing and executing internal management regulations, and integrate them into business strategies, corporate culture and routine operation.

## Issues and Measures of Human Rights

Regarding the protection of human rights, Fii is firmly committed to evaluating and continuously improving the management of human rights, and actively preventing risks related to human rights among all stakeholders in our business activities. Following the guiding principles said, we will continue to better implement the policy of human rights and the due diligence of humans rights at the company level.

According to the risk evaluation results of human rights, the Company identifies risks, formulates mitigation and remedial measures, marks and checks improvement measures for human rights-related issues, and tracks implementation results. According to actual implementation results, the Company discloses information to stakeholders, communicates with them or organizes related training, and then updates the commitment to and policy of human rights and checks the implementation of strategies and practices to achieve closed-loop management. These efforts are made to meet the expectations of stakeholders, and practice Fii's commitment to the protection of human rights.



◆ Risk Prevention Plan for Protection of Human Rights

Risk issues	Objects	Risk mitigation	Remedies
Freely chosen employment	All employees	<ul style="list-style-type: none"> <li>Request new employees to sign labor contracts by law and receive induction training</li> <li>Unveil the employee handbook, the resignation application process and contacts</li> </ul>	<ul style="list-style-type: none"> <li>If the resignation application of an employee is hindered, the Human Resource Department or the labor union will immediately intervene in the investigation, coordinate over the application, and handle it according to the personal willingness of the employee</li> <li>The supervisor of the employee concerned should receive labor law training</li> </ul>
Child labor prohibition and young workers protection	New employees	<ul style="list-style-type: none"> <li>Work out employment procedures in accordance with local laws and regulations, and check identity documents to verify legal identity and age in factories worldwide</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular inspections to timely identify child labor employed by the Company on grounds of false identities or for any other reason</li> <li>Handle child labor incidents properly and provide assistance/remedial measures</li> </ul>
Protection of maternity rights and health of female operators	Female employees	<ul style="list-style-type: none"> <li>Issue and publicize protection measures and facilities in accordance with local laws and regulations in factories worldwide</li> <li>Hold an exchange meeting dedicated to female employees at least once every year to improve publicity and assistance measures</li> </ul>	<ul style="list-style-type: none"> <li>Require supervisors to take improvement measures immediately in case of facts violating regulations of protecting the rights and interests of female employees upon investigation, and enable them to exercise due rights and interests</li> <li>Include entities that have violations in the priority inspection list</li> </ul>
Non-discrimination	All employees	<ul style="list-style-type: none"> <li>Work out the recruitment process, recruitment promotion materials and training courses for recruitment supervisors in accordance with local laws and regulations in factories worldwide</li> </ul>	<ul style="list-style-type: none"> <li>Require supervisors to take improvement measures immediately in case of facts violating regulations on discrimination, bullying and harassment prevention upon investigation, and enable employees concerned to exercise due rights and interests</li> </ul>
Humane treatment	All employees	<ul style="list-style-type: none"> <li>Organize training related to human rights for all employees at least once every year to ensure that all employees are informed of their human rights</li> <li>Publicize sufficient channels regularly for employees to express opinions and complaints and report violations</li> </ul>	<ul style="list-style-type: none"> <li>Require supervisors to take improvement measures immediately in case of facts violating regulations of protecting human rights upon investigation, and enable employees to exercise due rights and interests</li> </ul>
Wages and benefits	All employees	<ul style="list-style-type: none"> <li>Conduct internal remuneration survey and analysis regularly</li> <li>Conduct compliance audit on salary payment at least once every year</li> </ul>	<ul style="list-style-type: none"> <li>Require supervisors to take improvement measures immediately in case of facts violating regulations on remuneration payment and welfare, such as no payment or payment delay, upon investigation; and enable employees concerned to exercise due rights and interests</li> </ul>
Working hours	All employees	<ul style="list-style-type: none"> <li>Conduct regular statistical analysis and inspection of working hours</li> <li>Provide warning management mechanisms related to working hour reports and other issued in the HR system and the employee self-service platform</li> </ul>	<ul style="list-style-type: none"> <li>Require supervisors to take improvement measures immediately in case of facts violating regulations on working hours or forced labor upon investigation, and enable employees concerned to exercise due rights and interests; include entities that have violations in the priority inspection list</li> </ul>
Freedom of association	All employees	<ul style="list-style-type: none"> <li>Organize labor unions and allow employees to join unions freely in accordance with local laws and regulations in factories worldwide</li> <li>Organize more welfare activities, protect the rights and interests of employees and assist employees in need or in disasters better, and attract more employees to join unions</li> </ul>	<ul style="list-style-type: none"> <li>Require supervisors to take improvement measures in case of facts violating regulations of freedom of association upon investigation, and enable them to exercise due rights and interests</li> </ul>

In 2021, Fii conducted various training activities related to labor and human rights policies, including induction training covering the content of human rights, CSR general training, special training on the *Corporate Social Responsibility Code of Conduct Policy*, etc. For the new employees, the completion rate of the training has reached 100%, for all employees (including contract employees, dispatched labor and security employees), with training hours totaling 601,681.75. A total of 345,703 employees received training courses, and the count receiving training hit 423,384. It arranged training related to human rights and labor specific to security employees. The count receiving training registered 1,526 and the training hours measured 2,553.75. Besides, the Company has established smooth channels for complaints concerning human rights, including general hotlines or reporting hotlines, and all complaints or reporting cases have been closed, thus creating an equal and open working atmosphere and a smooth communication mechanism for all employees.

Also, the Company has set up a comprehensive audit system and a standard comparison system. It conducts risk evaluation and annual audits specific to human rights in accordance with laws and regulations, and the policies and plans of Fii, and cooperates with customers to complete third-party RBA VAP (Validated Audit Program) audits or audits on the code of conduct for customers. At present, almost all employees have been covered by audits. The Company applies for related certificates and audits to better its labor management. During the reporting period, we had no incidents of discrimination, forced labor or other violations of the *Corporate Social Responsibility (CSR) Code of Conduct*.



## Employee Placement Plans

The Company has worked out employee placement plans due to factory relocation, specifying employee placement and compensation measures to be taken for the reasons of factory relocation or new factory. The Company collects personal wishes at explanation meetings. For employees who are willing to settle in the relocated factory, the Company will arrange proper posts and help them (including employees and their families) move to the relocated factory (such as relocation allowance, assistance in children’s schooling and permanent residence registration). For employees who are unwilling to settle in the relocated factory, the Company will arrange proper posts in other local units firstly. In case of no suitable posts, the Company will negotiate with employees concerns on contract termination and pay the severance by law.

### Employee Replacement Measures for Factory Relocation



The Company collects personal wishes at explanation meetings.



For employees who are willing to settle in the relocated factory, the Company will arrange proper posts and help them (including employees and their families) move to the relocated factory (such as relocation allowance, assistance in children’s schooling and permanent residence registration).



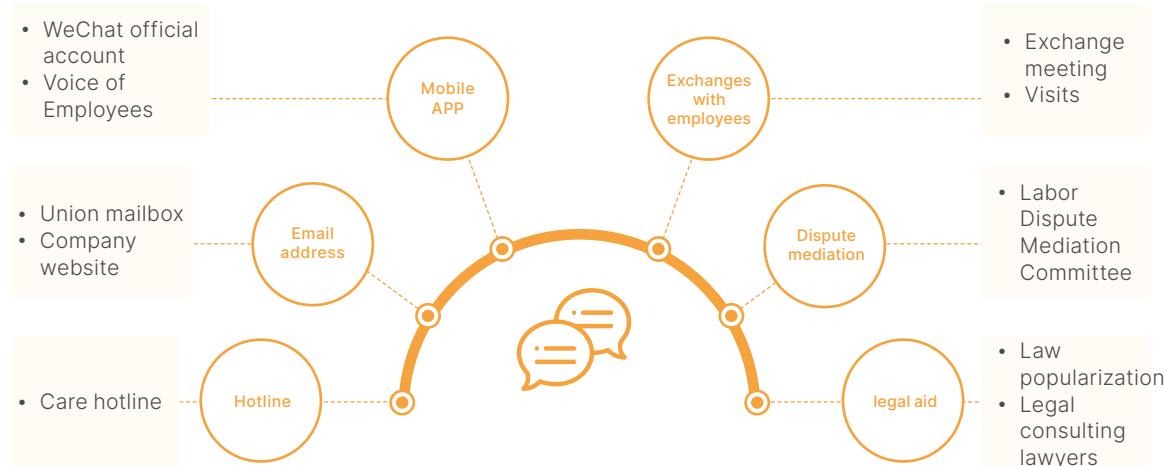
For employees who are unwilling to settle in the relocated factory, the Company will arrange proper posts in other local units firstly.



In case of no suitable posts, the Company will negotiate with employees concerns over contract termination and pay the severance by law.

## Communication with employees

Fii attaches great importance to communication with employees. It encourages employees to participate in corporate management through communication to enhance their sense of belonging and identity and help them meet the needs of self-esteem and self-realization. The Company's existing communication channels include the care hotline 78585/19778, the complaint channel in WeChat official account, employee forums, employee opinion surveys, emails, bulletin boards, labor dispute mediation, and lawyers entering the enterprise to provide legal advice, etc. Each site holds employee forums frequently and invites all employees to participate in.



For employee opinions collected through communication channels, the Company has worked out an employee opinion handling process, and its labor union is responsible for handling complaints from employees. Employee opinions with valid information will be prioritized for online processing. For claims that cannot be handled online, the handlers will judge their severity and urgency, and assign units or supervisors concerned to follow up. All claims will be closed and filed after they are processed. In 2021, the Company collected and handled a total of 5,516 employee caring messages fully.

Apart from multiple channels for communication, the Company values scientific communication methods and follow-up methods, and organizes training regularly.

### 78585 Care Hotline Platform



Fii has an employee care hotline 78585, a Chinese homonym meaning "please help me". The platform has 12 lines, and all service specialists at the platform have received professional training in psychological crisis intervention, labor laws and regulations, and rules and regulations of the Company. It adopts three-shift working mechanism to serve employees for 24 hours per day annually. It maintains a processing flow of "accepting the case - dispatching the case - arranging the professional - handling the case - closing the case - paying a return visit". When handling cases, the service specialist will classify issues reported by employees into extra urgent cases, urgent cases and general cases according to actual conditions. Extra urgent cases shall be closed within 1 day; urgent cases within 3 days; general cases within a week at maximum.

### "Voice of Employees"



With the development of science and technology, employees have changed their social habits, and the analysis results of employee opinion surveys in 2020 shows employees prefer online communication channels. In April 2021, the Company launched the program, "Voice of Employees", under the personal service center in "Xiangxin" APP. Compared with previous communication channels, the "Voice of Employees" features more convenient, transparent and interactive, and is additionally provided with an evaluation mechanism for feedback handling modes or service attitude. And the Company will take improvement measures correspondingly according to evaluation results.

### Sharing and Exchange Meeting of Labor Dispute Cases in Fii Taiyuan Industrial Park

In March 2021, the labor union of Taiyuan Industrial Park, together with the Legal Affairs Department, invited the senior executives, HR supervisors, employee relations supervisors, and trade union chairmen of business groups to attend a sharing and exchange meeting of labor dispute cases.

At the meeting, the employee care center of the labor union analyzed and reported 2020 statistical data of claims in the Park. Lawyers from the Legal Affairs Department analyzed and shared typical labor dispute cases occurred recently, and the labor dispute experts and lawyers from Grandall Law Firm (Taiyuan) were invited to interpret the principles of handling labor dispute, ways to avoid labor disputes, and real cases violating the Labor Law in juridical practice.



### Building A Communication Bridge, and Joining Hands for Common Progress

In August 2021, a large number of new employees joined the Company. The Human Resource Department of Fii Taiyuan Industrial Park organized "Employee Reception Day" activities in production workshops to answer questions raised by front-line employees.

Shenzhen Longhua Industrial Park held an exchange meeting with employees, and the department-level supervisors and human resource supervisors attended the meeting. At the meeting, supervisors and employees discussed the development of individuals and the Company, and exchanged problems in life and work. Such meeting enhances the sense of belonging of front-line employees, and guarantees their normal work and life.



## Talent Development

### Evaluation and Promotion

Fii firmly believes that employees are its greatest wealth and pays close attention to talent development and knowledge system building. It provides employees with abundant training resources to cultivate sufficient professional talents for its steady development.

Fii has worked out an employee evaluation and promotion management system, strictly adheres to the principle of "objectivity and fairness", and conducts performance appraisal of all employees who has been worked in Fii for over half a year. The Company upgrades the levels of employees according to the appraisal results for their better career development. The Company encourages appraisal supervisors at all levels to strengthen communication with employees receiving appraisal over their strengths and weaknesses to be improved, and draws up improvement plans for them to help their career development. Performance appraisal covers contribution to fulfilling the business goals, personal performance, compliance with the discipline, rules and regulations of the Company. Upon appraisal, the Company will have a clear knowledge of personal development goals of its employees. According to the results of the annual performance appraisal, the Company awards excellent employees pay increase and promotion. Fii has established a job transfer mechanism, allowing employees to apply for job transfer at their own will. Besides, in the annual, the supervisor evaluates whether the employee is qualified to take a job transfer, and the transfer is made after the consent of the employee.

Categories of promoted employees <sup>13</sup>	Proportion of promoted employees to the total number of employees of the same gender and the same rank (%)
Proportion of promoted senior male managers	20.53
Proportion of promoted senior female managers	10.87
Proportion of promoted middle-level male managers	31.99
Proportion of promoted middle-level female managers	28.18
Promotion of promoted male professional technicians	25.98
Promotion of promoted female professional technicians	21.00
Promotion of male operators	19.90
Promotion of female operators	17.47
Proportion of vacancies filled by internal employees	9.19

13. [Statistical Coverage] Statistical data related to promotion proportions of different ranks (senior managers, middle-level managers, technicians and workers) only covers domestic subsidiaries.

### Employee Self-service Tool for Performance Appraisal



In 2021, Fii developed an employee self-service tool for performance appraisal and rolled it out in order to disclose and exchange performance appraisal issues to and with employees. Employees are allowed to check the details of their annual performance appraisal and the trends of their personal performance changes in recent years on their mobile phones, regardless of time and place.



### Competence Training

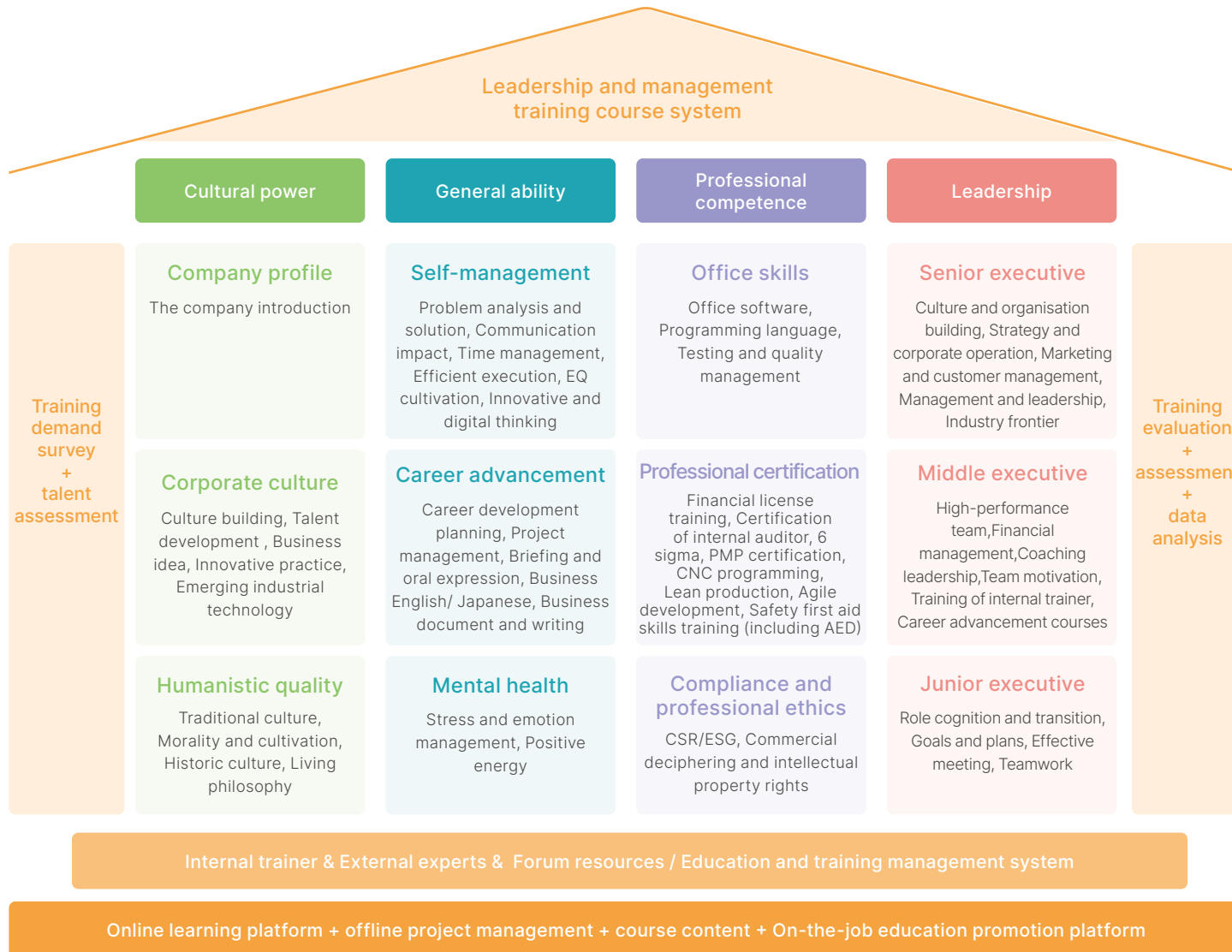
Fii devotes itself to the advancement of intelligent manufacturing, industrial software, industrial big data, industrial artificial intelligence and other technologies. Guided by the development of emerging industrial technologies strategically, the Company designs training plans according to the performance goals of business divisions in order to provide the employees with sufficient growth space and opportunities. With these training plans at different levels, the Company organizes training programs at different levels reasonably and builds a training system catering to its development strategy to continuously improve the comprehensive abilities of employees and promote the common development of the Company and its talents. The training system that the Company has established covers five categories, namely job technology and ability training, general training, management training, other training, and on-the-job training to help all employees including new employees, on-the-job employees, employees taking job transfers, and promoted employees improve in professional technology, general knowledge, leadership and management abilities, industry knowledge and academic qualifications, thus injecting sustainable momentum for the Company to develop.

The Company has set up an internal trainer training mechanism to cultivate qualified trainers who master teaching skills and serve to teach the management experience of Fii. By 2021, the Company has trained 4,928 trainers. The Company arranges at least 40 hours of courses annually for employees by post and rank, with the annual training investment reaching 500 million yuan<sup>14</sup>. The annual training hours for employees<sup>15</sup> totals 13.34 million hours, and the average training hours per employee measure 46.43. In a word, Fii provides quality platform for employees to learn and grow.

14. [Statistical Coverage] Data of total annual training investment: consolidated financial statements of the Annual Report.

15. [Statistical Coverage] All contract employees and all non-contract employees (including dispatched employees, temporary employees, part-time employees, and interns).

