

# 2022 Sustainability Report

 **TAIFLEX** SCIENTIFIC CO., LTD.





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## Message from the Chairperson

The past year had been full of challenges. Global economy experienced drastic fluctuations in 2022 due to multiple adverse factors including the continuous havoc of Covid-19, the Russia-Ukraine war, tightening policy of the Fed, and worldwide supply chain disruption. In a time of dire economic situation, global warming-induced extreme weather, such as record-breaking heat waves in Europe and India as well as wildfires and floods in the United States, exacerbates the situation for governments around the world and creates greater pressure on people who are already suffering from food crisis. For human survival, there is an urgent need for governments, businesses and the public to take on more aggressive measures and come up with solutions to live in harmony with nature. Consequently, various environmental protection policies have been introduced, and the public has higher expectations for environmental sustainability actions taken by companies.

As a leading manufacturer of flexible printed circuit (FPC) materials, Taiflex has always considered environmental protection, social engagement and corporate governance as important foundations of our business strategy. We promote the use of renewable energy, and established Taiflex Green Power Co., Ltd. in 2021 to actively implement energy transition. We promote circular economy, establish recycling facilities for chemicals, and drive the recycling and reuse mechanisms of resource so as to prevent any waste and boost resource efficiency. In terms of social engagement, we actively participate in social welfare activities, and build diverse and inclusive management mechanisms in line with our people-oriented corporate culture. In response to the heightened interest in ESG worldwide, we established the Sustainable Development Committee in 2022 in hope to extend the depth of our overall ESG sustainable management plan. We set aggressive long and short-term goals, and oversee our senior executives to integrate sustainable development planning and concepts into our strategies for daily operation. By defining key ESG performance indicators and prompt the management team for implementation, we aim to respond to increasing risks and opportunities in the future with innovative thinking.

We are celebrating our 25th anniversary in 2022. In this landmark year, we have embarked on our expansion in Thailand for future sustainable development. With advanced technology for FPC materials as well as long-term development drivers from 5G communication, metaverse and new energy vehicles, Taiflex continues to invest in the development of low carbon products and processes in flexible advanced materials, thermal management materials, and semiconductor materials. We improve the performance of materials to reduce the overall energy consumption of electronic devices. In addition, we continue to introduce smart manufacturing and improve energy efficiency in our production lines, increase the use of renewable energy, and establish Taiflex climate management initiatives to gradually drive the entire value chain toward net zero.

The challenges ahead will only be more diverse and difficult. Following the founding vision and mission, we will apply our people-oriented corporate culture and mindset in strengthening our core competencies, and develop outstanding talents to practice our business philosophy and contribute to the overall environmental, social, and economic developments.



Chairperson 韓達波 *Sun Te-Wei*



## Message from the President

In 2022, ongoing COVID-19 pandemic, outbreak of the Russia-Ukraine war, and rising tension between the U.S. and China led to uncertainties in the global economy and long-term negative impact. Many industries are facing operational challenges as a result of these unprecedented circumstances. We have withstood trials from the complex environmental factors despite the impact of the pandemic and market changes with efforts from all of our employees. In the year of our 25th anniversary, we expand our overseas presence by breaking ground for our Thailand plant and starting the phase II of our Rudong project. Besides advancing our core technology in the R&D of FPC materials and integration of innovative applications, we are committed to promoting the development of ESG strategy for the entire Group.

In the harsh and volatile environment of 2023, end customers are increasingly scrutinizing the environmental sustainability of the supply chain. ESG is not merely a corporate obligation and responsibility. Topics of circular economy such as carbon neutrality and zero waste are crucial in the sustainable developments of enterprises. Taiflex continues to plan and build smart manufacturing technology, introduce AI and big data to RPA and S&OP applications, and implement green sustainable developments of products and production processes through the combination of digital transformation and smart technology. We aim to achieve the milestones of renewable energy, low carbon emissions, and circular economy by 2030, as well as the global vision of 100% renewable energy, carbon neutrality, and 100% circular economy by 2050.

We would forge ahead with our global business partners to create infinite possibilities on the path of sustainable management.



President

江宗翰 Tzong-Hann Jiang



## About this Report

TAIFLEX Scientific Co., Ltd. (hereinafter referred to as "Taiflex", "the Company" or "we") has issued sustainability reports since 2014. In 2022, we summarized 12 major sustainability topics through understanding the context of corporate sustainability, materiality analysis and identification of issues of concern to stakeholders as well as incorporation of opinions from external experts. The report reveals in detail Taiflex's management approach and performance on various sustainability issues using commonly used phrases, data and description. In addition to enhancing information transparency for stakeholders, the report demonstrates our determination to implement sustainable developments.

### ◆ Reporting Scope and Period

Information disclosed in this report covers the Company's sustainable development performance in 2022 (January 1 to December 31, 2022), including practices and performance data in economic, governance, social and environmental aspects. Except for financial data which are extracted from the consolidated financial reports, all other data are based on Taiflex's operation and business in Taiwan (excluding subsidiaries). For data comprehensiveness, some of the information cover the past and future of the reporting period.

### ◆ Preparation Principles and Guidelines

This report has been prepared in accordance with the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" of the Taiwan Stock Exchange Corporation, and complies with the GRI Standards issued by the Global Reporting Initiatives (GRI) as well as the reporting principles and requirements set forth therein. We also refer to the Sustainability Accounting Standards Board (SASB), the Task force on Climate-Related Financial Disclosures (TCFD), and the Sustainable Development Goals (SDGs) of the United Nations for an enhanced disclosure on Article 4, "Sustainability Disclosure Indicators - Electronic Parts and Components Industry" and Article 4-1, "Climate-related Information" of the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies". Financial performance data are calculated and expressed in New Taiwan dollars while energy saving and carbon reduction figures are expressed in International System of Units to enhance the substantiveness and comparability of the report. Information restated in comparison to the 2021 sustainability report is described in the report.

### ◆ Timing and Frequency of the Report

The Company issues a sustainability report every year with the same frequency as financial reports, and this is the 10th report issued by the Company. The report is also available on the corporate website at <https://www.taiflex.com.tw/english/Home>.



Previous report: June 2022  
Current report: June 2023  
Next report: Scheduled to be released in June 2024

### ◆ Audit and External Verification

Information and data in this report are provided by departments of the head office and factories and then compiled by the sustainability report unit. Next, they are reviewed and revised by the heads of functional teams within the Sustainable Development Committee, and submitted to the President and Chairperson for review before being finalized for publication according to administrative procedures.

Financial performance data are extracted from the consolidated financial statements audited by Ernst & Young. Also, the Company's 2021 greenhouse gas (GHG) emission data are based on inventory performed pursuant to the latest version of ISO14064:2018 standard with a verification statement issued by SGS Taiwan Limited. The Company plans to acquire third-party verification or assurance for the sustainability report from 2024.

### ◆ Feedback

Please contact us if you have any suggestions regarding this report or the Company. For more information on our sustainability efforts, please access the ESG section of our corporate website.

Sustainable Development Center/TAIFLEX Scientific Co., Ltd.



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## ESG Performance and Highlights for 2022








|   |                             |   |
|---|-----------------------------|---|
| E | Environment Aspect          | <p>Completed 2021 GHG inventory pursuant to the <b>ISO 14064:2018</b> version and passed the third-party audit by an impartial institution in 2022.</p> <p>The Company saved a total of <b>5,447.63 GJ</b> in energy consumption, a reduction of approximately <b>735.85 MT CO<sub>2</sub>e</b> in 2022.</p> <p>The Company saved a total of <b>NT\$44,236</b> thousand in environmental expense with expected benefits of <b>NT\$91,199</b> thousand in 2022.</p> <p>The recycling and reuse rate of NMP solvent was <b>93.71%</b>, with a total recycling volume of <b>306.07 MT</b>, of which 286.82 MT was reused in the production line and 19.25 MT was recycled externally in 2022.</p>  |
| S | Social Aspect               | <p>No incident of occupational disease nor major occupational accidents or fatalities in 2022.</p> <p>There was no deficiency identified during external audits on occupational safety and health; however, there were 28 negative observations with an <b>improvement rate of 100%</b> in 2022.</p> <p>There were <b>42 volunteers</b> in the Kaohsiung City Youth Care Association with a total spending of <b>NT\$463.86 thousand</b>.</p> <p>Welfare donation amounted to <b>NT\$1,211.40</b> thousand in 2022.</p> <p>There were <b>5,841 participants</b> in employee training for a total of <b>17,949 training hours</b>. Training expenses amounted to <b>NT\$1,717.95 thousand</b>. Training satisfaction rate was <b>80.13%</b>.</p>   |
| G | Corporate Governance Aspect | <p>The Company ranked in the <b>top 6% to 20%</b> in the TWSE-listed companies category and <b>top 5%</b> in the "TWSE- or TPEX-listed companies with a market value between NT\$5 to 10 billion" category of the 2022 (8th) Corporate Governance Evaluation of Taiwan Stock Exchange Corporate.</p> <p>We <b>applied for five patents</b> in 2022 with an accumulated number of 243 applications by 2022, of which 84% are invention patents. There are 146 patents granted.</p> <p>We <b>launched 11 new products</b> in 2022, accounting for 11.21% of annual revenue.</p> <p>Operating revenue totaled <b>NT\$8,722 million</b> with an earnings per share of <b>NT\$3.35</b> in 2022.</p> <p>Information security of Taiflex Group was <b>rated A (excellent)</b> by the SSC, an external information security specialist.</p> <p><b>The Information Security and Knowledge Management Division</b> was established per Board approval in March 2022.</p> <p>We secured a customer satisfaction rate of <b>88.5</b> in 2022.</p> |



# Sustainable Development Goals and SDGs in Practice

| Sustainability Theme |   | ▶ Short-term (2023 - 2024)  | ▶ ▶ Medium-term (2025-2027)   | ▶ ▶ ▶ Long Term (2028~)  |
|----------------------|---|---|---|--|
| Environmental        | <br>Climate Change and Operational Risk Management | <ul style="list-style-type: none"> <li>Establish a mechanism to assess and promote climate risk.</li> </ul>   | <ul style="list-style-type: none"> <li>Publish TCFD Report.</li> </ul>  | <ul style="list-style-type: none"> <li>Complete and implement specific transition plans.</li> <li>Participate in CDP (Carbon Disclosure Project).</li> </ul>   |
|                      | <br>Green Energy and Carbon Neutrality             | <ul style="list-style-type: none"> <li>4% reduction in GHG Category 1 emissions with 2021 being the base year.</li> <li>Use of renewable energy accounts for 1% of total electricity consumption.</li> <li>Cumulative installed renewable capacity of 1,657 kW by Taiflex Green Power Co., Ltd. (subsidiary).</li> </ul>  | <ul style="list-style-type: none"> <li>12% reduction in GHG Category 1 emissions with 2021 being the base year.</li> <li>Use of renewable energy accounts for 6% of total electricity consumption.</li> <li>Cumulative installed renewable capacity of 2,949 kW by Taiflex Green Power Co., Ltd. (subsidiary).</li> </ul>   | <ul style="list-style-type: none"> <li>&gt;27% reduction in GHG Category 1 emissions with 2021 being the base year.</li> <li>Use of renewable energy accounts for 10% of total electricity consumption.</li> <li>Cumulative installed renewable capacity of 3,379 kW by Taiflex Green Power Co., Ltd. (subsidiary).</li> </ul> |
|                      | <br>Waste and Air Pollution Emissions              | <ul style="list-style-type: none"> <li>Natural gas consumption of air pollution control equipment down 10% from 2016.</li> <li>Emission per unit for Volatile Organic Compounds (VOCs) down 3% from the base year (2021).</li> <li>VOC recovery rate &gt;1%.</li> </ul>   | <ul style="list-style-type: none"> <li>Natural gas consumption of air pollution control equipment down 20% from 2016.</li> <li>Emission per unit for VOCs down 10% from the base year (2021).</li> <li>VOC recovery rate &gt;5%.</li> <li>Overall waste recycling rate &gt;80% by 2025.</li> </ul>  | <ul style="list-style-type: none"> <li>Natural gas consumption of air pollution control equipment down 30% from 2016.</li> <li>Emission per unit for VOCs down 30% from the base year (2021).</li> <li>VOC recovery rate &gt;30%.</li> <li>Overall waste recycling rate &gt;90% by 2030 with UL2799 certificate.</li> </ul>    |
| Social               | <br>Product Safety and Quality                     | <ul style="list-style-type: none"> <li>Customer satisfaction score of at least 88 points.</li> <li>100% compliance with hazardous substances free related regulations and customer requirements.</li> </ul>   | <ul style="list-style-type: none"> <li>Customer satisfaction score of at least 89 points.</li> <li>100% compliance with hazardous substances free related regulations and customer requirements.</li> </ul>   | <ul style="list-style-type: none"> <li>Customer satisfaction score of at least 90 points.</li> <li>100% compliance with hazardous substances free related regulations and customer requirements.</li> </ul>  |
|                      | <br>Information Security                         | <ul style="list-style-type: none"> <li>Transition to ISO 27001:2022 (current version: 2013).</li> <li>Obtained Level-A Taiwan Intellectual Property Management System (TIPS) certification in 2023.</li> <li>No litigation arising from customer privacy breaches and information security incidents.</li> <li>Establish the position of Chief Information Security Officer at the level of Vice President or above.</li> </ul> | <ul style="list-style-type: none"> <li>Assign a Chief Information Security Officer and establishes an information security incident management and tracking platform.</li> <li>Continuous implementation of personal information protection and management and customer information protection.</li> <li>No litigation arising from customer privacy breaches and information security incidents.</li> <li>Ongoing Electronic Laboratory Notebook (ELN).</li> </ul> | <ul style="list-style-type: none"> <li>Construct an automated information security system.</li> <li>No litigation arising from customer privacy breaches and information security incidents.</li> </ul>  |
|                      | <br>Human Resource Development                   | <ul style="list-style-type: none"> <li>Employee/engineer turnover rate &lt;20%.</li> <li>OPR operator turnover rate &lt;40%.</li> <li>Annual education and training achievement rate &gt; 80%.</li> </ul>   | <ul style="list-style-type: none"> <li>Strengthen the correlation between performance and salary compensation to provide a positive drive for talent development.</li> <li>Establish the link between compensation system and sustainable performance.</li> </ul>   | <ul style="list-style-type: none"> <li>Implement talent cultivation and development and establish career development blueprints for employees.</li> <li>Enhance employee engagement.</li> </ul>  |



| Sustainability Theme |   | ▶ Short-term (2023 - 2024)   | ▶ ▶ Medium-term (2025-2027)  | ▶ ▶ ▶ Long Term (2028~)  |
|----------------------|---|--|--|--|
| Social               | <br>Human Resource Development   | <ul style="list-style-type: none"> <li>Training course satisfaction &gt; 80%.</li> <li>Establish human rights protection policy and code.</li> <li>Create a friendly workplace.</li> <li>Implement the essence of Social Accountability 8000:2014 (SA 8000).</li> </ul>  | -  | -  |
|                      | <br>Occupational Safety and Health   | <ul style="list-style-type: none"> <li>Major event and occupational accident (hospitalization): 0 incident.</li> <li>Maintain 0 incident of occupational disaster from chemical exposure.</li> <li>Disabling injuries frequency rate (FR) ≤ 1.5.</li> <li>Disabling severity rate (SR) ≤ 3.6.</li> <li>Voluntary participation in health promotion scheme &gt; 40%.</li> </ul> | <ul style="list-style-type: none"> <li>Major event and occupational accident (hospitalization): 0 incident.</li> <li>Maintain 0 incident of occupational disaster from chemical exposure.</li> <li>Disabling injuries frequency rate (FR) ≤ 1.2.</li> <li>Disabling severity rate (SR) ≤ 3.4.</li> <li>Voluntary participation in health promotion scheme &gt; 45%.</li> </ul> | <ul style="list-style-type: none"> <li>Major event and occupational accident (hospitalization): 0 incident.</li> <li>Maintain 0 incident of occupational disaster from chemical exposure.</li> <li>Disabling injuries frequency rate (FR) ≤ 0.9.</li> <li>Disabling severity rate (SR) ≤ 3.2.</li> <li>Voluntary participation in health promotion scheme &gt; 50%.</li> </ul> |
| Corporate Governance | <br>Corporate Governance   | <ul style="list-style-type: none"> <li>Rank 6~20% in the listed companies category of Securities and Futures Institute (SFI) Corporate Governance Evaluation.</li> </ul>   | <ul style="list-style-type: none"> <li>Rank in the top 5% in the listed companies category of SFI Corporate Governance Evaluation.</li> <li>Include female director on the Board.</li> </ul>   | <ul style="list-style-type: none"> <li>Rank in the top 5% in the listed companies category of SFI Corporate Governance Evaluation.</li> </ul>  |
|                      | <br>Business Ethics  | <ul style="list-style-type: none"> <li>Develop comprehensive management and preventive measures.</li> <li>Director, manager and employees with zero violations of ethical principle.</li> </ul>  | <ul style="list-style-type: none"> <li>All employees participate in the "Business Ethics" education and training.</li> <li>Director, manager and employees with zero violations of ethical principle.</li> </ul>   | <ul style="list-style-type: none"> <li>Achieve the goal of zero complaint cases.</li> <li>Director, manager and employees with zero violations of ethical principle.</li> </ul>  |
|                      | <br>Economic Performance   | <ul style="list-style-type: none"> <li>Return on equity at industry average.</li> <li>Operating income at industry average.</li> </ul>   | <ul style="list-style-type: none"> <li>Return on equity above industry average by 1~5%.</li> <li>Operating income above industry average by 1~5%.</li> </ul>   | <ul style="list-style-type: none"> <li>Return on equity above industry average by at least 5%.</li> <li>Operating income above industry average by at least 5%.</li> </ul>   |
|                      | <br>Innovative R&D and Patents   | <ul style="list-style-type: none"> <li>To obtain the Level-A TIPS certification with 2 patent applications per year.</li> </ul>  | <ul style="list-style-type: none"> <li>Establish strategic intellectual property (IP) portfolio and improve the Company's IP management system.</li> </ul>   | <ul style="list-style-type: none"> <li>Integrate the development direction of R&amp;D and IP rights in line with the Company's operation strategy and revive corporate resources through IP strategies including technology sale/transfer and licensing.</li> </ul>  |
|                      | <br>Sustainable Supply Chain Management (Including the Ban on Conflict Minerals) | <ul style="list-style-type: none"> <li>Carbon footprint inventory of raw material suppliers.</li> </ul>  | <ul style="list-style-type: none"> <li>Promote all suppliers to sign the Supplier Social Responsibility Commitment (or provide relevant declaration documents).</li> <li>Work with supply chain partners in contributing to the society.</li> <li>Organize supplier on-site audits.</li> </ul>   | <ul style="list-style-type: none"> <li>Introduce the Code of Conduct - Responsible Business Alliance (RBA).</li> </ul>   |





# 1

## Governance and Sustainability

- 1.1 Company Profile
- 1.2 Governance Framework
- 1.3 Sustainable Development and ESG Promotion
- 1.4 Risk Management
- 1.5 Information Security and Customer Privacy
- 1.6 Regulatory Compliance and Internal Control





# 1.1 Company Profile

TAIFLEX Scientific Co., Ltd. was founded in 1997. Our vision is to become a world-class FPC material provider. Our market competitiveness lies in our core competencies of independent basic formula and precision coating process. We provide customers with the most reliable and advanced FPC materials as well as integration of innovative applications. Taiflex is now one of the top three suppliers of FPC materials in the world.

## Company Overview

|                       |                                 |                       |   |
|-----------------------|---------------------------------|-----------------------|---|
| Company               | TAIFLEX Scientific Co., Ltd.    | Paid-in capital       | NT\$2,091.20 million  |
| Date of incorporation | August 16, 1997                 | Ticker number         | TWSE:8039 (Listed)  |
| Industry              | Electronics components industry | Number of employees   | 856 employees (as of December 31, 2022)   |
| Chairperson           | Ta-Wen Sun                      | Products              | FCCL, coverlay, bonding sheet and composite materials   |
| President             | Zong-Han Jiang                  | Headquarters          | No.1, Huanqu 3rd Rd., Kaohsiung Cianjhen Technology Industrial Park, Cianjhen Dist., Kaohsiung City, Taiwan |
| Spokesperson          | Chi-Yuan Pan                    | Location of operation | Taiwan, China, Japan, the U.S. and Thailand   |

## Diversification

In October 2020, we established Taichem Materials Co., Ltd. with the original R&D team and semiconductor professionals. This company is dedicated to the research of semiconductor and display packaging materials. In addition, in response to the global trends of carbon reduction and net-zero emission, we established Taiflex Green Power Co., Ltd. in March 2021. Besides developments in renewable energy, the new company effectively improves energy efficiency and energy-saving technologies in factories through systematic energy inventory and energy consumption analysis. In addition to the aforementioned investments, the Company establishes Kunshan Taiflex Electronic Co., Ltd., Shenzhen Taiflex Electronic Co., Ltd., Taiflex Scientific Japan Co., Ltd., Taiflex USA Corporation and Rudong Fuzhan Scientific Co., Ltd., and acquired Koatech Technology Corporation for a diverse business network.



Award and recognition

|      |   |
|------|---|
| 2022 | <ul style="list-style-type: none"> <li>Received trophy from Kaohsiung Export Processing Zone Administration for participating in blood donation activities.</li> <li>Ranked in the top 5% of the "Small and Mid Caps" category for the 8th Corporate Governance Evaluation.</li> <li>Established Taiflex Scientific (Thailand) Co., Ltd., and held groundbreaking ceremony.</li> <li>Obtained ISO 27001 Information Security Management System certification for seven consecutive years.</li> <li>Completed ISO 14064:2018 GHG inventory and third-party verification (Year of inventory: 2021).</li> <li>Received the certificate of 2022 Enterprises Committed to Corporate Health Responsibility from the Common Health Magazine.</li> <li>Received 2021 "Community Contribution Excellence Award" from Environmental Protection Bureau, Kaohsiung City Government for green space sponsorship at air quality purification zone in Kaohsiung City.</li> <li>Received Badge of Accredited Healthy Workplace from Health Promotion Administration, Ministry of Health and Welfare.</li> </ul> |
| 2021 | <ul style="list-style-type: none"> <li>Established Taiflex Green Power Co., Ltd.</li> <li>Obtained ISO 50001 Energy Management System certification.</li> <li>Received a certificate of the Kaohsiung City Government for supporting Mid-Autumn Festival gifts from Sheltered Workshop to help disabled friends.</li> <li>Received a certificate of the Social Affairs Bureau, Kaohsiung City Government for supporting Mid-Autumn Festival gifts from disability organizations.</li> </ul>   |
| 2020 | <ul style="list-style-type: none"> <li>Established Taichem Materials Co., Ltd.</li> <li>Approved by the Customs Administration, Ministry of Finance to be a Security and Safety Authorized Economic Operator (AEO).</li> <li>Received Devotion to Social Welfare Award and Enterprise with Outstanding Employment Relations Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C. (MOEA).</li> </ul>   |
| 2019 | <ul style="list-style-type: none"> <li>Received the Occupational Health Promotion Certificate from Health Promotion Administration, Ministry of Health and Welfare.</li> <li>Obtained ISO 45001:2018 Chinese National Standard Occupational Health and Safety Management Systems certification.</li> <li>Received Devotion to Social Welfare Award and Enterprise with Outstanding Employment Relations Award from Export Processing Zone Administration, Ministry of Economic Affairs, R.O.C. (MOEA).</li> </ul>   |
| 2018 | <ul style="list-style-type: none"> <li>Established Taiflex USA Corporation.</li> <li>Received Sports Corporation Certificate from Sports Administration, Ministry of Education.</li> <li>Approved by the Ministry of Finance to be an AEO.</li> <li>Received Devotion to Social Welfare Award from Export Processing Zone Administration, MOEA.</li> <li>Ranked 31st in the Commonwealth Magazine's Corporate Citizenship Awards - Large-Scale Enterprises.</li> <li>Obtained IATF 16949 certification, a revision of ISO/TS 16949.</li> </ul>  |



## ◆ Participation in industry associations

Information exchange is an important driver for sustainable development of companies. Through participation in industry associations, Taiflex can further exchange resources with the industry and keep current on industry developments. By taking on relevant positions, we can contribute to the promotion of industry connections for industry prosperity.

| Industry Associations, Other Member Associations and National or International Advocacy Organizations | Position |
|---|----------|
| Taiwan Printed Circuit Association (TPCA)   | Director |
| Taiwan Technology Industrial Park Electrical and Electronic Manufacturer's Association                | Director |
| Association of Industrial Relation of Export Processing Zone  | Director |



## 1.2 Governance Framework

### Material Topic: Corporate Governance

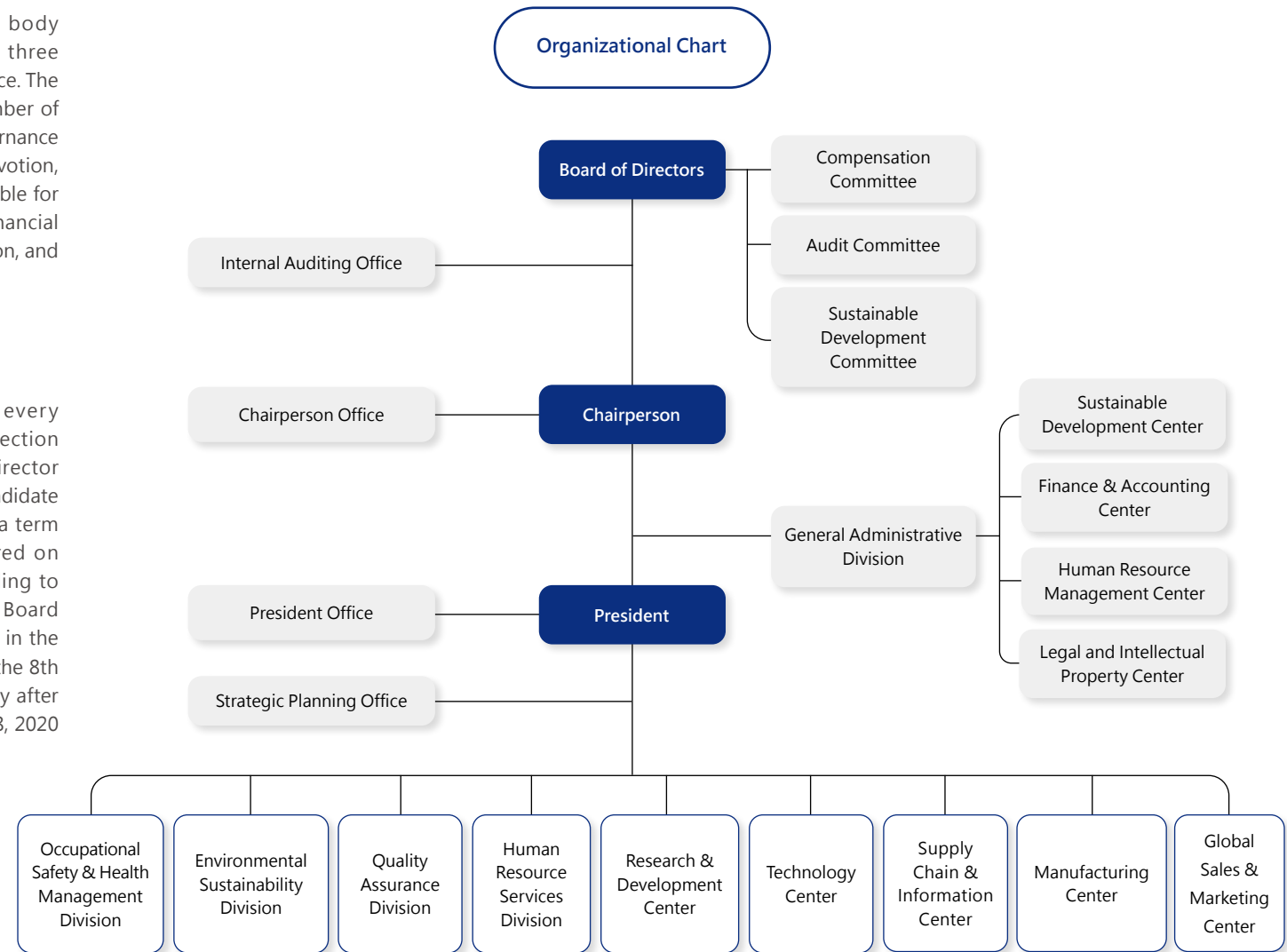
|   |  |
|---|--|
| <b>Main Reason</b>                      | Sustainable operation shall build on the basis of sound corporate governance. Taiflex is committed to protecting the interests of its shareholders and believes that transparency in operation is the key to improving corporate governance. In order to strengthen corporate governance and ensure sustainable and proper operations, the Company enhances information transparency to safeguard the rights of shareholders and stakeholders to be fully informed and participate as well as determine major corporate matters, thereby improving mutual understanding on the goals of business development for all stakeholders to be more confident in Taiflex and effectively promote the Company's sustainable development. |
| <b>Policy and Strategy</b>              | The Company has established the "Compensation Committee", "Audit Committee" and "Sustainable Development Committee" under the Board of Directors for proper division of duties and responsibilities to achieve the function of supervision. The Company has established the "Code of Practice for Corporate Governance" as a guideline for corporate governance implementation, and assigned a corporate governance officer to perform relevant duties in accordance with the laws and realize the true spirit of corporate governance.  |
| <b>Goals and Objectives</b>             | <p><b>Short-term goals (2023-2024):</b></p> <ul style="list-style-type: none"> <li>Rank 6~20% in the listed companies category of SFI Corporate Governance Evaluation.</li> </ul> <p><b>Medium-term goals (2025-2027):</b></p> <ul style="list-style-type: none"> <li>Rank in the top 5% in the listed companies category of SFI Corporate Governance Evaluation.</li> <li>Include female director on the Board.</li> </ul> <p><b>Long-term goal (2028~):</b></p> <ul style="list-style-type: none"> <li>Rank in the top 5% in the listed companies category of SFI Corporate Governance Evaluation.</li> </ul>  |
| <b>Management Assessment Mechanisms</b> | <ul style="list-style-type: none"> <li>Enhance Board operation through internal assessments every year and external assessments every three years.</li> <li>SFI's Corporate Governance Indicators for enhancing corporate governance transparency.</li> </ul>  |
| <b>Performance and Adjustments</b>      | The Company ranked in the top 6% to 20% in the "TWSE-listed companies" category and top 5% in the "TWSE- or TPEx-listed companies with a market value between NT\$5 to 10 billion" category of the 2022 (8th) Corporate Governance Evaluation.   |
| <b>Prevention or Remedy Measures</b>    | The Audit Committee, which is composed of three Independent Directors, has been established to replace Supervisors. It strengthens its supervisory role with its independence. As for improvements on corporate governance, measures are carried out based on feedback and indicators of the corporate governance evaluation and recommendations from the regular external performance assessment.   |

## 1.2.1 Organization of the Board

The Board of Directors is the highest governing body of TAIFLEX, consisting of nine directors (including three Independent Directors) with extensive industry experience. The Board is chaired by the Chairperson and is not a member of the management team. Lead by the Chairperson's governance philosophy, the Board upholds the core values of "devotion, integrity, diversity, and independence" and is responsible for overseeing the Company's regulatory compliance, financial transparency, prompt disclosure of important information, and elimination of internal corruption.

### ◆ Election of the Board

The Company convenes shareholders' meeting every year pursuant to relevant laws and holds regular election of directors in accordance with the Company's "Director Election Procedures". Director election adopts the candidate nomination system and directors elected shall serve a term of three years. As the term of the 8th Board expired on May 25, 2020, new directors shall be elected according to Article 195 of the Company Act. Therefore, the 9th Board was elected according to the Articles of Incorporation in the shareholders' meeting on May 28, 2020. Directors of the 8th Board had all been reelected to take office immediately after the shareholders' meeting for a term between May 28, 2020 and May 27, 2023.





## ◆ Board Diversity

In order to ensure the Board's governance capability, besides laws, regulations and the Articles of Incorporation, the Company has established the "Director and Supervisor Election Procedures" for director elections. The said Procedures require Board members to possess the following abilities: operational judgment, financial analysis, business management, risk management, industrial knowledge, global market perspective, leadership and decision-making. The Company also assesses the planning ability of directors, including whether they can consistently raise constructive issues to the management and other directors, whether their views are independent of other directors or management, and whether their actions and behaviors inside and outside the Board are appropriate. Please refer to the Company's annual report for detailed information on Board members.



Annual Report

### Board Members

| Title       | Name           | Gender | Education and Selected Past Positions   | Selected Present Positions at Taiflex and Other Companies          | Industry Experience |            |                             |                   | Professional Competence |                        |                     |                 |
|-------------|----------------|--------|---|--|---------------------|------------|-----------------------------|-------------------|-------------------------|------------------------|---------------------|-----------------|
|             |                |        |   |  | Finance             | Investment | Information and Electronics | Materials Science | Law                     | Accounting and Finance | Business Management | Risk Management |
| Chairperson | Ta-Wen Sun     | Male   | Bachelor of Business Administration, Fu Jen Catholic University                                   | Chairperson of Taiflex Scientific Co., Ltd.                        |                     |            |                             |                   |                         |                        |                     |                 |
|             |                |        |   | Director of Rudong Fuzhan Scientific Co., Ltd.                     |                     |            |                             |                   |                         |                        |                     |                 |
|             |                |        |   | Chairperson of Qiao Mei Development Corporation                    |                     |            |                             |                   |                         |                        |                     |                 |
|             |                |        |   | Chairperson of You Ben Investment Co., Ltd.                        |                     |            |                             |                   |                         |                        |                     |                 |
|             |                |        |   | Chairperson of Innatech Co., Ltd.                                  | ☆                   | ★          | ★                           | ☆                 |                         | ★                      | ★                   | ★               |
|             |                |        |   | Chairperson of Taichem Materials Co., Ltd.                         |                     |            |                             |                   |                         |                        |                     |                 |
|             |                |        |   | Chairperson of Taiflex Green Power Co., Ltd.                       |                     |            |                             |                   |                         |                        |                     |                 |
| Director    | Chein-Ming Hsu | Male   | Bachelor of Electrical Engineering, Chung Yuan Christian University<br>CEO of 3M Thailand Limited | Vice Chairperson of Taiflex Scientific Co., Ltd.                   |                     |            |                             |                   |                         |                        |                     |                 |
|             |                |        |   | Corporate Representative Director of Taichem Materials Co., Ltd.   |                     |            | ★                           | ★                 |                         |                        | ★                   | ★               |
|             |                |        |   | Corporate Representative Director of Taiflex Green Power Co., Ltd. |                     |            |                             |                   |                         |                        |                     |                 |

Note: ☆ partially competent ★ competent

Board Members

| Title    | Name           | Gender | Education and Selected Past Positions                           | Selected Present Positions at Taiflex and Other Companies                       | Industry Experience |            |                             |                   | Professional Competence |                        |                     |                 |
|----------|----------------|--------|---|---|---------------------|------------|-----------------------------|-------------------|-------------------------|------------------------|---------------------|-----------------|
|          |                |        |   |   | Finance             | Investment | Information and Electronics | Materials Science | Law                     | Accounting and Finance | Business Management | Risk Management |
| Director | Ching-Yi Chang | Male   | Master of Business Administration, National Chengchi University | Chairperson of the CID Group Ltd.   |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Chairperson of LandMark Optoelectronics Corporation                             | ★                   | ★          | ★                           | ★                 |                         | ★                      | ★                   | ★               |
|          |                |        |   | Director of Entire Technology Co., Ltd.   |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Director of Eurocharm Holdings Co., Ltd.  |                     |            |                             |                   |                         |                        |                     |                 |
| Director | Re-Zhang Lin   | Male   | Bachelor of Accounting, Soochow University                      | Corporate Representative Director of Taiflex Scientific Co., Ltd.               |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Chairperson of Taiwan Fu Hsing Industrial Co., Ltd.                             |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Corporate Representative Director of Fine Blanking & Tool Co., Ltd.             |                     | ★          | ☆                           | ☆                 |                         | ★                      | ★                   | ★               |
|          |                |        |   | Corporate Representative Director of Launch Technologies Co., Ltd.              |                     |            |                             |                   |                         |                        |                     |                 |
| Director | Chun-Chi Lin   | Male   | EMBA, College of Management, National Taiwan University         | Corporate Representative Director of Advanced International Multitech Co., Ltd. |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Independent Director of Silicon Optronics, Inc.                                 |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | President of KANTO-PPC Inc.   |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Independent Director of M31 Technology Corporation                              |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Executive Vice President of Global Unichip Corporation                          |                     | ★          | ★                           | ★                 |                         | ☆                      | ★                   | ★               |
|          |                |        |   | Chairperson of Taiwan Electron Microscope Instrument Corporation                |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | CEO of Xintec Inc.  |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Corporate Representative Director of PentaPro Materials Inc.                    |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | CEO/President of VisEra Technologies Co., Ltd                                   |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Corporate Representative Director of Stek Co., Ltd.                             |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | -   |                     |            |                             |                   |                         |                        |                     |                 |
|          |                |        |   | Chairperson of Chi Investment Limited   |                     |            |                             |                   |                         |                        |                     |                 |

Note: ☆ partially competent ★ competent



Board Members

| Title                | Name          | Gender | Education and Selected Past Positions                           | Selected Present Positions at Taiflex and Other Companies                                    | Industry Experience |            |                             |                   | Professional Competence |                        |                     |                 |
|----------------------|---------------|--------|---|--|---------------------|------------|-----------------------------|-------------------|-------------------------|------------------------|---------------------|-----------------|
|                      |               |        |   |  | Finance             | Investment | Information and Electronics | Materials Science | Law                     | Accounting and Finance | Business Management | Risk Management |
| Director             | Fu-Le Lin     | Male   | Ph.D. in Polymer Science, University of Akron, USA              | Senior R&D Director of Taiflex Scientific Co., Ltd.  |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        |   | Corporate Representative Director of Koatech Technology Corporation                          |                     |            | ★                           | ★                 |                         |                        | ★                   | ★               |
| Independent Director | Wen-I Lo      | Male   | Master of Business Administration, National ChengChi University | Chairperson of CSX Material Co., Ltd.  |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        | Vice President of CDIB Capital Management Corporation           | Independent Director of ADO Optronics Corporation  |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        | President of China Venture Management, Inc.                     | Corporate Representative Director of Gemtek Technology Co., Ltd.                             | ★                   | ★          | ★                           | ☆                 | ★                       | ★                      | ★                   | ★               |
|                      |               |        | President of R.O.C. Strategic Company Ltd                       | Corporate Representative Director of PCL (Hsinchu) Co., Ltd.                                 |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        | President of R.O.C. Venture Co., Ltd.                           | Director of Sweepot Inc.   |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        | -   | Corporate Representative Supervisor of REC Technology Corporation                            |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        | -   | Chairperson of FengYi Capital Management Co., Ltd.   |                     |            |                             |                   |                         |                        |                     |                 |
| Independent Director | Shi-Chern Yen | Male   | Ph.D. in Chemical Engineering, University of Wisconsin          | Independent Director of E Ink Holdings Inc.  |                     |            |                             |                   |                         |                        |                     |                 |
|                      |               |        |   | Emeritus professor and adjunct professor of Chemical Engineering, National Taiwan University |                     |            | ★                           | ★                 |                         |                        | ★                   | ★               |

Note: ☆ partially competent ★ competent

Board Members

| Title                | Name             | Gender | Education and Selected Past Positions                                    | Selected Present Positions at Taiflex and Other Companies | Industry Experience |            |                             |                   | Professional Competence |                        |                     |                 |
|----------------------|------------------|--------|--|---|---------------------|------------|-----------------------------|-------------------|-------------------------|------------------------|---------------------|-----------------|
|                      |                  |        |  |   | Finance             | Investment | Information and Electronics | Materials Science | Law                     | Accounting and Finance | Business Management | Risk Management |
| Independent Director | Yung-Shun Chuang | Male   | Honorary Doctorate, National Taiwan University of Science and Technology | Chairperson of AAEON Technology Inc.                      |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Chairperson of EverFocus Electronics Corporation          |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Chairperson of ONYX Healthcare Inc.                       |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of MACHVISION Inc.                               |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of King Core Electronics Inc.                    |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of CHC Healthcare Group                          |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of Winmate Inc.                                  |                     |            | ★                           | ★                 |                         | ☆                      | ★                   | ★               |
|                      |                  |        |  | Director of XAC Automation Corp.                          |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of AtechOEM Inc.                                 |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of IBASE Technology Inc.                         |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of Litemax Electronics Inc.                      |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Director of Allied Biotech Corporation                    |                     |            |                             |                   |                         |                        |                     |                 |
|                      |                  |        |  | Independent Director of Top Union Electronics Corp.       |                     |            |                             |                   |                         |                        |                     |                 |

Note: ☆ partially competent ★ competent



## ◆ Board independence and recusal due to conflict of interests

Independent Directors of the Company account for one-third of the total number of Directors. Upon assessment, all Directors have met the independence criteria. Circumstances set forth in Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act do not exist, including situations where Directors are spouses or within second-degree of kinship to each other.

In accordance with paragraph 1, Article 16 of the “Rules of Procedure for the Board of Directors’ Meetings”, for agenda items of which the director or the juridical person the director represents has a personal interest, the director shall disclose the major aspects of such personal interest at the current board meeting. If the interest may impair the interest of the Company, the director shall not participate and shall recuse himself/herself from the discussion and voting of the agenda items. Such director shall not exercise voting right on behalf of another director. Directors and managers shall secure approvals from the shareholders’ meeting and the Board in accordance with applicable laws and regulations when they take actions that are within Taiflex’s business scope for themselves or on behalf of others and shall fully disclose all transactions with related parties in accordance with the reporting requirements of relevant securities laws.



## ◆ Tasks and proceedings of the Board

Tasks of the Board include: (1) supervise and determine business directions to meet the short, medium and long-term market demand; (2) appoint a management team with good characters, honesty, and professionalism to carry out business strategies formulated by the Board in order to guarantee the Company’s business performance; and (3) lead the management team in formulating strategies favorable to the Company’s long-term developments. The Board of Directors meets regularly on a quarterly basis to review matters reported by functional committees and development strategies proposed by the management team. To ensure all proposals are fully understood and discussed, the relevant personnel are invited to attend and report at the Board meetings. The feasibility of proposals is properly evaluated by the Board before they can be implemented.

The Board of Directors is responsible for selecting, nominating and evaluating the performance of senior management. The Board authorizes senior management to handle economic, environmental and social issues arising from operational activities, and the responsible unit would report regularly to the Board of Directors on the progress of implementation. To ensure an effective implementation of strategies, the Board of Directors not only receives regular reports from the management team, but also frequently communicates and discusses with the management as well as urges the management team to make appropriate adjustments. Good communications between the Board and management team are the cornerstone for sustainability. In 2022, a total of eight Board meetings (with an average attendance rate of 100%) were held to review 50 proposals, of which 45 were related to environmental, economic and social issues.

### Aspects of Material issues

### Important Communication Results



#### Environmental Aspect

Capital expenditure for energy conservation and carbon reduction. Establishment of the functional committee - Sustainable Development Committee along with relevant regulations to achieve our green and sustainable development goals.



#### Economic Aspect

Assessment on the effectiveness of internal control system; engagement and independence and suitability assessments of CPAs; applications for renewal of bank credit facilities; amendments to operating procedures as required by the competent authorities; and discussion and approval of quarterly financial reports.



#### Social Aspect

Manage shareholders’ right to submit proposals and adjust the salary structure for talent retention.

## ◆ Continuing education of the Board

The Company regularly arranges diversified courses related to corporate operations and sustainable development for Board members, so that they can continuously improve their professional knowledge and skills, strengthen their leadership and decision-making abilities, and exercise due care of a good administrator in conducting the business operation. In 2022, the training hours of all Directors have met the statutory requirement (i.e., 6 hours), with a total of 56 hours of training and an average number of 6.22 training hours. Through external training, we expect Directors to understand global trends and diversify their perspectives to maximize the benefits of shareholders, and to boost the competitiveness of the Company in the face of the ever-changing business environment.

| Title                | Name             | Course   | Duration | Total Hours |
|----------------------|------------------|--|----------|-------------|
| Chairperson          | Ta-Wen Sun       | 2022 Release Conference: Reference Guide for the Exercise of Power by Independent Director & Audit Committee | 3        | 6           |
|                      |                  | 2022 Seminar on Prevention of Insider Trading  | 3        |             |
| Director             | Ching-Yi Chang   | Global Trend Analysis - Risks and Opportunities  | 3        | 6           |
|                      |                  | Regulatory Compliance and Supervisory Role of Directors  | 3        |             |
| Director             | Chein-Ming Hsu   | 2022 Seminar on Prevention of Insider Trading  | 3        | 6           |
|                      |                  | Trend of Green Industry -The Outlook and Strategy of Low-carbon Investment                                   | 3        |             |
| Director             | Re-Zhang Lin     | 2022 Seminar on Prevention of Insider Trading  | 3        | 7           |
|                      |                  | Sustainable Development Roadmap Forum with An Industry Focus   | 2        |             |
|                      |                  | International Twin Summit Online Forum   | 2        |             |
| Director             | Fu-Le Lin        | Shareholders' Meeting and Equity Management  | 3        | 6           |
|                      |                  | Decode the Hidden Key Information of Financial Statements  | 3        |             |
| Independent Director | Wen-I Lo         | Virtual World: The Metaverse and the Future of Cryptocurrency with Blockchains                               | 3        | 6           |
|                      |                  | 2022 Seminar on Prevention of Insider Trading  | 3        |             |
| Independent Director | Shi-Chern Yen    | How to Develop Sustainable Competitive Advantage in Response to Climate Change                               | 3        | 6           |
|                      |                  | 2022 Seminar on Prevention of Insider Trading  | 3        |             |
| Independent Director | Yung-Shun Chuang | What's on the Mind of Investors - Sustainability Transitions from ESG Investments                            | 3        | 7           |
|                      |                  | Taishin 30 - Transform to Net Zero Summit - Net Zero by 2030   | 3        |             |
|                      |                  | Independent Director and 2022 Annual General Meeting from A Global Perspective                               | 1        |             |
| Director             | Chun-Chi Lin     | Advanced Practice Analysis for Audit Committee - Review on M&A and Responsibilities of Directors             | 3        | 6           |
|                      |                  | Trend of Green Industry -The Outlook and Strategy of Low-carbon Investment                                   | 3        |             |

## ◆ Performance assessment of the Board

### Internal performance assessment of the Board

In order to implement corporate governance, the Company's Board of Directors approved the amendments to the "Methods for Evaluating Board of Directors' Performance" on October 27, 2021. An internal Board performance evaluation shall be conducted at least once a year in order to enhance the Board functions and strengthen the efficiency of the Board operations by clearly defining the performance objectives.

The performance evaluation covers the entire Board of Directors, individual Board members and the functional committees. At the end of each year, the Board agenda unit collects information on Board activities, distributes the "Self-Assessment Questionnaire for Board Members" and the "Self-Assessment Questionnaire for Functional Committees" to each Director and members for them to evaluate each item based on actual operation of the Board. The evaluation results would be reported at the next Board meeting.

### Internal Performance Assessment Results for 2022

| Subject                           | Score | Grade     | Remark                              |
|-----------------------------------|-------|-----------|-------------------------------------|
| Board of Directors                | 92.14 | Excellent |                                     |
| Individual Directors              | 98.31 | Excellent | The average score of nine Directors |
| Compensation Committee            | 95.75 | Excellent |                                     |
| Audit Committee                   | 97.48 | Excellent |                                     |
| Sustainable Development Committee | 95.50 | Excellent |                                     |

## External performance assessment of the Board

In November 2022, the Company commissioned the professional and independent Taiwan Corporate Governance Association to conduct the 2022 Board efficiency (including performance) assessment for the period between October 1, 2021 and September 30, 2022. The assessment encompassed 8 aspects (Board's composition, guidance, authorization, supervision, communication, internal control and risk management, discipline and others), questionnaires with 10 open-ended questions, and online interviews with Board members and senior executives.

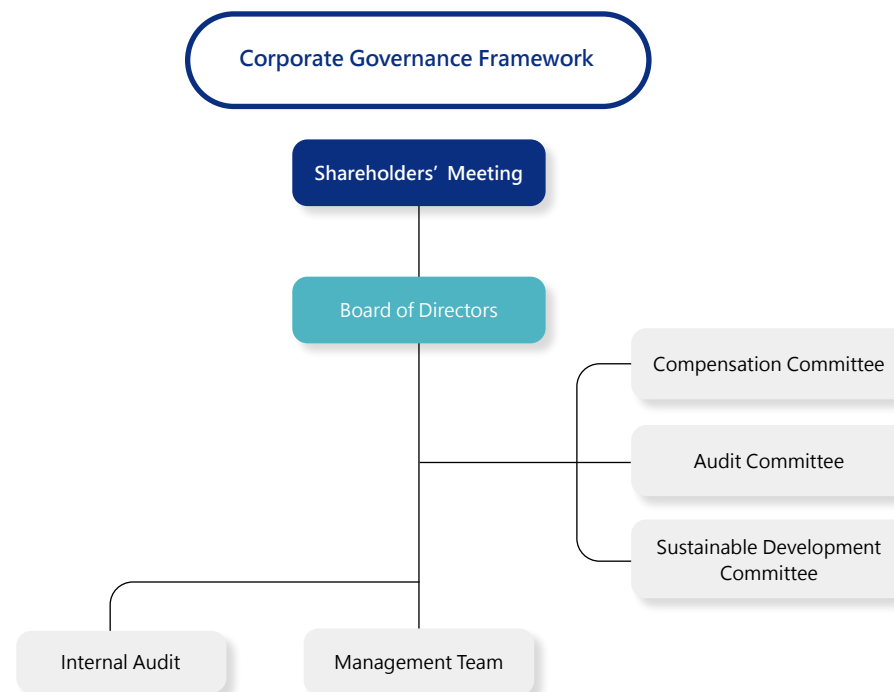
The Taiwan Corporate Governance Association had issued the Board performance assessment report on November 29, 2022. The Company would continue to enhance the functionality of the Board based on recommendations from the Association. The aforementioned recommendations and actions to be taken were reported in the Board meeting on January 11, 2023.

### Improvement Measures

1. The Company will establish whistleblower rules and set up an external whistleblowing mailbox. Complaints involving Directors or senior executives would be assigned to Independent Directors. Types of complaints and corresponding standard operating procedures for investigation are clearly defined. We also plan to increase the frequency of reporting stakeholder opinions to the Board of Directors.
2. The Company has taken the initiative for the corporate governance and risk management unit under the Sustainable Development Committee to hold regular meetings. With help from management system at all levels to assist with risk factors identification and risk response strategies, it would propose relevant risk assessments at the meetings and formulate action plans as well as reviews. The unit would then report to the Sustainable Development Committee on the status of risk management implementation, oversee the implementation of improvement measures and report regularly to the Board of Directors on the status of risk management implementation.

## 1.2.2 Functional committee

In order to effectively perform the functions of the Board of Directors and to improve the quality of the Board decisions, the Company has established the Compensation Committee, the Audit Committee and the Sustainable Development Committee under the Board of Directors by duties and functions to manage important issues such as corporate governance, economic, environmental and social issues. There is also the Internal Auditing Office, an administrative audit unit, responsible for auditing and evaluating the reliability and effectiveness of the Company's internal control system, and regularly reports audit results and makes recommendations for improvement to the Audit Committee to promote effective operation of the Company.





## ◆ Audit Committee

In 2017, the Company has established the Audit Committee in place of the Supervisors. The Committee comprises of three Independent Directors with the Independent Director, Wen-I Lo, being the convener. The term of the current Audit Committee is from May 28, 2020 to May 27, 2023. We expect the three Independent Directors would implement corporate governance, improve the supervision function and strengthen the management mechanism with their professional competence and independence, and the Committee would operate according to the "Audit Committee Charter". The Audit Committee held five meetings in 2022 where members had an attendance rate of 100%.

### Major Items Supervised by the Audit Committee

- 1 Fair presentation of the Company's financial statements.
- 2 Appointment (discharge), independence and performance of the Company's CPAs.
- 3 Effective implementation of the Company's internal controls.
- 4 Regulatory compliance.
- 5 Controls over existing or potential risks of the Company.

Board members and managers of the Company conduct themselves in strict compliance with the Code of Ethical Conduct and uphold the principles of integrity and honesty without gender discrimination. There was no violations nor incidents in 2022.

## ◆ Compensation Committee

In accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", the Company's Board of Directors has approved the establishment of the Compensation Committee and its charter on December 23, 2011. In accordance with Article 5 of the Compensation Committee Charter, the Compensation Committee comprises three members, including at least two Independent Directors. Committee members are appointed by the Board of Directors, and the Chairperson of the Board shall be invited to attend the Committee meeting for discussion. However, he shall recuse himself from discussions concerning his remuneration.

The Compensation Committee is responsible for evaluating the Company's overall compensation and benefits policies, as well as the compensation policies and systems of the Company's Directors and managers in a professional and objective manner, and making recommendations to the Board as reference in making decisions. The Compensation Committee held four meetings in 2022 where members had an attendance rate of 100%.

### Key Responsibilities of the Compensation Committee

- 1 Regularly review the Charter and propose recommendations.
- 2 Formulate and regularly review the annual and long-term performance targets as well as the compensation policies, systems, standards and structures of Directors and managers.
- 3 Regularly assess the progress of Directors and managers concerning their performance targets and set out details and amount of individual's compensation.

The Company's Articles of Incorporation stipulate that remuneration to Directors and Supervisors shall not exceed 4% of the annual profits and the remuneration to Directors and managers shall be reviewed by the Compensation Committee and approved by the Board before it can be distributed. Please refer to our 2022 Annual Report for details on remuneration to Directors and managers.

The Company's Audit Committee Charter, Compensation Committee Charter and 2022 Annual Report are available on the corporate website and the Market Observation Post System website.