◆ Leadership and Management Training Course System



Trainee categories and training frequency per capita	Unit	Quantity
Training frequency per capita (male employees) <sup>16</sup>	/	19
Training frequency per capita (female employees)	/	15
Training frequency per capita (senior managers)	/	28
Training frequency per capita (middle-level managers)	/	19
Training frequency per capita (professional technicians)	/	24
Training frequency per capita (operators)	/	12
Number of trainees attending the Excellent Cadre Training Class	/	2,371

**Talent development training**

Employee training covers all regular and non-regular employees

Internal trainers	Annual training investment
<b>4,928</b>	<b>500</b> million yuan
Annual training hours for employees totals	Average training hours per employee
<b>13.34</b> million	<b>46.43</b>

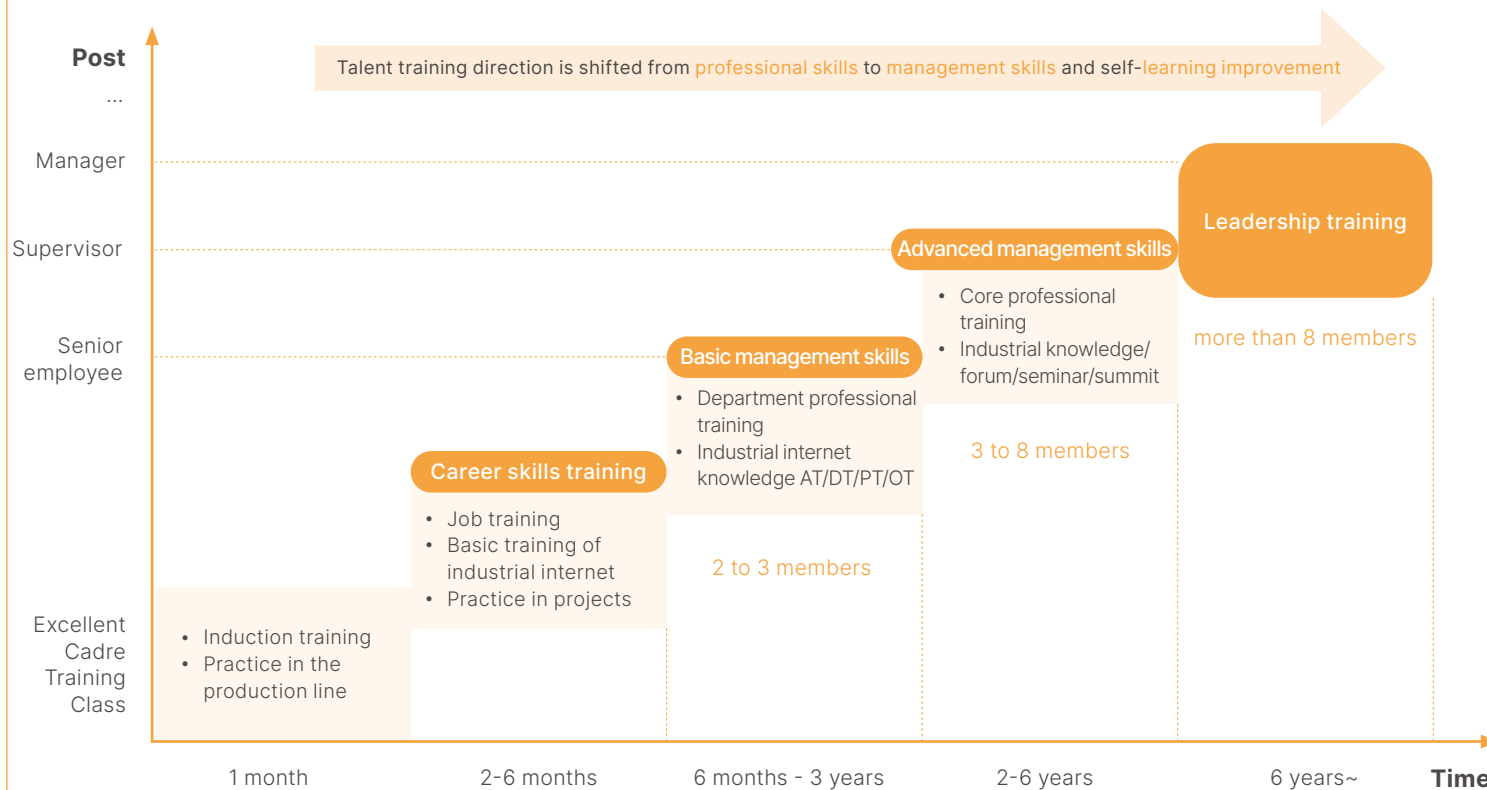
16. [Statistical Coverage] The statistical data in the table above only involves domestic subsidiaries that have the employees with the ranks said (senior managers, middle-level managers, technicians and workers).

### Program of Excellent Cadre Training Class for Induction Training



As an important channel for introduction and reserve of talents with bachelor, master, doctoral degrees or above, it keeps injecting momentum and energy into the high-quality development of the Company for the medium/long term. The Company has designed full induction training courses for the Excellent Cadre Training Class, including professional skills management skills and self-learning improvement. Its leadership and management training systems are built from four dimensions: cultural strength, general skills, professional skills and leadership. In the six-year program, new employees will grow from interns to senior employees, supervisors, managers, and even higher levels. It is a systematic training system and a smooth development path for employees.

#### ◆ Training Path of the Excellent Cadre Training Class



This class helps employees adapt themselves to the workplace quickly, enhance learning experience, identify with corporate culture and learn job skills for smooth role transition. The Excellent Cadre Class with a total of 498 members received intensive training for 6 months from the two major zones in Central China and South China in 2021. The training provides 80 courses of various types, including executive lectures, cultural integration safety, management knowledge, professional skills, etc. Also, more than 10 cultural and recreational activities were mounted for trainees in the class, such as the Mid-Autumn Festival party, fun tour, team building party, English speech contest, proposal improvement contest, intern model selection, "Empire War", discussion and exchange activities to step up team cohesion in addition to improving the professional abilities of employees.



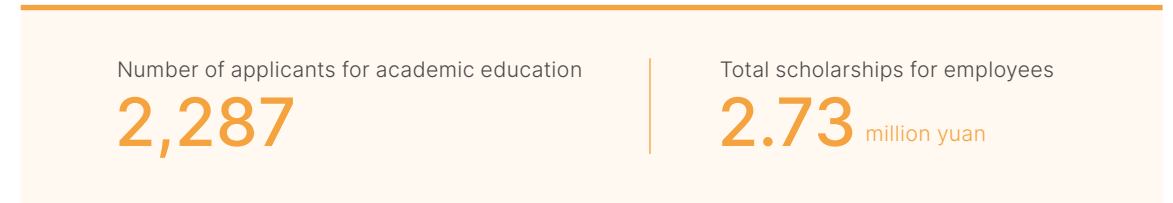
## On-the-job Training

The Company invites internal and external professional lecturers to teach abundant skill courses so that employees can improve their job performance in a targeted manner. Besides, we actively cooperate with the government to organize skill training, encourage employees to receive training and pass exams for national job qualification certificates, help employees apply for government skill improvement subsidies, and optimize the structure of skilled talents.

Number of applicants and program expenditure	Unit	Quantity/amount
<b>Number of applicants for skill certification</b>	/	13,249
Number of applicants for internal skill certification	/	11,345
Number of applicants for external skill certification	/	1,904
<b>Program expenditure for skill certification</b>	yuan	1,778,778
Expenditure for external skill certification	yuan	209,122
External skill certification expenditure	yuan	1,569,656

## Academic Education Support

Relying on online learning resources provided by famous universities at home and abroad, the Company promotes academic education of college, bachelor, master and doctor programs. It encourages employees to register for exams for higher academic qualifications to improve themselves and sets up scholarships as an incentive. In 2021, we cooperated with Tianjin University, Nankai University, Hebei University of Technology, the Open University of China and other institutions to provide more opportunities for employees to upgrade their academic qualifications. A total of 2,287 employees applied for academic education in 2021, and the Company granted excellent employees 2.73 million yuan worth of scholarships.



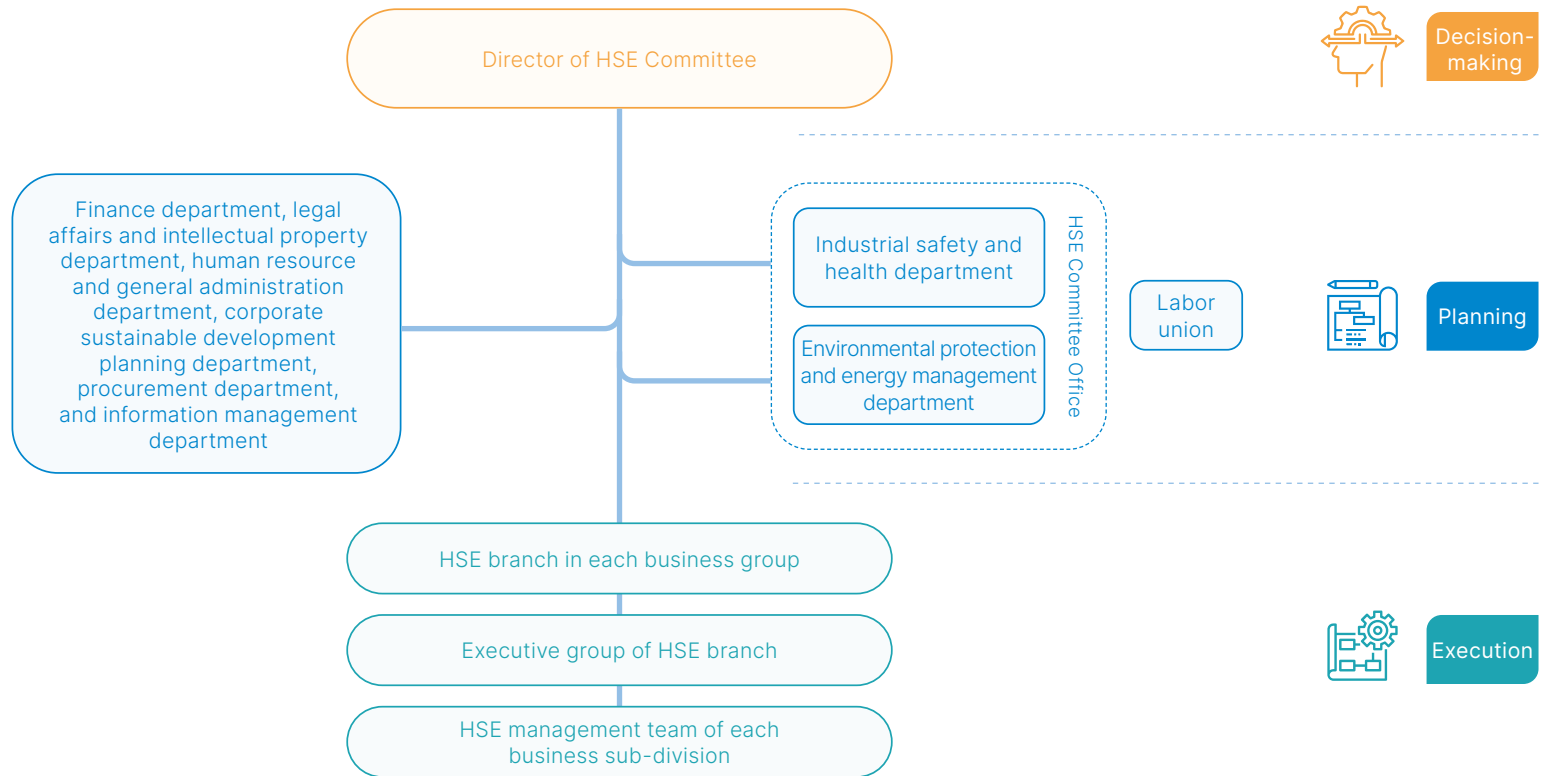
# Occupational Health and Safety

The revised *Law of the People's Republic of China on Work Safety* that came into force on September 1, 2021 involves amendment of 42 articles, and specifies stricter requirements on the responsibilities of supervision departments and production and operation parties.

Fii puts the health and safety of employees foremost adhering to the principle of full safety and no potential hazard. It strives for the goals of no injuries, no occupational diseases, and no accidents, and actively fulfills its corporate social responsibility while ensuring its stable production and operation. In accordance with national laws and regulations, such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, the *Law of the People's Republic of China on Work Safety*, and the *Fire Law of the People's Republic of China*, and international occupational health and safety management systems and standards, the Company has developed a full health, safety and environment (HSE) management system and medium and long-term HSE sustainable development strategies aiming at all employees<sup>17</sup>. The company has established an HSE committee, which is responsible for the planning, management and auditing of safety and health work in the factories under its jurisdiction, and realizes the medium and long-term strategy of sustainable development of HSE in the medium and long term. More than 80% of Fii's subsidiaries with production activities have passed ISO45001 certification.

Drawing on the HSE management modes of well-known companies at home and abroad and integrating its own long-term experience in HSE management, Fii has developed its HSE management system featuring high practicality and applicability pursuant to the domestic and foreign mature management system standards. In 2021, Fii released its middle and long-term HSE strategies and goals as an effort to develop into a global high-tech manufacturer model in HSE management, namely, a world-class high-tech manufacturer in HSE management by 2025 and a high-tech manufacturer model and industry benchmark in HSE management by 2035.

## Organizational Structure of HSE Committee



17. [Statistical Coverage] All contract employees and all non-contract employees (including dispatched employees, temporary employees, part-time employees, and interns).

By the end of 2021, Fii's HSE Committee and its branches have 2,647 members in total, including 1,621 employee representatives, a share of 61.24% of the total number of members. In 2021, the Company earmarked 442 million yuan for environment, safety and health.

### Safety management performance

Total members in HSE Committee

**2,647**

Proportion of employee representatives

**61.24 %**

Total investment in health, safety and environment

**442 million yuan**

#### Management regulations

- Work out the *Measures for Safety Inspection and Hidden Hazard Treatment in Factories*, the *Production Safety Accident Emergency Plan* and the *Radiation Accident Emergency Plan* to respond to emergencies
- *Regulations on Occupational Disease Prevention and Control*
- Establish a global epidemic prevention system

#### Safety culture

- Require new employees to receive occupational health and safety training
- Organize occupational health and safety training regularly specific to key safety factors, such as fire prevention knowledge and skills, to strengthen safety awareness
- Organize epidemic prevention and control drills and fire-fighting drills regularly to help employees respond to emergencies better

#### Routine supervision

- The asset damage prevention department helps factories conduct RG (risk grading) survey and evaluation services for continuous operation improvement
- Conduct inspection, monitoring and training, and data analysis in terms of operation safety of electric facilities and fire prevention system efficiency
- Epidemic prevention and control: Disinfect the office area regularly, reserve and distribute anti-epidemic supplies

In 2021, Fii focused on occupational health inspection, safety training, safety inspection, intelligent manufacturing and automation upgrade to strengthen safety production and foster a safe and healthy working environment according to the applicable provisions in the Law of the People's Republic of China on Work Safety. In addition, it practiced the dual-prevention mechanism combining safety risk classification and hidden hazard identification and control. These efforts are to prevent and eliminate major safety risks, meet national laws and regulations and customers' CSR requirements, safeguard the safety of employees and Fii's property, and ensure the safe and sustainable development of Fii.

Regarding safety risk prevention and control, Fii keeps improving its PDCA (Plan, Do, Check and Act) safety cycle process in line with domestic GB standards and foreign standards such as FM (Factory Mutual), NFPA (National Fire Protection Association), SEMI (Semiconductor Equipment and Materials International), and UL (Underwriter Laboratories) so as to align the regulations of its CSR Committee branches to international safety standards. Since 2019, the Asset Damage Prevention Department has planned and implemented the "Continuous Improvement Operations of Risk Grading Survey and Evaluation Services" annually. The officers of the Department are assigned to the CSR Committee branches for on-site risk surveys, and remain sufficient communication with the Fii CSR Committee. They mainly check survey schedule feasibility, investigate BU factories with strict technical procedures and high risks, practice the PDCA safety cycle, and pay constant attention to issues related to safety production. In 2021, the Asset Damage Prevention Department completed on-site risk surveys in 7 factories, and proposed 22,302 safety improvement suggestions on safety management, fire prevention measures, process hazards, public equipment, natural disaster risks, building structures and explosion risks, with the rectification completion rate reaching 99.7%.

The Company takes the replacement of manual operations with machine-based automatic production as a priority means to reduce occupational health hazards. To this end, it has introduced a large number of automatic production lines with separate manipulators, automatic welding lines with robots and other automation equipment. These efforts have enhanced production efficiency significantly and optimized operation methods, thus effectively reducing the number of employees in heavy manual labor and those prone to occupational risks. In addition, the Company rolls out digital safety management relying on the Internet of Things cloud platform supported by big data, cloud computing, intelligent terminals, sensors and other information technologies.

Total number of in safety improvement suggestions

**22,302**

Rate of rectification completion

**99.7 %**

Coverage of new employee safety training

**100 %**

Safety Goal  
Full safety and No potential hazards

The Company attaches significance to the development of safety culture among all employees. It organizes safety awareness training, fire emergency drills, production safety and other activities regularly and regulates the operations of employees in the production workshops to better safety production, and enhance the safety awareness of employees. In 2021, the Company organized occupational health and safety training for all employees.

Adhering to the safety goal of "full safety and no potential hazards", Fii implements safety accident management regulations. In 2021, there were 278 work-related injuries recorded in Fii, and therecordable work-related injury rate was 0.56.

### Cloud Service Innovation Platform: Facilitating Digital Safety Production Management

Automated machinery and equipment safety cloud: Fii has analyzed the pain points in safety management of automated machinery and equipment, and worked out a professional, digital and visual solution.

Smart fire-fighting cloud: Fii smart fire-fighting IoT platform integrates information-based advantages into fire prevention relying on fire-fighting IoT, AI, big data, cloud computing and other emerging information technologies of mobile internet. Based on the platform, a fire prevention and control system featuring multiple dimensions and full coverage is established.



### Fii "Safety Production Month" Activities

In June 2021, Fii organized a series of "Safety Production Month" activities themed at "Fulfilling Safety Responsibilities and Promoting Safety Development" to enhance the safety awareness of all employees. Activities included safety commitment videos, safety oath signatures, safety training courses, EHS online/offline Q&A, and emergency drills to promote the development of Fii's safety culture.



### Introduction of Manipulator Arms at Posts Exposed to Chemicals to Replace Manual Operations

As various organic solvents are used in the electronics manufacturing industry, operators still have to wear labor protection articles such as masks or face shields although ventilation devices are equipped, which greatly weakens the working comfort of operators, and still leaves the risk of exposure to chemicals. For posts exposed to chemicals, Fii strives transformation and upgrading of equipment and processes. To be specific, it has introduced automatic dispensing lines and a large number of robotic arms in silk pad printing, molding and other processes, replacing manual operations, which directly prevents employees from contacting chemicals and minimizes the hazards of chemical exposure.

### Safety Education in Fii CSR Newsletter

In July 2021, the CSR Newsletter published an article titled "Lithium Battery Accident: A Safety Alarm". It popularized lithium battery safety control measures to foster of safety production awareness of employees.



### Strict Epidemic Prevention and Control in Fii Taiyuan Site

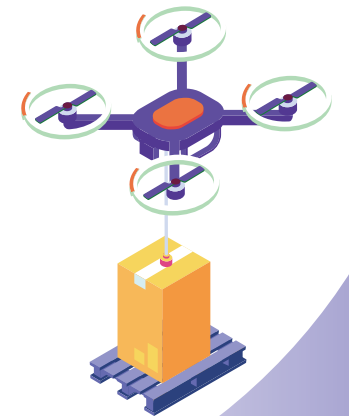
On February 3, 2021, the labor union of Taiyuan site visited front-line employees of epidemic prevention and control. Amid stable epidemic situation at home, the front-line employees of epidemic prevention and control in Fii Taiyuan factory are still performing their due duties diligently. They inspect the implementation of epidemic prevention and control measures in the departments of business groups, and employ and train volunteers in workshops and plants, carry out disinfection, and publicize epidemic prevention and control. Before the epidemic is contained, all business subdivisions and departments in Taiyuan site assign personnel and take active and specific actions to prevent and control the epidemic and safeguard the health of all employees.





# 04 Advocate for Sustainable Procurement

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# Responsible Supply Chain

We take suppliers as partners to assume social responsibilities jointly. We keep working with suppliers to fulfill social responsibilities as an effort to improve the social responsibility performance of the whole industrial chain, and promote the sustainable development of the business and the supply chain.

## Management System of Responsible Supply Chain

We require all suppliers to strictly abide by the law and regulations, and industrial standards of the countries/regions where they are located, and supervise, manage and guide our suppliers to fulfill their social responsibilities in accordance with RBA 7.0 and the *Code of Conduct for Suppliers in Social and Environmental Responsibility (SER)* to ensure suppliers respond to their corporate social responsibilities or equivalent/higher codes of conduct actively and restrain their own behaviors better. The policy covers all suppliers who have transactions with Fii and its subsidiaries.

We attach great importance to the management and control of social and environmental risks in the supply chain. To this end, we have established a supplier SER (Social and Environmental Responsibility) management system to manage and supervise suppliers, and help them better their performance in environmental and social responsibility.

We make monthly performance appraisal of suppliers to evaluate their performance in environmental and social responsibility, and take the appraisal results into account in purchase decision-making. In 2021, we updated the Scorecard supplier performance management system by incorporating their ESG performance into the overall supplier performance appraisal system. Apart from quality, price, delivery and technology dimensions, we added three dimensions of green products, energy conservation and emission reduction, and social responsibility, and increased ESG scoring weight to 30%.



### ESG Module Scoring Indicators in Supplier Performance Scorecard

<p><b>Green products</b></p> <ul style="list-style-type: none"> <li>System management</li> <li>Testing management</li> <li>Process management</li> <li>Announcement management</li> <li>Upstream management</li> </ul>	<p><b>Energy conservation and emission reduction</b></p> <ul style="list-style-type: none"> <li>Climate governance and mechanism</li> <li>Carbon emission information disclosure</li> <li>Carbon emission reduction drive</li> <li>Carbon neutrality action</li> <li>Responsibility extension</li> </ul>	<p><b>Social responsibility</b></p> <ul style="list-style-type: none"> <li>Zero waste landfill</li> <li>Conflict minerals</li> <li>Exception handling</li> <li>Continuous improvement</li> <li>System management</li> </ul>
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## Strengthened Management of Environmental and Social Risks

We attaches great importance to the management of environmental and social risks of the supply chain. According to QC080000, ISO14001, ISO45001 and other management systems, we set up annual SER management goals, establish a supplier risk evaluation system, and formulate the *SER Management Checklist* and other documents in order to identify, evaluate and review SER risks related to labor management, health and safety, environment, ethics, management system and other issues.