Governance

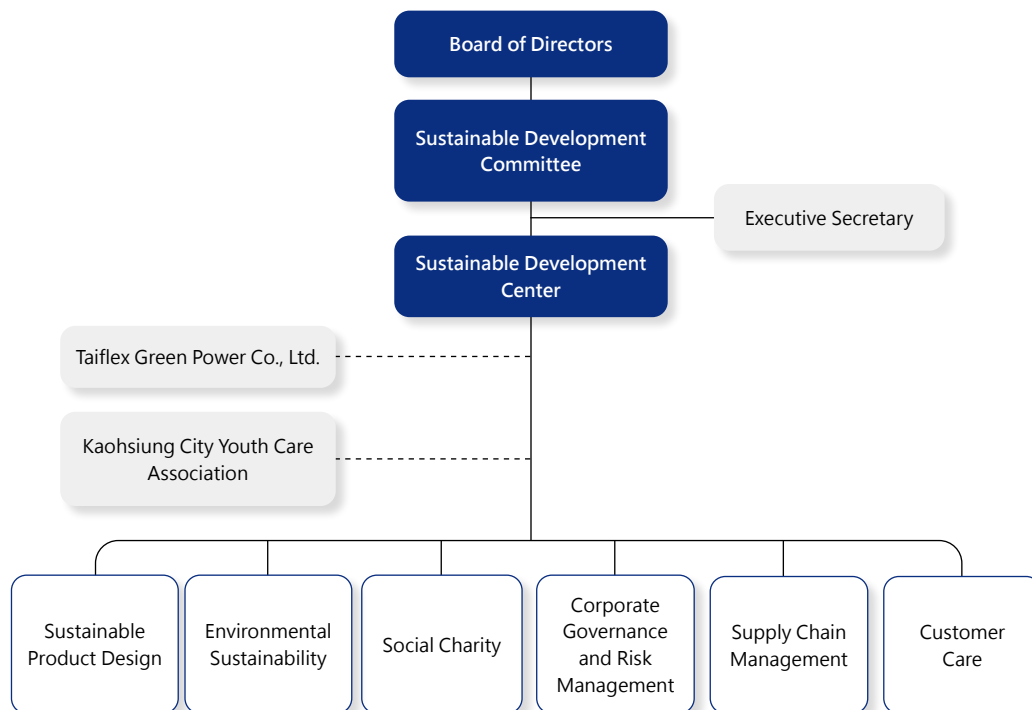


Market  
Observation Post  
System Website

## 1.3 Sustainable Development and ESG Promotion

In order to implement sustainable development, the Company's Board of Directors has approved the establishment of the "Sustainable Development Committee" and its charter on October 25, 2022. The Committee comprises five members, including three Independent Directors, the President and the Chief of Staff who were appointed by the Board on the same day. Under the Committee, there are six functional teams: sustainable product design, environmental sustainability, social charity, corporate governance and risk management, supply chain management and customer care. The convener of the Committee appoints the heads of relevant departments to oversee the work of each functional team and implement related plans. The position of executive secretary is created to assist the convener with monitoring the progress and achievements of each team.

### Organizational Structure of the Sustainable Development Committee



Under the organizational structure, the Sustainable Development Center is responsible for monitoring and analyzing global sustainability issues and promoting sustainable development from the environmental, social, and governance aspects in conjunction with each functional team. As for the economic, environmental and social issues arising from operating activities, the responsible units of each functional team would prepare annual work plans based on the implementation status each year and monitor the execution of work plans. The results are submitted to be summarized by the Sustainable Development Center and reported to the Sustainable Development Committee. The Committee reports to the Board on the progress and performance of each sustainable development work plan at least twice every year.

### Operation of the Sustainable Development Committee in 2022

| Date and Session of Meeting               | Motions   | Resolution | Actions Taken |
|---|---|------------|---------------|
| 2022.10.25<br>1st meeting of the 1st term | To elect a convener of the first-term Sustainable Development Committee                         | Approved   | N/A           |
| 2022.12.06<br>2nd meeting of the 1st term | To formulate the Company's sustainable development policy and 2023 sustainable development plan | Approved   | N/A           |



## 1.4 Risk Management

In order to ensure the effective implementation of the Company's business strategies to achieve its operational objectives, the Company established the "Risk Management Policies and Procedures" on October 25, 2022, which was approved by the Audit Committee and the Board of Directors. We aim to capture qualitative and quantitative risk elements in a systematic management manner and incorporate relevant response plans as a reference for formulating business strategies.

### ◆ Risk Management Organizational Structure

The Board of Directors is the highest decision-making body for risk management in the Company. It oversees the effective operation of risk management mechanism and authorizes the Chairperson to be the convener of risk management plans, coordinating and directing the promotion and operation of risk management plan. The Corporate Governance and Risk Management Team under the Sustainable Development Committee assists the Sustainable Development Committee with carrying out its risk management responsibilities, summarizing risk elements identified at each level of the organizational management system, risk response strategies and implementation reviews, and reporting to the Sustainable Development Committee on the implementation of risk management. The Sustainable Development Committee shall report to the Board of Directors at least once a year on the performance of the overall risk management plan.



Note: The Chairperson is authorized to be the convener of risk management plan.

### ◆ Risk Management Process

By identifying various risks that may affect the achievement of business objectives, establishing and enhancing the Company's risk management awareness and execution, staying up to date on internal and external issues and environmental changes, and reducing possible losses, we contain risks within a tolerable level, thereby protecting the rights and interests of customers, employees and other stakeholders to increase shareholder value as well as achieving the optimization of corporate resource allocation.





## Material Risk Identification

The Company values concerns raised by stakeholders regarding environmental, social and corporate governance issues, and analyzes and identifies risks based on the Company's size, industry, business characteristics and operating activities, as well as sustainable development (including climate change).

After the management of each functional team identified risks associated with strategic objectives, the Company listed 18 major risks below and established the risk map according to the impact and probability of occurrence of risks, so as to prioritize risk items and formulate relevant action plans. Major risks identified in 2022 were: "slow growth in main applications markets", "raw material price fluctuations and shortage", and "refinancing risk". Relevant details and action plans are scheduled to be reported to the Board in 2023. Action plans and mitigation measures concerning climate risk are available in the Company's annual report.



Annual Report

| Financial Impact          | Extremely high | <ul style="list-style-type: none"><li>◆ Natural disaster with increasing intensity</li><li>◆ Business interruption due to fire</li></ul> |  | <ul style="list-style-type: none"><li>◆ Domestic manufacturing</li><li>◆ Pursuit of carbon neutrality</li></ul> | <ul style="list-style-type: none"><li>◆ Raw material price fluctuations</li><li>◆ Raw material shortage</li></ul> | <ul style="list-style-type: none"><li>◆ Slow growth in main applications markets</li></ul> |
|---------------------------|----------------|--|--|---|---|--|
|                           | High           |  | <ul style="list-style-type: none"><li>◆ Inventory management risk</li></ul>          |   | <ul style="list-style-type: none"><li>◆ Supply chain relocation</li><li>◆ 100% renewable energy</li></ul>         | <ul style="list-style-type: none"><li>◆ Refinancing risk</li></ul>                         |
|                           | Medium         |  | <ul style="list-style-type: none"><li>◆ Logistics and transportation risks</li></ul> | <ul style="list-style-type: none"><li>◆ Labor shortage in manufacturing</li><li>◆ Zero-waste trend</li></ul>    | <ul style="list-style-type: none"><li>◆ Stricter labor regulations</li></ul>                                      | <ul style="list-style-type: none"><li>◆ Exchange rate risk</li></ul>                       |
|                           | Low            |  |  | <ul style="list-style-type: none"><li>◆ Green supply chain</li></ul>  |   |  |
|                           | Extremely low  |  | <ul style="list-style-type: none"><li>◆ Cross-country system integration</li></ul>   |   | <ul style="list-style-type: none"><li>◆ Energy shortage</li></ul>   |  |
|                           |                | Extremely low  | Low  | Medium  | Slightly high   | Extremely high   |
| Possibility of Occurrence |                |  |  |   |   |  |

| Scope of Risk Management    | Major Risk Items   | Risk Items Identified in 2022  |
|-----------------------------|--|--|
| <b>Strategic Risk</b>       | <ul style="list-style-type: none"> <li>Risk of change in technology industry</li> <li>Competitive risk</li> </ul>  | <ul style="list-style-type: none"> <li>Slow growth in main applications markets</li> <li>Supply chain relocation</li> <li>Domestic manufacturing</li> </ul>  |
| <b>Operational Risk</b>     | <ul style="list-style-type: none"> <li>Market risk</li> <li>Supply chain risk</li> <li>Human resource risk</li> <li>Information security risk</li> </ul> | <ul style="list-style-type: none"> <li>Inventory management risk</li> <li>Raw material price hikes</li> <li>Raw material shortage</li> <li>Energy shortage</li> <li>Logistics and transportation risks</li> <li>Labor shortage in manufacturing</li> </ul> |
| <b>Financial Risk</b>       | <ul style="list-style-type: none"> <li>Financing risk</li> <li>Exchange rate risk</li> <li>Interest rate risk</li> <li>Tax risk</li> </ul>               | <ul style="list-style-type: none"> <li>Refinancing Risk</li> <li>Exchange rate risk</li> </ul>   |
| <b>Information Risk</b>     | <ul style="list-style-type: none"> <li>Information security risk</li> <li>System integration risk</li> </ul>   | <ul style="list-style-type: none"> <li>Cross-country system integration</li> </ul>   |
| <b>Compliance Risks</b>     | <ul style="list-style-type: none"> <li>Regulatory risk</li> <li>Material contract mismanagement risks</li> </ul>   | <ul style="list-style-type: none"> <li>Tightening labor regulations</li> </ul>   |
| <b>Integrity Risk</b>       | <ul style="list-style-type: none"> <li>Risk of non-compliance with the code of ethics</li> </ul>   | --   |
| <b>Hazardous Risk</b>       | <ul style="list-style-type: none"> <li>Natural disaster risk</li> <li>Factory safety</li> </ul>  | <ul style="list-style-type: none"> <li>Natural disaster with increasing intensity</li> </ul>   |
| <b>Climate Change Risks</b> | <ul style="list-style-type: none"> <li>Carbon neutrality (including requirements concerning renewable energy and zero waste)</li> </ul>                  | <ul style="list-style-type: none"> <li>Green supply chain</li> <li>100% renewable energy</li> <li>Pursuit of carbon neutrality</li> <li>Zero-waste trend</li> </ul>  |

## Risk Response

After evaluating the impact and probability of occurrence of risks identified above, the Company assigns relevant units to carry out risk response plans for risks on the risk map, and later reviews the implementation status for corrections. For items with high probability of occurrence and significant impact, a task force would be assigned for the response plan, thereby integrating corporate resource to mitigate the impact.

## 1.5 Information Security and Customer Privacy

### ◇ Material Topic: Customer Privacy and Information Security

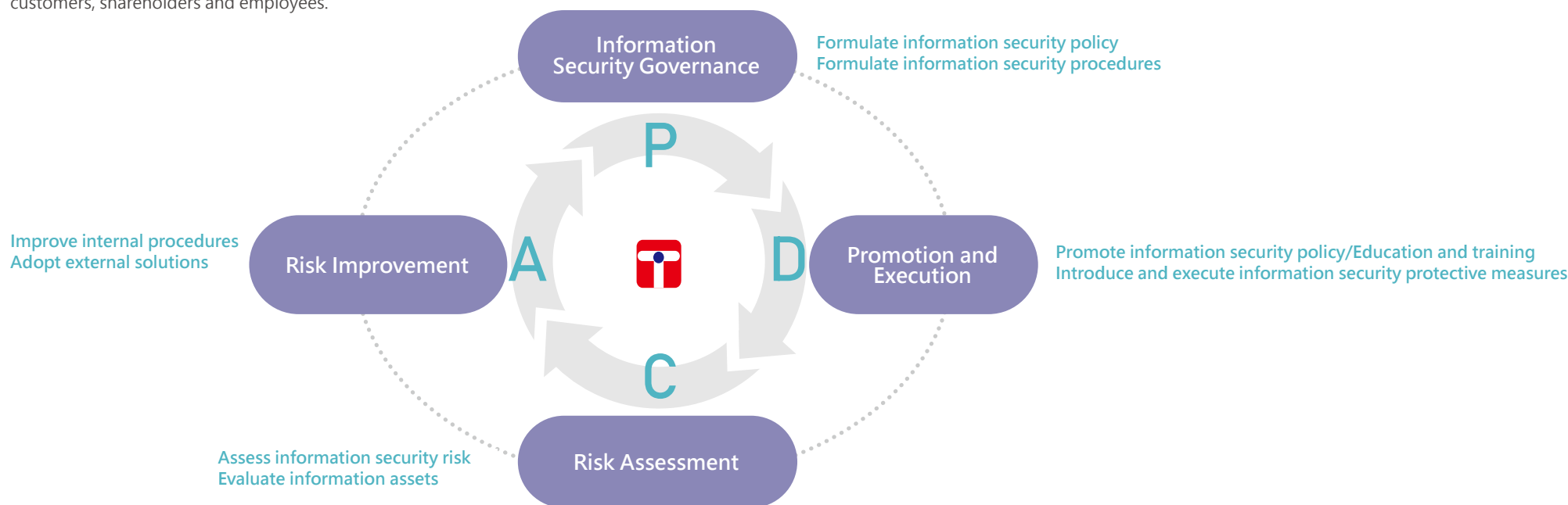
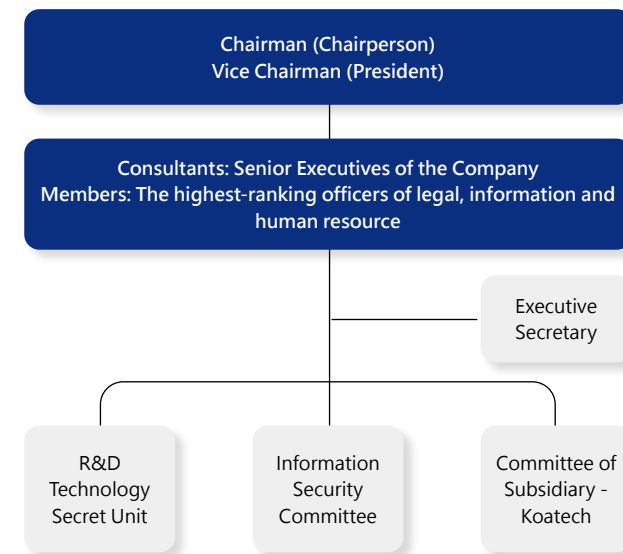
|   |   |  |
|---|---|--|
| <b>Main Reason</b>                      | Our business involves advanced knowledge and technology and so do our customers; therefore, protecting the privacy of our customers and maintaining a highly secured information environment are the corner stones for securing our long-term competitiveness and sustainable operation.  |  |
| <b>Policy and Strategy</b>              | Our information security policy is to strengthen information security management, ensuring the confidentiality, integrity and availability of our information and information assets in order to provide an environment for continued operation of information system, thereby achieving the objective of business continuity and regulatory compliance as well as being protected against intentional or accidental threats, both internal and external. Through management in eight major aspects, we can realize the goals of information security risk mitigation and customer information protection. We have also established the "Confidential Information Protection Manual" and the "Confidential Information Protection Policy" (CIPP) for a comprehensive risk management framework and followed an effective information security management system to perform various information services.  |  |
| <b>Goals and Objectives</b>             | <b>Short-term goals (2023-2024):</b> <ul style="list-style-type: none"> <li>Transition to ISO 27001:2022 (current version: 2013).</li> <li>Obtained Level-A TIPS certification in 2023.</li> <li>No litigation arising from customer privacy breaches and information security incidents.</li> <li>Establish the position of Chief Information Security Officer at the level of Vice President or above.</li> </ul>   | <b>Medium-term goals (2025-2027):</b> <ul style="list-style-type: none"> <li>Assign a Chief Information Security Officer and establishes an information security incident management and tracking platform.</li> <li>Continuous implementation of personal information protection and management and customer information protection.</li> <li>Ongoing ELN.</li> <li>No litigation arising from customer privacy breaches and information security incidents.</li> </ul> |
|   | <b>Long-term goal (2028~):</b> <ul style="list-style-type: none"> <li>Construct an automated information security system.</li> <li>No litigation arising from customer privacy breaches and information security incidents.</li> </ul>  |  |
| <b>Management Assessment Mechanisms</b> | <ul style="list-style-type: none"> <li>Follow the cycle of regular inspection, verification and tracking of ISO 27001 and implement relevant risk management.</li> <li>Stability assessment on critical internal systems.</li> <li>Information security audits by key customers and international certification systems for information security management.</li> </ul>   | <ul style="list-style-type: none"> <li>Criteria for receiving high scores in external information security assessments.</li> <li>Conduct annual assessment on the Taiflex confidential information protection standards to ensure all employees are aware of relevant standards.</li> </ul>  |
| <b>Performance and Adjustments</b>      | <ul style="list-style-type: none"> <li>The Board approved the establishment of the Information Security and Knowledge Management Division in March 2022.</li> <li>We continue to pass the information security audit by key customers and obtain ISO 27001 certification for seven consecutive years.</li> <li>Regarding the alleged violation of trade secret by former employee, the case was investigated and prosecuted by the prosecutor in 2022. In view of the violation, our management policy was adjusted as follows:               <ol style="list-style-type: none"> <li>For the violation of the Company's confidentiality policy by former employee who used personal device to duplicate confidential information of the Company: In addition to the enhanced promotion on the use of information equipment and audits, employees are required to notify their supervisors as well as the legal and information security units immediately when they become aware of any violation.</li> <li>For the former employee's improper acquisition of confidential information from other department in the capacity of a supervisor: We would strengthen control over files and system access. Checks on handover or irregularity shall be performed during job rotation. At the same time, we ask relevant supervisors to promote the need-to-know principle and employees are required to notify their supervisors as well as the legal and information security units immediately when they become aware of any violation.</li> </ol> </li> </ul> | <ul style="list-style-type: none"> <li>Information security of Taiflex Group was rated A (excellent) by the SSC, an external information security specialist.</li> <li>System stability of 99.996% in 2022.</li> </ul>   |
| <b>Prevention or Remedy Measures</b>    | <ul style="list-style-type: none"> <li>The Employment and Service Commitment signed by employees when they join the Company contains details of confidentiality obligations. Upon termination of employment, employees shall return information acquired during the employment and comply with the confidentiality obligations.</li> <li>The "Confidential Information Protection Manual" is distributed and announced with monthly promotion of CIPP to stress the importance of confidential information protection.</li> <li>The Company's Intangible Asset Security Committee regularly reviews various information security procedures to enhance or supplement relevant operations and prevent information security risks.</li> <li>The information unit regularly organizes disaster and recovery drills to improve the emergency responsiveness of information during major abnormal occurrence.</li> <li>To strengthen employees' awareness of information security, we regularly organize information security training courses for all employees every year and invite external experts for trade secrets seminars on-site.</li> <li>The Information Services Division regularly updates the security applications of software systems.</li> </ul>   |  |

## ◆ Information Security Unit and Risk Management Structure

The Company attaches great importance to information security and protection of trade secrets. In 2015, we established the "Intangible Asset Security Committee" to coordinate the planning of the Group's information security policy, information security risk management framework, specific action plans and resources required.

In order to implement relevant regulations, ensure the integrity of information security management framework, and strengthen information security management, the Company has adopted the information security management system (ISO 27001:2013 version) framework since 2016, and regularly performs the cycle of regular inspection, verification and tracking as well as risk management. As of 2022, the Company has obtained ISO 27001 Information Security Management System certification for seven consecutive years. In March 2022, the Board approved the establishment of the Information Security and Knowledge Management Division for the planning and execution of policies as well as risk management pertinent to information security and the protection of trade secret. The highest-ranking officer of this unit would report annually to the Board of Directors on the effectiveness of information security management and information security issues.

Employees of the Company and subsidiaries at home and abroad shall comply with relevant rules and information operation procedures to ensure the availability, integrity and confidentiality of tangible and intangible assets. Through the PDCA process, we have established an information security management framework with predictive capabilities and responsiveness to ensure proper protection for our information and intellectual property, thereby strengthening our competitive advantage. We remain committed to continuous improvement in information security management for maximum protection on the interests of our customers, shareholders and employees.





## ◆ Specific Information Security Improvement and Management Plans

Through regular reviews conducted by the Intangible Assets Security Committee on every operational procedure associated with information security, the Company strengthens or supplements measures against information risk to protect the Company's trade secrets from theft. In 2022, the Company did not identify any major cyberattacks or security breaches, nor was there any existing or possible issues which may have material adverse impact on the Company's operation.



### Document Management



- ◆ Establish a document management platform (DMP) and adopt file classification management.
- ◆ Establish procedures for the retrieval and destruction of confidential documents and implement tracking and management measures.

### Risk Management



- ◆ Risk assessments and regular vulnerability scanning on computer facilities.
- ◆ Regular disaster exercises and drills concerning cyber security.

### Information Operation Security



- ◆ Enforce password rules and establish endpoint detection and response (EDR) software.
- ◆ Set up remote and local backup/recovery services.

### Device Security



- ◆ Set up device security protection mechanisms (e.g., encryption). Monitor network and information access security.

### Supply Chain Security



- ◆ Units shall adopt the practice of signing non-disclosure agreements (NDAs) with suppliers.
- ◆ Conduct supplier audits or visits to suppliers from time to time; use supplier audits (questionnaires) or online tools (Security Score Card) to understand the effectiveness of suppliers' information security prevention, thereby avoiding supply chain disruptions caused by information security incidents.

### Premises Security



- ◆ Implement controls over computers of guests/visitors as well as electronic devices, personal mobile phones and USB flash drives at production lines and laboratories.
- ◆ Establish separate management mechanisms for office and restricted areas, implement access control at computer room as well as monitor abnormal events for review and continuous improvement.

### Human Resource Security



- ◆ All employees of the Company and its subsidiaries have signed the CIPP with a 100% signing rate.
- ◆ Carry out cyber security education and training, and promote information security instructions company-wide.
- ◆ Promote "Confidential Information Protection Policy" on the first day of each month to increase employees' awareness of information security.

### Information Security Assessment



- ◆ The Company has obtained ISO 27001 Information Security Management certification for consecutive years.
- ◆ Passed the information security audits of key customers with improvement measures.
- ◆ Internal audits and self-assessments. The Company continues to carry out periodic vulnerability and threat analyses and reports to top executives for approval.

## 1.6 Regulatory Compliance and Internal Control

### ◇ Material Topic: Business Ethics ◇

|                                  |   |
|----------------------------------|---|
| Main Reason                      | All operations must be conducted with business ethics; therefore, they are in compliance with relevant laws and regulations, which are also the commitment and responsibility of Taiflex to its shareholders and other stakeholders.  |
| Policy and Strategy              | With core values and management philosophy of “enthusiasm, responsibility, integrity, creativity and execution” , Taiflex adheres to the principles of fairness, honesty, trustworthiness, and transparency in business activities, creating an organization and work culture of mutual support, friendliness, discipline, honesty, and hard work. We have also established the “Principles of Business Ethics” , “Code of Ethical Conduct” and “Procedures and Guidelines of Business Ethics” for our directors, managers and employees to follow when performing their duties.  |
| Goals and Objectives             | <p><b>Short-term goals (2023-2024):</b></p> <ul style="list-style-type: none"> <li>Develop comprehensive management and preventive measures</li> <li>Director, manager and employees with zero violations of ethical principle</li> </ul> <p><b>Medium-term goals (2025-2027):</b></p> <ul style="list-style-type: none"> <li>All employees participate in the “Business Ethics” education and training</li> <li>Director, manager and employees with zero violations of ethical principle.</li> </ul> <p><b>Long-term goal (2028~):</b></p> <ul style="list-style-type: none"> <li>Achieve the goal of zero complaint cases.</li> <li>Director, manager and employees with zero violations of ethical principle.</li> </ul>  |
| Management Assessment Mechanisms | We use education, training, and tests on business integrity and ethics as evaluation mechanisms, and conduct regular internal audits on the eight internal control cycles to ensure we are a quality company with business ethics. We have set up an e-trading platform for suppliers and implement ethics management and audits to prevent illegal activities.   |
| Performance and Adjustments      | Director, manager and employees had zero violations of ethical principle in 2022. Management rules have been established and adjusted on an ongoing basis.  |
| Prevention or Remedy Measures    | <ul style="list-style-type: none"> <li>We monitor business ethics developments in Taiwan and abroad and encourage our directors, managers and employees to make recommendations in order to review and improve our ethical policies and measures and enhance the effectiveness of our ethical management.</li> <li>We conduct regular legal compliance as well as various internal and external audits every year and adjust the audit details and management rules according to the issues identified.</li> <li>The Employment and Service Commitment signed by employees when they join the Company contains details of integrity and honesty obligations. Relevant policies and management regulations are made known through internal announcements and training.</li> <li>When entering contracts, the contact persons shall be fully aware of the ethical records and practices of the counterparties to avoid engaging in business transactions with agents, suppliers, customers or other business partners having unethical behaviors. We shall stop all business dealings and blacklist counterparties if any dishonest behavior is identified in business transactions or partners.</li> </ul> |

## 1.6.1 Business Ethics

“Integrity, Responsibility, Enthusiasm, Creativity and Execution” are the core values of our corporate culture, and we engage in business activities based on the principles of fairness, transparency, honesty, and trustworthiness. To ensure the implementation of our core values, the Company has, with reference to the Code of Conduct - RBA, established the “Code of Ethical Conduct” , “Principles of Business Ethics” , and “Procedures and Guidelines of Business Ethics” which have been approved by the Board of Directors and the shareholders’ meeting. Directors, managers and employees of the Company shall not offer, accept, promise or demand, either directly or indirectly, any improper benefits, or engage in any other major unlawful behaviors or serious breach of integrity or fiduciary duty, including infringement of intellectual property rights, unfair competition and other illegal acts, during the course of business.

The Company establishes an effective accounting system and internal control system for business activities with a higher risk of unethical behavior, and establishes an explicit and effective reward and punishment system by integrating business ethics policy with employee performance evaluation and personnel policies for effective management. In order to prevent system abuses, an internal complaint channel has been set up to receive complaints concerning the violations of integrity and ethics. Where a major violation is identified upon investigation or where the Company may suffer significant damage, a report will be prepared immediately to notify the Independent Directors in writing. The disciplinary actions to be taken along with the complaint system would be announced. The violator’s job title and name, date and details of the violation and actions taken are immediately disclosed on the Company’s intranet. There was no reported violations of ethical and integrity management practices in 2022.

**Business ethics hotline: 886-7-8139989#70999**

**Reporting of illegal and unethical conducts: security@taiflex.com.tw**

In order to strengthen the integrity and ethics awareness of employees and to build an organizational culture of mutual support, friendliness, discipline, honesty and diligence, the Human Resource is responsible for the planning of company-wide training by the education and training management regulations to include the “Principles of Business Ethics” and “Code of Ethical Conduct” in the annual training plan. It develops courses of integrity and ethical conducts and regularly arranges training and promotion sessions to instill the concept of integrity and ethical standards in the minds of our employees. In 2022, 81.31% of employees and 100% of Directors received relevant education and training. For suppliers, we have set up an e-trading platform to implement ethics management and audits. There was no violations of laws and regulations concerning antitrust, market monopoly, integrity management and business ethics in 2022.

### Number and Percentage of Employees with Integrity and Ethical Conduct Training in 2022

| Category     | Number of Employees | Number of Trainees | Coverage Rate |
|--------------|---------------------|--------------------|---------------|
| New Recruits | 164                 | 164                | 100.00%       |
| Employees    | 672                 | 516                | 76.79%        |
| Managers     | 20                  | 16                 | 80.00%        |
| Total        | 856                 | 696                | 81.31%        |

Note: Coverage rate = Number of trainees / Total number of employees in the same category \* 100%

## 1.6.2 Regulatory Compliance

Regulatory compliance is fundamental to business operations. With business across Asia and active global network expansion, understanding local laws and regulations and staying up to date with the latest information have become the foundation for our sustainable operations. We have the Legal and Intellectual Property Center reviews domestic and foreign laws and regulations regularly and when needed as well as participates in external courses to understand regulatory amendments and the latest developments. It also analyzes policies and laws that may have a significant impact on the business operations, and passes on the information to relevant departments and management to formulate response strategies and serve as a reference for future business directions.

The Company has established policies and practices regarding compliance with relevant laws and regulations, including but not limited to corruption prevention, anti-harassment/discrimination, environmental protection, and protection of confidential information. In order for employees to understand the essence of regulatory compliance and to ensure compliance during business execution, we invite legal professionals and industry experts to hold seminars and courses at the Company. The Legal and Intellectual Property Center promotes the concept of compliance through announcements and emails regularly and when needed. There were 3,758 trainees with a total of 3,054 training hours in 2022.

We protect employee rights and encourage reporting of sexual harassment, workplace bullying, and other unfair treatment through internet or the hotline in order to protect the personal rights of employees and workplace safety. We also keep the identity of whistleblowers confidential to prevent retaliation.

### Reporting Hotline and Mailbox

|                              |  |
|------------------------------|--|
| Employee health care         | 886-7-8139989#70580 / Joan_Chen@taiflex.com.tw   |
| Information security         | 886-7-8139989#70110 / IT_security@taiflex.com.tw |
| Workplace violence           | 886-7-8139989#70555 / 80995@taiflex.com.tw       |
| Sexual harassment prevention | 886-7-8139989#70995 / help70995@taiflex.com.tw   |



## 1.6.3 Internal control

The Board and management have established an internal control system based on the Regulations Governing the Establishment of Internal Control Systems by Public Companies, overall operating activities of the Company, and applicable laws and regulations of the industry we operate in. The system is reviewed and adjusted on an ongoing basis for changes in both internal and external environment and laws and regulations. The purpose of the internal control system is to ensure the effectiveness of procedures and standard measures for the nine major cycles of sales, production, procurement, financing, payroll, property, plant and equipment, computer information, investment, and research and development, in order to enhance the effectiveness of management and product quality.

The Company has set up an Internal Auditing Office under the Board of Directors, which employs full-time auditors to perform internal audits on the overall operations. Due to its independence, the unit achieves the purpose of auditing the Company's entire operations. Through supervision and inspection on operations and management procedures, deviations from the corporate policies, operating procedures, established goals or expected standards can be identified in a timely manner and reported to the appropriate management level. Corrective actions are taken to prevent abuses so as to stabilize the business operation.

In order to strengthen the functions of the Company's auditors, they attend audit-related courses organized by professional training institutions as required to enhance their professional competence. Through professional and independent internal audit structure, the internal control system is applied to all levels of the Company. In 2022, there were 50 audit items with no major deficiency identified in internal control. The Statement of Internal Control System is available in the annual report.

P

### Prepare annual audit plan

Before the end of each year, the Internal Auditing Office would draw up an audit plan for the following year in accordance with laws and regulations as well as the risk assessment outcomes. Once the plan has been approved by the Audit Committee and the Board, it would serve as the basis for the execution of audit operations (Also, depending on project requirements, senior executives or the internal audit officer may specify audit topics and timing.)

D

### Perform auditing operations

Auditors conduct audits in accordance with the annual audit plan or various projects. The scope of an internal audit includes examinations and assessments on the adequacy and effectiveness of internal control system and the efficiency of operating activities within each department. The audit subject includes operations of all units within the Company and its subsidiaries.

A

### Tracking on improvement of deficiencies and irregularities

In addition to preparing audit reports concerning the deficiencies and abnormal items identified in the internal control system during an audit, the internal auditors would track and monitor these items to ensure that the responsible units have taken appropriate improvement measures in a timely manner. The follow-up records are submitted to Independent Directors for review in the month following the completion of the audit report.

C

### Prepare audit report and review

Internal auditors of the Company would regularly examine the compliance status and perform non-routine inspections. Audit reports are then prepared based on the outcome and submitted to managers for review to ensure proper implementation of corporate policies and improvement of internal control mechanisms.





# 2

## Innovation Development and Quality Management

- 2.1 Business Overview
- 2.2 Product R&D and Innovation
- 2.3 Customer Demand and Quality Management
- 2.4 Sustainable Supply Chain



## 2.1 Business Overview

### ◇ Material Topic: Economic Performance ◇

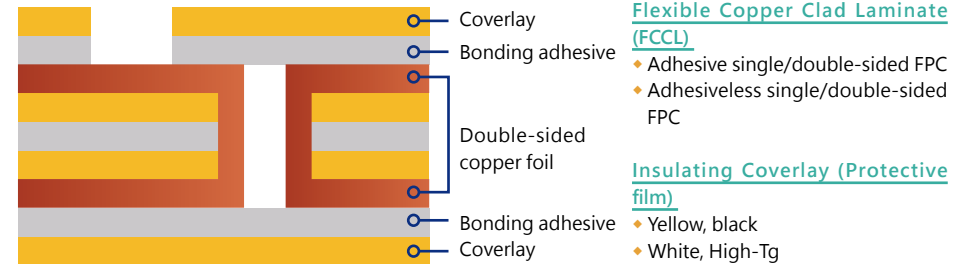
|   |  |   |
|---|--|---|
| <b>Main Reason</b>                      | As a public company, being accountable to shareholders and employees and maintaining sound and stable financial performance allow the Company to have the resources to invest in research and development and continue to provide advanced services to customers as well as promote technology and innovative applications developments. Therefore, the pursuit of sales growth is one of the cornerstones for the Company's sustainable operation.  |   |
| <b>Policy and Strategy</b>              | <p>Taiflex focuses on the research and development of green and energy-saving products. We provide customers with the most reliable and advanced FPC materials and establish the Strategic Planning Office as well as the Global Sales &amp; Marketing Center. Through collaboration between our Global Business Division, Marketing Division and Technical Solutions Division, we join forces to drive the external business of Taiflex from the three aspects of customer needs, market dynamics analysis and technology application and services.</p> <p><b>The Strategic Planning Office is responsible for matters set out below:</b></p> <ul style="list-style-type: none"> <li>(1) Analyze technology and industry market dynamics to facilitate the Group with identifying business opportunities.</li> <li>(2) Plan and drive the short and long-term strategies of the Group and monitor the implementation outcome.</li> <li>(3) Assess potential strategic investments, M&amp;A targets and cooperation opportunities.</li> </ul> <p><b>The Global Sales &amp; Marketing Center is responsible for the following:</b></p> <ul style="list-style-type: none"> <li>(1) In charge of domestic and overseas production and act as an agent for product sales.</li> <li>(2) Collect market intelligence and analyze the industry and macro economy.</li> <li>(3) Plan and market FPC products as well as propose new product development requirements to the R&amp;D.</li> <li>(4) Provide customers product solutions, respond to questions raised by customers concerning new products and handle customer complaints on new product sampling.</li> </ul> <p>Also, we established Taichem Materials Co., Ltd. through spin-off to focus on the semiconductor and display packaging materials. There is also the Taiflex Green Power Co. Ltd. which concentrates on the generation and selling of electricity from renewables.</p> |   |
| <b>Goals and Objectives</b>             | <p><b>Short-term goals (2023-2024):</b></p> <ul style="list-style-type: none"> <li>◆ Return on equity at industry average.</li> <li>◆ Operating income at industry average.</li> </ul>   | <p><b>Medium-term goals (2025-2027):</b></p> <ul style="list-style-type: none"> <li>◆ Return on equity above industry average by 1~5%.</li> <li>◆ Operating income above industry average by 1~5%.</li> </ul> |
|   | <p><b>Long-term goal (2028~):</b></p> <ul style="list-style-type: none"> <li>◆ Return on equity above industry average by at least 5%.</li> <li>◆ Operating income above industry average by at least 5%.</li> </ul>   |   |
| <b>Management Assessment Mechanisms</b> | We hold regular management and performance review meetings according to the KPIs chosen.   |   |
| <b>Performance and Adjustments</b>      | <ul style="list-style-type: none"> <li>◆ In 2022, the return on equity and average annual growth rate of operating income failed to meet the target as a result of international situation and inflation. The free fall in demand in the second half of the year as the entire industry went through inventory digestion affected year-round revenue. We have to enhance the yields of new products and control relevant expenses.</li> <li>◆ The return on equity and average growth rate of operating income for 2022 were -9.88% and -31.69%, respectively.</li> </ul>  |   |
| <b>Prevention or Remedy Measures</b>    | The Company sets strategic considerations and business targets at the beginning of each year. The strategic directions and operating policies are adjusted on an ongoing basis through monthly performance review meetings and impact of external factors to achieve the economic performance targets.   |   |

## 2.1.1 FPC applications and development trends

As a world's major suppliers of FPC materials, our production focuses on flexible materials. Main products include adhesive FCCL materials, adhesiveless FCCL materials, coverlay, bonding sheet, stiffener and composite materials. Our product applications cover mobile electronic devices, wearable devices, car multimedia and others.

At present, large smartphone manufacturers gradually shift towards eco-friendly substrates as eco-friendly materials become the basic product requirements due to the rising environmental awareness and regulatory requirements. Among the various demands, the quest for compact devices remains unchanged. Thus, adhesiveless FPC material (2L-FCCL), with its advantage of being thinner, officially replaces adhesive FPC material (3L-FCCL) to become the mainstream specification in the market. Its penetration rate continues to rise, driving the major FCCL producers to aggressively expand their production capacity of 2L-FCCL. Consequently, developments of 2L-FCCL-related materials and technology will be the focus of research and development.

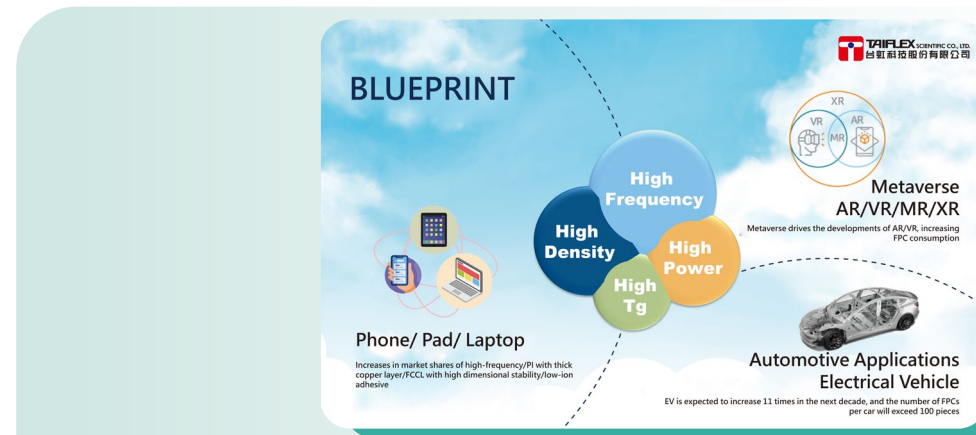
### Double-sided FPC Stack-up



### Market developments

The rising proportion of 5G communication year by year along with the demand for large amount of data transmission and robust developments in the new energy vehicle segment point out that material development will center around features of high frequency and high speed. Major material companies and brands have been aggressive in their development of high bandwidth and low latency applications. At present, MPI, LCP and fluoro FCCLs are the mainstream.

Taiflex offers flexible, light and thin FPC materials. We also aggressively explore the high-density, fine-line, low-loss and high-speed applications. Our R&D team has developed advanced products with high power, high density and high frequency such as the bonding sheet and coverlay featuring ion-migration resistance, low-loss bonding sheet, coverlay, MPI and LCP as well as Fluoro FCCL. Combining these products with a wide range of applications, we provide the market with better and more diverse choices of materials and gaining the trust and support of customers worldwide.



#### High-frequency, High-speed Transmission Materials

- MPI FCCL
- LCP FCCL
- Fluoro FCCL
- BS and CVL

#### Electronic-grade Coverlay (Bonding Sheet)

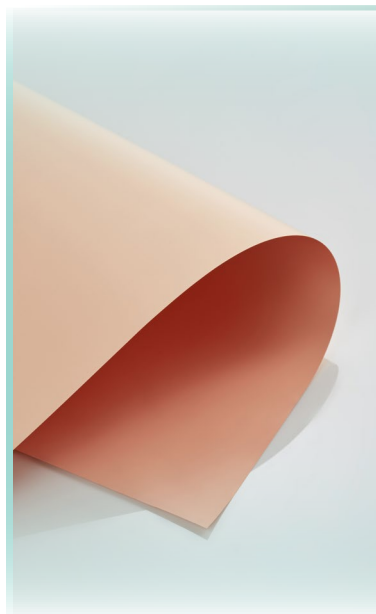
- Halogen-free
- High-Tg

#### Stiffener/Composite Sheet

- Yellow
- Black



## ◆ Purpose and features of Taiflex products



### Adhesive FCCL Materials

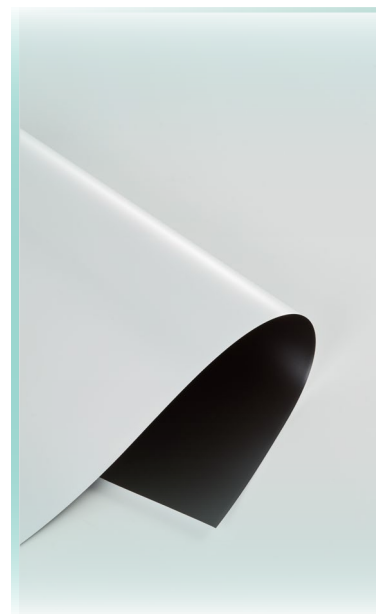
**Purpose** : Excellent ion-migration resistance, superior dimensional stability and high tensile strength.  
**Feature** : Halogen/Bismuth-free. UL and RoHS certified.  
**Application** : Battery, industrial control and automotive applications. A comprehensive range to satisfy the demand for different thicknesses.

### Adhesiveless FCCL Materials

**Purpose** : Light, thin, superior flexural endurance and high dimensional stability.  
**Feature** : High glass transition temperature (Tg) as well as superior weather and chemical resistance. UL and RoHS certified.  
**Application** : Antenna, button and battery of mobile phones. A comprehensive range to satisfy the demand for different thicknesses.

### High-frequency FCCL Materials

**Purpose** : For FPC CCL (high-frequency). Available in three series: MPI, LCP and Fluoro.  
**Feature** : Low Df.  
**Application** : Antenna, USB-C and transmission line.



### Halogen-free Coverlay

**Purpose** : To protect the circuits of FPC. Available in three colors: black, yellow and white.  
**Feature** : Halogen/antimony/Bismuth-free.  
**Application** : Used for FPC circuit protection.

### High-Tg Coverlay

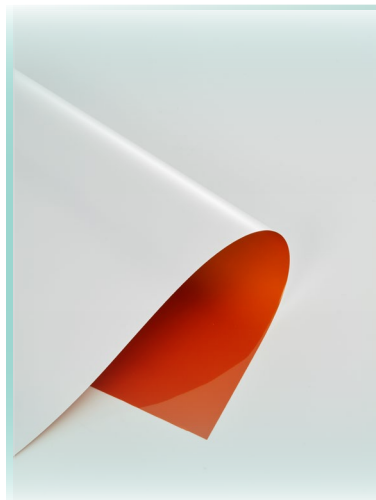
**Purpose** : To protect the circuits of various FPCs.  
**Feature** : Outstanding heat resistance during lamination and operability.  
**Application** : Flex-rigid PCBs and multilayer PCBs.

### Low-ion Coverlay

**Purpose** : To protect the circuits of various multilayer and flex-rigid PCBs.  
**Feature** : Outstanding ion-migration resistance.  
**Application** : Display, SSD and cell board.

### High-frequency Coverlay

**Purpose** : To protect the circuits of FPC.  
**Feature** : Low Df.  
**Application** : Antenna, USB-C and transmission line.

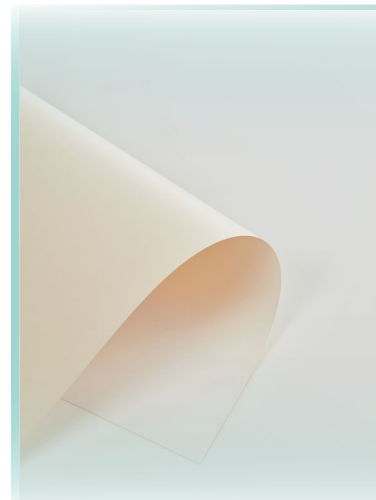


### Stiffener

**Purpose** : To be used to reinforce various types of FPCs.  
**Feature** : Available in two colors: black and yellow. Excellent operability and chemical resistance.  
**Application** : Reinforce FPCs.

### Composite Sheet

**Purpose** : To be used to reinforce various types of FPCs.  
**Feature** : Available in two colors: black and yellow. Excellent operability and chemical resistance.  
**Application** : Reinforce FPCs.



### High-Tg Bonding Sheet

**Purpose** : To bind multilayer and flex-rigid PCBs.  
**Feature** : High Tg, excellent temperature tolerance and able to withstand several lamination cycles.  
**Application** : Applicable to a wide range of components, e.g., IO, button, camera and battery.

### Low-ion Bonding Sheet

**Purpose** : To bind multilayer and flex-rigid PCBs.  
**Feature** : Better ion-migration resistance than the High-Tg series for the trend of high-density and fine-line applications.  
**Application** : Applicable to a wide range of components, e.g., camera, display and battery.

### High-frequency Bonding Sheet

**Purpose** : To bind multilayer FPCs.  
**Feature** : Low Df.  
**Application** : Antenna, USB-C and transmission line.

## 2.1.2 Operational performance

### ◆ Competitions

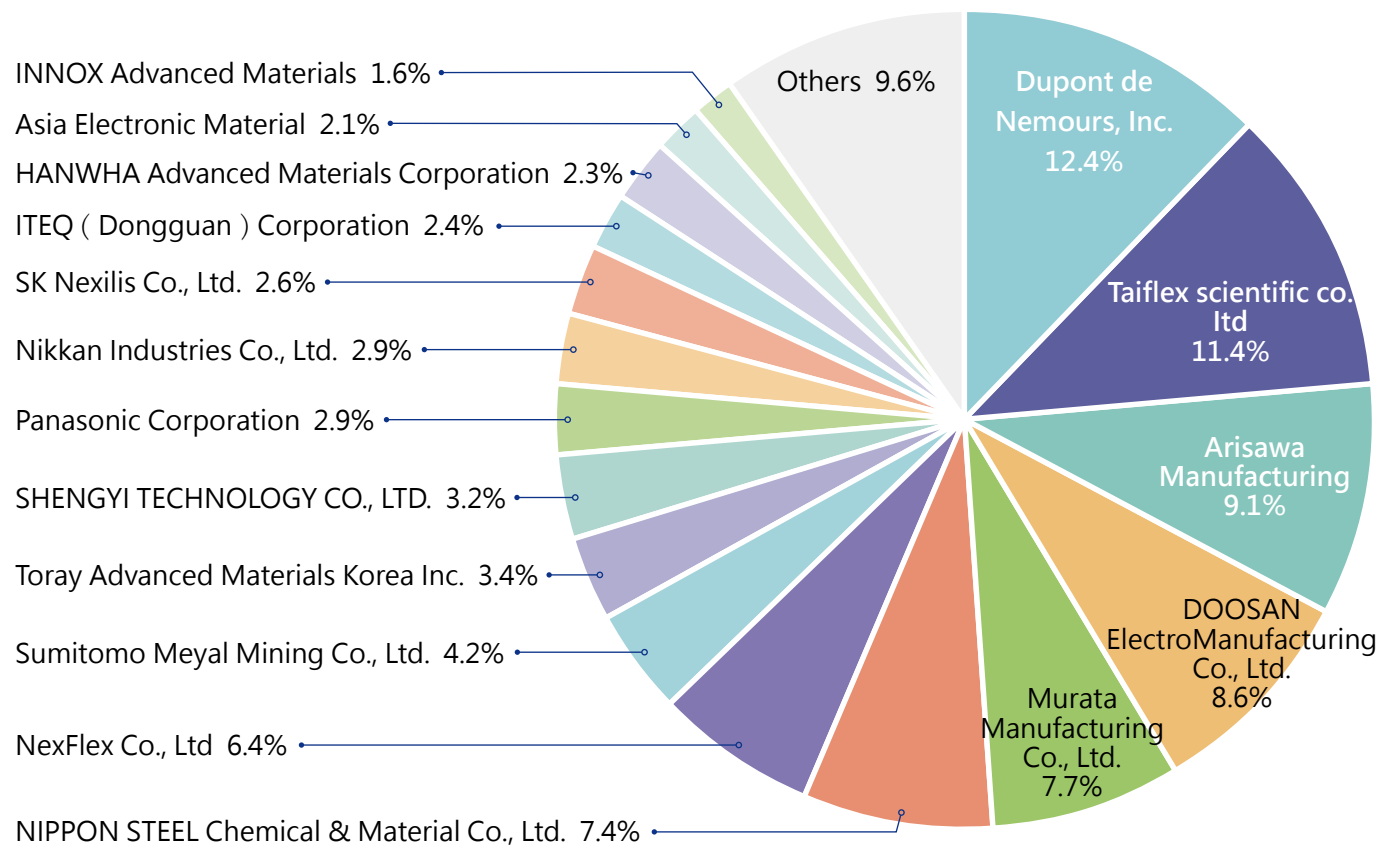
The global supply of FCCL is dominated by Japan, Taiwan and Korea. The main competitors include Nippon Steel and Arisawa in Japan, Doosan in Korea, plus AEM in Taiwan. However, the PCB industry in China has grown rapidly with help from the government. A complete industry cluster, which includes copper foil plants, CCL plants, and assembly factories, is taking shape. Meanwhile, there are peers entering the FCCL market. For instance, ITEQ and Shengyi Technology have been actively switching from CCL to FCCL recently. Consequently, the competition has become more complicated.

In the past year, the pandemic had wreaked havoc on a global scale. It changed how people live, work and carry on business activities and brought more challenges to business operation. However, we managed to seize opportunities amid the crisis through excellent crisis management and strived to maintain the momentum for business growth. Our market share in FPC applications worldwide was 11.4% in 2022.

In the future, the Company will continue to actively implement various operational and risk control measures, such as increasing local purchases, adopting dynamic inventory strategies for key materials and products, optimizing product structure, and executing cost improvement, production efficiency enhancement as well as expense control. These practices would not only enhance our responsiveness and mitigate the adverse impact of uncertainties, but more importantly, they enable the Company to seize the opportunities for growth during the pandemic.

As 5G communication enters the phase of fast development, we would not be absent from the growth. We will persistently strengthen our core competitiveness, build long-term competitive and sustainable operation, continue to invest research and development resources in advanced materials of flexible electronics, heat dissipation and semiconductor, and work towards producing high-value products. At the same time, we will utilize our leading position in flexible materials to collaborate with customers in order to capture the driving forces of market growth and consolidate the foundation for sustainability.

Market Share Pie Chart of JMS



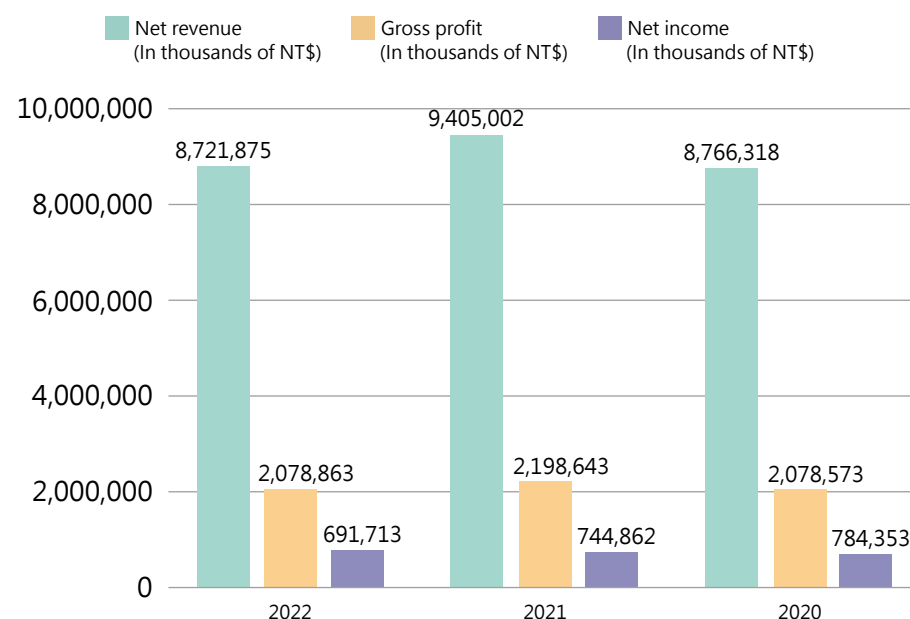
## ◆ Annual financial performance

In 2021, the supply chain disruption caused by Russia-Ukraine war and Covid-19 as well as the prolonged loose monetary policy fueled global inflation. As a result, major central banks initiated rate hike cycles to battle against inflation. Under the dual influence of price spikes and rising interest rates, the end-market demand of the global consumer electronics plummeted. The plunge along with the digestion of substantial inventories accumulated during the pandemic in every stage of the supply chain put sales under greater recessionary pressure.

Amid the stagnant end demand, we eliminated the adverse impact of plunging demand with our fine customer mix and competent supply chain management, suffering only a slight decrease in terms of revenue and profit. Furthermore, we escalated our investments in new material research and development as well as product sampling, striving to expand our market share while awaiting economy recovery to take our operation to the next level.

Operating revenue for 2022 amounted to NT\$8,721 million, down 7.2% from 2021, with an earnings per share of NT\$3.35.

| Item/Year   | 2020      | 2021      | 2022      |
|---|-----------|-----------|-----------|
| Net revenue (In thousands of NT\$)                                  | 8,766,318 | 9,405,002 | 8,721,875 |
| Gross profit (In thousands of NT\$)                                 | 2,078,573 | 2,198,643 | 2,078,863 |
| Operating income (In thousands of NT\$)                             | 1,042,885 | 948,808   | 648,080   |
| Non-operating income and expenses (In thousands of NT\$)            | -77,088   | -7,994    | 229,233   |
| Income before income tax (In thousands of NT\$)                     | 965,797   | 940,814   | 877,313   |
| Net income (In thousands of NT\$)                                   | 784,353   | 744,862   | 691,713   |
| Total comprehensive income (In thousands of NT\$)                   | 752,882   | 758,884   | 662,244   |
| Earnings per share (NT\$)   | 3.7       | 3.51      | 3.35      |
| Employee benefits (In thousands of NT\$)                            | 20,904    | 31,507    | 28,197    |
| Dividends (In thousands of NT\$)                                    | 522,799   | 522,799   | 522,799   |
| Employee wages (including employee benefits) (In thousands of NT\$) | 983,465   | 1,176,330 | 1,315,982 |
| Retained economic value (In thousands of NT\$)                      | 1,303,957 | 844,978   | 1,562,944 |
| Payments to providers of capital (In thousands of NT\$)             | 543,562   | 543,597   | 558,005   |
| Payments to government (In thousands of NT\$)                       | 221,982   | 231,061   | 224,937   |
| Community investment (In thousands of NT\$)                         | 1,152     | 1,063     | 700       |



## ◆ Other financial impact

The Company does not make any political contribution and pays taxes every year in accordance with the tax laws and regulations. Since we meet the criteria set by the government for the promotion of investments in smart machinery as well as research and development, we are entitled to some tax credits. Also, we receive government subsidies for assisting with narrowing the gap between industry and academia by providing internships to students.