### Supply Chain SER Issues and Risks

Labor management	Health and safety	Environment	Business ethics	Management system
<ul style="list-style-type: none"> <li>Free choice of employment</li> <li>Underage labor</li> <li>Working hours</li> <li>Remuneration and welfare</li> <li>Humane treatment</li> <li>Non-discrimination</li> <li>Freedom of association</li> </ul> 	<ul style="list-style-type: none"> <li>Occupational safety</li> <li>Emergency preparedness</li> <li>Occupational injuries and diseases</li> <li>Industrial hygiene</li> <li>Manual labor</li> <li>Machine safety protection</li> <li>Public health</li> <li>Food and accommodation</li> <li>Health and safety communication</li> </ul> 	<ul style="list-style-type: none"> <li>Environmental permit and report</li> <li>Pollution prevention and resource conservation</li> <li>Hazardous substances</li> <li>Solid waste</li> <li>Exhaust gas emissions</li> <li>Material restrictions</li> <li>Water resource management</li> <li>Energy consumption and greenhouse gas emissions</li> </ul> 	<ul style="list-style-type: none"> <li>Integrity management</li> <li>No illegitimate interests</li> <li>Information disclosure</li> <li>Intellectual property</li> <li>Fair trading</li> <li>Advertising and competition</li> <li>Identity protection and non-retaliation policy</li> <li>No conflict minerals</li> </ul> 	<ul style="list-style-type: none"> <li>Company commitment</li> <li>Management duties and obligations</li> <li>Legal and customer requirements</li> <li>Risk evaluation</li> <li>Risk management</li> <li>Improvement goals</li> <li>Training</li> <li>Communication</li> <li>Employee opinions, engagement and complaints</li> <li>Review and evaluation</li> <li>Corrective measures</li> <li>Documents and records</li> <li>Supplier responsibility</li> </ul> 

In addition, we have established six "zero tolerance" behaviors of suppliers specific to risks said to urge suppliers to conduct compliant operations and improve their management as an effort to minimize SER risks in the supply chain.

◆ Six "Zero Tolerance" Behaviors of Suppliers

SER issues	"Zero Tolerance" behaviors
Labor management	Employment of child labor
	Employment of forced labor/prison labor
Health and safety	Health or safety problems that immediately endanger the lives of employees or cause serious injuries
Environment	Discharge of untreated toxic and hazardous substances or materials
Business ethics	Provision of false information to Fii
	Retaliation against employees who report true information to inspectors

Labor Standard of the Supply Chain

The Company employs dispatched employees from the human resource companies at peak production seasons. Dispatched employees are provided with the same wages and benefits as average employees of Fii. During their work in Fii, they are subject to the protection by the regulations and rules of Fii related to human resources.

For dispatched employees, Fii has developed the *Labor Dispatching Management Regulations* and the evaluation mechanism of human resource companies to strengthen the management of labor dispatching companies and ensure the compliance of their organizational framework, promotion for recruitment and recruitment behaviors with laws and regulations as an effort to regulate the management of labor in the supply chain.

Fii revised and released the latest version of *Labor Dispatching Service Agreement* to protect the basic rights and interests of dispatched labor in such aspects as basic salary, welfare, overtime salary, working hour management, rest and vacation. The document clearly specifies that labor dispatching companies should abide by labor protection laws and regulations, and purchase social insurances, housing provident fund, and employment security funds dedicated to the disabled for dispatched labor in accordance with laws and agreements. Fii takes a string of measures to strengthen labor management in the supply chain, such as qualification review of labor dispatching companies, inspection at recruitment sites, investigation in secret among newly-recruited employees, a blacklist of labor dispatching companies, and conclusion of the *Labor Dispatching Service Agreement*.

In order to improve SER risk management in the supply chain, we continue to encourage and strongly support existing suppliers to pass the certification of ISO14001 environmental management system, ISO45001 health management system, QC080000 hazardous substance process management system and other management systems, and adopt environmental and social responsibility evaluation standards to evaluate new suppliers for better SER risk control.

- In 2021, **100%** of Fii's key suppliers signed the *Code of Conduct for Suppliers in Social and Environmental Responsibility (SER)*.
- In 2021, we helped **417** key suppliers pass the ISO14001 environmental management system certification, and **278** key suppliers pass the ISO45001 health management system certification.

## Anti-corruption Management and Responsibility Evaluation

Fii keeps operating in good faith, and undertakes to fully comply with international and domestic anti-corruption and anti-bribery laws and regulations, and requires all suppliers to implement the strictest requirements of the anti-corruption policy in the *Corporate Social Responsibility (CSR) Code of Conduct*. It introduces the zero-tolerance policy for corrupt acts including corruption, bribery, defalcation and other illegal gains.

In order to foster a fair, open and impartial procurement environment, we keep strengthening the internal integrity supervision mechanism, set up the Fii Anti-Corruption Department, establish a malpractice prevention and control workflow, and provide multiple corruption reporting channels to prevent corruption, favoritism and other illegal acts in bidding and purchasing process. Also, we require all suppliers to sign integrity agreements such as the *Supplier Active Statement* and the *Manufacturer Commitment* before performing contracts, and to participate in integrity training in order to reduce the corruption risks of suppliers in contract performance.

We keep promoting responsibility fulfillment evaluation, and establish a strict supply chain evaluation system specific to our suppliers. We solicit applicable laws, regulations and customer standards from suppliers, integrate external and internal control standards, and require sub-suppliers to comply with applicable provisions. Also, we formulate the regulations on on-site evaluation of sub-suppliers and signed contracts with them, implement annual plans, track implementation progress, and work out improvement measures timely and effectively to reduce risks in procurement, quality, environmental protection and corruption.

For suppliers with different risk types, we have formulated targeted evaluation criteria. To be specific, Suppliers with high risks should be included in on-site evaluation plans and receive evaluation at least once every year to promote their continuous improvement; suppliers with medium risks should receive evaluation at least once every three years; suppliers with low risks should be evaluated according to customers' requirements.

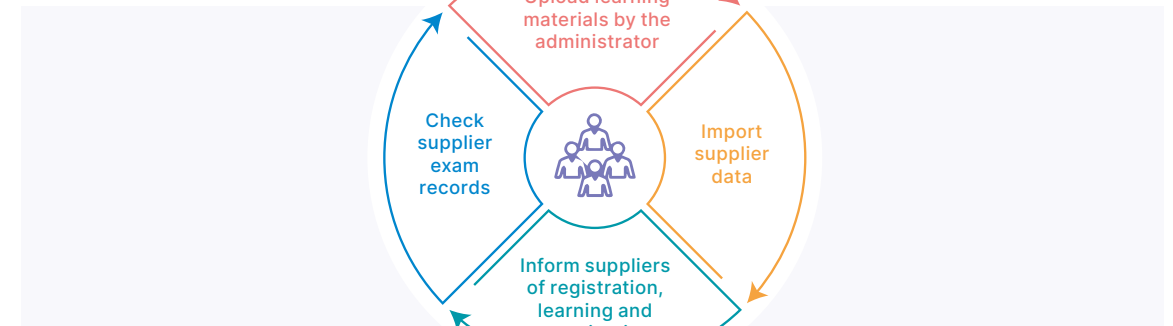


During the reporting period, we completed on-site evaluation for **80** suppliers with medium and high risks. Among them, **69** suppliers made rectification after evaluation, with the rectification completion rate of **86.25%**. And there were no corruption incidents in the supply chain.

## Better Communication and Exchange

In order to strengthen communication and exchanges with suppliers and promote common growth with suppliers, we organize seminars, teach-in and training sessions regularly. In 2021, we launched a supplier education and training platform to facilitate suppliers to improve their professional skills and abilities to perform responsibilities.

### Operation Process of Supplier Education and Training Platform



### Supplier Education and Training Platform for Better Supplier Management



The supplier education and training platform launched in 2021 not only serves as an online learning platform but also enables the Company to communicate requirements in product quality, environmental protection and social responsibility to suppliers and monitor their learning progress in order to help them improve their competitiveness.

This platform includes six modules, namely, quality, green products, social responsibility, energy conservation and carbon emission reduction, seminars, and laws and regulations. It has multiple functions, such as importing supplier data, sending notices to all suppliers, uploading supplier learning materials, setting exam questions, and checking supplier exam results, holding on-site seminars and making satisfaction surveys. This digital platform enhances supplier management efficiency.



Supplier Online Learning Column

## Green Supply Chain

The supply chain is the core link of the manufacturing industry. We strive to promote the green and low-carbon transformation of the supply chain and facilitate the achievement of the carbon neutrality goals jointly with parties in the supply chain. These are effective ways to enhance our competitiveness and enable the coordinated optimization of environmental, economic and social benefits, and are an important part of driving the win-win and green development of the whole industrial chain.

### Green Transformation of Supply Chain

In March 2021, the Ministry of Ecology and Environment issued the *Notice on Strengthening the Management of Greenhouse Gas Emission Reports by Enterprises*. In July 2021, the *Discharge Standard of Water Pollutants for Electronic Industry* (GB 39731-2020) came into force, specifying stricter requirements in environmental protection for the electronic manufacturing industry and its upstream and downstream supply chains.

We are committed to building a green manufacturing system covering the entire supply chain process, and helping suppliers improve their environmental performance to reduce their impact on the environment. In 2021, we organized supplier conferences, online seminars on supplier pollutant release and transfer registration (PRTR), and supply chain green product presentations to facilitate the green transformation of the supply chain.

#### Key Actions for Supply Chain Green Transformation in 2021

2021 Online Supplier Conference	Theme: "Building a Green Supply Chain"; participants: <b>57</b> key suppliers
PRTR Webinar	We invited <b>57</b> suppliers to attend the webinar and helped <b>79</b> suppliers complete the annual PRTR data declaration
Online Training of Zero Waste Landfill	<b>75</b> participants from <b>30</b> suppliers attended the training
ITS online training	<b>233</b> participants from <b>123</b> suppliers attended the training
Supply Chain Green Product Presentation	<b>293</b> participants from <b>151</b> suppliers attended the presentation

### Supplier Conference to Promote the Green Supply Chain



In July 2021, we, together with customers, held the 2021 Online Supplier Conference. At the meeting, we shared and discussed multiple issues such as updates of environmental laws and regulations, green supply chain management, CDP questionnaire guidance, climate change, water resource management, and supplier good practices, and analyzed the impact of changes in environmental laws and regulations and the customers' requirements in emission reduction commitments, green supply chain, and environmental management disclosure.

A total of 57 key suppliers attended the Conference. Fii released requirements in environmental management of pollution control and environmental compliance, climate change, water safety to all participating suppliers, and encouraged suppliers to learn and manage better in order to help them improve their professional abilities in environmental management and disclose more real and specific data for better disclosure of environmental data in the brand supply chain.

### Promoting Zero Waste Landfill Jointly with Suppliers



In January 2021, we, together with our partners, held the online training of zero waste landfill for 23 suppliers. In the training activity, we shared waste management laws, regulations and standards, management requirements, practical cases, encouraged suppliers to establish zero waste landfill management systems, management goals and management structures. We remain committed to teaming up with suppliers to achieve the goal of "zero impact of production and operation activities on the environment".



Zero Waste Landfill Management Requirements for Suppliers

We include the environmental compliance and environmental protection performance of suppliers in their performance management, and have worked out a series of evaluation standards, such as the *Supplier Checklist of Environmental and Social Responsibility*, the *Evaluation Form of Supplier's Green Product Management System*, and the *Risk Grading Evaluation Form of Supplier's Green Product* in accordance with QC080000 standards, customers' requirements, laws and regulations and green product management requirements to urge suppliers to improve their environmental performance and better manage and control environmental risks in the supply chain.

◆ Evaluation Standards and Evaluation Particulars of Suppliers' Green Products

Supplier Checklist of Environmental and Social Responsibility



- Evaluate the management mechanisms hazardous substances, solid waste, exhaust gas emission, water resources, energy consumption and greenhouse gas emissions

Evaluation Form of Supplier's Green Product Management System



- Take samples from raw materials supplied by suppliers for environmental protection inspection to ensure these materials inspected meet the environmental protection requirements
- Require suppliers and their production personnel to receive training related to environmental protection knowledge and master environmental protection requirements for their products
- Keep environmental protection monitoring records for high-risk materials in the manufacturing process
- Re-confirm environmental protection requirements before product shipment, and ensure product packages are marked with that environmental protection labels as required

Risk Grading Evaluation Form of Supplier's Green Product



- Establish the green product management system and have the system pass the QC080000 certification
- Have the internal auditors of green products receive training organized by an external institution and obtain the qualifications of QC080000 internal auditors
- Interpretation of and response to environmental protection regulations such as RoHS2.0 and REACH, and management on abnormalities in environmental protection and implementation of countermeasures, including the environmentally-friendly treatment process of hazardous substances and the tracing mechanism for abnormalities in environmental protection

In 2021, we completed **149** on-site inspections specific to the green products of suppliers, with the average pass rate of **97%**.

In 2021, Fii identified **55** suppliers with violation records on the IPE website, and urged **49** suppliers to conduct inspections of clearing violation records.

"Carbon Neutrality" on the Supply Chain

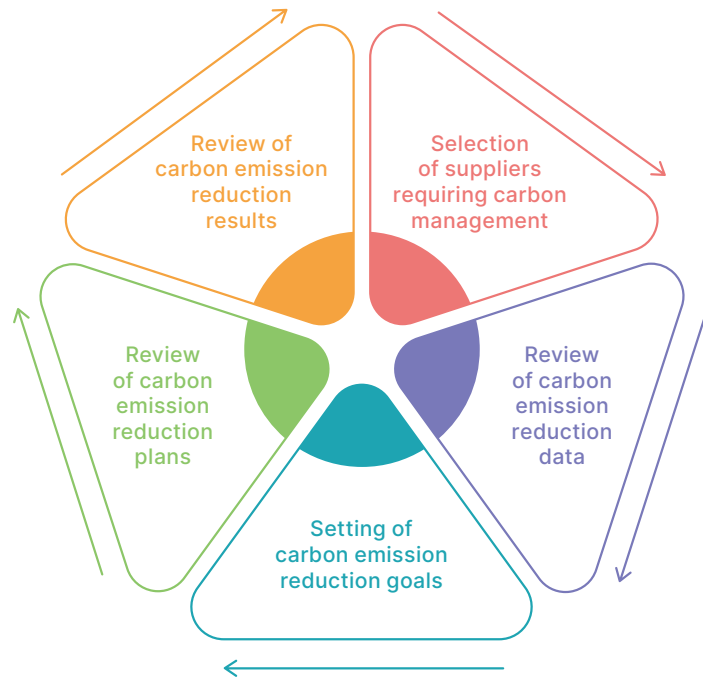
Carbon emissions in the supply chain are an important part of the carbon footprint. Responding to the national goals of "peaking carbon emissions and achieving carbon neutrality", the goals in the Paris Agreement and the "Climate Action 100+" (CA100+), we commit to achieving carbon neutrality internally and in our value chain by 2050. Taking suppliers as an important link across the value chain, we have formulated and released the *Carbon Neutrality Policies and Requirements of Suppliers*, and put forward carbon management requirements of suppliers. We strive to achieve the goal of "carbon neutrality" together with our suppliers.

◆ Carbon Management Requirements of Suppliers

Fields	Main description
Carbon inventory	<ul style="list-style-type: none"> <li>• Organize the annual internal inventory and disclosure of greenhouse gases pursuant to ISO14064-1 standard</li> <li>• Have data related to annual greenhouse gas emissions receive verification by a third party</li> </ul>
Carbon emission reduction	<ul style="list-style-type: none"> <li>• Set carbon intensity emission reduction goals for suppliers according to the national "14 th Five-Year Plan"; require suppliers failing to meet emission reduction goals to submit improvement reports and rectification plans</li> <li>• Formulate and submit carbon emission reduction plans and implementation plans annually</li> <li>• Report the implementation progress and results of carbon emission reduction measures regularly according to carbon emission reduction implementation plans</li> <li>• Require suppliers with annual carbon emissions exceeding 8,000 tons to pass and maintain the ISO50001 energy management system certification</li> </ul>
Carbon neutrality	<ul style="list-style-type: none"> <li>• Encourage suppliers to develop and disclose carbon neutrality plans</li> <li>• Report the progress and achievements of carbon neutrality regularly</li> </ul>

We aim to achieve carbon neutrality through digital transformation. To this end, we have established a supplier carbon management platform, and select suppliers with high carbon emissions and high energy consumption as carbon management objects. We require them to disclose carbon emission data and emission reduction achievements as verified by a third party at the carbon management platform every year, conduct performance appraisal for them in energy conservation and carbon reduction, and increase/ decrease orders offered to them and update the list of qualified suppliers according to their appraisal results in order to urge them to reduce carbon emissions and achieve carbon neutrality.

◆ Management Process of the Supplier Carbon Management Platform



We strongly support suppliers to achieve carbon neutrality goals. To this end, we hold supplier carbon neutrality seminars, select suppliers for renewable energy pilot, and encourage suppliers to build photovoltaic solar or wind power plants to jointly explore solutions to energy conservation and emission reduction and gain a head start in carbon neutrality.

Supplier Carbon Neutrality seminar



In April 2021, we, together our partners, held a supplier carbon neutrality seminar. At the seminar, we shared supplier carbon neutrality management policies and requirements, carbon neutrality policies and path analysis, and introduction of rooftop distributed photovoltaic program in order to enhance the carbon reduction awareness of suppliers and promote the low-carbon transformation of the supply chain. A total of 34 suppliers attended the seminar.



Webinar during the Epidemic

## Responsible Minerals

Certain minerals produced in the Democratic Republic of Congo and its neighboring countries have become funding sources for conflict forces, which possibly gives rise to damage to human rights and the ecology. Due diligence on conflict minerals is an important indicator of corporate social responsibility, and enterprises are obliged to make positive contributions to the improvement of due diligence.

As an electronic manufacturer with a strong sense of corporate social responsibility, we declare that we do not accept and use "conflict minerals" from the Democratic Republic of Congo and its neighboring countries/ regions in line with the regulations of international organizations and the industry, and require all suppliers to track the sources and regulatory chains of Au, Ta, Sn, W, Co and Mica contained in their products and launches due diligence to ensure that the sources meet the *Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas* released by the Organization for Economic Co-operation and Development (OECD) or an equivalent and recognized due diligence framework.

We strive for responsible procurement of minerals. We have established an anti-conflict minerals management system in accordance with the *Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas* released by OECD to ensure that the procurement of raw materials for all our products and those in the supply chain does not involve related minerals originating from conflict areas.



In 2021, we distributed the conflict minerals reporting templates (CMRT) to **2,060** suppliers that may involve in conflict minerals, and collected valid templates from **1,967** suppliers, with a coverage rate of **95.49%**. If smelters or refiners that fail to comply with RMAP are found upon investigation, suppliers are required to urge these smelters or refiners to comply with RMAP within specified time. Otherwise, they will be removed from the supply chain. The results showed that no products delivered by suppliers contain conflict minerals from Democratic Republic of Congo and its neighboring countries/regions. In addition, we conducted cobalt management surveys among **307** suppliers, with **100%** response rate.