### 2022 Government Subsidies

|                                   |   | In NT\$   |
|-----------------------------------|---|-----------|
| Youth Employment Subsidy          | Executive Yuan                              | 71,200    |
| Youth Employment Project          | Workforce Development Agency                | 567,326   |
| Subsidies for Interests and Wages | Kaohsiung City Government                   | 5,996,986 |
| Internship for Youth in Kaohsiung | Sun Yat-sen Management Education Foundation | 205,000   |
| Total                             |   | 6,840,512 |



## ◆ Tax policy and information

Taxation is managed by the Finance and Accounting Center, which keeps abreast of the tax compliance status of our domestic and overseas operation bases as well as the latest information on global tax laws. It reports high-risk tax incidents to the Board of Directors for the management to understand the internal risks and tax trends. Through effective risk management mechanisms, it contains the frequency and amount of tax disputes to a lower risk level.

The head and staff of the finance and accounting department comply with relevant tax laws and regulations both at home and abroad. The following tax policies are established to reduce tax risks and pursue the optimal interests of the Company and its shareholders. Details are available in the sustainability report, including:

1. Transactions between affiliates shall comply with the arm's length principle as well as the transfer pricing guidelines set by the competent authority.
2. Analyze the operating environment, assess tax risks, and consider related tax risk based on business decisions.
3. Comply with domestic and international tax regulations.
4. Not to use tax havens for tax avoidance.
5. Comply with the Company Act and tax-related laws and regulations.



Annual  
report



Shareholders  
Services



Financial  
reports



Financial  
Information

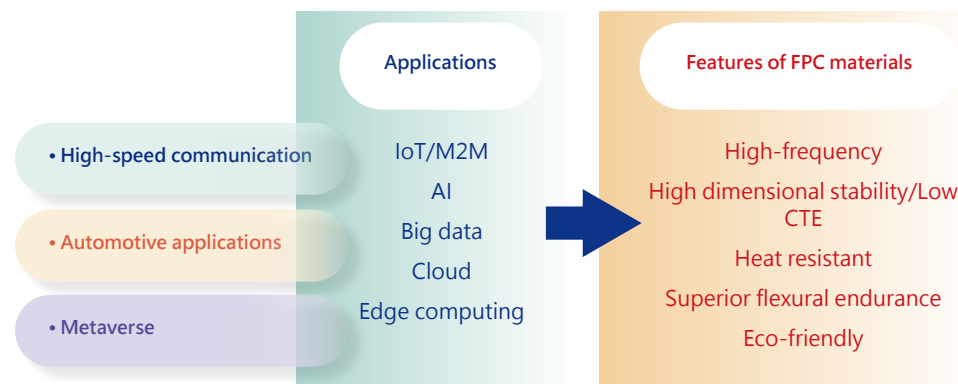


## 2.2 Product R&D and Innovation

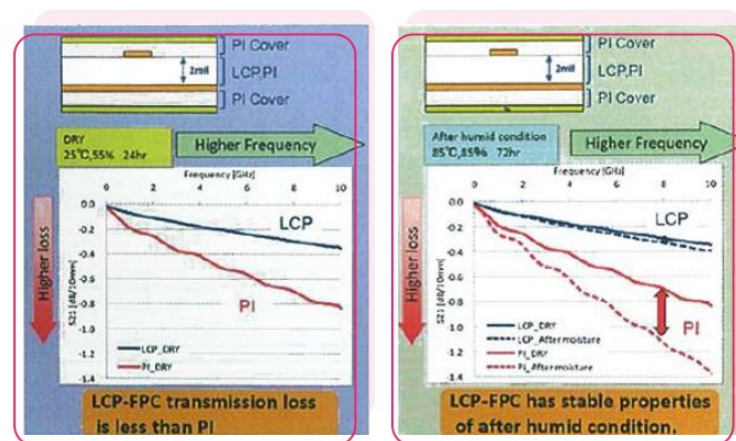
### ◇ Material Topic: Innovative R&D and Patents ◇

|   |   |
|---|---|
| <b>Main Reason</b>                      | "To become a world-class FPC material provider" has always been our vision. We persistently advance on our three core technologies of formula R&D, precision coating and testing methods, in order to develop materials that meet market demands and to become a global leader in FPC materials.  |
| <b>Policy and Strategy</b>              | <ul style="list-style-type: none"> <li>• <b>Innovative R&amp;D</b> : The R&amp;D Center integrates market and customer feedback provided by other units to formulate R&amp;D plans.</li> <li>• <b>Patent management</b> : Coordinated by the Legal and Intellectual Property Center, the intellectual property management and review system is established based on TIPS by combining business strategies, operation objectives and core technologies of the Company and adopting the "Plan-Do-Check-Act (PDCA)" method.</li> </ul>   |
| <b>Goals and Objectives</b>             | <p><b>Short-term goals (2023-2024):</b></p> <ul style="list-style-type: none"> <li>• To obtain the Level-A TIPS certification with 2 patent applications per year.</li> </ul> <p><b>Medium-term goals (2025-2027):</b></p> <ul style="list-style-type: none"> <li>• Establish strategic IP portfolio and improve the Company's IP management system.</li> </ul> <p><b>Long-term goal (2028~):</b></p> <ul style="list-style-type: none"> <li>• Integrate the development direction of R&amp;D and IP rights in line with the Company's operation strategy and revive corporate resources through IP strategies including technology sale/transfer and licensing.</li> </ul> |
| <b>Management Assessment Mechanisms</b> | <ul style="list-style-type: none"> <li>• The R&amp;D Center performs phase review every month based on the project progress in the Product Life-cycle Management and adjust the execution details.</li> <li>• The Legal and Intellectual Property Center calculates the number of patents every year and reports to the Board of Directors.</li> </ul>  |
| <b>Performance and Adjustments</b>      | There were 5 applications in 2022, i.e., an achievement rate of 225%.   |
| <b>Prevention or Remedy Measures</b>    | Through preliminary patent research prior to the commencement of a R&D project, we assist our R&D personnel in eliminating the sources of patent risk. They may opt for a design around to ensure the freedom to operate. We also assist our colleagues in transforming their R&D results into IP when R&D projects are underway.   |

### 2.2.1 Development of low-loss materials and processing techniques



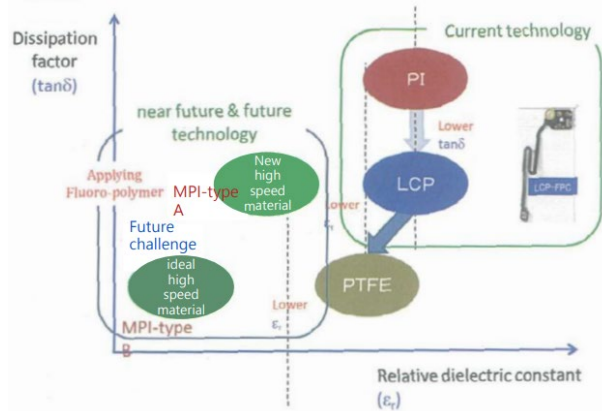
Taiflex's R&D focuses on the development of materials for emerging applications such as 5G, automotive and metaverse. Since high-speed signal transmission suffers greater insertion loss, applications often opt for materials with low Dk/Df. The low moisture absorption rate of liquid crystal polymer (LCP) allows Dk and Df to remain stable, while the moisture absorption of PI in a natural environment is unstable relative to the coefficient of moisture absorption of LCP. A comparison of the moisture absorption of LCP and PI materials is presented in the figure below:



## 2.2.2 Long-term R&D investment

Higher operating frequency results in higher insertion loss. Materials with lower Dk and Df are being commercialized. Besides LCP and MPI which are common in the market, the R&D Center is actively developing the newly-emerged fluoro-based materials.

Nevertheless, the focus shall not be placed merely on understanding the material but also its processability and economic value in the market during product development. Fluoro-based materials have high electronegativity, and thus external polarization has minimal influence on molecules. Consequently, it is an excellent material for high-frequency applications. However, the material itself is difficult to process.



Taiflex excels in materials and coating technology. Combine these with our top-notch laminating technologies, testing equipment with the most rigorous and highest standards, control standards for product appearance and FCCL properties, and our extensive research resources, equipment and human capital in FCCL, we are confident in providing the new information generation with the best high-frequency materials.

Taiflex was co-founded by professionals from the Industrial Technology Research Institute (ITRI) and the electronic materials field in Taiwan. With industry-leading technology, we are the largest material supplier of FPC in the Greater China Region. Taiflex not only invests enormous resources in in-house R&D but also works closely with upstream international material manufacturers and equipment design companies with advance technology. Also, we carry out R&D projects on the transfer of coating technology and formula analysis through collaboration with ITRI and National Sun Yat-sen University. By combining R&D resources through industry-government-academia-institute collaborations, we work with end customers in developing the next-generation products, committing to the provision of advanced FPC materials and integration of innovative applications.

### ◆ Five-year strategic plan

As electronic products continue to develop in the direction of being thin, light, multi-functional and high-performance, the demand for FPC rises and creates abundant business opportunities. Taiflex invests more than 3% of the annual sales in research and expects that through continuous research and innovation, our products will grow significantly in automotive, meta-universe and wearable applications in the future.

#### R&D Expenses over the Years

| Year                                | 2018      | 2019      | 2020      | 2021      | 2022      |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (In thousands of NT\$)      | 7,633,620 | 6,919,495 | 7,491,041 | 7,671,215 | 7,287,918 |
| R&D Expenses (In thousands of NT\$) | 244,580   | 265,762   | 260,938   | 284,484   | 350,360   |
| Percentage (%)                      | 3.20%     | 3.84%     | 3.48%     | 3.71%     | 4.81%     |

Note:

1. Percentage is calculated as: R&D expenses / Sales of the same year × 100%.

2. The data in this table is adjusted to be presented for Taiflex alone; therefore, information was restated during the year.

#### R&D Manpower Plan

| Year            | 2022 | 2023 | 2024 | 2025 | 2026 |
|-----------------|------|------|------|------|------|
| No. of staff    | 37   | 37   | 41   | 41   | 45   |
| Addition        | 2    | 0    | 4    | 0    | 4    |
| Growth rate (%) | 5.71 | 0    | 9.75 | 0    | 8.88 |

#### Estimated Revenue Contribution from New Products

| Year                     | 2022  | 2023  | 2024 | 2025 | 2026 |
|--------------------------|-------|-------|------|------|------|
| Item                     |       |       |      |      |      |
| Revenue contribution (%) | 11.21 | 11.63 | 8.67 | 9.28 | 8.60 |

## 2.2.3 Intellectual property management

### ◆ Innovative services

In addition to our long-term involvement with FPC materials, we have expanded our business to include advanced packaging materials for semiconductors and display as well as high-precision coating manufacturing services by leveraging our three core technologies of formula development, precision coating, and testing methods accumulated over the years. We established the 100%-owned subsidiary, Taichem Materials Co., Ltd., through spin-off in September 2020 to provide customers with more diversified and customized solutions.



Corporate website  
of Taichem  
Materials Co., Ltd.

### ◆ Patent portfolio

Taiflex attaches great importance to R&D innovations and recognizes IP as a core asset of the organization. During technology development, we use patent search and literature analysis to stay current on existing patents, thereby avoiding infringement of others' rights and securing our freedom to operate. Once the development stage is over, R&D results shall be properly maintained and managed to avoid data breach, or protected via patent applications to create a competitive niche for our operation. We regularly maintain and evaluate our patents or R&D results under protection to lower the operating costs of IP. We also evaluate IP value as well as collect and analyze intelligence to commercialize our IP through patent licensing or technology transfer.

In order to enhance the value of Taiflex among international brands, build goodwill, and sustain the competitive advantage of our product technology in the market, we continue to maintain effective patents worldwide. As of 2022, we have 243 global patent applications and up to 84% of them are invention patents in the major markets of Taiwan, the U.S., Japan, Europe and mainland China. There are 146 applications approved. We aim to continuously expand our IP portfolio regarding our core technologies and R&D achievements.

### ◆ IP protection system

In the face of global business competitions and complex supply chain relationships, trade secrets protection has become one of the competitive edges for securing a company's future core competitiveness. The scope of trade secrets includes technologies, methods, processes, formulas, programs, designs or other information that can be used for production, sales or operation and meets the requirements of confidentiality, economic value, and the adoption of reasonable confidentiality measures. A total of 11 trade secrets concerning key formula and process have been registered for management and we introduced ELN in 2021 to reinforce our control over R&D achievements, thereby furthering our technological advantages.

We are well aware that trade secrets have high commercial value and importance to corporate operations. Besides protecting the research achievements through patent applications, we adopted ISO 27001 Information Security Management System in 2016 to establish a sound trade secret protection and management mechanism. The Intangible Assets Security Committee was created and the Confidential Information Protection Policy was formulated to manage the Company's confidential information. Actions including the inventory, classification and labeling of confidential information, identification of ownership over IP rights, signing of confidentiality agreement, control over information security, retention of records, early warning, audits, annual assessment on the protection of confidential information as well as training and promotion of information security are taken to minimize the risk of trade secret leakage.

For employees to have correct understanding on IP management system, Taiflex has adopted the TIPS since 2014 to establish a systematic management system which conforms to the nature of our technology research and development and links IP management with operational objectives. In recent years, we have continued to improve IP acquisition, protection, maintenance and utilization and set the goal of obtaining the Level-A TIPS certification in 2023. With further improvement on IP management, we can enhance our overall profitability and operation performance.

Patents from Product Development in the Past Three Years

| Year | Type | Invention Patents | Utility Models | Total |
|------|------|-------------------|----------------|-------|
| 2020 |      | 4                 | 0              | 4     |
| 2021 |      | 2                 | 0              | 2     |
| 2022 |      | 2                 | 0              | 2     |

## 2.3 Customer Demand and Quality Management

### ◇ Material Topic: Product Safety and Quality ◇

|   |  |
|---|--|
| <b>Main Reason</b>                      | Having product quality meets customer requirements is mandatory for Taiflex to “become a world-class FPC materials provider” . We shall provide appropriate resources to maintain the integrity of our quality assurance system and ensure our products meet regulatory requirements in order to strike an optimal balance between Taiflex and our customers.  |
| <b>Policy and Strategy</b>              | <ul style="list-style-type: none"> <li>◆ Provide fast and responsive technical support services with solid R&amp;D capabilities to meet customer needs for development, design, testing and after-sales services.</li> <li>◆ Establish a quality/HSF organizational management system with continuous improvement and introduce the automotive-related quality system - IATF 16949 as well as the hazardous material process management system - IECQ QC 080000 to meet the green products trend worldwide.</li> </ul> |
| <b>Goals and Objectives</b>             | <b>Short-term goals (2023-2024):</b> <ul style="list-style-type: none"> <li>◆ Customer satisfaction score of at least 88 points.</li> <li>◆ 100% compliance with hazardous substances free related regulations and customer requirements.</li> </ul>   |
|   | <b>Medium-term goals (2025-2027):</b> <ul style="list-style-type: none"> <li>◆ Customer satisfaction score of at least 89 points.</li> <li>◆ 100% compliance with hazardous substances free related regulations and customer requirements.</li> </ul>  |
|   | <b>Long-term goal (2028~):</b> <ul style="list-style-type: none"> <li>◆ Customer satisfaction score of at least 90 points.</li> <li>◆ 100% compliance with hazardous substances free related regulations and customer requirements.</li> </ul>   |
| <b>Management Assessment Mechanisms</b> | Conduct customer satisfaction surveys on a regular basis, and include them in the management review meetings for review and be submitted to the President.   |
| <b>Performance and Adjustments</b>      | Customer satisfaction score was 88.5 points in 2022, exceeding the target of 88 points.  |
| <b>Prevention or Remedy Measures</b>    | Review the status of target achievement in the management review meeting every year, and provide explanations and action plans for items failing to meet the objective.  |



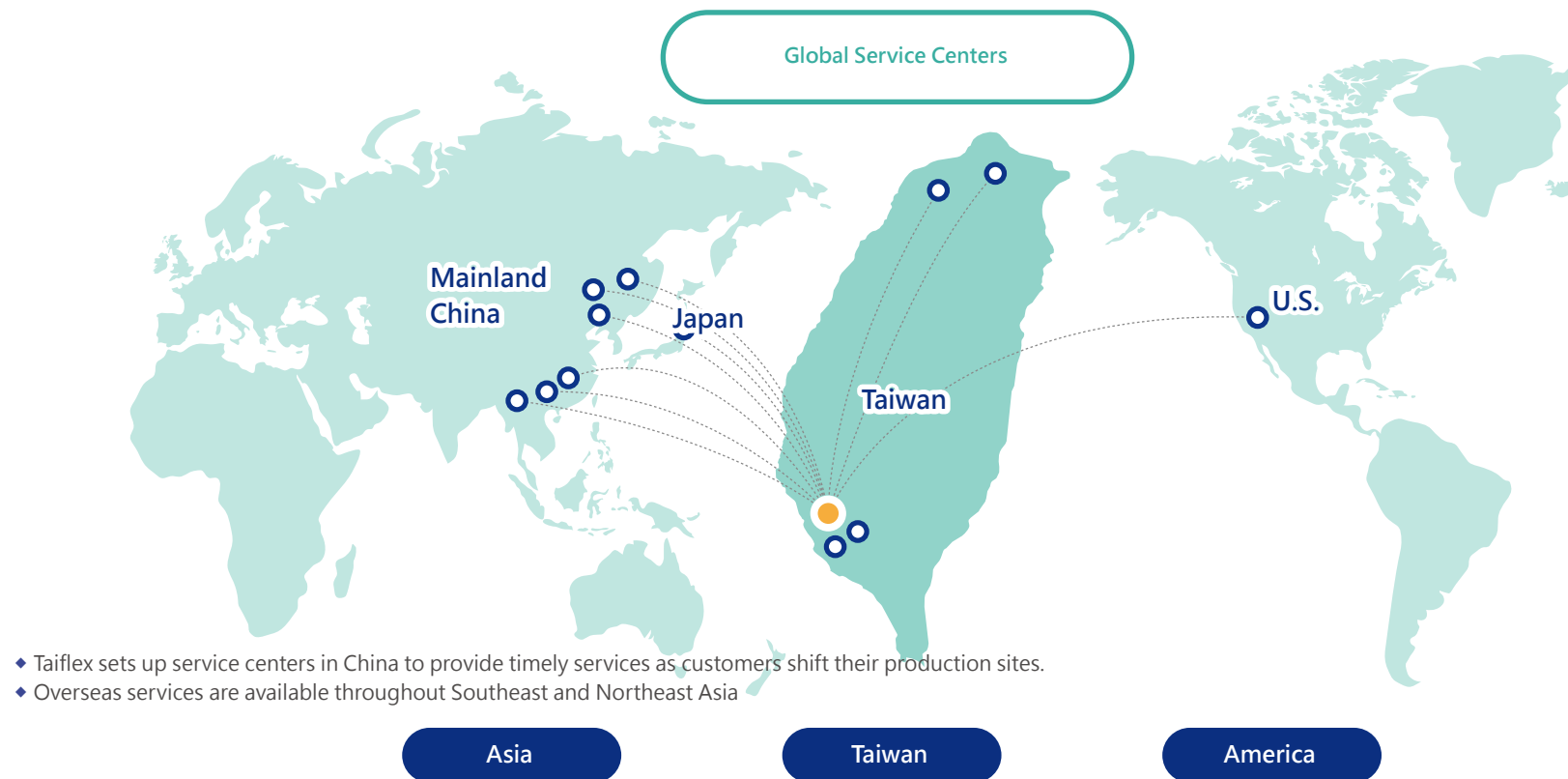
## 2.3.1 Efficient services

Taiflex is dedicated to the process research, manufacturing and selling of FCCL. Upstream suppliers of the industry are PI/copper foil materials providers while downstream customers are FPC manufacturers.

| Upstream  | Midstream   | Downstream   |
|---|---|--|
| PI/ Copper Foil Materials   | FCCL  | FPC  |
| <ul style="list-style-type: none"> <li>Raw materials</li> <li>Chemicals</li> <li>Equipment vendors</li> </ul> | <ul style="list-style-type: none"> <li>FCCL</li> <li>CVL coverlay</li> <li>Stiffener</li> <li>Chemical composite</li> </ul> | <ul style="list-style-type: none"> <li>FPC &amp; PCB</li> <li>Insulating tape</li> </ul> |

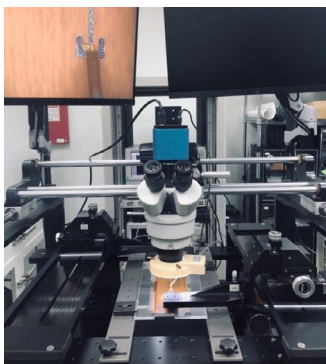
Customer satisfaction is at the heart of our management philosophy. We are committed to deliver innovative products and services to customers and uphold the core values of responsibility and enthusiasm. Taiflex has dedicated units providing product services to customers and working closely with the quality assurance department to solve product issues ranging from appearance to functionality. Besides Taiwan, we have service personnel stationed at Kunshan, Shenzhen, Zhuhai, Xiamen, and Nantong to cope with production globalization among downstream customers by enhancing the accessibility and timeliness of our services. We also have offices in the U.S. and Japan, serving as a base for providing timely product services and sales.

In the production and sales stage, demand forecast of customers is relayed to the Headquarters every week through continued communications with customers. By translating global demand forecasts into production plans on a weekly basis, we can align with customers' needs and optimize efficiency while at the same time collaborate with companies in the supply chain to form a comprehensive industry value chain.



## ◆ Technical support

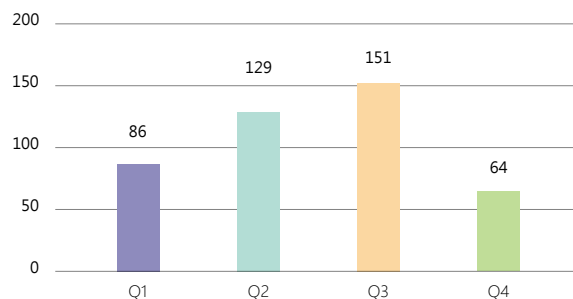
At the product design, testing and verification stages, our Headquarters supports the technical needs of customers in Taiwan, mainland China, Europe, the U.S., Japan and South Korea in order to enhance the efficiency of customer service and forge a closer tie with customers. Technical exchanges take place from time to time, providing technical support and assistants to solve issues in design and testing faced by customers.



▲ PNA microwave network analyzer

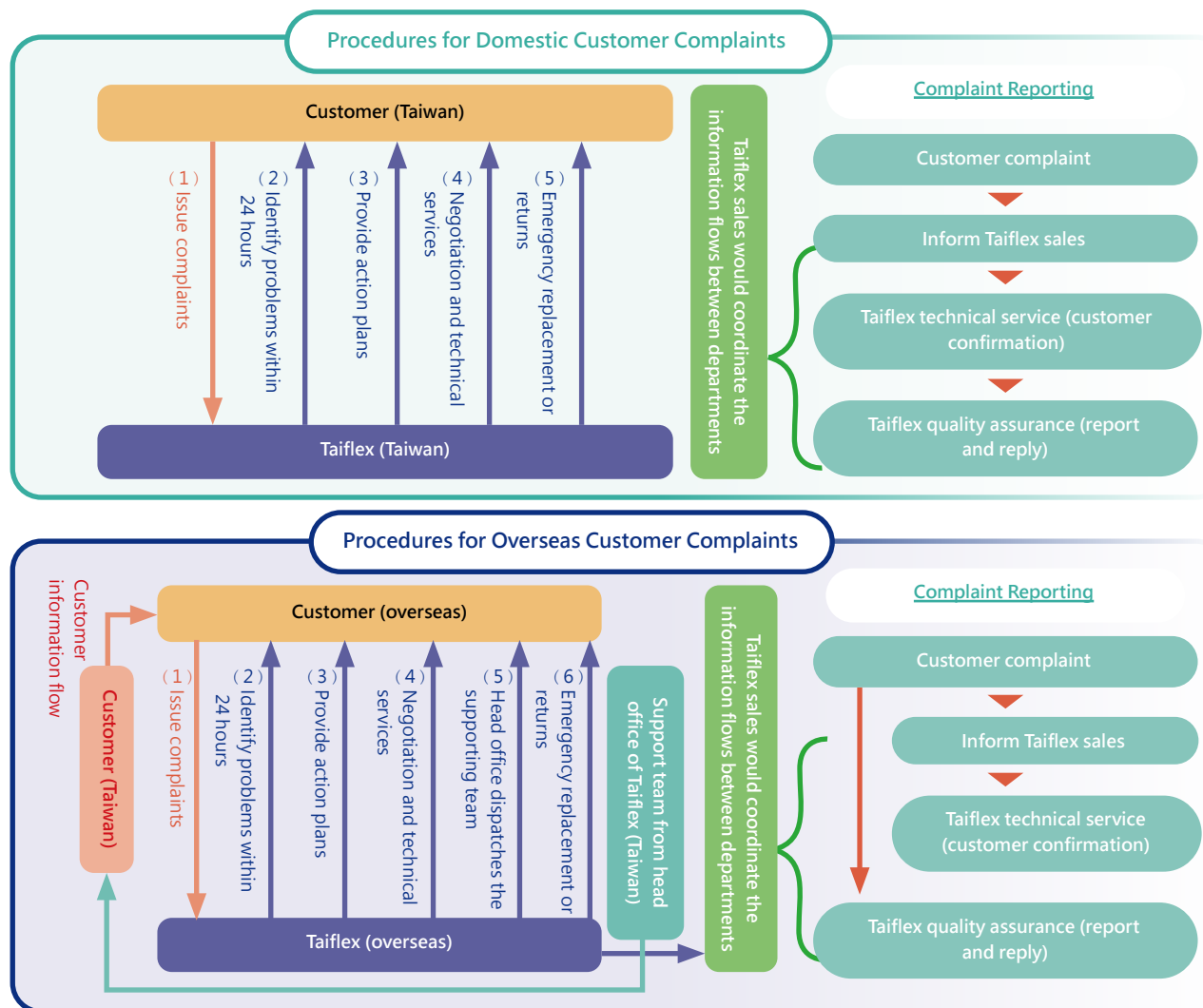
To satisfy customers' needs for material analysis and characteristic testing, Taiflex acquires a complete set of testing equipment including SEM/EDS, FTIR, metallurgical microscopes, TMA/DSC/DMA thermal analyzers and tension machines for relevant internal departments as well as testing requests from customers. In 2022, 430 testing requests from customers were completed. The testing not only speeds up product verifications for customers but also provides us a better understanding of product characteristics.

Number of Testing Requests from Customers in 2022

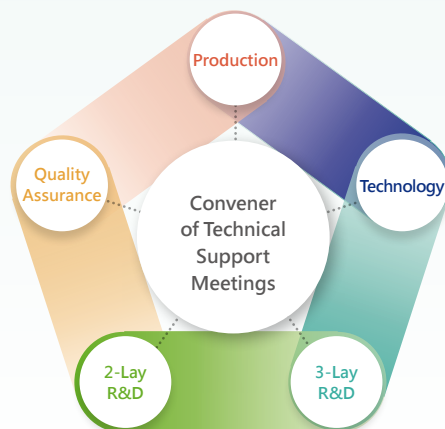


## ◆ Handling of customer complaints

Once we identify opinions, questions or grievances raised by our customers as major customer complaints, a cross-department task force would be assembled to handle the issue. Immediate actions and timely improvement measures would be taken by production, technology, R&D, and quality assurance units based on their functions and authorities to assist customers with resolving the issue as well as minimize the loss in labor, materials or equipment utilization. Our product service quality can therefore be enhanced to uphold our reputation and secure customer satisfaction.



In the event of a major customer complaint, the customer service officer would hold a technical support meeting involving officers of the Production, Quality Assurance, Technology and 2-Lay and 3-Lay R&D as well as responsible engineers to discuss major defects in the product. Replies concerning causes identified in the preliminary review and improvement measures shall be given within three days, and the complete test data, cause analysis, improvement and preventive measures as well as reasonable solutions acceptable to the customers shall be provided within seven days to ease customers' concerns.



## 2.3.2 Quality control

The objective of our quality/HSF is to achieve customer satisfaction in principle. In accordance with IATF 16949 and HSPM System requirements, appropriate items and quantitative targets are determined in the management review meetings and their compliance and applicability are reviewed regularly.

As for issues raised by customers, we persistently carry out improvement measures, e.g., cross-departmental technical meetings, quality proposals, QCC, 5S, KPI, etc., aiming to satisfy our customers' needs as quickly as possible.



## Quality certification

To secure product quality, we execute inspection and testing strictly at stages of incoming materials, manufacturing, work in progress, finished goods as well as shipment in accordance with the quality control plans and relevant regulations. All inspections and tests are documented to verify the products conform to relevant requirements.

In 2022, there was no incident where quality of our products affected the safety or health of downstream suppliers and end-users nor non-compliance of laws and regulations concerning products and services.



### Statistics of Products or Services with Safety Certification

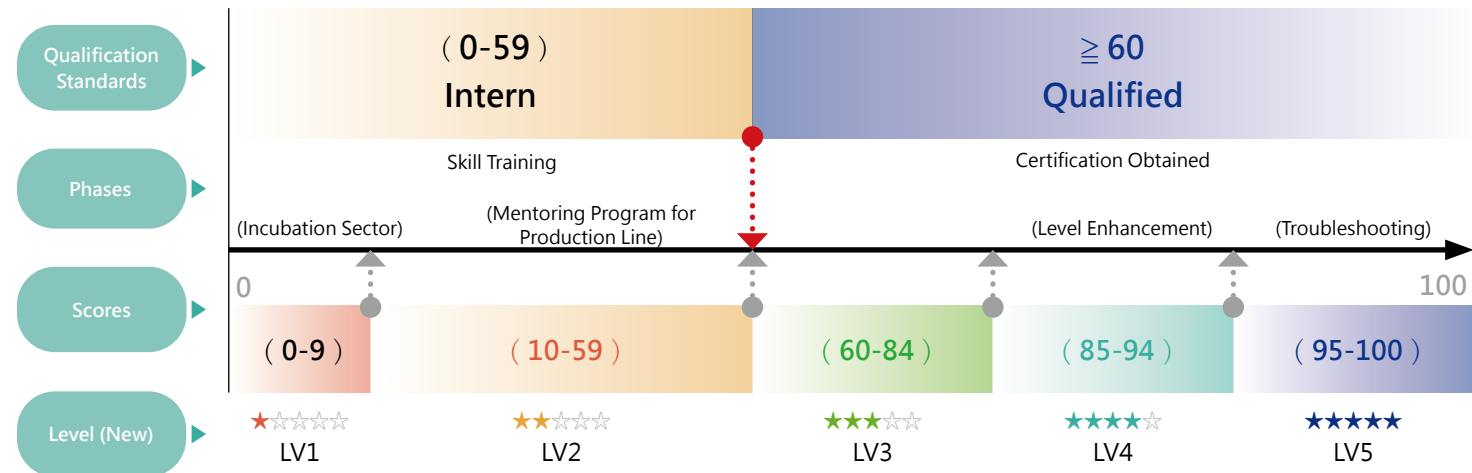
| Product or Service         | Safety Regulation Certification         | Percentage of Evaluated Products or Services to Customers |
|----------------------------|---|---|
| 2L FCCL                    | Flammability: ISO 9773, IEC 60695-11-10 | 100%  |
|                            | Comparative Tracking Index: IEC 60112   |   |
|                            | REACH/RoHS/ISO 9001/IATF 16949          |   |
| 3L FCCL                    | Flammability: ISO 9773, IEC 60695-11-10 | 100%  |
|                            | Comparative Tracking Index: IEC 60112   |   |
|                            | REACH/RoHS/ISO 9001/IATF 16949          |   |
| CVL                        | Flammability: ISO 9773, IEC 60695-11-10 | 100%  |
|                            | REACH/RoHS/ISO 9001/IATF 16949          |   |
| Stiffener & composite film | REACH/RoHS/ISO 9001/IATF 16949          | 100%  |
| Bonding sheet              | REACH/RoHS/ISO 9001/IATF 16949          | 100%  |

Note: Percentage = (Total number of evaluated products or services to customers / Total number of products or services to customers) \* 100.

## ◆ Operator training

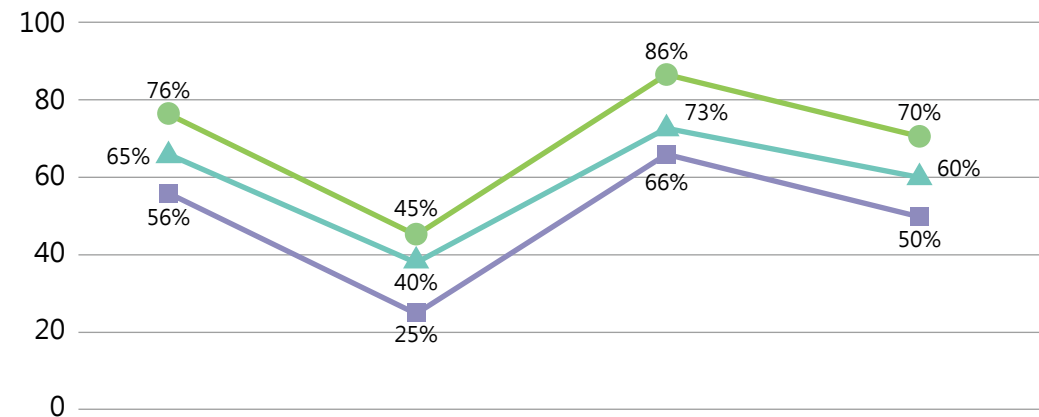
The Manufacturing Center shoulders the responsibility of production and skill improvement is first and foremost in achieving stable production. Employees shall undergo safety and orientation training when coming aboard and only qualified employees can join the production line. Skill training is then carried out through the mentoring program as well as the certification system which divides competence into 5 levels. To operate machines independently, employees shall have a score above Level 3. The training includes troubleshooting, exception reporting mechanism, and production line management. Quarterly and annual training assessments are conducted for level assessment after the training. The training goal in 2022 was to increase the proportion of Level 5 by 20% compared to 2021.

The difference between the actual and target number of Level 5 employees is mainly due to operator turnover. With production shortage, change in shift schedule and employee turnover, the training courses cannot be carried out as planned. In consideration of this issue, we will define the mentor-apprentice pairing in the future to meet the annual target.



### Proportion of Level 5 Operator

- 2022 (target)
- ▲ 2022 (actual)
- 2021



| Year / Category | Synthesis | Front-end | Back-end | Support |
|-----------------|-----------|-----------|----------|---------|
| 2021            | 56%       | 25%       | 66%      | 50%     |
| 2022 (target)   | 76%       | 45%       | 86%      | 70%     |
| 2022 (actual)   | 65%       | 40%       | 73%      | 60%     |

## Customer satisfaction survey

To truly understand and listen to our customers, Taiflex conducts customer satisfaction surveys annually. The survey covers overall performance on quality of product, sales, customer service and delivery as well as management of hazardous substances. Negative feedback or failed performance would be discussed in the management review meetings for cross-department units to propose improvement schemes and recommendations as we strive to become a trustworthy long-term partner to customers.

| Item    | Product Quality | Sales Quality | Customer Service Quality | Delivery Quality | Banned Substance Management | Average |
|---------|-----------------|---------------|--------------------------|------------------|-----------------------------|---------|
| 1H 2020 | 88.0            | 86.2          | 86.4                     | 86.6             | 86.8                        | 86.8    |
| 2H 2020 | 87.0            | 87.2          | 87.4                     | 87.6             | 87.8                        | 87.4    |
| 1H 2021 | 90.0            | 86.5          | 84.7                     | 86.3             | 91.7                        | 87.8    |
| 2H 2021 | 90.0            | 86.8          | 85.3                     | 88.3             | 90.7                        | 88.2    |
| 1H 2022 | 90.0            | 87.3          | 85.3                     | 89.0             | 90.0                        | 88.32   |
| 2H 2022 | 90.0            | 89.0          | 87.3                     | 87.6             | 89.3                        | 88.64   |



## 2.4 Sustainable Supply Chain

### Material Topic: Sustainable Supply Chain Management (Including the Ban on Conflict Minerals)

#### Main Reason

In the process of natural resource extraction, there are risks of energy consumption, water pollution, land loss or human rights violations. Besides securing the quality of raw materials, delivery and prices, Taiflex must ensure that suppliers implement environmental protection, energy saving and carbon reduction, safety and health improvement, and human rights protection to meet the customer and regulatory requirements to jointly fulfill corporate social responsibility.

#### Policy and Strategy

- ◆ Maintain long-term relationships with domestic and foreign suppliers and urge them to meet regulatory requirements. Actively establish a qualified supply chain for alternate suppliers to reduce the risk of material shortage.
- ◆ Continuously update the supply chain management mechanism, incorporate sustainability issues into assessment items, and demand suppliers to sign the "Taiflex Supplier/Contractor Supplier Social Responsibility Commitment" (or provide relevant declaration documents).

#### Goals and Objectives

- Short-term goals (2023-2024):**
- ◆ Carbon footprint inventory of raw material suppliers.
- Medium-term goals (2025-2027):**
- ◆ Promote all suppliers to sign the Supplier Social Responsibility Commitment (or provide relevant declaration documents).
- Long-term goal (2028~):**
- ◆ Introduce the Code of Conduct - RBA.

#### Management Assessment Mechanisms

Annual audit plan according to the "Supplier (Green) System Audit Evaluation Form", which includes three aspects - quality system, HSPM system and RBA.

#### Performance and Adjustments

In 2022, a total of 40 supplier audits (12 on-site audits/28 document review audits) were conducted. The Quality Assurance unit asked suppliers to respond with corrective measures within the prescribed period regarding the deficiencies identified.

#### Prevention or Remedy Measures

- ◆ Raise suppliers' awareness of corporate social responsibility and business ethics principles through promotion. Organize discussion sessions to communicate with suppliers on issues related to quality, technology, delivery, service, cost, and sustainable management.
- ◆ Establish risk control mechanism and business continuity plan for supply chain disruption to reduce the risk of impact from external factors on Taiflex.



## 2.4.1 Procurement policy

Taiflex strongly believes that the sustainable growth of supply chain has certain influence on corporate long-term developments. Therefore, we urge suppliers to fulfill their corporate social responsibilities; carry out environmental protection, energy conservation and carbon reduction measures; improve safety and health; respect human rights; as well as maintain sound risk management and sustainable operation plans, thereby building a stable and sustainable supply chain together.

### ◇ Our Commitments ◇

All products comply with conflict minerals requirements and procurement is conducted pursuant to the green product standards.

Adhere to the fair-trade principle as well as relevant laws and regulations, respect human rights, safeguard physical and mental health and safety of workers, protect the environment and fulfill social responsibilities.

Uphold the ethical principle, commit to fulfilling corporate social responsibilities and pursue sustainability.

### ◇ Supplier overview

| Contract Type                            | Source   | 2020 |                      | 2021 |                      | 2022 |                      |
|--|----------|------|----------------------|------|----------------------|------|----------------------|
|  |          | No.  | % to Total Purchases | No.  | % to Total Purchases | No.  | % to Total Purchases |
| Labor (Contracting and Services)         | Domestic | 21   | 1.18%                | 11   | 0.66%                | 11   | 0.83%                |
|  | Overseas | 0    | 0%                   | 0    | 0%                   | 0    | 0%                   |
| Goods (Raw Materials)                    | Domestic | 53   | 88.18%               | 59   | 79.27%               | 56   | 82.84%               |
|  | Overseas | 11   | 2.53%                | 10   | 12.3%                | 7    | 11.04%               |
| Engineering (Construction and Equipment) | Domestic | 22   | 3.6%                 | 23   | 3.8%                 | 25   | 5.11%                |
|  | Overseas | 3    | 4.51%                | 2    | 3.97%                | 1    | 0.18%                |
| Total                                    |          | 110  | 100%                 | 105  | 100%                 | 100  | 100%                 |

Materials used in our production and packaging are non-renewable, except for paper (paper boxes, paper tubes, paper tapes and paper materials) and wood pallets, and most of our key raw materials (copper, PI and PET film) have to be imported from abroad. We continue to increase the number of suppliers and the proportion of local purchases in terms of key raw materials and process equipment in recent years.

Supplier Statistics over the Years

| Item/Year                                      | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|------|------|------|------|
| No. of Tier 1 suppliers                        | 60   | 66   | 61   | 62   | 63   |
| No. of key suppliers (%)                       | 21   | 22   | 26   | 29   | 29   |
| Proportion of key suppliers (%)                | 35   | 33   | 43   | 47   | 46   |
| Proportion of purchases from key suppliers (%) | 98.8 | 98.6 | 98.8 | 99.3 | 98.9 |

## ◆ Raw material control

Developments of the electronics industry have always been highly dependent on the use of minerals. The global consensus has now leaned towards the use of conflict-free minerals to protect human rights. To fulfill our corporate social responsibilities, we comply with the “conflict minerals disclosure requirements” under Rule 13p-1 of the U.S. Securities Exchange Act of 1934 promulgated by the US Securities and Exchange Commission (SEC) for our conflict minerals management. We implement self-audits on social responsibilities and avoid sourcing minerals from conflict-affected and high-risk areas.

All suppliers of raw materials which use or contain minerals shall comply with the Company’s policy and use the Conflict Minerals Reporting Template (CMRT) as an investigation tool in providing investigation results. The requirement of not sourcing conflict minerals from conflict regions is imposed since new supplier selection. As for existing suppliers, besides signing the agreements or statements which ban the use of conflict minerals, we carry out due diligence through annual supplier audits and lot traceability.

Copper is the most commonly used metal in our production of FPC materials. Besides mining new minerals, recycling minerals from existing applications or electronic products has become the trend. About 90% of copper foil factories worldwide mainly produce recycled copper foils and Taiflex cooperates with key suppliers and maintains the use of recycled copper foil to a certain degree, contributing to the reuse of resources and the sustainable development of the earth. Also, the cost advantages of using recycled copper, the precision required in ED copper foil process as well as the greater degree of width and thickness adjustments allow it to be widely used in various electronic products.

## ◆ Green procurement

GP documents shall be provided or updated for the introduction of new materials. We integrate green supply chain to service our customers and initiate the reduction and reuse of packaging materials within the supply chain. Since 2020, our principles of green procurement management are delivered to suppliers along with our orders through the e-procurement system. Simultaneously, we promote the green procurement concept to suppliers and adopt standards above the regulatory requirements to prevent or mitigate negative environmental impact, thereby enhancing the Company’s operational resilience under the climate change crisis.

## 2.4.2 Supply chain management structure

Taiflex has established a supply chain management framework to manage relevant risks and prompt suppliers to advance together to create greater shared value and influence. In 2017, the RBA was adopted as the assessment standard for supplier management. It covers areas including labor, health and safety, environmental protection and business ethics. Moreover, we introduced the Supplier Relationship Management (SRM) platform in 2020. Suppliers can perform order maintenance, delivery confirmation, shipment query, acceptance query, return order query, etc. in a more efficient manner, thereby reducing information gap and increasing communication accuracy.

In addition, Taiflex has established risk control mechanisms for supply chain disruptions. In the event of supply chain disruptions caused by external factors (e.g., natural disasters, diseases, major global events, etc.), emergency response procedures are immediately initiated. Relevant departments including procurement, quality assurance and production planning shall jointly and swiftly draw up a contingency plan by taking inventory of raw materials, securing materials from alternate suppliers, increasing inventory levels and reviewing material consumption during process.

## ◆ Supplier quality management

Taiflex requires all suppliers (including new/existing ones) to comply with the quality management system, the environment, safety and health (ESH) management system and the AEO assessment. Through our procurement procedures, we examine suppliers by indicators including basic corporate information, relevant certifications, quality assurance records, ESH management investigation, operation, product information, manufacturing process, raw material suppliers, financial status under business continuity management, procurement contracts, green product management, and social responsibilities.

Supplier quality assessment items include the return rate of incoming materials, the number of major abnormalities, the number of open cases, and green suppliers (the item is assessed based on responses in the GPM system). The assessment conducted by the quality assurance unit is part of the supplier audit with a weighting of 40%. The average assessment result in 2022 was outstanding.

## ◆ Social responsibility commitment

In terms of supplier selection, suppliers shall have not only third-party ISO 9001 and ISO 14001 certifications but also commit to compliance with the corporate social responsibility standards set out in the "Taiflex Supplier/Contractor Social Responsibility Commitment", which encompasses the Code of Conduct for suppliers and contractors, RBA Code of Conduct and rules and requirements pertaining to conflict-free minerals, before signing the contracts. All of our 63 raw material suppliers in 2022 had signed the Supplier Social Responsibility Commitment (or provide relevant declaration documents) and we will work on having all suppliers to do the same.

## ◆ Supply chain green assessment

In order to strengthen the sustainability management mechanism of suppliers and ensure their implementation of sustainability issues, Taiflex conducts annual evaluation of major suppliers' management procedures in accordance with the "Supplier (Green) System Audit Evaluation Form" developed by the Company. The audit can be performed on-site or through document review. The evaluation includes the three aspects of quality system (economic), HSPM system (environmental), and RBA (social). Suppliers shall provide feedback on their implementation status of sustainability issues as well as relevant management system certifications for us to understand their sustainability practices. They are also required to respond with corrective measures within the prescribed period regarding the deficiencies identified. Regular supply chain green assessments help suppliers with improving their sustainable risk management as well as serving as references for our subsequent on-site audit and improvement guidance. We performed document reviews and on-site audit for 28 and 12 suppliers, respectively, for a total of 40 green audits in 2022.

## ◆ Supplier conference

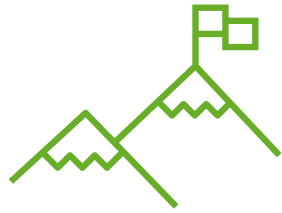
We place great importance on the sustainable management of the entire supply chain and enhance its management performance with systemic measures including supplier assessment, audit, guidance concerning audit deficiencies, performance evaluation and supplier recognition conference on the basis of cooperation and mutual assistance. We also raise suppliers' awareness of corporate social responsibility and business ethics principles through promotion and take appropriate measures to ensure our suppliers comply with legal requirements on environmental, health and safety, and labor issues. They shall not only meet the local statutory minimum wage requirements but also provide employees appropriate levels of wages. They shall commit to the highest ethical and moral standards in their business.

In our 2022 Supplier Conference, we expressed our gratitude towards suppliers' support and contributions over the past year and recognized eight outstanding suppliers. The Supply Chain Center shared our visions with and communicated our requirements in terms of quality, technology, delivery, service, cost, and sustainable management of supply chain to our partners during the meeting, stressing our goal of overcoming challenges together to achieve better performance.



# 3

## Green Production and Climate Governance



- 3.1 Climate Risk/Opportunity Assessment
- 3.2 Green Energy and Carbon Neutrality
- 3.3 Environmental Policy and Investment
- 3.4 Waste Reduction Actions





## 3.1 Climate Risk/Opportunity Assessment

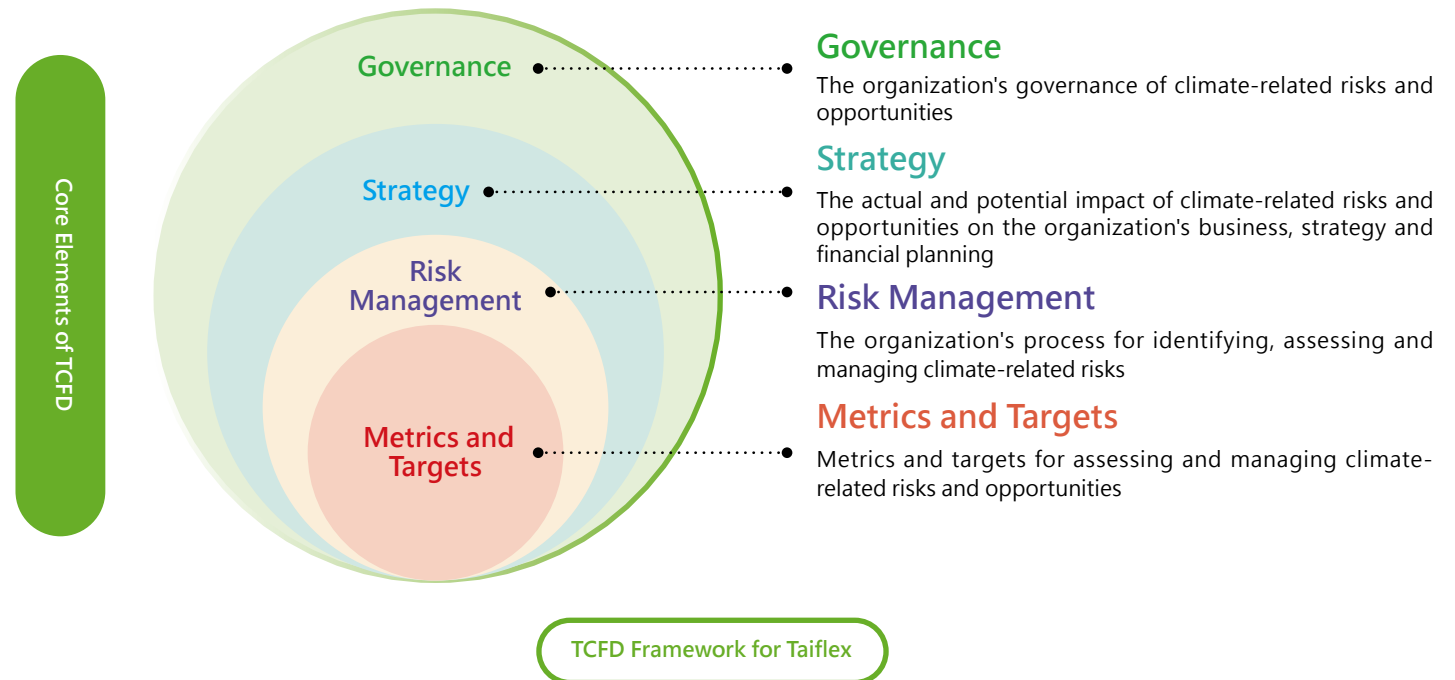
◇ Material Topic: Climate Change and Operational Risk Management ◇

|   |   |
|---|---|
| <b>Main Reason</b>                      | As the climate change issue deteriorates, stakeholders have become increasingly concerned of corporate climate actions, including GHG inventory and reduction, and climate risk assessment and adaptation strategies. How to map out the capital expenditure and long-term strategies of a company amidst the complex variables has become an important issue for corporate competitiveness.  |
| <b>Policy and Strategy</b>              | Continuously focus on the various climate action targets after the Paris Agreement and actively align with the international trend of sustainable development to reduce potential climate-related impacts in the future.  |
| <b>Goals and Objectives</b>             | <b>Short-term goals (2023-2024):</b><br>◆ Establish a mechanism to assess and promote climate risk.   |
|   | <b>Medium-term goals (2025-2027):</b><br>◆ Publish TCFD Report.   |
|   | <b>Long-term goal (2028~):</b><br>◆ Complete and implement specific transition plans.<br>◆ Participate in CDP (Carbon Disclosure Project).  |
| <b>Management Assessment Mechanisms</b> | The Corporate Governance and Risk Management Team under the Sustainable Development Committee evaluates climate-related risks and opportunities in accordance with the proposed TCFD framework. The results are reported to the Board by the Sustainable Development Committee. The six functional teams under the Committee would execute relevant plans pursuant to Board resolutions.  |
| <b>Performance and Adjustments</b>      | In 2022, we completed 2021 GHG inventory based on the ISO 14064:2018 version and preliminarily analyzed the financial impact of climate change on the Company. We will create relevant promotion plans through the Sustainable Development Committee. The Board of Directors will regularly review target achievement status and revise execution details or adjust the strategic direction on an ongoing basis.  |
| <b>Prevention or Remedial Measures</b>  | <ul style="list-style-type: none"> <li>◆ The Corporate Governance and Risk Management Team collects information on climate change scenarios on an ongoing basis and dynamically updates the financial impact analysis. The Sustainable Development Committee (Sustainable Development Center) summarizes implementation results of each functional team and provides the information to the Board of Directors to evaluate the effectiveness of climate response strategies.</li> <li>◆ The Company has established a business continuity plan with emergency responses procedures to address potential natural threats, ensuring the continued operations of the Company and reducing the occurrence of incidents and impact.</li> </ul> |

## ◆ Authorization for climate risk management

As countries around the world strengthen their carbon reduction targets and policies, aiming for net zero emission by 2050, the pressure on business operation and customers' demand for supply chain sustainability have intensified. Although Taiflex is not subject to the major electricity consumer clause, we have mapped out relevant investments to reduce carbon emissions in response to the low carbon transition driven by global climate changes. We will continue to focus on and implement the climate action targets after the Paris Agreement as well as the targets of stakeholders, and gradually incorporate them into our sustainable development strategy.