◆ Anti-conflict Minerals Management System

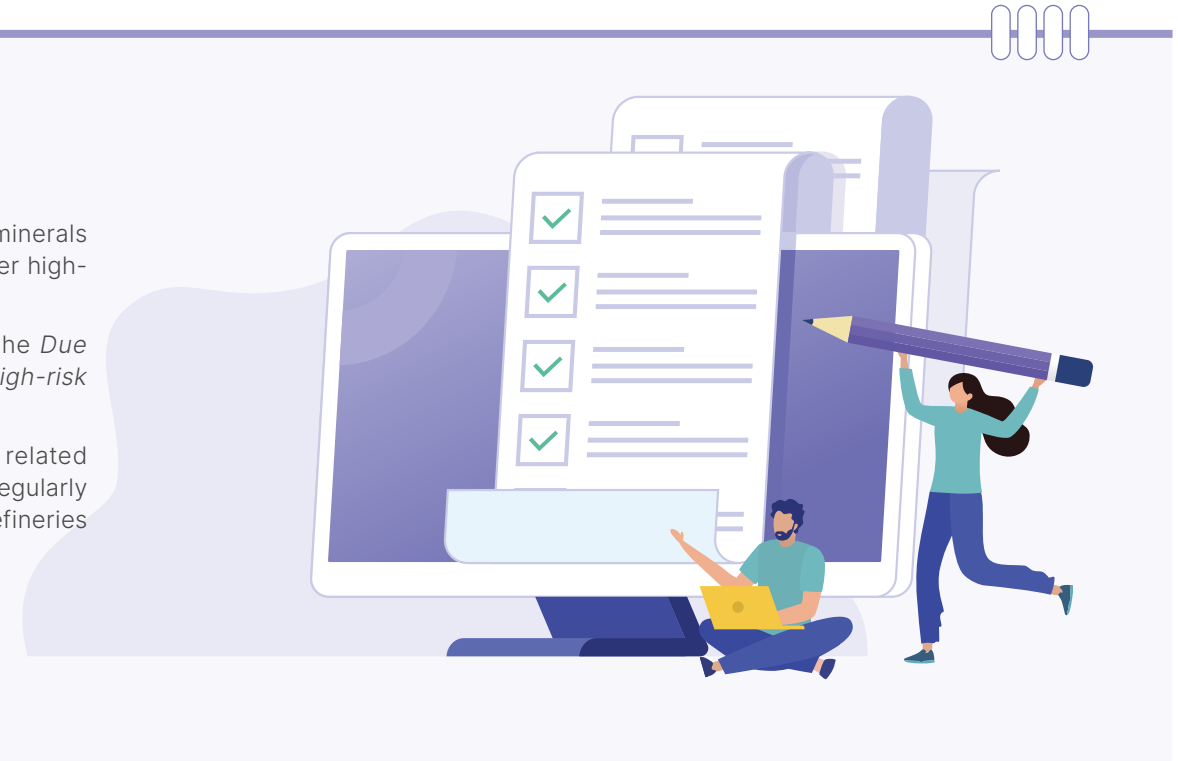
Main aspects	Main description
Management policy	<ul style="list-style-type: none"> <li>The <i>Code of Conduct for Suppliers in Social and Environmental Responsibility (SER)</i> specifies the provisions on the management of conflict minerals</li> <li>Suppliers in the list of qualified suppliers should abide by the <i>Regulations on the Management of Conflict Minerals by Suppliers</i>, the <i>Corporate Social Responsibility (CSR) Code of Conduct</i>, the <i>Code of Conduct for Suppliers in Social and Environmental Responsibility (SER)</i> and other applicable regulations</li> </ul>
Management framework	<ul style="list-style-type: none"> <li>Set up a scientific overall management framework, establish a sound management hierarchy, and clarify the division of functions for functional departments</li> <li>Assign a person in charge of conflict minerals management: coordinate conflict minerals management of business groups and have functional departments cooperate with each other in overall planning</li> </ul>

Main aspects	Main description
Management practice	<p><b>Supplier shortlist</b></p> <ul style="list-style-type: none"> <li>Define the key control points and risk points of conflict minerals pursuant to the <i>Regulations on the Management of Conflict Minerals by Suppliers</i>; implement selection and control measures when determining the supplier shortlist; present the management requirements for conflict minerals to the shortlisted suppliers; require suppliers to provide the certification documents of non-conflict minerals</li> <li>Require suppliers to sign the <i>Responsible Mineral Purchase Statement</i> when they are shortlisted</li> </ul>
	<p><b>Supplier management</b></p> <ul style="list-style-type: none"> <li>Require suppliers to sign the <i>Environmental and Social Responsibility Commitment</i>, clarifying inspection of their conflict minerals management: Suppliers should provide documentary evidence or documents for material inspection timely, including but not limited to Material Composition Declarations (MCD), testing reports, and due diligence reports of conflict minerals and should ensure the authenticity and accuracy of the materials provided</li> <li>Keep optimizing the e-management of conflict minerals: Build the Smart Guard conflict minerals management platform internally, and set up and regularly update the supplier list, distribution and CMRT/cobalt report templates (CRT) relying on information-based means so as to track the management progress of conflict minerals by suppliers timely</li> </ul>
	<p><b>Supplier due diligence and risk evaluation</b></p> <ul style="list-style-type: none"> <li>Review suppliers and evaluate risks in accordance with the due diligence standard of the Responsible Minerals Initiative (RMI), and classify suppliers by three risk levels, namely high-risk, medium-risk and low-risk, according to evaluation results</li> <li>Examine and verify high-risk suppliers according to supplier management regulations, and urge them to take improvement measures to degrade from high-/medium-risk to low-risk</li> <li>Collect management information of conflict minerals from suppliers regularly to push them to launch management investigation of conflict minerals</li> </ul>
	<p><b>Supplier training</b></p> <ul style="list-style-type: none"> <li>Publicize management requirements of conflict minerals to suppliers by online and offline methods regularly to supervise them to fulfill their social and environmental responsibilities, and emphasize Fii's firm stand of neither accepting nor using conflict minerals</li> </ul>

In 2021, we updated the *Responsible Mineral Purchase Statement*, set the goal of "not accepting minerals from conflict areas in the Democratic Republic of Congo and its neighboring countries and other high-risk areas", and clarified the requirements in the management links of conflict minerals to be observed by all suppliers

◆ Requirements for Suppliers in the *Responsible Mineral Purchase Statement*

- Suppliers shall fulfill their social and environmental responsibilities
- Suppliers shall ensure that the parts and products supplied to the Company do not contain minerals from conflict areas in the Democratic Republic of Congo and its neighboring countries and other high-risk areas
- Suppliers shall establish responsible mineral purchase management systems referring to the *Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-affected and High-risk Areas* released by OECD
- Suppliers shall trace the sources of tantalum, tin, tungsten, aurum, cobalt, mica and other related minerals in the supply chain, report the use and sources of minerals used in products truly and regularly to the Company by filling in CMRTs, CRTs, and mica reporting templates (MRT), and employ refineries that comply with RMI's Responsible Mineral Assurance Process (RMAP)
- Suppliers shall require their upstream manufacturers to comply with the same requirements





# 05 Builder of a Better Society

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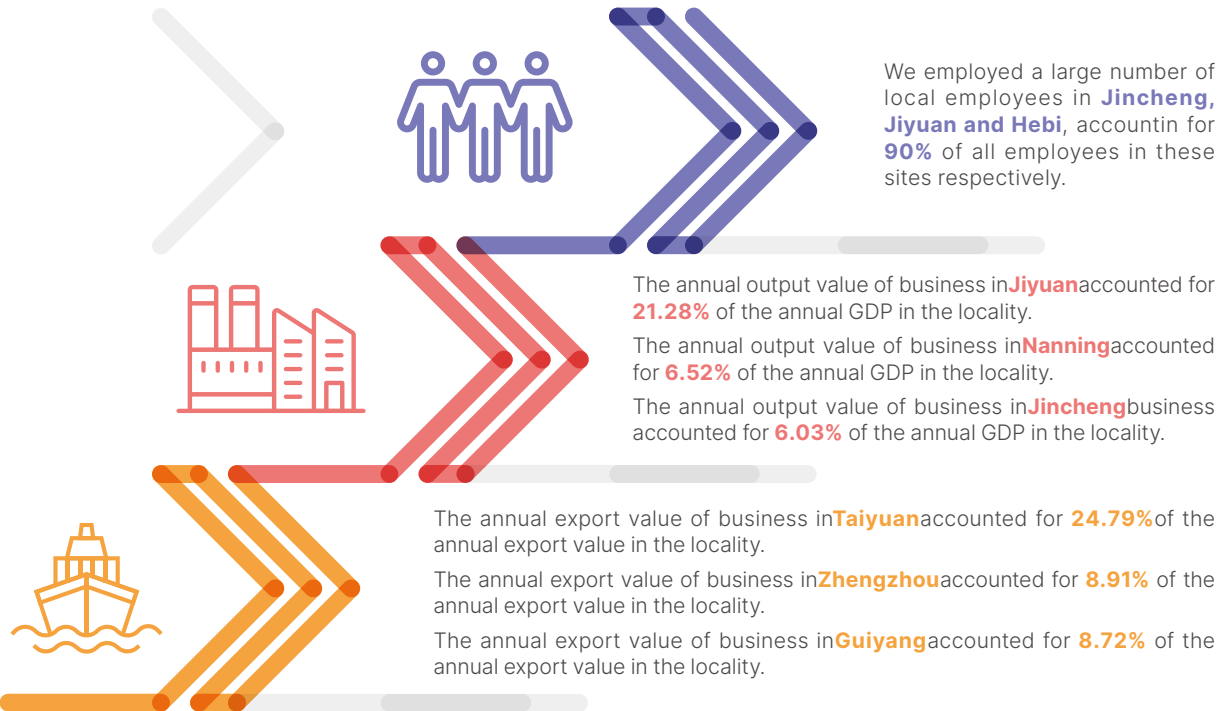


## Prosperous Regional Economy

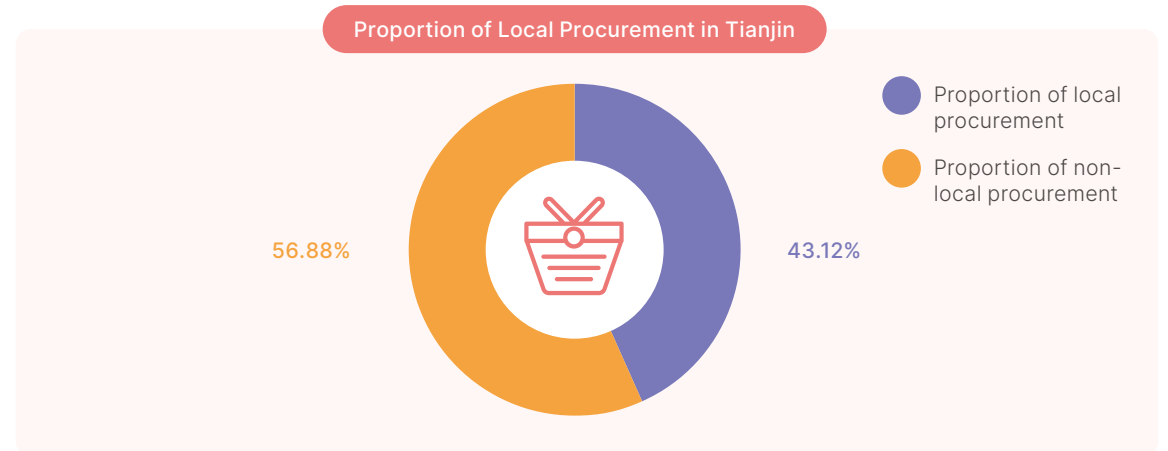
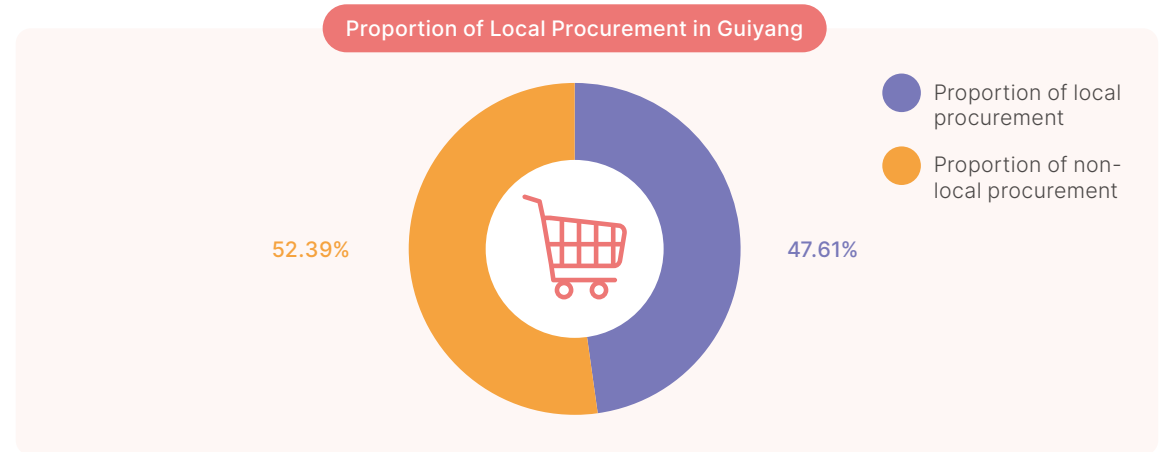
After taking resources and wealth from society, we have always been committed to using them for the public and fulfilling social responsibilities. We strive to meet social needs with these resources and maintain the sound development of the local economy and social stability for the harmony of economic and social benefits.

In order to drive local economic development and improve local employment level, we make great efforts to invest massive resources and labor to promote the progress of the surrounding communities and the life quality improvement of employees in order to bring significant economic benefits and drive the sustainable development in the locality.

### Employment of Local Employees and Contribution to the Local Economy in 2021



### Examples of Local Procurement (%) in 2021



## Giving Back to Society

We always persist the "love, confidence and determination" as our business philosophy, cohesiving forces by love and contribute to the society.. In 2021, we placed priorities over flood relief, donations and environmental protection with labor, materials and funds to constantly promote community and urban development, and bring warmth and strength for community integration.

In 2021, we invested **135** million yuan in public welfare and charity, and allocated **31,168** employee volunteers for **3,266** hours of volunteering services.



## Concentrate on Flood Fighting and Disaster Relief

The year 2021 experienced frequent "extreme weather" conditions. Henan and Shanxi provinces were hit by severe floods. As an industry benchmark with a strong sense of social responsibility and an enterprise with subsidiaries settled in these provinces, we made great contributions to the post-disaster reconstruction in disaster-stricken areas to pull them through.

### 100 Million Yuan Worth of Donation for Post-disaster Reconstruction in Henan



In July 2021, Henan was struck by extremely heavy rainfall once in decades. Many cities broke the record of single-day rainfall in July, and Zhengzhou even encountered excessive rainfall within one hour that was higher than that in a month. Affected by the rainstorm, quite a few areas in Henan suffered water-logging that swept vehicles on the street away. The disaster caught the attention nationwide.

Fii took practical actions to fulfill its corporate social responsibility. On the premise of ensuring the safety of employees and production, it devoted itself to post-disaster economic recovery and donated 100 million yuan for disaster relief and post-disaster reconstruction in Henan province.



In October 2021, we were fully recognized for our outstanding contributions to flood control, disaster relief, and post-disaster reconstruction in Henan province, and were titled the "**Outstanding Contribution Award for Flood Control and Disaster Relief in Henan Province**" by Henan Charity Federation as the only industrial internet company awarded.



As a native of Henan province, I pay close attention to the situation in my hometown. We hope that my hometown pulls through and stays safe. We remain committed to returning back to society with industrial achievements!

—— Li Junqi, Fii Chairman

### 30 Million Yuan Worth of Donation for Fight Against Flood



In October 2021, some areas in Shanxi province were affected by heavy rainfall and suffered severe water-logging. Fii expressed its concern and support for the disaster-stricken areas and the affected people by delegating its subsidiary, Fii Science and Technology (Shanxi) Co., Ltd., to donate 30 million yuan to Shanxi Charity Federation Its subsidiary for post-disaster reconstruction and overall recovery in Shanxi province.



Ceremony of Donation to Support Post-disaster Reconstruction in Shanxi Province

### ◆ 2021 Charity Honors and Awards



2021 Top 500 Chinese Enterprises in Charity



2021 Top 500 Chinese Enterprises for Flood Control and Relief

### Practicing Loving Public Welfare Programs to Spread Warmth

Fii takes practical actions by making full use of our own capabilities and resources to fulfill its corporate social responsibility. In 2021, we mounted a variety of loving public welfare activities, including assisting students in difficulty to help them grow with the spirits of kindness, dedication, mutual assistance and hard work and assisting disadvantaged groups through the "Charity Day in September" online donation for public welfare, in order to contribute to programs for public good persistently.

#### Love Donation to Assist Students in Difficulty



Bearing the responsibility for "undertaking social responsibility and giving back to society", we make donations to help students in need live happily and grow in an all-round way.

In April 2021, we donated 62 suits of spring/autumn and summer sports clothes to students and 10 cotton T-shirts to teachers in the special education center, Xiaodian District, Taiyuan and interacted with students in handicraft, African drums, roasting and other courses.



Interaction with Teachers and Students



Group photo of Loving Donation

### "Charity Day in September" Activity for Common Prosperity



In September 2021, Fii participated in "Charity Day in September" online donation for public welfare, and contributed donations collected to Shanxi Foundation for Disabled Persons to help 2.15 million disabled people, and practice our mission of driving public welfare and common prosperity.

From September 7 to 9, participants joining this online donation activity reached 30,700 and donations amounted to 207,600 yuan.



Signature Wall of "Charity Day in September" Activity



Group Photo of "Charity Day in September" Activity

### Participating in Public Welfare Activities for Environmental Protection

As the survival and development of human society depends on the natural environment, we take environmental protection as our due mission and responsibility. In 2021, we organized a string of environmental protection volunteering activities, such as "World Environment Day", "Earth Hour" and "Clean Earth Day" to raise the awareness of resource conservation and environmental protection among employees and the public, and better ecological conservation and environmental governance.

#### "World Environment Day" Activities to Promote Harmonious Coexistence between Human and Nature

On June 5, 2021, we focused on "World Environment Day" activities (theme: "Harmonious Coexistence between Human and Nature") in various forms as an effort to awaken the awareness of biodiversity protection in society, firmly establish the concept of respecting for nature, conforming to nature and protecting nature, and build a beautiful earth where human and nature coexist in harmony.

Activities included opening environmental protection facilities to the public, environmental protection symposiums, environmental protection knowledge contests, environmental protection law popularization, and environmental protection promotional video shooting to spread environmental protection knowledge such as carbon neutrality, carbon emission peaking, and garbage classification, and encourage the public to actively participate in environmental protection from small starts around.



Group Photo of the "World Environment Day" Activity



Visit to Environmental Protection Facilities

## "Earth Hour" Activity to Advocate Low-carbon Life



"Earth Hour" is a public welfare activity encouraged by the World Wide Fund for Nature to address climate change in 2007, calling on people worldwide to voluntarily turn off the lights for one hour on Saturday night in the last week of March every year to enhance public awareness of energy conservation and advocate low-carbon life.

In March 2021, many sites of Fii participated in the "Earth Hour" energy-saving activity by playing videos, erecting posters, shooting short videos on Douyin, and turning off street lamps in parks to arouse environmental protection awareness of employees and encourage them to engage in environmental protection actions.

The Company played the official promotional videos and erected posters dedicated to the "Earth Hour" activity for over **20,000** times.

The Company shot **14** energy-saving short videos which won **1,500** likes and over **20,000** views.



## Supporting Rural Revitalization

2021 was the first year to consolidate and expand the achievements of poverty alleviation and drive rural revitalization. The state has issued multiple policy documents, such as the *Law on the Promotion of Rural Revitalization of the People's Republic of China* and the *Opinions on Consolidating and Expanding the Achievements Made in Poverty Alleviation in Coordination with the Extensive Drive for Rural Vitalization*, raising the rural revitalization strategy to a new height. Responding to the call on rural revitalization by the state, we have taken a series of assistance measures in industries, public welfare programs and education to make fresh contributions to rural revitalization on all fronts in the new era.

In 2021, we earmarked **1.3417** million yuan for consolidating and expanding the achievements of poverty alleviation and driving rural revitalization.