At the end of 2022, the Company established the Sustainable Development Committee, and in January 2023, the Board of Directors approved the sustainable development roadmap. The Group's Sustainable Development Committee includes climate risk management to promote the management of climate action issues and targets, and to implement sustainable strategies and climate action issues in the management of products, operations and value chains.



|                                    |  |
|------------------------------------|--|
| <p><b>Governance</b></p>           | <ul style="list-style-type: none"> <li>◆ The Board assesses the effectiveness of climate response strategies based on the project outcome of functional teams summarized by the Sustainable Development Committee (Sustainable Development Center) periodically.</li> <li>◆ The Sustainable Development Committee formulates policies and improvement targets based on the discussion results or resolutions of the Board and passes on to each functional team for execution.</li> </ul>  |
| <p><b>Strategy</b></p>             | <ul style="list-style-type: none"> <li>◆ Based on the climate risk analysis of the Corporate Governance and Risk Management Team, the Sustainable Development Committee would take inventory on existing resources and the financial impact of changes in the external environment to draw up climate response strategies and various projects.</li> <li>◆ The Company adopts GHG inventory and e-energy management system to set the evaluation basis for power consumption improvement plans, thereby gradually achieving the targets of energy saving and emission reduction.</li> <li>◆ In line with the trend of energy diversification, we move steadily toward the long-term target of 2050 by investing in renewable energy through our subsidiary, Taiflex Green Power Co., Ltd.</li> </ul> |
| <p><b>Risk Management</b></p>      | <p>The Corporate Governance and Risk Management Team under the Sustainable Development Committee has classified climate risks into two categories based on the TCFD framework:</p> <ol style="list-style-type: none"> <li>(1) Transition risks associated with low carbon economy.</li> <li>(2) Physical risks associated with climate change, and identification of the impact and probability of the Company's climate-related risk issues through reports from international institutions, industry analysis of the peers and collection of relevant regulations.</li> </ol>  |
| <p><b>Indicator and Target</b></p> | <p>Increase the proportion of renewable energy within total electricity consumption of Taiflex</p> <ul style="list-style-type: none"> <li>◆ Short-term ( 2023-2024 ) : 1%</li> <li>◆ Medium-term ( 2025-2027 ) : 6%</li> <li>◆ Long-term ( 2028~ ) : 10%</li> </ul>  |

## 3.2 Green Energy and Carbon Neutrality

### ◇ Material Topics: Green Energy and Carbon Neutrality ◇

|   |  |
|---|--|
| <b>Main Reason</b>                      | Global warming, international community's expectation for regulatory changes, and the transition to green power and carbon neutrality would inevitably create challenges of market competitiveness, and this has become a material topic for Taiflex to confront with.   |
| <b>Policy and Strategy</b>              | Taiflex Green Power Co., Ltd. was established for the generation and selling of electricity from renewables to steadily move towards carbon neutrality by 2050. The functional teams under the Sustainable Development Committee would promote energy saving and carbon reduction practices.   |
| <b>Goals and Objectives</b>             | <b>Short-term goals ( 2023-2024 ) :</b> <ul style="list-style-type: none"> <li>◆ 4% reduction in GHG Category 1 emissions with 2021 being the base year.</li> <li>◆ Use of renewable energy accounts for 1% of total electricity consumption.</li> <li>◆ Cumulative installed renewable capacity of 1,657 kW by Taiflex Green Power Co., Ltd. (subsidiary).</li> </ul>   |
|   | <b>Medium-term goals( 2025-2027 ) :</b> <ul style="list-style-type: none"> <li>◆ 12% reduction in GHG Category 1 emissions with 2021 being the base year.</li> <li>◆ Use of renewable energy accounts for 6% of total electricity consumption.</li> <li>◆ Cumulative installed renewable capacity of 2,949 kW by Taiflex Green Power Co., Ltd. (subsidiary).</li> </ul>  |
|   | <b>Long-term goal ( 2028~ ) :</b> <ul style="list-style-type: none"> <li>◆ &gt;27% reduction in GHG Category 1 emissions with 2021 being the base year.</li> <li>◆ Use of renewable energy accounts for 10% of total electricity consumption</li> <li>◆ Cumulative installed renewable capacity of 3,379 kW by Taiflex Green Power Co., Ltd. (subsidiary).</li> </ul>  |
| <b>Management Assessment Mechanisms</b> | The Sustainability Center evaluates the feasibility of energy-saving themes proposed by each department, and then sets management targets for each business. It regularly summarizes the project progress of each functional team through the Sustainable Development Committee and reports the results to the Board of Directors (at least twice a year).   |
| <b>Performance and Adjustments</b>      | <ul style="list-style-type: none"> <li>◆ Introduction of the zeolite rotor concentrator at Taiflex 3 in 2022 reduced natural gas consumption by 28%. With 2022 as the base year, benefits are expected to be generated from 2023 onwards, with a reduction of approximately 191 MT CO<sub>2</sub>e.</li> <li>◆ Replacement of ceramic media within the RRT0 at Taiflex 2 at the end of 2022 cut down natural gas consumption by 37%, i.e., 12,950 m<sup>3</sup> in 2022, which is equivalent to a reduction of 26.9 MT CO<sub>2</sub>e.</li> <li>◆ Installed capacity totaled 647 kW by Taiflex Green Power Co., Ltd. (subsidiary) in 2022.</li> </ul> |
| <b>Prevention or Remedy Measures</b>    | The Sustainable Development Center collects external climate information (regulations and trends) on an ongoing basis and provides the information along with the progress report of carbon reduction efforts summarized by the Sustainable Development Committee to the Board of Directors to evaluate the effectiveness of energy-saving targets and strategies.   |

## 3.2.1 Energy structure and carbon emission management

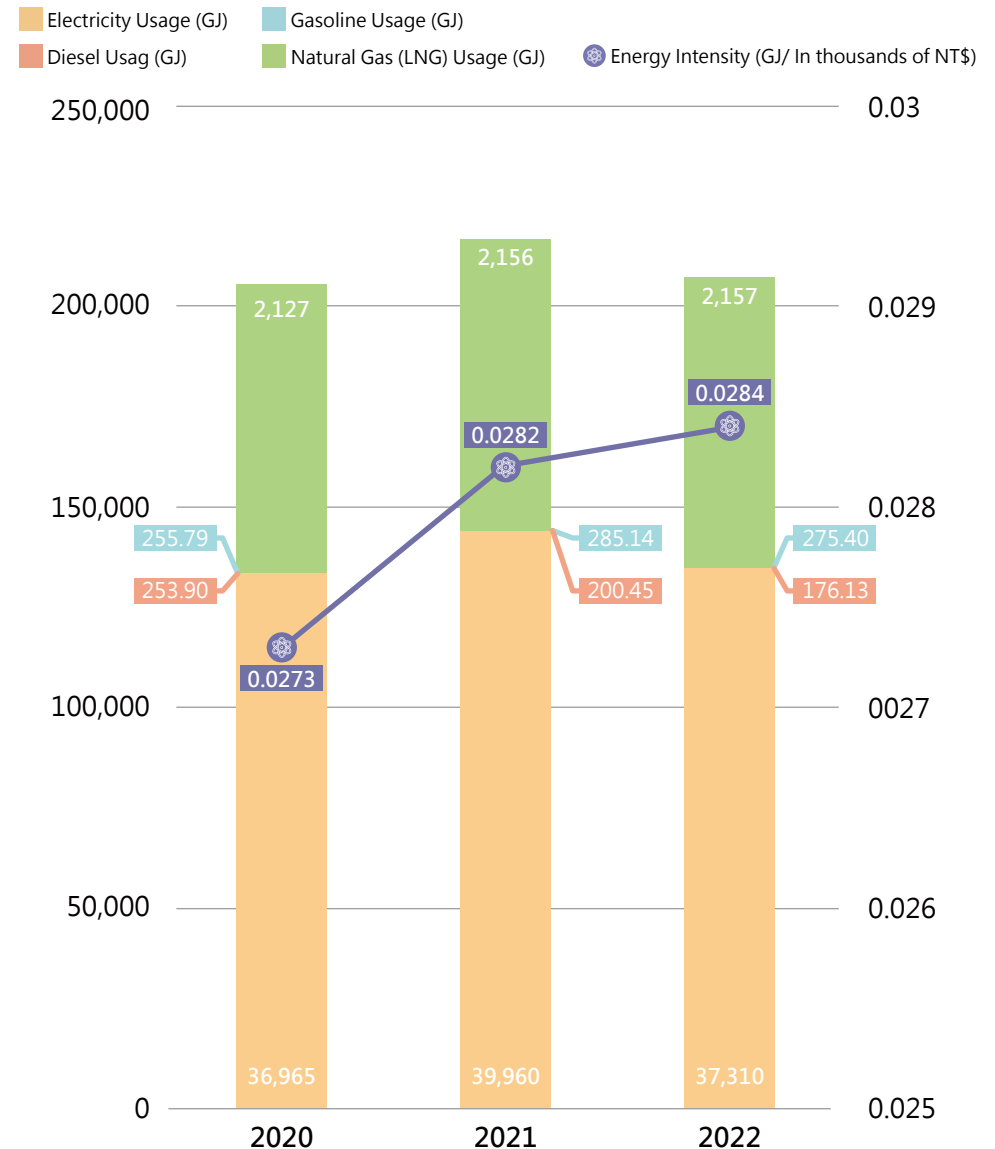
Electricity and natural gas were the major energy sources of the Company in 2022, accounted for 65% and 34% of the total energy consumption, respectively. Details of electricity and natural gas consumption for the past three years are shown in the table below. Since the Company conducted trial runs in 2022 on new equipment scheduled to be adopted in the future, there was an increase in electricity consumption. Also, as the pandemic and sluggish market in the second half of the year led to a relative decrease in revenue, energy intensity rose compared to 2021.

| Quantitative Indicators        | Unit                     | 2020       | 2021       | 2022       |
|--------------------------------|--------------------------|------------|------------|------------|
| Electricity Usage              | kWh                      | 36,965,320 | 39,960,616 | 37,310,040 |
|                                | GJ                       | 133,075.15 | 143,858.22 | 134,316.14 |
| Gasoline Usage                 | L                        | 7,780      | 6,142      | 5,397      |
|                                | GJ                       | 253.90     | 200.45     | 176.13     |
| Diesel Usage                   | L                        | 7,278      | 8,113      | 7,836      |
|                                | GJ                       | 255.79     | 285.14     | 275.40     |
| Natural Gas (LNG) Usage        | m <sup>3</sup>           | 2,127,331  | 2,158,929  | 2,157,471  |
|                                | GJ                       | 71,206.02  | 72,263.67  | 72,214.87  |
| Total Energy                   | GJ                       | 204,790.86 | 216,607.48 | 206,982.54 |
| Revenue (In thousands of NT\$) | In thousands of NT\$     | 7,491,041  | 7,671,215  | 7,287,918  |
| Energy Intensity               | GJ/ In thousands of NT\$ | 0.0273     | 0.0282     | 0.0284     |

Note:

- Heat value of electricity is converted at 1kWh=0.0036GJ.
- Heat value of fuel is calculated using conversion factors in the Greenhouse Gas Emission Factor Table (6.0.4) of the Environmental Protection Administration, where gasoline is 7,800 kcal/L, diesel is 8,400 kcal/L, and natural gas is 8,000 kcal/m<sup>3</sup>, and 1 kcal = 4.184 KJ.
- This year, the calculation of energy intensity was adjusted to Total energy use (GJ) / Taiflex's parent company only revenue for the year (in thousands of NT\$). As the basis for calculation was different from the one in 2021, information was restated.
- The data of 2021 electricity and natural gas (LNG) consumption was misprinted. Therefore, information was restated this year.

Total Energy & Energy Intensity



## ◆ GHG inventory

In recent years, climate issues have become an international phenomenon. From governments to private enterprises, all sectors are striving for the goal of net zero by 2050. The largest consumer electronics brand in the U.S. has even proposed to achieve 100% carbon neutral supply chain by 2030. Although we are not a direct supplier to the brand, we still actively map out our carbon reduction goals so as to jointly contribute in cooling down the planet. We adopted the GHG inventory system in 2022 and performed inventory on 2021 GHG emissions. A third-party verification was completed pursuant to ISO 14064-1:2018 and we have obtained a verification statement. We will drive carbon reduction measures through the inventory results.



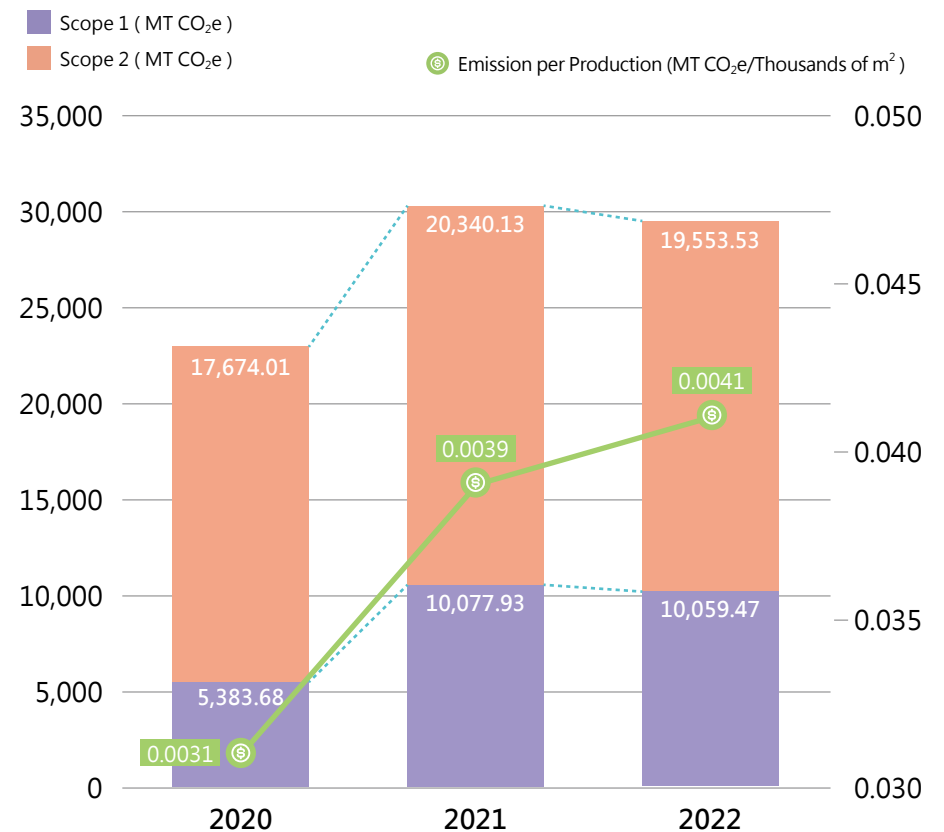
| Quantitative Indicators        | Unit  | 2020      | 2021      | 2022      |
|--------------------------------|---|-----------|-----------|-----------|
| Scope 1                        | MT CO <sub>2</sub> e                        | 5,383.68  | 10,077.93 | 10,059.47 |
| Scope 2                        | MT CO <sub>2</sub> e                        | 17,674.01 | 20,340.13 | 19,553.53 |
| Scope 1 + Scope 2              | MT CO <sub>2</sub> e                        | 23,057.69 | 30,418.06 | 29,613.00 |
| Revenue (In thousands of NT\$) | In thousands of NT\$                        | 7,491,041 | 7,671,215 | 7,287,918 |
| GHG Emission Intensity         | MT CO <sub>2</sub> e / In thousands of NT\$ | 0.0031    | 0.0039    | 0.0041    |

Note:

1. Scope 1: Direct GHG emissions, Scope 2: GHG emissions from energy usage, Scope 3: GHG emissions from transportation, Scope 4: GHG emissions from the use of product.
2. Emission intensity = (Scope 1 + Scope 2) / Taiflex' s parent company only revenue for the year (in thousands of NT\$).
3. Scope 3 and 4 GHG emission totaled 81,116.77 MT CO<sub>2</sub>e in 2021 and their volume in 2022 will be disclosed in the next report after verification in 2023.
4. We adopted voluntary inventory pursuant to the 2006 version in 2020 and updated to the 2018 version for the 2021 inventory; therefore, the inventory data were different. Also, the 2014 air pollution inspection report was used for the calculation of material balance coefficient for RTO in 2020. With an exhaust gas concentration (VOC and methane) of 35 ppm, the plant-specific factor calculated was lower compared to the use of 2021 air pollution inspection report with an exhaust gas concentration of 220 ppm in 2021. On top of having a higher carbon emission factor, RTO was the carbon hotspot in the factory. This was the main reason for the significant increase of 2021 carbon emission compared to 2020.
5. In 2022, the Company conducted 2021 GHG inventory in accordance with ISO 14064-1:2018; therefore, data concerning 2021 GHG emissions were restated.
6. The calculation of GHG emissions intensity in this report is adjusted to: Scope 1 + Scope 2 GHG CO<sub>2</sub>e / parent company only revenue for the year (thousands of NT\$). As the basis for calculation was different from the one in 2021, information was restated.



GHG Emissions&Emission per Production Unit

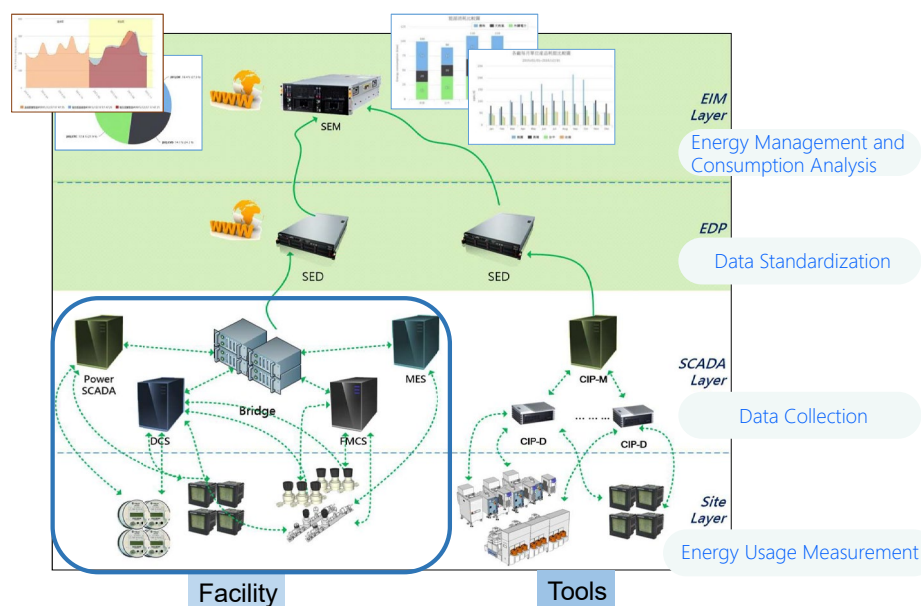




## ◆ Energy conservation & carbon reduction measures

In response to the national energy saving goal, we continue to invest in various energy saving measures. In 2021, the ISO 50001 Energy Management System Platform was established at our Kaohsiung factory in Taiwan. Through the e-energy management platform, the Company can implement comprehensive energy inventory and set various performance indicators as well as the best power consumption strategy for equipment to ensure the optimal use of energy, thereby achieving the targets of carbon emission management. Projects implemented since 2021 are expected to lower electricity consumption by 1,866,441 kWh in 2022, which is equivalent to a savings of NT\$5,599 thousand, a carbon reduction of 950 MT CO<sub>2</sub>e, or the carbon sequestration by 2.47 Daan Park in one year.

Note: Based on the calculation that each hectare of forest can absorb 15 MT of carbon per year, one Daan Park (25.8 hectares) can absorb 384.6 MT of carbon per year.



Energy-saving programs executed in 2022 included efficiency enhancement for chillers, improvement on cooling water pump within the air conditioning system and nitrogen preheating for ovens. These measures saved 1,392,821 kWh of electricity, which was equivalent to 708.95 MT CO<sub>2</sub>e or a total of NT\$4,178 thousand. Electricity consumption was down by 3.15%, meeting the 1% requirement stipulated in the Energy Administration Act.

| Measures   | Energy Saving (GJ) | Carbon Reduction Benefits (MT CO <sub>2</sub> e) |
|--|--------------------|--|
| Install inverters for cooling water pump within the air conditioning system                            | 910.78             | 128.77   |
| Nitrogen preheating for ovens  | 506.91             | 71.67  |
| Improvements on fans and pumps of cooling water towers   | 253.67             | 35.87  |
| Use of LED lighting to replace bulbs in the factories  | 369.40             | 52.23  |
| Ventilators at toilets switched to routine operation   | 29.60              | 4.18   |
| Optimized FFU control for clean room air conditioning  | 245.96             | 34.78  |
| Improved efficiency of cooling water and cooling water flows for chillers                              | 1,430.38           | 202.24   |
| Installed inverters and adopted high efficiency motors for the air conditioning units in the factories | 761.33             | 107.64   |
| Use of LED lighting to replace bulbs in the office   | 71.12              | 10.06  |
| Optimized air compressors at factories   | 117.83             | 16.66  |
| Installed timers on air conditioners at employee cafeteria   | 9.62               | 1.36   |
| Adopted waste heat recovery units to reduce energy consumption of heating system                       | 307.57             | 43.49  |
| Replaced ceramic media within the RRTO at Taiflex 2  | 433.46             | 26.90  |
| <b>Total for 2022</b>  | <b>5,447.63</b>    | <b>735.85</b>                                    |

### 3.2.2 Promote construction of renewable energy

On December 31, 2020, the Bureau of Energy, MOEA announced that major electricity users with contracted capacity of 5,000 kW or above are required to install renewable energy power generation equipment for 10% of their average chartered capacity in the previous year within five years, or purchase renewable energy and certificates, or install energy storage facility in order to perform their obligations pursuant to the “Renewable Energy Development Act”. The contracted capacity of our factories has yet to meet the criteria for major electricity users. Although we are not subject to the aforementioned regulations at this stage, we took actions in response to the government policy. We established Taiflex Green Power in March 2021 and installed 375.9 kWp (450,752 kWh of electricity) at Taiflex 2 in 2022. At the same time, we bought back the installed capacity of 271.2kWp (349,544 kWh of electricity) leased to other companies at Taiflex 5.

**Note:**

The installed capacity at Taiflex 3 since 2015 and the installed capacity at Taiflex 5 till 2022 were leased to other companies. As they were not PV facilities constructed by the Company, they were not included in the calculation of performance. Relevant information was restated.

In order to achieve the vision of carbon neutrality, we have set medium and long-term targets of having more than 10% of the Company’s total electricity consumption generated from renewable energy by 2030 and 50% of the Group’s total electricity consumption from renewables by 2050. Therefore, upon evaluation by the Sustainable Development Committee and review by the Board of Directors, the subsidiary, Taiflex Green Power Co., Ltd., was assigned to operate the Company’s green power equipment and promote the expansion of renewable energy facilities.

## 3.3 Environmental Policy and Investment

### 3.3.1 Green commitment

Environmental sustainability is an important core value to the business strategy of the Taiflex Group. The Company is committed to adopting eco-friendly approaches in operation and management as well as devoted to pollution prevention and reduction control in compliance with environmental regulations. We work toward the long-term goals of carbon neutrality by 2050, 100% renewable energy and zero waste. Our environmental sustainability policy and commitments are as follows:



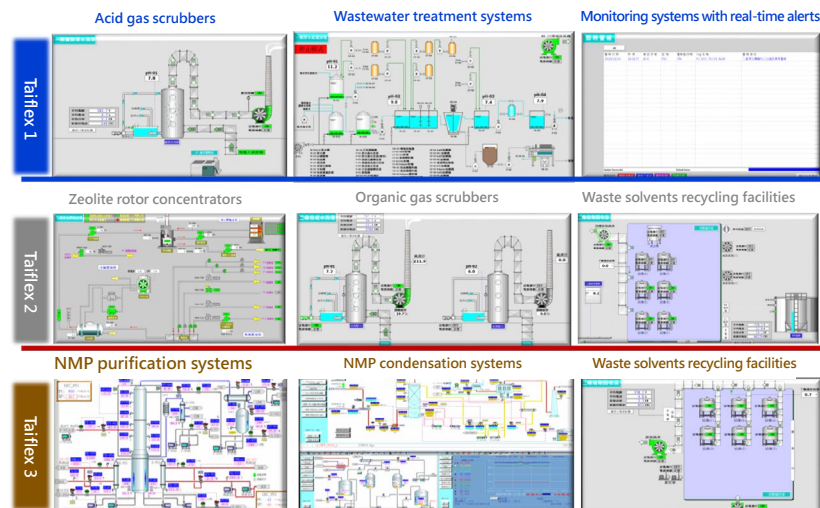
With “zero environmental incident” as the basis, we adopted the ISO 14001 Environmental Management Systems and obtained certification in 2004 (as shown in the figure to the right). Through comprehensive ESH management procedures, we control the potential adverse environmental risk. The Environmental Protection Department conducts quarterly assessments on air pollution, water pollution, waste, toxins, and other items for compliance with laws and regulations, and takes measures to address applicable laws and regulations. Improvement and preventive measures would be taken immediately if any risk of non-compliance is found. Over the past five years, we have no record of environmental protection penalties nor serious pollution leakage or violation of environmental protection regulations.



We would continue to drive the upgrade and improvement of pollution prevention and control facilities as well as monitor the pollutant emissions. Abnormal figures would be handled immediately by on-site personnel according to the emergency and reporting procedures as a precaution and to prevent pollution as well as violation of laws and regulations. There are no ecological reserves nor endangered species in the vicinity of our operation sites, and our operation activities have no adverse impact on the environment or surrounding species. Also, there are no species on the IUCN Red List in the neighborhood.



#### Optimization of Environmental Facilities and Equipment



## 3.3.2 Build a green industry chain

### ◆ All products comply with international regulations

Given the rising awareness in maintaining a green environment, the use of electronic materials stresses on pollution reduction. Thus, material suppliers intensify their efforts in the research and development of eco-friendly materials, which initiates a material revolution in the CCL industry. Nowadays, electronics manufacturers gradually shift towards eco-friendly substrates. Demanded by environmental awareness and regulations, eco-friendly materials will become the basic requirement for products.

Through the establishment of IECQ QC 080000 Hazardous Substance Process Management System, we update the information of international regulations when needed and incorporate them into management rules of the Company. Suppliers are asked to provide relevant information to ensure our FPC materials comply with international regulations and customers' requirements concerning hazardous substance management.

| Project  | Description   | Product Conformity |
|--|---|--------------------|
| EU's Restriction of Hazardous Substances Directive (EU RoHS)   | The maximum levels of restricted substances: Lead, Cadmium, Hexavalent Chromium, Polybrominated Biphenyls and Polybrominated Diphenyl Ethers < 1,000ppm. The RoHS 2.0 includes four more restricted substances: Bis (2-Ethylhexyl) Phthalate (DEHP), Benzyl Butyl Phthalate (BBP), Dibutyl Phthalate (DBP) and Diisobutyl Phthalate (DIBP) < 1,000ppm.  | Full compliance    |
| Halogen-free electronics   | The product must contain less than 900 ppm of bromine and chlorine each, with a total of less than 1,500 ppm.   | Full compliance    |
| Restrictions on Perfluorooctane Sulfonate (PFOS), Perfluorooctanoic acid (PFOA) and relevant substance | Raw materials containing PFOS, PFOA and relevant substances are no longer used in our process.  | Full compliance    |
| Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) of the EU                 | Hazardous substances announced and the Substance of Very High Concern (SVHC) gradually released by REACH  | Full compliance    |
| Waste Electrical and Electronic Equipment Directive (WEEE)   | The directive is formulated to cope with the increasing waste electrical and electronic devices, mitigate the burden on landfills and incinerators, and prevent hazardous substance within the waste electrical and electronic devices from polluting the environment. Our products are not the end products; thus, we are not directly subjected to the WEEE. After the end products are used by the end users, FPC materials would turn into waste which shall then be recycled by the manufacturers of the end products. | Not applicable     |

## ◆ Reduce the environmental footprint of industry chain

In addition to high frequency, speed, density, and dimensional stability, our research and development pursues more advanced and energy-saving as well as thinner and lighter substrate materials to meet the higher environmental standards in the future. Through continuous improvement on process technology and collaboration with upstream raw material suppliers and downstream FPC customers, we gradually reduce the resources and energy consumed per production unit, thereby mitigating the environmental impact and contributing to the sustainable development of a green earth.