◆ 2021 Highlights in Rural Revitalization of Fii

Fields	Highlights
<p>Assistance in industries</p>	<ul style="list-style-type: none"> <li>In September 2021, we supported the beekeeping industry in Gutang Village, Mashan County, Nanning, assisted 31 students in difficulty financially, and donated rice, oil and other daily necessities and living allowances valuing 52,600 yuan to 10 disabled villagers and 19 elderly people.</li> </ul>
<p>Assistance in public welfare programs</p>	<ul style="list-style-type: none"> <li>We donated 22 beds and mattresses worth of 50,000 yuan to Dongguanlu Village, Kaocheng Town, Lankao County, Kaifeng to improve the living environment and quality of local residents in Lankao.</li> <li>We donated 300,000 yuan in total to Charity Association of Binhai New District, Tianjin and the Red Cross Society to help consolidate and expand the achievements of poverty alleviation and rural revitalization.</li> <li>On the Chung Yeung Festival in 2021, we helped the elderly in Anping Village, Jiangxi Town, Jiangnan District, Nanning, and visited and offered 10,000 yuan worth of loving supplies to 10 poverty-stricken households in Anping Village.</li> </ul>
<p>Assistance in education</p>	<ul style="list-style-type: none"> <li>In June and December 2021, we donated computers, teaching equipment, books and other supplies valuing 302,000 yuan to Fule Primary School and Suwei Town Central Primary School in Jiangnan District, Nanning to improve educational resources in the locality.</li> <li>We donated 32 sets of Sony toio creative robots valuing 128,000 yuan to Xuezheng Primary School and Wenhai Primary School in Qiantang District, Hangzhou.</li> </ul>



Assistance in Industries - Assisting the Beekeeping Industry in Gutang Village, Mashan County



Assistance in Industries - Field Inspection of the Beekeeping Industry in Gutang Village



Assistance in Public Welfare Programs - Donations to Dongguanlu Village, Kaocheng Town, Lankao County



Assistance in Public Welfare Programs - Donations to the Elderly in Anping Village, Jiangxi Town, Jiangnan District on Chung Yeung Festival



Assistance in Education - Donations to Fule Primary School in Jiangnan District

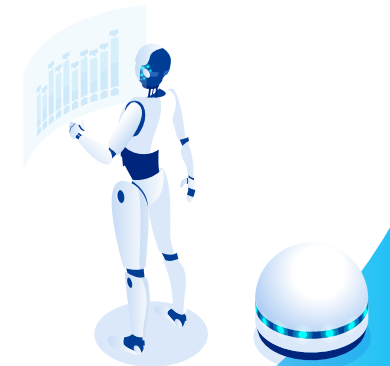


Assistance in Education - Donation Ceremony in Central Primary School, Suwei Town



# 06 Corporate Governance and Operations

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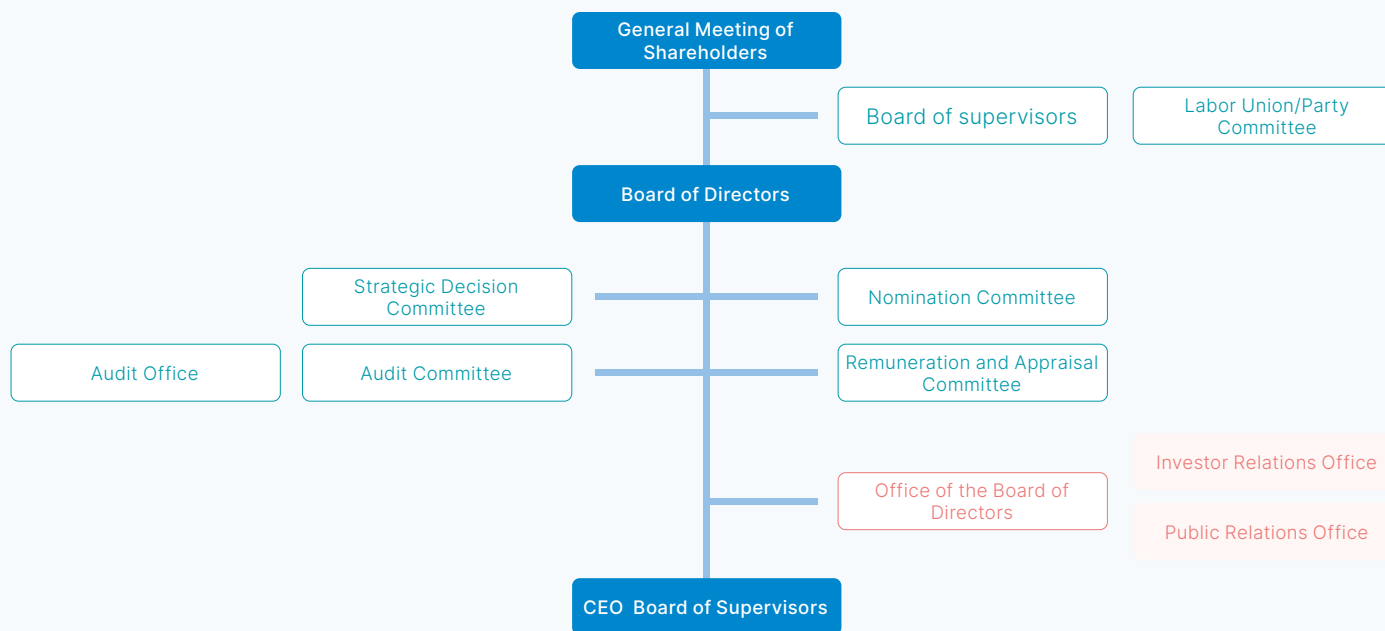
# Corporate governance structure

## Governance Structure

In accordance with the *Company Law of the People's Republic of China*, and the *Securities Law of the People's Republic of China* and other applicable laws and regulations, the Company has worked out a series of governance regulations such as the *Articles of Association* and the *Management Regulations on Connected Transactions*, and established a governance structure covering the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors and the senior management. In the *Articles of Association*, Fii has clarified the well-balanced and interacting mechanism among the body of power, the decision-making body, the supervisory body and the management.



### Governance Regulations of the Board of Directors in Fii



Fii selects directors in accordance with the *Articles of Association* to ensure the open, fair and independent election and appointment of directors. The Company attaches great importance to the diversity of board members. At present, the Board of Directors consists of 6 directors, including 2 independent directors. All of them are top talents with rich business experience and good reputation in the industry and the academia. The resumes, industry/professional background, and positions held in other companies and other background information of our board members have been disclosed on the company website and in our annual report.

The remuneration of Fii's directors, supervisors and senior executives is subject to Fii's decision-making procedures. The Company has worked out the *Regulations on the Remuneration of Directors*, the *Regulations on the Remuneration of Supervisors* and the *Regulations on the Remuneration of Senior Management* to better the functions and step up the efficiency of the Board of Directors.

The Company attaches great importance to the interests of shareholders. It has established and improved the Board of Directors with scientific decision-making. The Board of Directors consists of four professional committees, namely the Strategic Decision Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Audit Committee to assist the Board of Directors in performing decision-making and supervising functions. They play an important role in promoting the standard-based operation and sound development of the Company. Also, the Company employs independent directors to participate in decision-making and supervision to enhance the objectivity and scientificity in decision making of the Board of Directors.

◆ Achievements of Professional Committees under the Board of Directors in 2021

<p><b>Strategic Decision Committee</b></p>	<p>Guide the Company effectively to respond to market changes timely through the research and judgment of the macroeconomic situation, national policies and industry trends to promote the sustainable and stable development of the main business, and play an important role in the development arrangements of the Company.</p>
<p><b>Nomination Committee</b></p>	<p>Promote the diversity of board members, research and pay attention to Fii's needs for directors and senior managers, take the skills and knowledge, professional background, industry experience, gender and other characteristics of candidates into account, and select talents that are diverse in background to participate in decision-making.</p>
<p><b>Remuneration and Appraisal Committee</b></p>	<p>Improve the remuneration and appraisal mechanism of directors and senior managers, promote 2019 incentive plans of stock options and restricted stocks, and review the performance of duties and remuneration payment of directors and senior executives in accordance with the Rules of Procedure of the Remuneration and Appraisal Committee under the Board of Directors of Foxconn Industrial Internet Co., Ltd. to enhance the operation and management competence of the Company.</p>
<p><b>Audit Committee</b></p>	<p>Perform duties in accordance with the Rules of Procedure of the Audit Committee under the Board of Directors of Foxconn Industrial Internet Co., Ltd.: strengthen communication between internal and external audits, supervise the formulation and implementation of internal audit regulations, review the financial system and the internal control system, deliberate periodic reports, audit plans, routine connected associations and other matters to promote the standard-based operation of the Company.</p>

The Company defines the business purpose and scope, and specifies the scope of work, the exercise of powers, and the obligations and responsibilities of the shareholders, directors, supervisors and senior executives. In addition, the Company implements the standard-based procedures of operation and management and fosters an open and transparent management mode to better its steady development.

For the performance of the Board of Directors, the Company conducts internal performance appraisal for the Board of Directors and its Audit Committee annually and discloses annual work progress on the official website regularly to strengthen and supervise the improvement of the operation and management of the Board of Directors. Items receiving appraisal mainly include:

Items for performance appraisal of the Board of Directors

Items for performance appraisal of the Audit Committee

1. Involvement in board meetings
2. Implementation of the resolutions of the general meeting of shareholders
3. Performance of duties by independent directors and protection of the rights and interests of minority shareholders
4. Operation of the four professional committees
5. Work plan for the next year

1. Involvement in special audit meetings
2. Supervision and evaluation of the performance of external audit institutions
3. Review of the Company's financial reports
4. Internal audit guidance and internal control evaluation

◆ Composition of the Board of Directors, and Frequency of General Meetings of Stockholders and Meetings Held by the Board of Directors and its Professional Committees in 2021

Board composition	
	6 directors
	1 female director
Meeting frequency	
	General Meeting of Shareholders: 1
	Meetings of the Board of Directors: 13
	Meetings by professional committees: 13
	Meetings of the Board of Supervisors: 10
	Proposals and reports the Board of Directors has deliberated, checked, reviewed or heard: 38
	Proposals and reports the Board of Supervisors has deliberated, checked, reviewed or heard: 22

## Investor Relations

In order to ensure true, accurate, timely and complete disclosure of information and fair access of all investors to Fii's information, the Company fulfills its information disclosure obligations in accordance with the *Company Law*, the *Securities Law* and other applicable laws and regulations. During the reporting period, the Company had no violations or penalties. With steadily growing economic benefits, the Company offers reasonable returns of investment to investors according to profits production and operation needs. It implements a prudent dividend distribution policy to distribute dividends stably, and maintains and ensures the investment value of long-term investors.

In the *Articles of Association* and applicable regulations as basis for protecting the rights and interests of the shareholders, the Company has set forth overall principles, management and responsibilities, specific procedures, content, confidentiality, and archive management of information disclosure. According to the profit distribution policy as specified in the *Articles of Association* and the *Three-year Plan of Dividends to Shareholders after the Initial Public Offering of Ordinary Shares (A Shares) and Listing in Foxconn Industrial Internet Co., Ltd.*, the Company has worked out plans of returns to shareholders. The Board of Directors has fully listened to and adopted the opinions and suggestions from shareholders (especially minority shareholders), independent directors and the Board of Supervisors via various channels when formulating the plans of returns to shareholders to maintain and ensure the investment value of long-term investors. In 2021, the company a total of 9.918 billion yuan is to be distributed in cash dividends (tax included), a total of 9.918 billion yuan in cash dividends (tax included), with a dividend rate of 49.56%.

The Company strives to create favorable conditions for investors to access the operation performance of Fii and enhance mutual understanding and trust through on-site and online communication modes. Main measures in communication with investors include:

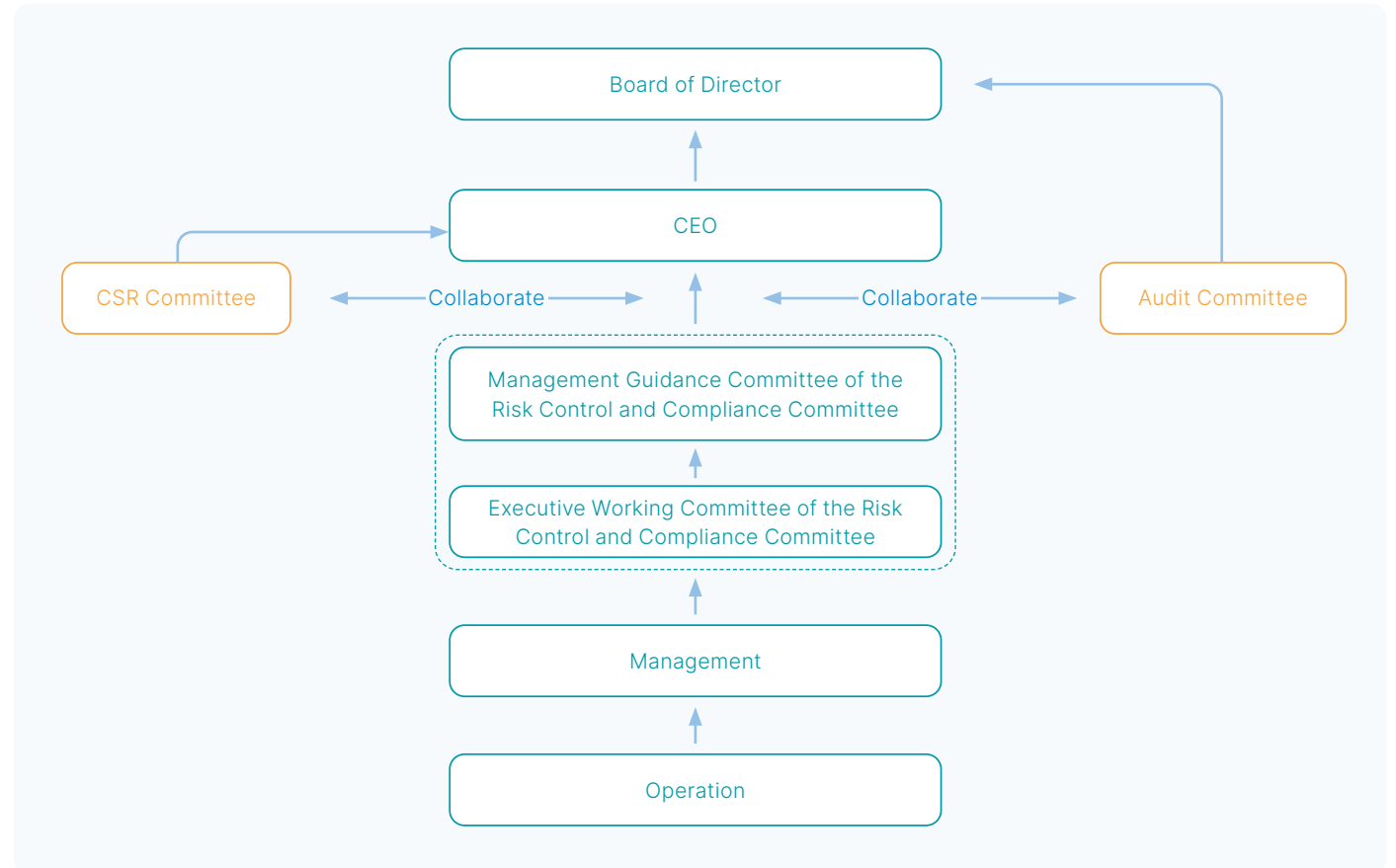
- Communicate with investors actively through the official website, telephone, email, SSE E-interaction, investor reception day, unexpected receptions of investors for surveys or visits.
- Participate in strategic meetings and industry development seminars organized by professional investment management parties from time to time to help investors know more about the development, business, operation and management of the Company.
- Disclose the Record of Investor Relations Activity on the E-interaction platform of the Shanghai Stock Exchange non-scheduled, and answer questions raised by investors on the platform.
- Hold 2021 online performance presentation to communicate with investors over the performance, development and other issues of the Company they concern

# Overall Risk Management

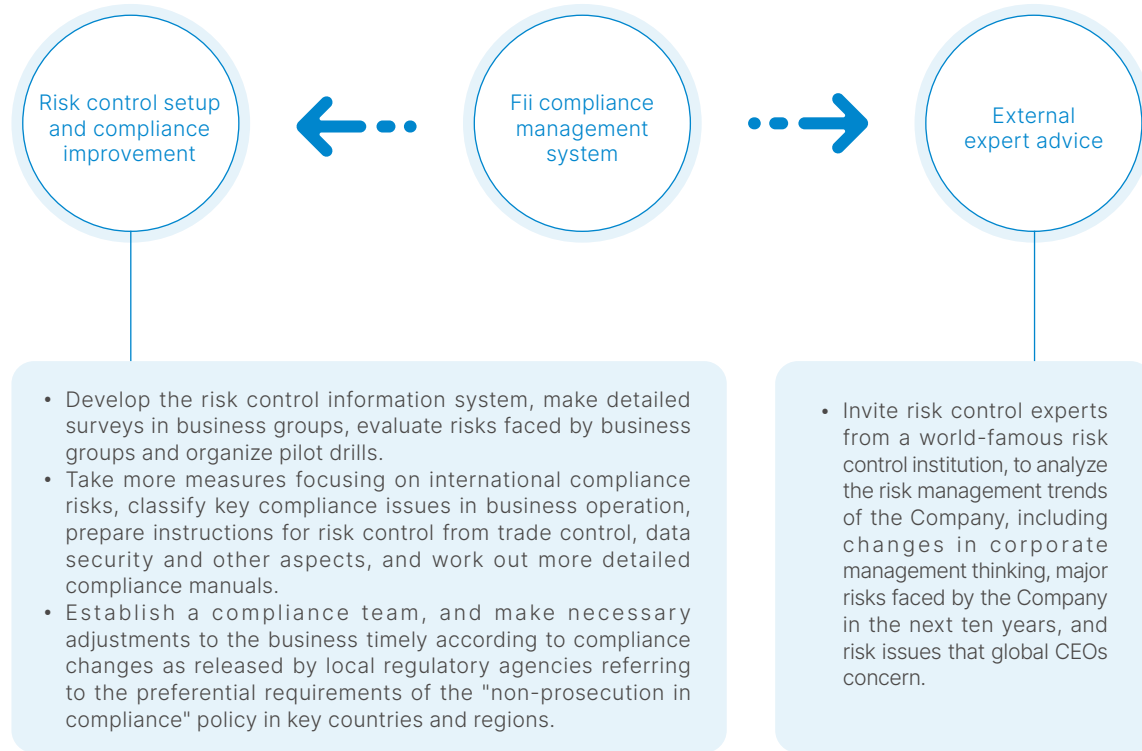
The internal management regulations including the *Articles of Association of Foxconn Industrial Internet Co., Ltd.* specify the requirements and standards of directors and senior management for the internal supervision of the Company. According to internal regulations, the Company takes internal control evaluation and supervision actions to diagnose and review possible high-risk links in operation, and makes rectification specific to problems found. In addition, we keep strengthening supervision and optimizing the supervision system by new supervision modes according to our own business types to lay a solid foundation for promoting sound corporate governance and steady development.

A full compliance management and risk control system guarantees the rapid and steady development of Fii. In accordance with the *Risk Management Regulations* and the *Notification Guideline of Fii Major CSR Events*, the Company identifies and monitors potential risks in technological development, safety production, sales management, quality control and financial accounting in a real-time manner, and takes effective control measures timely. Furthermore, Fii has worked out management regulations for its subsidiaries in accordance with the *Subsidiary Management Regulations of Foxconn Industrial Internet Co., Ltd.* and other internal regulations, and urges them to implement the regulations to better risk management and control of its subsidiaries. In 2021, the Company set up the Global Risk Control and Compliance Committee in the face of changing domestic and international regulatory dynamics to strengthen risk and compliance management. The Company has also developed an overall risk management framework referring to that of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and has established and improved the enterprise risk management (ERM) system consisting of operation, management and governance levels according to ISO31000 Risk Management Standard, ISO37301 Compliance Management System Standards, and other applicable standards.

## Organizational Structure of Fii Global Risk Control and Compliance Committee



◆ Fii Risk Control and Compliance Management System



Fii pays attention to risk control. It has established a complete crisis response process by making preparations and surveys in risk evaluation, crisis event classification, and establishment of a trigger mechanism, a response organ and crisis response procedures to better organized and orderly crisis response.

◆ Crisis Control Process



◆ Crisis Response Process



◆ Risk Identification and Response Methods

Business risk management

- With a global R&D, design, manufacturing, assembly and delivery strategy, Fii meets the delivery needs of customers in different regions at different times with the most effective production modes to effectively resist the impact of the changing international situation and the turbulent global economic economy. With an industrial internet system developed, the Company tracks global inventory information timely, and works out purchase orders on the basis of controlling inventory properly to reduce inventory backlog and capital risks.
- Fii continue to increase investment in R&D, cultivate more key talents, and implement the global strategic layout to meet the different needs of customers with advanced technology, quality products and professional services, and fully resist possible risks due to industry fluctuations.

Financial risk management

- The treacherous and changing global situation gives rise to financial market changes. Fluctuations in exchange rates and material prices bring more risks to Fii's operation. The Company takes a combination of measures to reduce financial risks, such as foreign exchange forward contracts and currency swap contracts to reduce exchange rate risks related to its operation. In addition, the Company pays constant attention to price fluctuations of major raw materials, establishes a strategic cooperation mechanism with suppliers, and optimizes and upgrades the supply chain management system to reduce financial risks caused by price fluctuations of raw materials.

Occupational safety risk management

- Fii attaches great importance to occupational safety risk control. It observes the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and the *Law of the People's Republic of China on Work Safety*, and has established the Security Committee. Fii conducts inspection, monitoring and training, and data analysis in operation safety of electric facilities and fire prevention system efficiency to reduce the impact of risks on production safety and operation. Besides, the Company adopts "Wuxiaonao" application program in safety disasters. It collects safety information timely in the complete data collection and exchange sub-system aiming at early warning, disaster notification, command and response and disaster prevention. This application works to calculate and count hidden risks depending on accident records, trajectory frequency, equipment failure rate, and mission capability, and enable safety performance evaluation, and predict hidden risks and send feedback in a real-time manner, fulling the principle of "prevention over-weighing rescue".

Tax risk management

- As a global business, Fii is subjected to the tax laws of different countries. Adverse changes in tax laws will increase the effective tax rate and adversely affect the operation results of the Company. Facing tax risks, the Company has formulated the *Tax Policy*, established and implemented effective tax risk control measures, figured out reasonable transfer prices, worked out the legal tax plan catering to commercial essence, and improved tax information transparency.

# Tax Policy

Fii operates and expands its business worldwide following the tax laws and regulations of different countries and regions. It has worked out the *Tax Policy of Foxconn Industrial Internet Co., Ltd.* to enhance tax information transparency and ensure long-term development of the Company.

We incorporate tax risk management as one dimension of internal risks into the its risk and compliance management structure, and develop a full risk control process covering risk identification, risk evaluation, and risk response and disposal to prevent possible tax risks and their impact on business operation.

## ◆ Tax Management System

Level 1 Overall tax goal	Pay all taxes required and enjoy all due tax-related rights				
Level 2 Five tax policies	Observe local tax laws and regulations	Control tax risks effectively	Make reasonable transfer pricing rules	Develop a legal tax plan catering to commercial essence	Improve tax information transparency
Level 3 Specific tasks	<ul style="list-style-type: none"> <li>Maintain correct accounting records</li> <li>Declare and pay taxes timely and correctly</li> <li>Issue, receive and keep tax documents properly</li> </ul>	<ul style="list-style-type: none"> <li>Set up a professional team and collaborate with external consultants</li> <li>Establish an effective risk prevention and control mechanism</li> <li>Maintain good communication with tax authorities</li> </ul>	<ul style="list-style-type: none"> <li>Work out transfer pricing rules applicable to OECD and the countries in which it operates</li> <li>Make profit distribution properly according to profits generated</li> <li>Do not transfer profits to low-tax areas</li> </ul>	<ul style="list-style-type: none"> <li>Develop a legal tax plan catering to commercial essence</li> <li>Formulate an investment structure and transaction modes that meet business needs and has commercial essence</li> <li>Do not design a business catering to tax planning</li> <li>Do not abuse tax heaven</li> </ul>	<ul style="list-style-type: none"> <li>Fulfill statutory disclosure obligations internationally and in the countries in which it operates</li> </ul>

## Effective Tax Rate

The Company paid 2.293 billion yuan of income tax in 2021, including 85% in the Chinese mainland (excluding Hong Kong, Macao and Taiwan), and 15% in Hong Kong, Macao and Taiwan (China) and other countries

The overall effective tax rate was 10.27% in 2021, lower than the statutory corporate income tax rate of 25% in China. It was attributed to the favorable taxes policies for R&D and industrial upgrading, including the preferential tax rate of -7.6% for high-tech enterprises, the weighted deduction of -5.3% for R&D expenditure, and the preferential tax rate of -0.5% specific to the Western Development Strategy. Moreover, the overseas preferential policies reduced the effective tax rate (-0.9%). Relevant information is disclosed in the annual report of the Company as well.



# Anti-corruption Policy and Business Ethics

Fii has established a strict supervision system to supervise the implementation of internal regulations related to professional ethics and avoid potential conflicts. The senior management is responsible for supervising issues related to business ethics, organizing audits related to economic responsibilities and business ethics, and reporting auditing results to the Board of Directors regularly. As the top supervision body, the Board of Directors is responsible for reviewing the internal control mechanism and auditing results, and proposing requirements and overall arrangements for the audit, compliance and internal control of business ethics of the Company.

## Consummate Business Ethics Management System

Adhering to the moral requirements of "fulfilling social responsibilities and striving for sustainable development", Fii has established the norm of business ethics and the *Corporate Social Responsibility (CSR) Code of Conduct*, defining and classifying suspected jobbery and corruption misconducts, and business ethics clearly. It organizes training and evaluation regularly to ensure the regulations said are implemented in all links of its operation. Fii has set up the Fii Anti-Corruption Department under the Central Audit Department. The Office is responsible for developing clean culture, and preventing and controlling malpractices. Fii makes great efforts to accept and handle reports and complaints, investigate malpractice cases, make routine inspection, prevent duty-related crimes, and improve clean governance in itself, its subsidiaries and business groups by establishing multiple reporting channels, organizing integrity training and conducting internal audits of business ethics. Fii launched the revision of four documents of policies and regulations, including the *Measures for the Prevention and Control of Malpractice*, the *Rules for the Prevention and Control of Malpractice Cases*, the *Measures for Reports and Complaints*, and the *Regulations on Case Trial and File Management* due to the adjustment in corporate organizational structure in 2021, and planned to completed revision in 2022. In 2021, the Company joined Guangdong Enterprise Institute for Internal Controls to implement anti-fraud initiatives and build a clean business community.

### Anti-corruption

Fii has formulated and implemented the Employee Handbook, the Regulations on Violations of the Discipline by Employees and the Code of Conduct for Employees to Combat Corruption and Uphold Integrity to increase the knowledge and understanding of corporate integrity culture among employees. In addition, we require all new employees to read and sign the honesty and integrity clauses to strengthen the honesty and integrity of the Company.

### Anti-bribery

In the Integrity Commitment, Fii specifies that employees are prohibited from committing or promising to bribe, presenting valuable articles and gifts, including shares, securities, and intangible assets, and organizing banquets to interested parties in order for the transaction purpose to prevent the misconducts of offering or accepting bribes in the Company.

### Supplier anti-corruption

Fii requires suppliers to sign integrity agreements such as the Supplier Proactive Statement and the Manufacturer Commitment before contract performance. Suppliers are prohibited from paying or obtaining gains by illegal means, and they should promise to prevent any embezzlement or misappropriation of corporate assets. What's more, the Company requires them to receive integrity training to reduce corruption risks during contract performance.

## Reporting Mechanism

Fii promotes and encourages employees to report violations of laws, regulations, and discipline, and frauds and infringements by setting a reporting email. The Company strives for the construction of the Party conduct, honest and clean governance and anti-corruption management by establishing multiple reporting channels, whistle-blower protection system and cultural development.

### Clue reporting channels provided by the Fii Anti-Corruption Department:

- 1 Internal phone: (560) 15111
- 2 External phone (SMS & WeChat): 86+13266815111
- 3 External email: Fii.JB15111@gmail.com;  
Fii-JB15111@fii-foxconn.com
- 4 Internal email: Fii-JB15111@mail.foxconn.com
- 5 Email or report in person:
  - 2F, Building C1 Foxconn Technology Park, Donghuan Er Road, Longhua District, Shenzhen
  - Fii Anti-Corruption Department, F50, Rongchao Headquarters Tower, Nanshan District, Shenzhen 13266815111



◆ Anti-corruption Supervision and Reporting Procedures



Fii attaches great importance to whistle-blower protection. It specifies provisions on identity protection and non-retaliation in the *Corporate Social Responsibility (CSR) Code of Conduct* to protect the legitimate rights and interests of whistle-blowers, such as personal rights, property rights, work rights, democratic rights and reputation rights. Besides, the *Measures for Reports and Complaints* clarifies that the Company should assign full-time personnel to manage the whistle-blower information, reporting clues and materials, and keep them confidential to prevent them from retaliation.

Anti-Corruption Prevention Training

To improve professional ethics and awareness of compliance with laws of regulations among employees, Fii provides all employees with training courses related to professional ethics and compliance in accordance with applicable laws and regulations, and internal rules, including face-to-face courses, integrity popularizing meetings, online compulsory courses and optional courses. Moreover, it popularizes integrity by erecting posters, and publishing relevant articles on its official website and official account, and organizes regular exams for evaluation to foster a clean and upright corporate culture.

Fii makes vigorous efforts to integrity culture education among all employees. For all new employees, Fii arranges online "honesty and integrity" courses, such as corporate integrity regulations, code of conduct for employees, and red lines of posts. Meanwhile Fii also held exams for integrity evaluation to ensure that all employees pay close attention to and participate in integrity construction. Moreover, Fii regularly organize activities such as integrity popularizing meetings and integrity education videos to strengthen the integrity awareness of employees at all levels continuously. Integrity training is targeted at all directly and indirectly-hired employees.

◆ 2021 Outcome of Honesty and Integrity Training for Employees



18. [Statistical Coverage] Total number of employees receiving anti-corruption training includes all regular and irregular employees (including dispatched employees, temporary employees, part-time employees and intern employees), so the total number of employees receiving anti-corruption training is bigger than the sum of (regular) employees at all levels.

19. [Statistical Coverage] The statistical data in the table above only involves domestic subsidiaries that have the employees with the ranks said (senior managers, middle-level managers, technicians and workers).

### Anti-Fraud Prevention Training

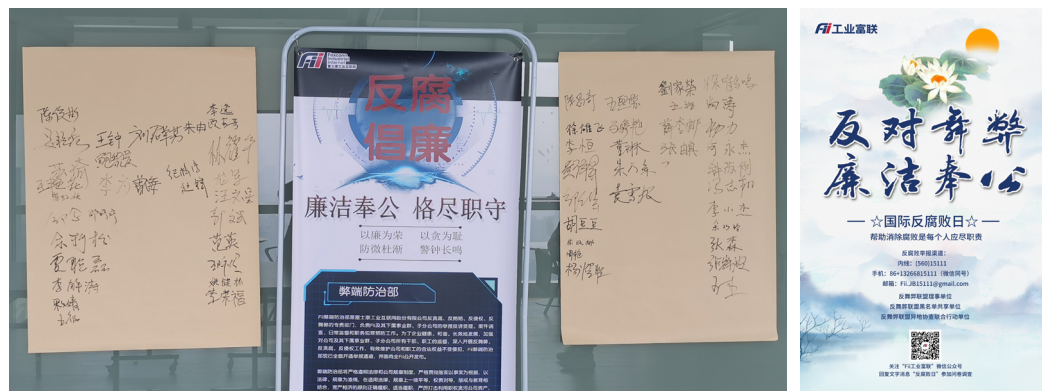


In the second half of 2021, Fii conducted online anti-fraud prevention training twice, and online and offline popularizing activities by issuing the integrity initiative and warm tips before holidays. Over 10,000 employees participated in training and online/offline activities.

### "Integrity and Integrity Promotion Month"



In December 2021, Fii launched the "Integrity and Honesty Popularizing Month" with various forms of activities to educate and train employees in integrity culture. To be specific, the Company designed integrity posters and questionnaires, pushed these posters and questionnaires through its WeChat official account and other media to present its integrity culture to shareholders, media, and suppliers, and enhance the corporate image; conducting on-site signature activities. Besides, it encouraged its employees to sign in the Integrity Initiative. On December 9 and 10, it erected signature boards in Nanshan and Longhua sites to encourage employees to express their determination of upholding integrity. Besides, the Company discussed with the Human Resource Department to organize integrity training activities which would be included in the training compulsory course of new employees in February, 2022. In the learning APP, it posted education videos, and arranged learning tasks and exams with corresponding class hours and credits.



### 2021 Anti-Corruption Training of the Cloud Computing Business Group



From September 10 to 30, 2021, the factories of the Cloud Computing business group in the Chinese mainland organized an online anti-corruption and anti-bribery education course for all employees. The manager engaging in legal affairs from the Fii Legal Affairs and Intellectual Property Department was invited to record a course covering anti-corruption and anti-bribery interpretation, national laws and regulations and Fii's rules, case study and disclosure of reporting channels. All members, including new recruits, were required to learn the course and take the exam at the learning platform (mobile APP or PC). As of December 2021, all employees from the factories in the Chinese Mainland completed their studies and exams, with 67,000 course views.

In August 2021, the factory of the Cloud Computing business group in Taiwan (China) organized RBA training related to labor, health and safety, environment, ethics, and management systems for all its employees.



### Business Ethics Audit

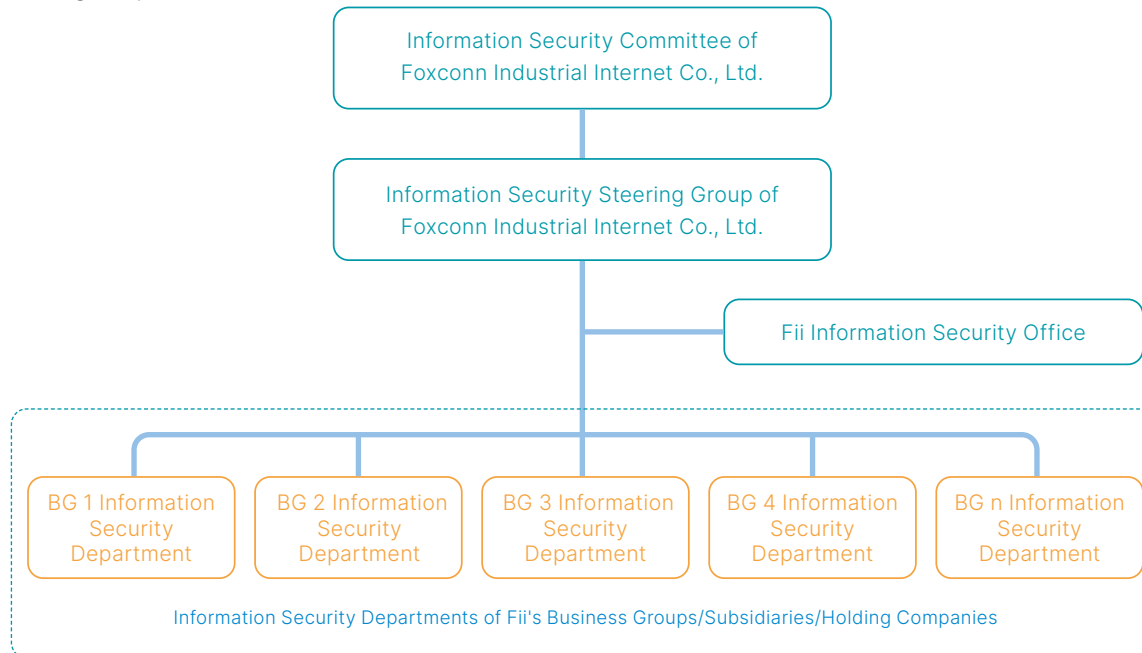
In order to promote the standard-based operation, and prevent and control risks, the audit department of the Company submits the annual internal audit report and the internal audit plan of next year to the Audit Committee under the Board of Directors after the end of each fiscal year. In 2021, internal audit covered all important business links of Fii, including but not limited to sales and collection, procurement and payment, inventory and cost management, fixed asset management, capital management, investment and financing management, human resource management, information system management and information disclosure management. In 2021 The annual internal legal entities audited includes Fii and its 20 subsidiaries. The sum of assets and income of audited entities accounted for over 85% of the total amount of the consolidated statements. Audit items involved the improvement and performance of regulations related to economic benefits, contracts, accounts receivable and engineering projects, such as anti-commercial bribery and conflicts of interest in the *Code of Conduct for Business Ethics*. The Company conducted effective rectification specific to problems found in audit, improved the regulations and procedures, and bettered the mechanism, drawing lessons from experience, in order to avoid repeated problems. In 2021, the Audit Department of Fii handled 16 reported cases totally, including 11 fraud cases and 5 non-fraud cases.

# Information Security

## Information Security Management System

Fii attaches great importance to the protection of its own information security and customer privacy. In accordance with national laws and regulations, such as the *Cyber Security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*, and international information security standards, such as ISO/IEC 27001:2013, it fulfills the obligations of cyber security protection, and collects and uses necessary personal information legally and properly.

Fii has established an information security management structure. In the structure, the Company takes full responsibility for information security, with Fii General Manager the first responsible person. Its information security organization consists of the Information Security Committee, the Information Security Steering Group, the Fii Information Security Office and the information security departments of business groups/subsidiaries/holding companies.



Fii has worked out a series of management regulations, such as the *Information Security White Paper*, the *Information Security Management Measures*,<sup>20</sup> the *Employee Handbook of Information and Cyber Security* and the *Information Security Policy*, establishing a full information security management system. This system covers human resource security, asset management, access control, password security, physical and environmental security, operation management, communication security, software development and maintenance, personal information security, supply chain security and information security incident management, which promotes the integration of information security into the business process, and implements information security management properly. Fii, its business groups, subsidiaries and holding companies are responsible for the security of information resources and information systems they manage, operate, and use.



20. The Information Security White Paper and the Information Security Management Measures will be released and take effect in 2022.

◆ Fii's Information Security Management Mechanism

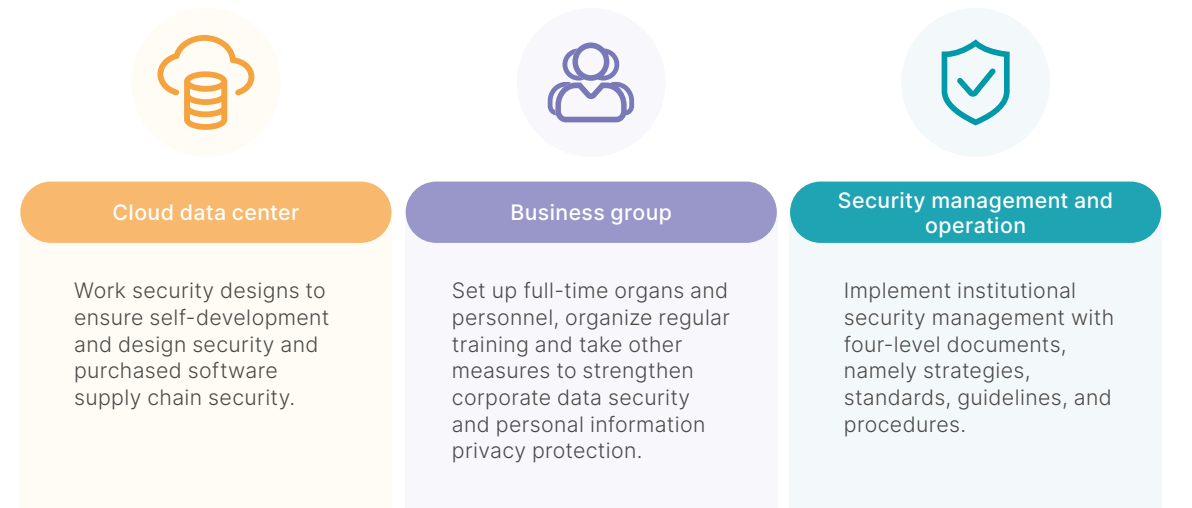
Functional levels	Responsibilities
<p>Information Security Office</p>	<ul style="list-style-type: none"> <li>• Communicate with the network security supervision authorities, and implement national cyber security laws, regulations and supervision requirements;</li> <li>• Comply with national laws, regulations, and standards, formulate and maintain the information security management regulations and norms of the Company, including security policies, strategies and standards;</li> <li>• Supervise the Company, its business groups, subsidiaries, and holding companies to implement the information security management regulations and norms to ensure the compliance of information security with laws and regulations;</li> <li>• Be responsible for information security audit of the Company, its business groups, subsidiaries and holding companies;</li> <li>• Implement the overall information security plans and major information security decisions of the Company;</li> <li>• Investigate and handle violations of information security policies and policies;</li> <li>• Be responsible for security monitoring, inspection, evaluation and management of the core networks, data centers, and public information resources of the Company;</li> </ul>
<p>Business groups, subsidiaries and holding companies should set up information security departments and assign information security supervisors.</p>	<ul style="list-style-type: none"> <li>• Implement the overall information security plans and major information security decisions of the Company;</li> <li>• Implement the information security management regulations and norms of the Company, including security policies, strategies and standards;</li> <li>• Investigate and handle their own violations of information security policies and policies;</li> <li>• Be responsible for the security management of their own information assets and information systems;</li> <li>• Inspect and evaluate the security of their own information assets, including applications, software and hardware, and implement security rectification;</li> <li>• Monitor the security of their own information networks and handle security incidents timely.</li> </ul>

People subject to information security management system include employees in Fii and all its business groups, subsidiaries, holding companies and other departments, and third-party personnel who have access to access Fii's information assets and information systems. By the end of 2021, 5 subsidiaries of Fii have passed ISO27001 system certification.

In order to ensure cyber environment security, the Company organizes its business groups to identify potential risks in information network security regularly according to their own business characteristics, and work out countermeasures. Risks identified by the company include ransomware, system vulnerabilities, phishing emails, physical and environmental security, and customer information security.

According to risk identification and management regulations, the Company designs an advanced information security plan for the three cyber security areas, namely cloud data centers, business groups, and security management and operation sections, to manage information security fully at three levels.

◆ Advanced Information Security Plan



Fii attaches great importance to the cyber security and privacy protection of itself and its customers. It conducts regular internal audits every year and third-party audits every six months specific to information security risks and takes rectification measures within specified time limit to protect privacy effectively.

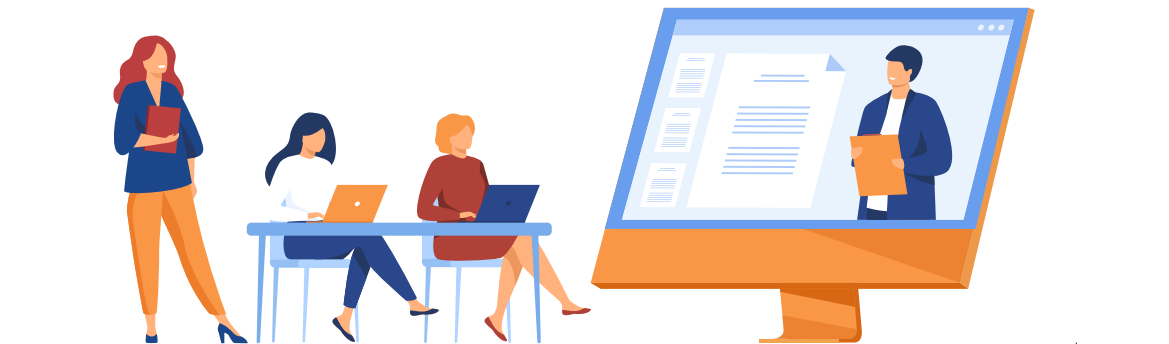
In 2021, Fii scanned vulnerabilities on servers accessible by the Internet in the DMZ(demilitarized zone/parameter network) by current audit methods. In the future, the Company will add other auditing methods such as penetration testing and code auditing. During the reporting period, Fii had no customer privacy disclosure incidents.

Audit method	Audit description	Audit item in 2021
Online audit	Check whether the actual operations online meet the information security management requirements, compare the collected evidence with the audit rules, and work out audit findings	
Field interview	Interview relevant personnel to master existing management practices and operation modes	<ul style="list-style-type: none"> <li>• Data backup planning and disaster drills</li> <li>• Information asset management</li> <li>• Terminal protection</li> <li>• Privilege management</li> <li>• Access control</li> <li>• Vulnerability scanning, system updates and patch operations</li> <li>• Information security incident management</li> <li>• Information security awareness building</li> </ul>
Self-evaluation form	Require factories to evaluate the maturity of the management measures and operation modes referring to the self-evaluation forms	
Document and system audit	Check whether the actual implementation of information security management meets the requirements of information security management by viewing relevant records and online systems	
Customer's audit	Check information security regularly, and make on-site audits from time to time by customers	

## Training and Security Drills

Fii keeps strengthening information security popularization. It organizes online and offline information security training, drills and evaluations for employees in terms of prevention from internal and external cyber attacks, intrusion, interference, destruction, illegal use and network operation accidents. In 2021, the Company conducted training related to cyber security and data privacy protection in order to not only prevent cyber security incidents, but also protect the private information of customers. The Company includes cyber security and data privacy protection in the training system specific to new employees. The Company organized 6,783 information security training activities for 397,474 employees. The Company organized 440 data privacy protection, training activities for 48,509 employees.

Training of general skills	Training of professional skills	Diversified training modes
<ul style="list-style-type: none"> <li>• Information security training dedicated to all employees</li> <li>• Internal phishing tests: require phished employees to receive additional training</li> <li>• Require employees that work as contacts with customers or have access to new products to receive information security training</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerability scanning training</li> <li>• Terminal protection training</li> <li>• Internal auditor training</li> <li>• ISO27001 introduction training</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber security quiz</li> <li>• Poster design contest</li> <li>• Cyber security knowledge contest</li> </ul>



21. [Statistical Coverage] All contract employees and all non-contract employees (including dispatched employees, temporary employees, part-time employees, and interns).

Fii has established a cyber simulation platform to carry out defense against attacks, information collection, analysis and mining, monitoring and evaluation, and personnel training. It can be used to cultivate talents of defense against cyber attacks, train cyber security skills and mount cyber security skills contests in order to significantly improve the security awareness and security skills of information personnel in Fii and its business groups, and enhance the overall information security competence of Fii. At present, the Fii simulation platform is being built and improved. It will be launched for training purpose in 2022.

### 2021 Information Security Policy Interpretation Training of the Information Security Office

In 2021, the Information Security Office of Fii organized training on interpretation and response to the *Data Security Law of the People's Republic of China* and the *Personal Information Protection Law of the People's Republic of China* in the form of video conference for the employees of Fii and its business groups.



### CSR Newsletter Information Security Promotion

In May 2021, Fii CSR Newsletter published an article titled "Rampant Ransomware, Prevent Attack". The article proposed a number of measures to call on all employees to protect corporate information security jointly. Measures: Do not download software from unknown sources; do not install software that has not been checked for security; do not open unknown files or links; keep updating system patches and security software virus databases timely; do not weak passwords; back up important data frequently.



### Lecture on Network Addiction Prevention and Anti-fraud Knowledge in Fii Shenzhen Factory

In order to strengthen the awareness of network addiction prevention and anti-fraud among all employees, the Human Resource Department of Fii Shenzhen Factory invited Mrs. Zhou Lijuan, the psychological consultant of the labor union of the Group, and the Police Commander of Foxconn Police Station to give offline lectures titled "Network Addiction Prevention, Focus on Health" and "Anti-fraud Education".



### Improvement of Information Security in Industrial Internet

The Fii Platform, as one of top ten national-level cross-industry and cross-field industrial internet platforms, serves multiple industries such as automobiles, electronics manufacturing, light industry, and technology services. In 2021, the Company joined the 5G Industry Professional Committee of Shenzhen Federation of Industry Transformation, Upgrading and Transfer to promote the development of the 5G application industry together.

In 2021, the Fii Platform participated in the industrial internet security program led by the Ministry of Industry and Information Technology to design and build security capabilities catering to different security protection capability needs. Building on the actual framework of the Fii Platform and possible information risks, the program aims to design and build security protection capabilities in the principle of "proximal deployment and similar functions" according to the security protection capability needs at different levels. Targeting at security protection capability needs at different levels, Fii has developed deep cooperation with a number of leading information security suppliers. As a leading manufacturer and a core enterprise of the supply chain, Fii brings a certain industry-driving effect for its participation in this program. The introduction of the security protection system into the Fii Platform will directly drive the upstream and downstream enterprises and partners of the Fii supply chain to conduct business collaboration following the advanced security protection standard and framework. The Company will promote the industry to align to the advanced security protection concepts so as to enhance the overall security protection competence of the industry.



# 07 Performance and Appendix

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# Key Quantitative Performance Table

## Economy<sup>1</sup>

Indicators	Unit	2020	2021
Gross operating revenue	100 million yuan	4,317.86	4,395.57
Operating profit	100 million yuan	197.16	223.98
Total profit	100 million yuan	197.46	223.18
Net profit	100 million yuan	174.27	200.25
Other comprehensive income, net of tax	100 million yuan	-2.04	-4.42
Total assets	100 million yuan	2,255.14	2,666.09
Total tax	100 million yuan	30.93	28.27
Expenses of employee wages and benefits	100 million yuan	230.22	252.73
Government subsidy	100 million yuan	15.78	13.71
Loan interest paid to creditors	100 million yuan	5.89	4.92
Basic earnings per share	Yuan	0.88	1.01
Social contribution value per share <sup>2</sup>	Yuan	2.23	2.46
Total investment in EHS	100 million yuan	3.91	4.42

1. [Statistical Coverage] Consolidated financial statements in 2021 Fii Annual Report.

2. [Calculation Method] Social contribution value per share = earnings per share + (total tax amount paid + expenses for employees + interest expense + total public welfare investment - social cost)/total share capital at the end of the period.

## Supply Chain Management

Indicators	Unit	2020	2021	
Total number of key suppliers	/	661	996	
By region	Suppliers in the Chinese mainland	/	574	671
	Suppliers in Hong Kong, Macau, Taiwan (Chinese) and overseas	/	87	275
	Others <sup>3</sup>	/	0	50
Number of suppliers receiving SER risk evaluation among key suppliers	/	546	493	
Number of suppliers with medium and high risks at SER risk evaluation among key suppliers	/	165	92	
Number of suppliers with medium and high risks that have received on-site audits	/	115	80	
Number of suppliers that have completed rectification (deficiency closure) after on-site audits	/	107	69	
Total number of new suppliers	/	18	130	
Number of new suppliers audited according to the environmental and social standards	/	7	86	
Proportion of new suppliers audited according to the environmental and social standards	%	39	66	

3. Some subsidiaries have not yet counted the number of suppliers by region, and these suppliers are classified into "other".

## Employment<sup>4</sup>

Indicators		Unit	2020	2021
Total number of employees		/	196,159	191,970
By gender	Male	/	117,323	114,331
	Female	/	78,836	77,639
By age group	< 30	/	79,277	73,820
	30-50	/	113,128	115,303
	> 50	/	3,754	2,847
By business region	Chinese mainland	/	155,534	151,198
	Hong Kong, Macau, Taiwan (China) and Overseas	/	40,625	40,772
By education level	Doctor	/	115	100
	Master	/	3,711	3,556
	Bachelor	/	21,004	20,577
	College and below	/	171,329	167,737
Total number of new employees		/	51,322	51,011
By gender	Male	/	28,387	27,797
	Female	/	22,935	23,214
By age group	< 30	/	33,241	32,342
	30-50	/	17,794	18,415
	> 50	/	287	254

Indicators		Unit	2020	2021
Turnover rate by gender <sup>5</sup>	Male	%	-	23.69
	Female	%	-	25.27
Turnover rate by age group	< 30	%	-	27.98
	30-50	%	-	21.90
	> 50	%	-	20.59
Number of male employees in the management		/	-	17,195
Number of female employees in the management		/	-	3,815
Proportion of promoted senior male managers <sup>6</sup>		%	-	20.53
Proportion of promoted senior female managers		%	-	10.87
Proportion of promoted middle-level male managers		%	-	31.99
Proportion of promoted middle-level female managers		%	-	28.18
Promotion of promoted male professional technicians		%	-	25.98
Promotion of promoted female professional technicians		%	-	21.00
Promotion of male operators		%	-	19.90
Promotion of female operators		%	-	17.47
Proportion of vacancies filled by internal employees		%	-	9.19

4. [Statistical Coverage] Consolidated financial statements in 2021 Fii Annual Report

5. [Calculation Method] Employee turnover rate = the number of employees lost during the year/(the total number of employees retained at the end of the year + the number of employees lost during the year).

6. [Statistical Coverage] Statistical data related to promotion proportions of different ranks (senior managers, middle-level managers, professional technicians and operators) only covers domestic subsidiaries.

## Employee Health and Safety<sup>7</sup>

Indicators	Unit	2020	2021
Coverage of employees receiving physical examinations	%	100	100
Number of work-related injuries	/	173	278
Death rate due to work-related injuries <sup>8</sup>	Employee/one million man-hours	-	0.004
work-related injury rate with serious consequence	Time/one million man-hours	-	0.058
work-related injury rate with serious consequence	Time/one million man-hours	0.42	0.56
Working hours lost due to work-related injuries	Hour	-	120,215.75

7. [Statistical Coverage] Fii Headquarters, Communication and Mobile Network Equipment Business Group, Cloud Computing Business Group, and Industrial Internet Business Group.

8. [Notes] The Death caused by work-related injuries in 2021 is commuting traffic accidents of off-site employees; the company has continued to publicize traffic safety knowledge to employees in the past, and will strengthen safety publicity efforts and enhance employees' safety awareness in the future.

## Employee Training<sup>9</sup>

Indicator	Unit	2020	2021
Training frequency per capita (male employees) <sup>10</sup>	/	-	19
Training frequency per capita (female employees)	/	-	15
Training frequency per capita (senior managers)	/	-	28
Training frequency per capita (middle-level managers)	/	-	19
Training frequency per capita (professional technicians)	/	-	24
Training frequency per capita (operators)	/	-	12
Number of trainees attending the Excellent Cadre Training Class	/	-	2,371
Number of trainees receiving human rights training	/	555,881	423,384
Total hours of human rights training	Hour	1,154,280	601,682
Number of trainees receiving privacy protection training	/	536,250	434,418

Indicator	Unit	2020	2021
Total hours of privacy protection training	Hour	788,403	538,398
Number of trainees receiving anti-corruption training	/	415,174	388,548
Total hours of anti-corruption training	Hour	475,636	421,605
Total number of employees receiving anti-corruption training <sup>11</sup>	/	-	287,423
Number of senior managers receiving anti-corruption training <sup>12</sup>	/	-	1,372
Number of middle-level managers receiving anti-corruption training	/	-	15,522
Number of professional technicians receiving anti-corruption training	/	-	40,158
Number of operators receiving anti-corruption training	/	-	227,753
Frequency of cyber security training	/	-	6,783
Frequency of data privacy protection training	/	-	440

9. [Statistical Coverage] All contract employees and all non-contract employees (including dispatched employees, temporary employees, part-time employees, and interns).

10. [Statistical Coverage] The statistical data in the table above only involves domestic subsidiaries that have the employees with the ranks said (senior managers, middle-level managers, professional technicians and operators).

11. [Statistical Coverage] All contract employees and all non-contract employees (including dispatched employees, temporary employees, part-time employees, and interns).

12. [Statistical Coverage] The statistical data in the table above only involves domestic subsidiaries that have the employees with the ranks said (senior managers, middle-level managers, professional technicians and operators).

## Environment<sup>13</sup>

Indicators	Unit	2020 <sup>14</sup>	2021
Total greenhouse gas emissions (Scopes 1 and 2) <sup>15</sup>	Ton of carbon dioxide equivalent	1,752,442.42	2,163,517.71
Greenhouse gas emission intensity (Scopes 1 and 2)	Ton of carbon dioxide equivalent/100 million yuan of the operating income	406	492



Indicators	Unit	2020 <sup>14</sup>	2021
Total greenhouse gas emissions (Scope 1)	Ton of carbon dioxide	57,297.52	58,965.75
Total greenhouse gas emissions (Scope 2)	Ton of carbon dioxide equivalent	1,695,144.89	2,104,551.96
Total greenhouse gas emissions (Scope 3)	Ton of carbon dioxide equivalent	10,957,075.42	13,231,717.58
Electric power consumption	kWh	2,649,770,644.46	3,317,366,440.92
Electric power consumption intensity	kWh/100 million yuan of the operating income	613,677	754,706
Gasoline consumption	L	287,427.89	545,183.67
Diesel consumption	L	403,522.76	639,262.12
Natural gas consumption	10,000 Nm <sup>3</sup>	1,961.22	2,102.03
Heat consumption	GJ	145,933.29	183,637.03
Solar power consumption <sup>16</sup>	MWh	23,486	40,556
Steam energy consumption	kWh	162,993,262.47	173,996,259.13
Total energy consumption	GJ	11,160,254.84	13,775,332.80
Energy consumption intensity	GJ/100 million yuan of the operating income	2,585	3,134
Water consumption	Ton	21,114,770.39	24,170,519.36
Water consumption intensity	Ton/100 million yuan of the operating income	4,890	5499
SOx (sulfur oxide) emissions	Ton	21.45	25.28
NOx (nitrogen oxide) emissions	Ton	24.62	24.69
VOC (volatile organic compound) emissions	Ton	171.51	15.56
Particulate matter emissions	Ton	79.09	76.96
Total industrial wastewater	Ton	5,404,545	6,753,223
Total volume of general industrial solid waste	Ton	103,953	147,438
Volume of reused materials	Ton	30,667	35,008
Volume of recycled materials	Ton	471	2,040
Volume of domestic and office waste	Ton	14,160	26,208

Indicators	Unit	2020 <sup>14</sup>	2021
Recycling volume of general industrial solid waste	Ton	91,472	129,734
Recycling rate of general industrial solid waste	%	87.99	87.99
Total transfer volume of hazardous waste	Ton	34,203	51,962
Recycling volume of hazardous waste	Ton	17,303	27,566
Recycling rate of hazardous waste	%	50.59	53.05

13. [Statistical Coverage] Fii Headquarters, Communication and Mobile Network Equipment Business Group, Cloud Computing Business Group, and Industrial Internet Business Group.

14.[Statistical Coverage] The statistical coverage of environmental data in 2020, in addition to greenhouse gas emissions (scopes 1, 2, and 3), energy consumption (electricity power, gasoline, diesel, natural gas, solar power, heat, steam energy) and water consumption, are based on 2020 Fii CSR Report.

In 2021, the company re-calculate the 2020 greenhouse gas emissions (scopes 1, 2, and 3), energy consumption (electricity power, gasoline, diesel, natural gas, solar power, heat, steam energy) and water consumption data. As a result, the data has changed from the 2020 report.

15. [Calculation Method] Total greenhouse gas emissions in Scope 1: direct greenhouse gas emissions from gasoline consumption of self-owned vehicles; total greenhouse gas emissions in Scope 2: indirect greenhouse gas emissions generated from electric power purchased by the Company. Calculations are made referring to the average emission factor of the power grids nationwide unveiled by the National Development and Reform Commission in 2015 and the "Urban Greenhouse Gas Accounting Tool 2.0" released by the World Resources Institute.

Since the statistical coverage of the data in 2021 is wider than that in 2020, the data such as the volume of recycle materials and the volume of domestic and office waste will change greatly.

16. [Statistical Coverage] The statistical coverage for energy (electric power, gasoline etc.,) is consistent with the scope of the reporting boundary in 2021. The statistical coverage of solar energy data is covers from multiple factories in Shanghai, Nanning, Longhua, etc., and it is summated by the actual power generation and installed capacity estimates. In the future, we will further expand the statistical coverage of other energy sources.

## Public Welfare<sup>17</sup>

Indicators	Unit	2020 <sup>18</sup>	2021
Public welfare funding and supplies <sup>19</sup>	10,000 yuan	2,674	13,495
Investment in rural revitalization	10,000 yuan	187	134
Number of volunteers	/	42,597	31,168
Accumulative hours of employee volunteering services	Hour	291	3,266
Number of jobs offered to poverty-stricken households registered	/	4	4,329
Number of poor/disabled people receiving assistance from the Company	/	-	1,100

17. [Statistical Coverage] Fii Headquarters, Communication and Mobile Network Equipment Business Group, Cloud Computing Business Group, and Industrial Internet Business Group.

18. [Statistical Coverage] The data of public welfare in 2020 adopts the statistical coverage of "Fii 2020 Corporate Social Responsibility Report". In 2021, Fii donated 130 million yuan to support post-disaster reconstruction in the flood disaster events in Henan and Shanxi provinces. Therefore, the public welfare investment in 2021 has a great increase compared with that in 2020.

19. [Statistical Coverage] Consolidated financial statements in 2021 Fii Annual Report.



# Appendixes Benchmarking Index Tables

## GRI Standards Index

	Indicators in GRI Standard	Disclosure Indicators	Chapters
Organizational Profile	102-1	Name of the Organization	1 About Fii
	102-2	Activities, Brands, Products and Services	1 About Fii
	102-3	Location of the Headquarters	1 About Fii
	102-4	Location of Operations	1 About Fii
	102-5	Ownership and Legal Form	1 About Fii
	102-6	Markets Served	1 About Fii
	102-7	Scale of the Organization	1 About Fii
	102-8	Information about Employees and Other Operators	5 Reliable Employer
	102-9	Supply Chain	6 Advocate for Sustainable Procurement
	102-10	Significant Changes to the Organization or its Supply Chain	6 Advocate for Sustainable Procurement
	102-11	Precautionary Principle or Approach	8.2 Overall Risk Management
	102-12	External Initiatives	5.2 Rights and Interests of Commercial Labor
	102-13	Membership of Association	3.3 R&D and Innovation Management System 8.4 Anti-corruption Policy and Business Ethics 8.5 Information Security
Strategy	102-14	Statement from the Senior Decision-maker	Message from the Chairman Message from the CEO and President of CSR Committee
	102-15	Key Impacts, Risks and Opportunities	8.2 Overall Risk Management
Ethics and Integrity	102-16	Values, Principles, Standards and Norms of Behavior	1 About Fii
	102-17	Mechanisms for Advice and Concerns about Ethics	8.1 Corporate Governance Structure

	Indicators in GRI Standard	Disclosure Indicators	Chapters	
Governance	102-18	Governance Structure	8.1 Corporate Governance Structure	
	102-19	Delegating Authority	2 Sustainable Development Strategy	
	102-20	Executive-level Responsibility for Economic, Environmental, and Social Topics	2 Sustainable Development Strategy	
	102-21	Consulting Stakeholders on Economic, Environmental, and Social Topics	2 Sustainable Development Strategy	
	102-22	Composition of Top Governance Body and Composition of its Committees	8.1 Corporate Governance Structure	
	102-23	Chair of the Highest Governance Body	2021 Annual Report of Foxconn Industrial Internet Co., Ltd. Chapter 4 Corporate Governance	
	102-24	Nominating and Selecting the Highest Governance Body	8.1 Corporate governance structure	
	102-25	Conflicts of Interest	2021 Annual Report of Foxconn Industrial Internet Co., Ltd. Chapter 4 Corporate Governance	
	102-26	Role of the Highest Governance Body in Setting Purpose, Values and Strategy	8.1 Corporate Governance Structure	
	102-29	Identifying and Managing Economic, Environmental, and Social Impacts	2 Sustainable Development Strategy	
	102-30	Effectiveness of Risk Management Process	8.2 Overall Risk Management	
	102-32	Highest Governance Body's Role in Sustainability Reporting	2 Sustainable Development Strategy	
	102-35	Remuneration Policies	2021 Annual Report of Foxconn Industrial Internet Co., Ltd. Chapter 4 Corporate Governance	
	Stakeholder Engagement	102-40	List of Stakeholder Groups	2.3 Communication with Stakeholders
		102-41	Collective Bargaining Agreement	5.2 Rights and Interests of Commercial Labor
102-42		Identification and Selection of Stakeholders	2.3 Communication with Stakeholders	
102-43		Approach to Stakeholder Engagement	2.3 Communication with Stakeholders	
102-44		Main Issues and Concerns Raised	2.4 Analysis of Material Issues	



Indicators in GRI Standard	Disclosure Indicators	Chapters	
Reporting Practice	102-45	Entities Included in Consolidated Financial Statements	Report Preparation Instructions
	102-46	Definition of Report Content and Topic Boundaries	2.4 Analysis of Material Issues
	102-47	List of Material Issues	2.4 Analysis of Material Issues
	102-48	Restatements of Information	None
	102-49	Changes in Reporting	Report Preparation Instructions
	102-50	Reporting Period	Report Preparation Instructions
	102-51	Date of Most Recent Report	Report Preparation Instructions
	102-52	Reporting Cycle	Report Preparation Instructions
	102-53	Contact Point for Questions Regarding the Report	Report Preparation Instructions
	102-54	Claims of Reporting in Accordance with the <i>GRI Standards</i>	Report Preparation Instructions
	102-55	GRI Content Index	11 Benchmarking Index Tables
	102-56	External Assurance	10 Assurance Statement
Management Approach	103-1	Explanation of the Material Topic and its Boundary	2.4 Analysis of Material Issues
	103-2	The Management Approach and its Components	Stated in Significant Issues
	103-3	Evaluation of the Management Approach	Stated in Significant Issues
Economic Performance	201-1	Direct Economic Value Generated and Distributed	1 About Fii
	201-2	Financial Implications and Other Risks and Opportunities Due to Climate Change	Special Topic: Strategy of Global Response to Carbon Neutrality
	201-3	Defined Benefit Plan Obligations and Other Retirement Plans	<i>2021 Annual Report of Foxconn Industrial Internet Co., Ltd.</i> Chapter 10 Financial Report
	201-4	Financial Subsidies Received from Government	1 About Fii
Market Performance	202-1	Ratios of Standard Entry Level Wage by Gender Compared to Local Minimum Wage	5.1 Talent Attraction and Retention
Indirect Economic Impact	203-2	Significant Indirect Economic Impacts	7 Builder of a Better Society
Procurement Practice	204-1	Proportion of Spending on Local Suppliers	7.1 Prosperous Regional Economy
Anti-corruption	205-2	Communication and Training about Anti-Corruption Policies and Procedures	8.4 Anti-corruption Policy and Business Ethics
	205-3	Confirmed Incidents of Corruption and Actions Taken	8.4 Anti-corruption Policy and Business Ethics
Tax	207-1	Approach to Tax	8.3 Tax Policy
	207-2	Tax Governance and Control, and Risk Management	8.2 Overall Risk Management

Indicators in GRI Standard	Disclosure Indicators	Chapters	
Energy	302-1	Energy Consumption within the Organization	4.2 Resource Management
	302-2	Energy Consumption outside the Organization	6.2 Green Supply Chain
	302-3	Energy Intensity	4.2 Resource Management
	302-4	Reduction of Energy Consumption	4.2 Resource Management
	302-5	Reduction in Energy Requirements in Products and Services	3 Pioneer of Green Reform and Innovation
Water and Effluents	303-1	Interactions with Water as a Shared Resource	4.2 Resource Management
	303-2	Management of Water Discharge-related Impacts	<i>2021 Annual Report of Foxconn Industrial Internet Co., Ltd.</i> Chapter 5 Environmental and Social Responsibility
	303-3	Water Withdrawal	9 Key Quantitative Performance Tables
	303-4	Water Discharge	<i>2021 Annual Report of Foxconn Industrial Internet Co., Ltd.</i> Chapter 5 Environmental and Social Responsibility
Emissions	305-1	Direct (Scope 1) Greenhouse Gas Emissions	Special Topic: Strategy of Global Response to Carbon Neutrality
	305-2	Energy Indirect (Scope 2) Greenhouse Gas Emissions from Energy	Special Topic: Strategy of Global Response to Carbon Neutrality
	305-3	Other Indirect (Scope 2) Greenhouse Gas Emissions	Special Topic: Strategy of Global Response to Carbon Neutrality
	305-4	Greenhouse Gas Emission Intensity	9 Key Quantitative Performance Tables
	305-5	Reduction of Greenhouse Gas Emissions	9 Key Quantitative Performance Tables
Environmental Compliance	305-7	Nitrogen Oxides (NOX), Sulfur Oxides (SOX), and Other Significant Air Emissions	9 Key Quantitative Performance Tables
	307-1	Non-compliance with Environmental Laws and Regulations	No Violations of Environmental Laws and Regulations
Supplier Environmental Assessment	308-1	New Suppliers That Were Screened According to Environmental Criteria	6.1 Responsible Supply Chain
	308-2	Negative Environmental Impact from the Supply Chain and Actions Taken	6 Advocate for Sustainable Procurement



Indicators in GRI Standard	Disclosure Indicators	Chapters
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	401-2 Benefits Provided to Full-time Employees that are not Provided to Temporary or Part-time Employees	5.1 Talent Attraction and Retention 9 Key Quantitative Performance Tables
	401-3 Parental Leaves	5.1 Talent Attraction and Retention
Labor/Management Relations	402-1 Minimum Notice Period regarding Operation Changes	5.2 Rights and Interests of Commercial Labor
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	403-2 Hazard Identification, Risk Assessment and Incident Investigation	5.4 Occupational Health and Safety
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	403-4 Worker Participation, Consultation, and Communication on Occupational Health and Safety	5.4 Occupational Health and Safety
	403-5 Worker Training on Occupational Health and Safety	5.4 Occupational Health and Safety
	403-6 Promotion of Operators' Health	5.4 Occupational Health and Safety
	403-7 Prevention and Mitigation of Occupational Health and Safety Impacts Directly Linked by Business Relationships	5.4 Occupational Health and Safety
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	403-9 Work-related Injuries	5.4 Occupational Health and Safety
	403-10 Work-related Ill Health	5.4 Occupational Health and Safety
Training and Education	404-1 Average Hours of Training per Year per Employee	5.3 Talent Development
	404-2 Programs for Upgrading Employee Skills and Transition Assistance Programs	5.3 Talent Development
	404-3 Percentage of Employees Receiving Regular Performance and Career Development Reviews	5.3 Talent Development
Diversity and Equal Opportunity	405-1 Diversity of Governance Bodies and Employees	5.1 Talent Attraction and Retention
	405-2 Ratio of Basic Salary and Remuneration of Women to Men	5.1 Talent Attraction and Retention
Non-discrimination	406-1 Incidents of Discrimination and Corrective Actions Taken	5.1 Talent Attraction and Retention 5.2 Rights and Interests of Commercial Labor
Reedom of Association and Collective Bargaining	407-1 Operations and Suppliers in Which the Right to Freedom of Association And Collective Bargaining may be at Risk	5.2 Rights and Interests of Commercial Labor
Child Labor	408-1 Operations and Suppliers at Significant Risk for Incidents of Child Labor	5.1 Talent Attraction and Retention 5.2 Rights and Interests of Commercial Labor

Indicators in GRI Standard	Disclosure Indicators	Chapters
Forced or Compulsory Labor	409-1 Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labor	5.1 Talent Attraction and Retention 5.2 Rights and Interests of Commercial Labor
Security Practice	410-1 Security Personnel Trained in Human Rights Policies or Procedures	5.2 Rights and Interests of Commercial Labor
Human Rights Assessment	412-1 Operations that Have been Subject to Human Rights Reviews or Impact Assessments	5.2 Rights and Interests of Commercial Labor
	412-2 Employee Training on Human Rights Policies or Procedures	5.2 Rights and Interests of Commercial Labor
	412-3 Significant Investment Agreements and Contracts That Include Human Rights Clauses or that Underwent Human Rights Screening	5.2 Rights and Interests of Commercial Labor
Local Communities	413-1 Operations with Local Community Engagement, Impact Assessments, and Development Programs	7 Builder of a Better Society
	413-2 Operations with Significant Actual and Potential Negative Impact on Local Communities	N/A
Supplier Social Assessment	414-1 New Suppliers that were Screened According to Social Criteria	6.1 Responsible Supply Chain
	414-2 Negative Social Impact in the Supply Chain and Actions Taken	6.1 Responsible Supply Chain
Customer Health and Safety	416-1 Assessment of the Health and Safety Impact of Product and Service Categories	3 Pioneer of Green Reform and Innovation
	416-2 Incidents of Non-compliance Concerning the Health and Safety Impact of Products and Services	No Violations
Marketing and Labeling	417-1 Requirements for Product and Service Information and Labeling	3.1 Environmentally-friendly Green Products
	417-2 Incidents of Non-compliance Concerning Product and Service Information and Labeling	No Violations
	417-3 Incidents of Non-compliance Concerning Marketing Communications	No Violations
Customer Privacy	418-1 Substantiated Complaints Concerning Breaches of Customer Privacy and Loss of Customer Data	8.5 Information Security
Socioeconomic Compliance	419-1 Non-compliance with Laws and Regulations in the Social and Economic Area	No Violations

## Benchmarking Index: Guidelines of Shanghai Stock Exchange on Self-discipline Supervision of Listed Companies - No. 1 Document: Standard-based Operation (2022) Released by Shanghai Stock Exchange

Terms and Disclosure		Chapters
8.1 Overview		2 Sustainable Development Strategy
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8.3 Social Responsibility Planning and Working Mechanism		2 Sustainable Development Strategy
8.4 Social Contribution Value per Share		1 About Fii
8.5 Disclosure of Social Responsibility Report		1 About Fii 2 Sustainable Development Strategy 3 Pioneer of Green Reform and Innovation 4 Supporter of Harmonious Ecology 5 Reliable Employer 6 Advocate for Sustainable Procurement 7 Builder of a Better Society 8 Corporate Governance and Operations
8.6: (1)	Development of Social Responsibility System	2 Sustainable Development Strategy
8.6: (2)	Deficiencies and Problems in Fulfilling Social Responsibility	2 Sustainable Development Strategy
8.6: (3)	Improvement Measures and Schedule	2 Sustainable Development Strategy
8.7: Selection and Appointment Mechanism of Directors and Supervisors		/
8.8: (1)	Compliance with Environmental Protection Laws and Regulations and Industrial Standards	3 Pioneer of Green Reform and Innovation 4 Supporter of Harmonious Ecology
8.8: (2)	Environmental Protection Program	4 Supporter of Harmonious Ecology
8.8: (3)	Management of Natural Resources	4.2 Resource Management
8.8: (4)	Pollutant Disposal	4.3 Emission Management 4.4 Chemical Management
8.8: (5)	Pollution Prevention and Control Facilities	4.3 Emission Management 4.4 Chemical Management
8.8: (6)	Taxes and Fees Related to Environmental Protection	4.1 Environmental Management System
8.8: (7)	Supply Chain Environmental Security	6.2 Green Supply Chain
8.8: (8)	Other Environmental Protection Responsibilities	3 Pioneer of Green Reform and Innovation 4 Supporter of Harmonious Ecology

Terms and Disclosure		Chapters
8.10: (1)	New, Reconstruction or Expansion Projects or Major Investment	2021 Annual Report of Foxconn Industrial Internet Co., Ltd.
8.10: (2)	Violations of Environmental Laws and Regulations and Penalties	No Violations of Environmental Laws and Regulations
8.10: (3)	Major Lawsuits on Environmental Issues or Seal-up, Freezing, Sequestration, Pledge and Mortgage of Assets	None
8.10: (4)	List of Key Pollutant Discharge Organs	2021 Annual Report of Foxconn Industrial Internet Co., Ltd.
8.10: (5)	Impact of New Laws and Regulations on the Company	5.4 Occupational Health and Safety
8.10: (6)	Major Environmental Protection Events	No Major Incidents of Environmental Protection
8.11 Major Environmental Pollution Accidents		No Major Accidents of Environmental Pollution
8.12 Information to be Disclosed by Key Pollutant Discharge Organs		2021 Annual Report of Foxconn Industrial Internet Co., Ltd.
8.13: (1)	Product Safety Laws and Regulations and Industrial Standards	3 Pioneer of Green Reform and Innovation 4 Supporter of Harmonious Ecology
8.13: (2)	Production Environment and Production Process	3.2 Strategy and Application of Clean Technology
8.13: (3)	Product Quality Safety Guarantee Mechanism and Accident Emergency Response Plan	3.1 Environmentally-friendly Green Products
8.13: (4)	Other Production and Product Safety Responsibilities	3.1 Environmentally-friendly Green Products
8.14: (1)	Employee Management System and Measures for Violations	5.1 Talent Attraction and Retention
8.14: (2)	Prevention of Occupational Hazards and Safety Measures	5.4 Occupational Health and Safety
8.14: (3)	Employee Training	5.3 Talent Development
8.14: (4)	Other Employee Right Protection Responsibilities	5 Reliable Employer
8.15 Scientific Ethics		3 Pioneer of Green Reform and Innovation

## List of Subsidiaries for the CSR Report

No.	Subsidiaries
1	Guoji Electronics (Shanghai) Co., Ltd.
2	Baijiatai Information Technology (Beijing) Co., Ltd.
3	Fii Science and Technology (Jiyuan) Co., Ltd.
4	Focus PC Enterprises Limited
5	Fii Tonghe Electronics (Hangzhou) Co., Ltd.
6	Nanning Fii Fugui Precision Industry Co., Ltd.
7	Fii Fuyi Precision Industry (Dongguan) Co., Ltd.
8	Henan Yuzhan Precision Technology Co., Ltd.
9	Jincheng Futaihua Precision Electronics Co., Ltd.
10	Futaihua Precision Electronics (Zhengzhou) Co., Ltd.
11	Hongfujin Precision Electronics (Tianjin) Co., Ltd.
12	Shenzhen Fii Fugui Precision Industry Co., Ltd.
13	Chengdu Fii Zhunren Technology Co., Ltd.
14	Jincheng Fii Hongren Technology Co., Ltd.
15	Zhengzhou Fii Hongren Technology Co., Ltd.
16	Shenzhen Yuzhan Precision Technology Co., Ltd.
17	Hongfujin Precision Electronics (Guiyang) Co., Ltd.
18	Baichang Technology Service (Tianjin) Co., Ltd.
19	Fuhuake Precision Industry (Shenzhen) Co., Ltd.
20	Fii Science and Technology (Shanxi) Co., Ltd.
21	Chongqing Fugui Electronics Co., Ltd.
22	Fii Science and Technology (Hebi) Co., Ltd.
23	Fii Science and Technology (Wuhan) Co., Ltd.
24	Cloud Network Technology Singapore Pte. Ltd.
25	Ingrasys (Singapore) Pte. Ltd.
26	Cloud Network Technology Kft

No.	Subsidiaries
27	Funing Precision Component Co., Ltd.
28	Fuhong Precision Component (Bac Giang) Limited
29	Foxconn Technology (India) Private Limited
30	Japan Yuzhan Trading Co., Ltd.
31	Scientific Atlanta de Mexico S. de R.L de C.V.
32	Foxconn Technology CZ s.r.o.
33	Foxconn CZ s.r.o.
34	NSG Technology Inc.
35	Ingrasys Technology USA Inc.
36	PCE Paragon Solutions (USA) Inc.
37	Foxconn Assembly LLC
38	NWEA LLC
39	Cloud Network Technology USA Inc.
40	Hongbai Science and Technology Co., Ltd.
41	Shenzhen Jingjiang Yunchuang Technology Co., Ltd.
42	Likom De Mexico De C.V-Mexico
43	Shenzhen Fii Intelligent Manufacturing Industry Innovation Center Co., Ltd.
44	Fii Hongzhahui Technology (Shenzhen) Co., Ltd.
45	Fii Fuji Cloud (Shenzhen) Technology Co., Ltd.
46	Fii Science and Technology (Lankao) Co., Ltd.
47	FII USA Inc
48	Jincheng Hongshuo Smart Technology Co., Ltd.
49	Shenzhen Fii Smart Valley Industrial Internet Innovation Center Co., Ltd.
50	Jincheng Hongzhi Nano-Optical Electromechanical Research Institute Co., Ltd.

No.	Subsidiaries
51	Jincheng Foxconn Intelligent Manufacturing Vocational Training School Co., Ltd.
52	Fuzhizao (Fujian) Digital Technology Co., Ltd.
53	Fii (Hangzhou) Information Technology Co., Ltd.
54	Fuyu Precision Components Co., Ltd.
55	Hengyang Fii Smart Valley Co., Ltd.
56	Safe DX s.o.r.
57	LEAPSY INTERNATIONAL LTD
58	Shenzhen Yubo Advanced Technology Co., Ltd.
59	Foshan Fii Smart Valley Co., Ltd.
60	Fuhong Cloud Computing (Tianjin) Co., Ltd.
61	Foshan Fii Smart Valley Industry Demonstration Base Co., Ltd.
62	Foshan Fii Smart Valley Innovation Center Co., Ltd.
63	Hengyang Yuzhan Precision Technology Co., Ltd.
64	Fii Science Technology (Zhoukou) Co., Ltd.

# Assurance Statement



## Independent Assurance Statement

### Introduction:

TÜV Rheinland (Guangdong) Ltd., member of TÜV Rheinland Group, Germany (hereinafter "TÜV", "We") has been entrusted by the management of Foxconn Industrial Internet Co., Ltd. (hereinafter "Fii", "the Company") to conduct independent assurance of 2021 Corporate Social Responsibility report (hereinafter "the Report"). All contractual contents for this assurance engagement rest entirely within the responsibility of Fii. Our task was to give a fair and adequate judgment on the Report.

The intended users of this assurance statement are stakeholders having relevance to the Fii overall Sustainability Performance and impacts of its business activities during 2021 (1 January 2021 ~ 31 December 2021). TÜV Rheinland is a global service provider of Corporate Social Responsibility (CSR) & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement, and not been involved in the preparation of the Report contents.

### Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, UK Standard AA1000AS v3, covering defined principles of Inclusivity, Materiality, Responsiveness and Impact.

### Scope & Type of Assurance:

Our Assurance engagement covers the following:

- Global Reporting Initiative (GRI), and in accordance with "Core" option reporting guidelines as per GRI-Standards, and information and data related to economics, environment & social, and material topics and sustainability performance disclosed in the Fii 2021 Report, also defined in reporting boundaries.
- Evaluation of disclosed information and data in the Report as per the Assurance Standards.
- Type-1, Moderate Assurance Level as per AA1000AS v3.

**Limitation:** The assurance engagement was conducted at Fii Headquarter, located on the 2nd Floor, C1, Foxconn Technology Park, Longhua District, Shenzhen, Guangdong, China. Due to COVID-19, partial assurance activity was carried out via on-line video connection to have communication with relevant departmental managers who are responsible for sustainable development in the Fii. TÜV has not conducted any consultations with external stakeholders. The verification is implemented based on the data and information provided by Fii, assuming that they are complete and true.

### Assurance Methodology:

TÜV has challenged the Report contents and assessed the process undertaken by Fii from source to aggregation in disclosure of information and data pertaining to sustainability performance. Our judgment is based on the objective review of reported information as per criteria defined under Assurance Standards, that is, principles of Inclusivity, Materiality, Responsiveness and Impact.

Analytical methods and the performance of interviews as well as data verification were used as per random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual Fii Corporate sustainability strategy as mentioned in the Report. Our work covered interviews with Fii representatives including senior management and relevant employees who collected, summarized and reported the disclosures. The approach deemed to be appropriate for the purpose of assurance of the Report since all data therein could be verified through original proofs and/or verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

### Adherence to AA1000AS v3:

#### Inclusivity:

Fii has established stakeholder engagement process, and communicated periodically with its stakeholders via proper approaches (for instance, questionnaire survey) to collect and understand opinions and expectations from its stakeholders, which provided basis of key information for further risk identification and topics materiality assessment.

#### Materiality:

Fii has assured topics materiality assessment process. The company identified, assessed and disclosed its material topics such as climate change risk assessment, responsible supply chain, data security and so on, and key performance information and data under the sustainability contexts in the industry, in consideration of concerns of its stakeholders, which could eventually keep consistency with its CSR strategy, risk management and compliance management.

#### Responsiveness:

Fii has made continual communications and responses with its internal and external stakeholders about material topics in multiple ways. The company can positively disclosed related sustainability performance information and data, including greenhouse gas emissions, labor management, supply chain labor standards, and compliance management related to responsible mineral procurement, etc.. The Company also launched internal CSR Newsletter regularly to delivery information of sustainability performance to its employees. These information and data timely reported to its stakeholders can better support comparison and correctness of its information.

#### Impact:

Fii has established CSR committee and explicitly defined its CSR strategy, to monitor direct and indirect impacts to its stakeholders and the company itself against the material topics, by means of the processes of corporate governance, risk management, topics materiality assessment, and performance management, etc.. The Company well addressed governance structure about the topic of climate change, working out strategy of carbon neutrality, risks and opportunities, and supplier carbon management, etc., and launched a white paper of carbon neutrality.

#### Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- Fii 2021 Corporate Social Responsibility report meets the requirement of Type-1, Moderate Assurance Level according to AA1000AS v3, and reporting guidelines in accordance with Global Reporting Initiative "Core" option.
- The Report includes statements and claims that reflect Fii sustainability achievements and challenges supported by documentary evidences and internal records.
- The performance data we found in the Report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about Fii based on this Assurance Statement.



For TÜV Rheinland Group

Daniel Pan

Corporate Sustainability Service Technical Manager

Guangzhou, 25 May 2022



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