We have incorporated environmental performance as one of our supplier evaluation items (please refer to "2.4.2 Supply Chain Management Framework" for details) and have requested and assisted our suppliers to do a better job in hazardous substance management, pollution prevention, energy saving, water conservation and waste reduction. Step by step, the green supply chain is taking shape after several years of efforts. In order to further reduce the environmental footprint of our products, the R&D Center has been testing and developing copper foil materials made from recycled copper, aiming to replace the use of existing copper foil in the future. As for packaging materials, we make every effort to recover pallets, wooden boxes and packaging materials for repetitive use by us, the suppliers and customers to minimize waste.

| Year   | 2020     |           |               | 2021     |           |               | 2022     |           |               |
|--|----------|-----------|---------------|----------|-----------|---------------|----------|-----------|---------------|
| Description                                    | Recycled | Purchased | Recovery rate | Recycled | Purchased | Recovery rate | Recycled | Purchased | Recovery rate |
| Recycling for suppliers                        | 685      |           |               | 805      |           |               | 530      |           |               |
| Resources recycling (plastic pallet)           | 5,072    | 7,464     | 77.13%        | 5,270    | 7,496     | 81.04%        | 4,672    | 6,796     | 76.55%        |
| Recycling of tube core, end plug and end plate | 3,087    | 3,087     | 100.00%       | 3,087    | 3,087     | 100.00%       | 3,456    | 3,456     | 100.00%       |
| Recycling of wooden box                        | 873      | -         | -             | 866      | -         | -             | 877      | -         | -             |
| Recycling for customers                        | 2,253    | 13,332    | 16.90%        | 6,324    | 15,160    | 41.72%        | 2,856    | 14,000    | 20.40%        |
| Total  | 11,970   | -         | -             | 16,352   | -         | -             | 12,393   | -         | -             |





### 3.3.3 Environmental investments and benefits

Environmental expenditure totaled NT\$44,236 thousand in 2022, including audits on environmental system standards, pollution control, environmental monitoring, eco-education, sponsorship to eco-organizations, etc. We collaborate with impartial third-party assurance agencies and agencies engaging in recycling, professional waste disposal and environmental monitoring.

The purpose of Taiflex's environmental accounting system is to identify and measure the Company's environmental costs as well as to conduct benefit assessments and compile statistics on costs reduced or revenue generated as a result of executing environmental projects, thereby encouraging and promoting environmental projects with economic benefits. Economic benefit is calculated by estimating the potential cost savings from reductions in energy, water consumption and waste for carrying out the environmental projects plus the revenues from waste recycling and reuse. The environmental benefit amounted to NT\$91,199 thousand in 2022.

#### 2022 Environmental investments and Benefits

##### Environmental expenditure

- Pollution control (regulatory fees and charges: e.g., air pollution control fee, etc.).
- Eco-projects to reduce environmental impact (e.g., improvements on exhaust treatment system, application fees for operating permits).
- Industrial waste disposal charge
- Industrial waste recycling charge (reuse).
- Environmental management fee (maintenance and certification of ISO 14001 and 14064-1 management system).

Total spending: NT\$44,236 thousand

##### Environmental benefits

- Savings on pollution control and reduction measures of NT\$23,802 thousand.
- Savings on reduction, recycling and reuse of industrial waste of NT\$ 15,437 thousand.
- Savings from measures to improve wastewater treatment efficiency of NT\$8,800 thousand.
- Savings on resource recycling (recycling + copper foil + solvent) of NT\$43,160 thousand.

Total savings: NT\$91,199 thousand

##### Improvements

###### 1 Reduce air pollution (NOx, TSP, CO<sub>2</sub>)

|   |       |                                   |      |
|---|-------|-----------------------------------|------|
| Reduction in Natural Gas (km <sup>3</sup> ) | 12.95 | Reduction in TSP (kg)             | 0.98 |
| Reduction in NOx (kg)                       | 20.75 | Reduction in CO <sub>2</sub> (kg) | 20.9 |

###### 2. Cut down resource consumption (e.g., recycling and reuse of organic solvent waste)

|                                  |        |                                  |        |
|----------------------------------|--------|----------------------------------|--------|
| Reduction in Waste Adhesive (kg) | 83,630 | Solvent Recycled and Reused (kg) | 83,630 |
|----------------------------------|--------|----------------------------------|--------|

###### 3. Improve the efficiency of control facilities (waste gas condensation)

|                |                          |         |
|----------------|--------------------------|---------|
| 4. Waste reuse | Recycled and Reused (kg) | 570,540 |
|----------------|--------------------------|---------|

##### Impact upon improvement

- Reduce environmental impact by reducing energy use and improving equipment efficiency.
- Reduce air pollutant emissions to reduce the impact on the environment
- Continuous improvement to enhance competitiveness and meet the sustainable development targets.



## 3.4 Waste Reduction Actions

### ◇ Material Topic: Waste and Air Pollution Emissions ◇

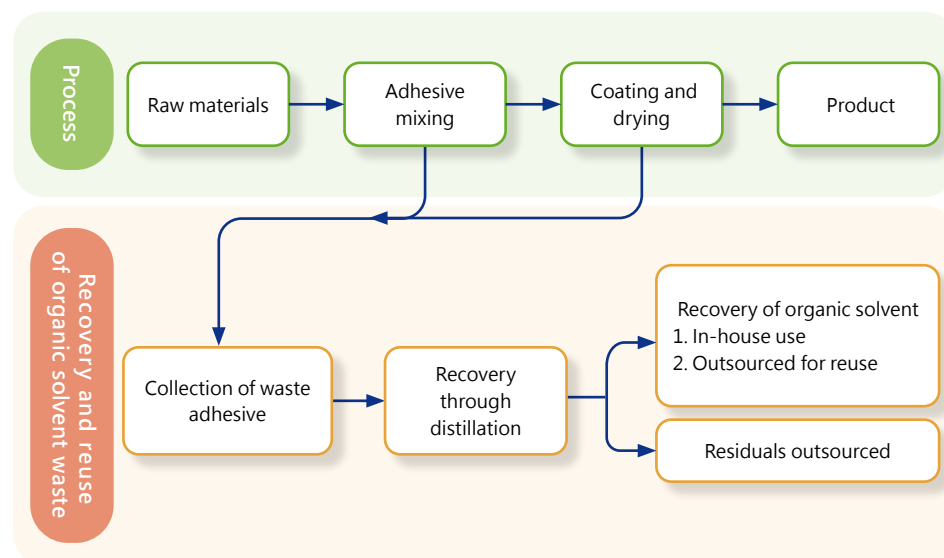
|   |  |
|---|--|
| <b>Main Reason</b>                      | After analyzing stakeholders' concerns and the level of impact, the topic of emissions is relatively important to the Company.   |
| <b>Policy and Strategy</b>              | Our emission policy is "as an end-customer, Taiflex is duty bound to follow sustainable environmental management practices with targets of energy conservation, emissions reduction, circular economy and environmental sustainability, carbon neutrality and net-zero GHG emissions."   |
| <b>Goals and Objectives</b>             | <b>Short-term goals (2023-2024):</b> <ul style="list-style-type: none"> <li>◆ Natural gas consumption of air pollution control equipment down 10% from 2016.</li> <li>◆ Emission per unit for VOCs down 3% from the base year (2021).</li> <li>◆ VOC recovery rate &gt;1%</li> </ul>   |
|   | <b>Medium-term goals (2025-2027):</b> <ul style="list-style-type: none"> <li>◆ Overall waste recycling rate &gt;80% by 2025.</li> <li>◆ Natural gas consumption of air pollution control equipment down 20% from 2016.</li> <li>◆ Emission per unit for VOCs down 10% from the base year (2021).</li> <li>◆ VOC recovery rate &gt;5%</li> </ul>  |
|   | <b>Long-term goals (2028~)</b> <ul style="list-style-type: none"> <li>◆ Overall waste recycling rate &gt;90% by 2030 with UL2799 certificate.</li> <li>◆ Natural gas consumption of air pollution control equipment down 30% from 2016.</li> <li>◆ Emission per unit for VOCs down 30% from the base year (2021).</li> <li>◆ VOC recovery rate &gt;30%</li> </ul>  |
| <b>Management Assessment Mechanisms</b> | In accordance with ISO 14001 internal management review procedures, we conduct annual PDCA effectiveness evaluations for emissions management.   |
| <b>Performance and Adjustments</b>      | <ul style="list-style-type: none"> <li>◆ Introduction of the zeolite rotor concentrator at Taiflex 3 in 2022 reduced natural gas consumption by 28%. With 2022 as the base year, benefits are expected to be generated from 2023 onwards, with a reduction of approximately 191 MT CO<sub>2</sub>e.</li> <li>◆ Replacement of ceramic media within the RRTO at Taiflex 2 at the end of 2022 cut down natural gas consumption by 37%, i.e., 12,950 m<sup>3</sup> in 2022, which is equivalent to a reduction of 26.9 MT CO<sub>2</sub>e.</li> <li>◆ Unit emissions of VOCs in 2022 decreased by 22% compared to 2021.</li> <li>◆ NMP recycling rate was 93.71% in 2022 for a total of 286.82 MT.</li> <li>◆ MEK recycling rate was 54.39% in 2022 for a total of 83.63 MT.</li> </ul> |
| <b>Prevention or Remedy Measures</b>    | Implement controls in accordance with the "ESH objectives and program management procedures" of ISO.   |

## 3.4.1 Source reduction

Taiflex is committed to zero waste. Besides promoting the concept of resource conservation to employees during daily operation, Taiflex focuses on process enhancement for source reduction. As we reduce the consumption of resources and materials, we also minimize the pollutants generated. For air pollution, wastewater, and solid waste which we cannot eliminate completely at present, we establish pollution control facilities or engage qualified professional companies to handle the matters. We strive to reduce the environmental impact of our operations and seek the best solution in order to gradually achieve the ultimate goal of zero pollution.

### ◆ Process material recovery

Taiflex insists on controlling the use of raw materials in the directions of optimization and best feasibility, aiming to strike a balance between environmental protection and economy by minimizing waste and production cost. The Company produces FCCL and related adhesive materials by modifying the properties of polymer materials. Organic solvents are used during the mass production process which produces waste gas, waste solvents as well as waste adhesive materials. For these by-products to be used effectively, we invest in facilities for solvent recovery from waste adhesive. We have 12 sets of 60-liter and 2 sets of 200-liter solvent recovery units. In 2020, vacuum pumps for the solvent recovery units were installed to prevent waste gas emission, reduce the solvents' boiling point for distillation and minimize electricity consumption of heaters. Remote monitoring devices were installed in the same year to ensure solvent recycling efficiency and regional environmental safety. Details are illustrated in the figure below:



The facilities refine chemicals into industrial grade raw materials through distillation, purification and other related processes for them to be used at the production line. The recycling not only cuts down stationary pollution sources and exhaust emissions to stay environmentally friendly but also reduces the volume of raw materials purchased to enhance the Company's competitiveness.

| Year | Category | Recycled Volume | Method of Disposal |        | Used at Production Line (%) |
|------|----------|-----------------|--------------------|--------|-----------------------------|
| 2020 | NMP      | 335.92          | Product Line       | 335.92 | 100%                        |
|      |          |                 | Outsourced         | 0      |                             |
|      | MEK      | 128.22          | Product Line       | 75.75  | 59.08%                      |
|      |          |                 | Outsourced         | 52.47  |                             |
| 2021 | NMP      | 379.35          | Product Line       | 319.21 | 84.15%                      |
|      |          |                 | Outsourced         | 60.35  |                             |
|      | MEK      | 124.16          | Product Line       | 69.21  | 55.74%                      |
|      |          |                 | Outsourced         | 54.95  |                             |
| 2022 | NMP      | 306.07          | Product Line       | 286.82 | 93.71%                      |
|      |          |                 | Outsourced         | 19.25  |                             |
|      | MEK      | 153.76          | Product Line       | 83.63  | 54.39%                      |
|      |          |                 | Outsourced         | 70.13  |                             |

## ◆ Saving water resources

Taiflex is located in the Kaohsiung Cianjhen Technology Industrial Park, which has water supply from the Fongshan Reservoir. According to the World Resources Institute's "Aqueduct Water Risk Atlas", the risk of water resources in Taiwan is rated low to medium. Since we adopt dry process, production line is not where most of the water is consumed. As tap water is mainly used as cooling water for air conditioning, followed by employee daily usage and firefighting purposes, water resource management focuses on the promotion of domestic water conservation, including the recycling of RO and wastewater from drinking fountains as cooling water for air conditioning, dual flush toilet, recycling of rainwater from the roof and condensed water from air conditioning system for watering plants, and adjustments on the conductivity of water discharged from the air conditioning systems.

Water consumption of Taiflex 5 was included in the statistics of this year because the installation of water meter and related equipment was completed in 2022, resulting in increasing water use intensity this year.

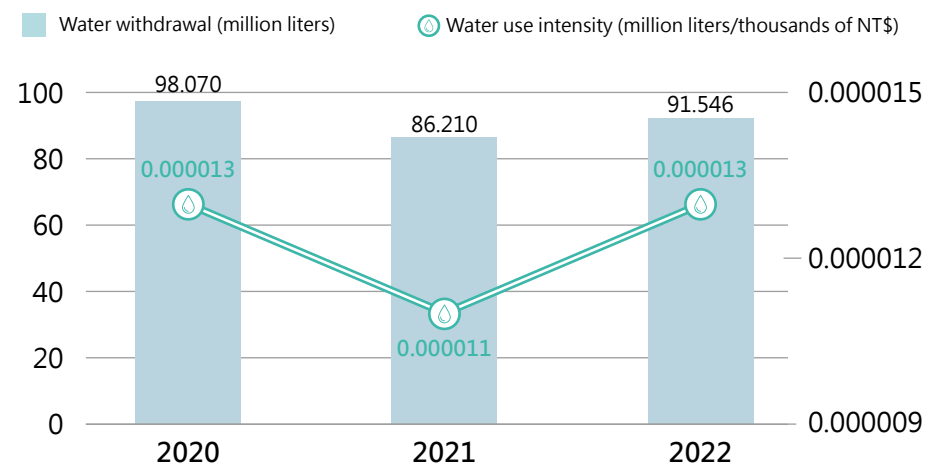


| Year   | 2020      | 2021      | 2022      |
|--|-----------|-----------|-----------|
| Water withdrawal (million liters)                      | 98.070    | 86.210    | 91.546    |
| Water discharge (million liters)                       | 46.140    | 39.670    | 55.010    |
| Water consumption (million liters)                     | 51.930    | 46.540    | 36.536    |
| In-plant water recycled (million liters)               | 0.000     | 2.420     | 6.850     |
| Water recycling rate (%)                               | 0.000     | 2.730     | 6.962     |
| Revenue (in thousands of NT\$)                         | 7,491,041 | 7,671,215 | 7,287,918 |
| Water use intensity (million liters/thousands of NT\$) | 0.000013  | 0.000011  | 0.000013  |

Note:

1. Water consumption = water withdrawal - water discharge.
2. Water recycling rate = In-plant water recycled / (water withdrawal + in-plant water recycled)\*100%.
3. Water use intensity is calculated as: Water withdrawal (million liters) / Taiflex' s parent company only revenue for the year (in thousands of NT\$).

Water withdrawal & Water use intensity

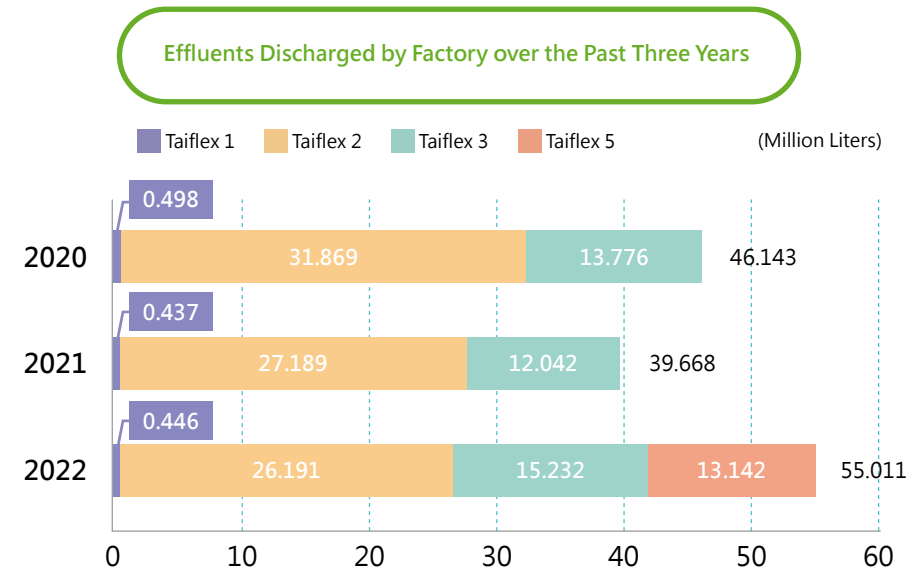


## 3.4.2 Pollution control

### ◆ Effluents meeting the standard

Effluents from operation are mostly wastewater discharged from the cooling tower of factories and water used for domestic purposes, e.g., wash up or kitchen waste cleaning. Since they are discharged to sewers of the park, they would not affect the biodiversity in the area.

| Factory/Year | 2020          | 2021          | 2022          |
|--------------|---------------|---------------|---------------|
| Taiflex 1    | 0.498         | 0.437         | 0.446         |
| Taiflex 2    | 31.869        | 27.189        | 26.191        |
| Taiflex 3    | 13.776        | 12.042        | 15.232        |
| Taiflex 5    | -             | -             | 13.142        |
| <b>Total</b> | <b>46.143</b> | <b>39.668</b> | <b>55.011</b> |



Our etching laboratory in Taiflex 1 would discharge etching wastewater; thus, a wastewater treatment system was installed. The system is equipped with pH and flow meters connected to the central monitoring system for constant online monitoring to ensure the effluents discharged fully meet the standards set by the Processing Zone. Testing at the outfalls are conducted twice every year and we carry out monthly testing as well. Test results not only meet the discharge standards but also stay far below the regulatory requirements. The Company has never been penalized by the competent authorities since operation.

| Test Items                | 2020                    |                      | 2021                    |                      | 2022                    |                      |
|---------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
|                           | Emission Standard (ppm) | Annual Average (ppm) | Emission Standard (ppm) | Annual Average (ppm) | Emission Standard (ppm) | Annual Average (ppm) |
| pH                        | 5~9                     | 8.08                 | 5~9                     | 8.3                  | 5~9                     | 7.96                 |
| Suspended solids          | 450                     | 12.77                | 450                     | 14.46                | 450                     | 60.93                |
| Biochemical oxygen demand | 450                     | 41.07                | 450                     | 43.73                | 450                     | 91.63                |
| Chemical oxygen demand    | 600                     | 92.25                | 600                     | 98.4                 | 600                     | 76.55                |
| Copper                    | 3                       | 0.06                 | 3                       | 0.67                 | 3                       | 0.21                 |

## ◆ Air pollution monitoring and prevention

Our air pollution control facilities adopt the best technology available recommended by regulatory bodies, and are in compliance with the “Air Pollution Control Act” as well as the “Air Pollutant Emission Standards of Stationary Pollution Sources”. As the Company mainly uses natural gas as the fuel for exhaust gas equipment, in addition to reducing the total amount of exhaust gases to be treated through raw material recovery, Taiflex 3 has introduced the zeolite rotor concentrator in 2022, which is expected to reduce natural gas consumption of RTO by approximately 30%.

By reducing natural gas consumption, we can effectively lower NOx emissions. The air pollution control facilities of each factory operate 24 hours a day and 350 days a year, with a real-time monitoring system to ensure normal operation. Furthermore, we would engage a third-party certification body to conduct tests on the emission concentration of various air pollutants annually. The results show that our emissions have all complied with the emission standards and stayed far below the threshold.

| Test Items | 2020          |                         |                      | 2021          |                         |                      | 2022          |                         |                      |
|------------|---------------|-------------------------|----------------------|---------------|-------------------------|----------------------|---------------|-------------------------|----------------------|
|            | Emission (kg) | Emission Standard (ppm) | Annual Average (ppm) | Emission (kg) | Emission Standard (ppm) | Annual Average (ppm) | Emission (kg) | Emission Standard (ppm) | Annual Average (ppm) |
| VOCs       | 111,540.00    | None                    | 312.00               | 118,112.00    | None                    | 220.00               | 120,590.00    | None                    | 210.00               |
| TSP        | 386.00        | 100.00                  | 1.00                 | 387.00        | 100.00                  | 0.40                 | 367.00        | 100.00                  | 1.00                 |
| SOx        | -             | -                       | -                    | -             | -                       | -                    | -             | -                       | -                    |
| NOx        | 6,995.00      | 150.00                  | 10.00                | 6,740.00      | 150.00                  | 10.00                | 6,407.00      | 150.00                  | 12.00                |

Note:

1. The emission standards for VOCs have yet to be established; therefore, annual average is not available. Only the latest (2022/4/13) third-party testing data is disclosed.
2. SOx is not released from natural gas combustion; therefore, testing is not required.

At present, some of the existing refrigeration equipment within the factory still contain R22 refrigerant, and we continue to use GHG emission rate to calculate its emission volume. We will opt for environmentally friendly refrigerant in the future and gradually replace the older models.

| ODS Statistics |          |          |          |
|----------------|----------|----------|----------|
| ODS            | 2020     | 2021     | 2022     |
| R22            | 0.040 MT | 0.040 MT | 0.039 MT |



## Waste treatment

Hazardous industrial waste generated from our operating activities is mostly organic solvent waste. It is collected in 53-gallon steel drums in the synthesis, front-end and back-end departments and then purified for reuse through the recovery facilities to effectively reduce the outsourced volume and related treatment costs as well as realize circular economy (please refer to 3.4.1 for details).

The Company constantly promotes the concept of reuse internally and strives to recycle all reusable waste (please refer to 3.3.2 for details) as well as improves resource efficiency to reduce environmental burden. Waste that cannot be reused are handled by third-party waste management professionals certified by the Environmental Protection Administration and we conduct on-site audits annually to ensure waste has been properly treated and to prevent environmental pollution due to negligence or violation of laws.

Except for the reuse of NMP and MEK in the factory, all other waste is treated off-site. The treatment complies with the Company's ISO14001 Waste Disposal Management Standard (EI-PD-06), the "Waste Disposal Act" and the "Regulations Governing Determination of Reasonable Due Care Obligations of Enterprises Commissioning Waste Clearance". There was no leakage in 2022.

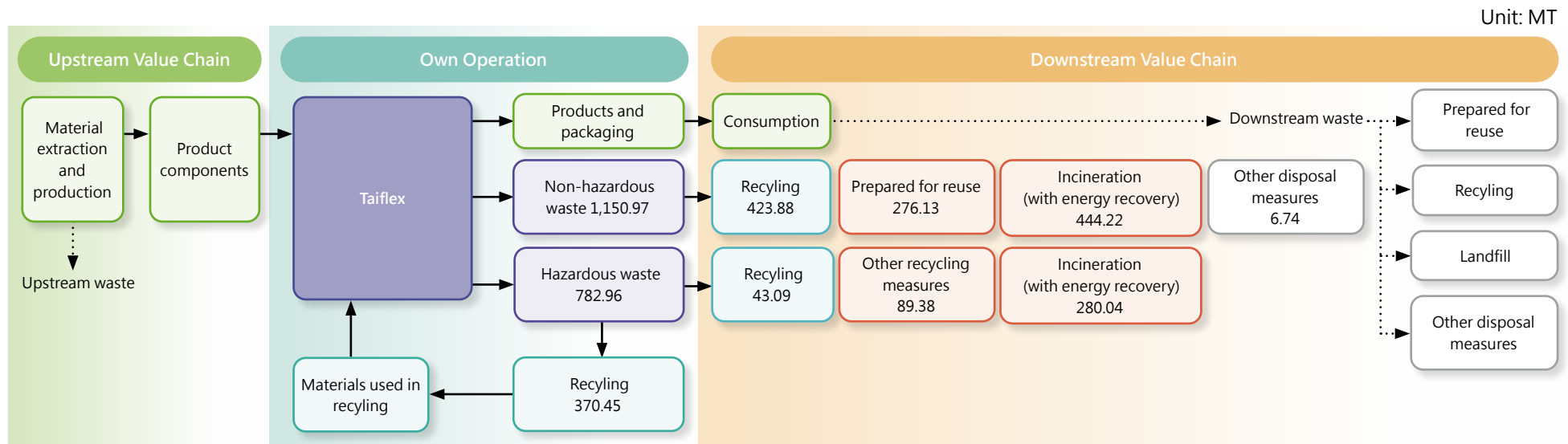
| Waste                             |                             |                      |                   |                      |                                     |
|-----------------------------------|-----------------------------|----------------------|-------------------|----------------------|-------------------------------------|
| Composition                       | Hazardous/<br>Non-hazardous | On-site              |                   | Off-site             |                                     |
| Item                              |                             | Waste Generated (MT) | Processing Method | Waste Generated (MT) | Processing Method                   |
| Waste Adhesive / Solvent          | Hazardous                   | -                    | -                 | 280.04               | Incineration (with energy recovery) |
| NMP Solvent Waste                 | Hazardous                   | 286.82               | Recycling         | 19.25                | Other recycling measures            |
| MEK Solvent Waste                 | Hazardous                   | 83.63                | Recycling         | 70.13                | Other recycling measures            |
| Copper Sludge Waste               | Hazardous                   | -                    | -                 | 5.99                 | Recycling                           |
| Mixture Containers                | Hazardous                   | -                    | -                 | 37.10                | Recycling                           |
| Waste Plastic Mixture             | Non-Hazardous               | -                    | -                 | 118.62               | Incineration (with energy recovery) |
| Waste Rubber Mixture              | Non-Hazardous               | -                    | -                 | 51.50                | Incineration (with energy recovery) |
| Waste Paper Mixture               | Non-Hazardous               | -                    | -                 | 54.52                | Incineration (with energy recovery) |
| Domestic Waste                    | Non-Hazardous               | -                    | -                 | 219.58               | Incineration (with energy recovery) |
| Waste Wood                        | Non-Hazardous               | -                    | -                 | 188.66               | Recycling                           |
| Liquid Manure                     | Non-Hazardous               | -                    | -                 | 6.74                 | Other disposal measures             |
| Waste Oil Mixture                 | Non-Hazardous               | -                    | -                 | 0.60                 | Recycling                           |
| Scrap CCL                         | Non-Hazardous               | -                    | -                 | 224.33               | Recycling                           |
| Pure Copper Foil                  | Non-Hazardous               | -                    | -                 | 10.29                | Recycling                           |
| General Recycling (Waste Plastic) | Non-Hazardous               | -                    | -                 | 82.39                | Prepared for reuse                  |
| General Recycling                 | Non-Hazardous               | -                    | -                 | 122.93               | Prepared for reuse                  |
| Pallet Recycled for Suppliers     | Non-Hazardous               | -                    | -                 | 54.69                | Prepared for reuse                  |
| Empty Drums                       | Non-Hazardous               | -                    | -                 | 16.12                | Prepared for reuse                  |

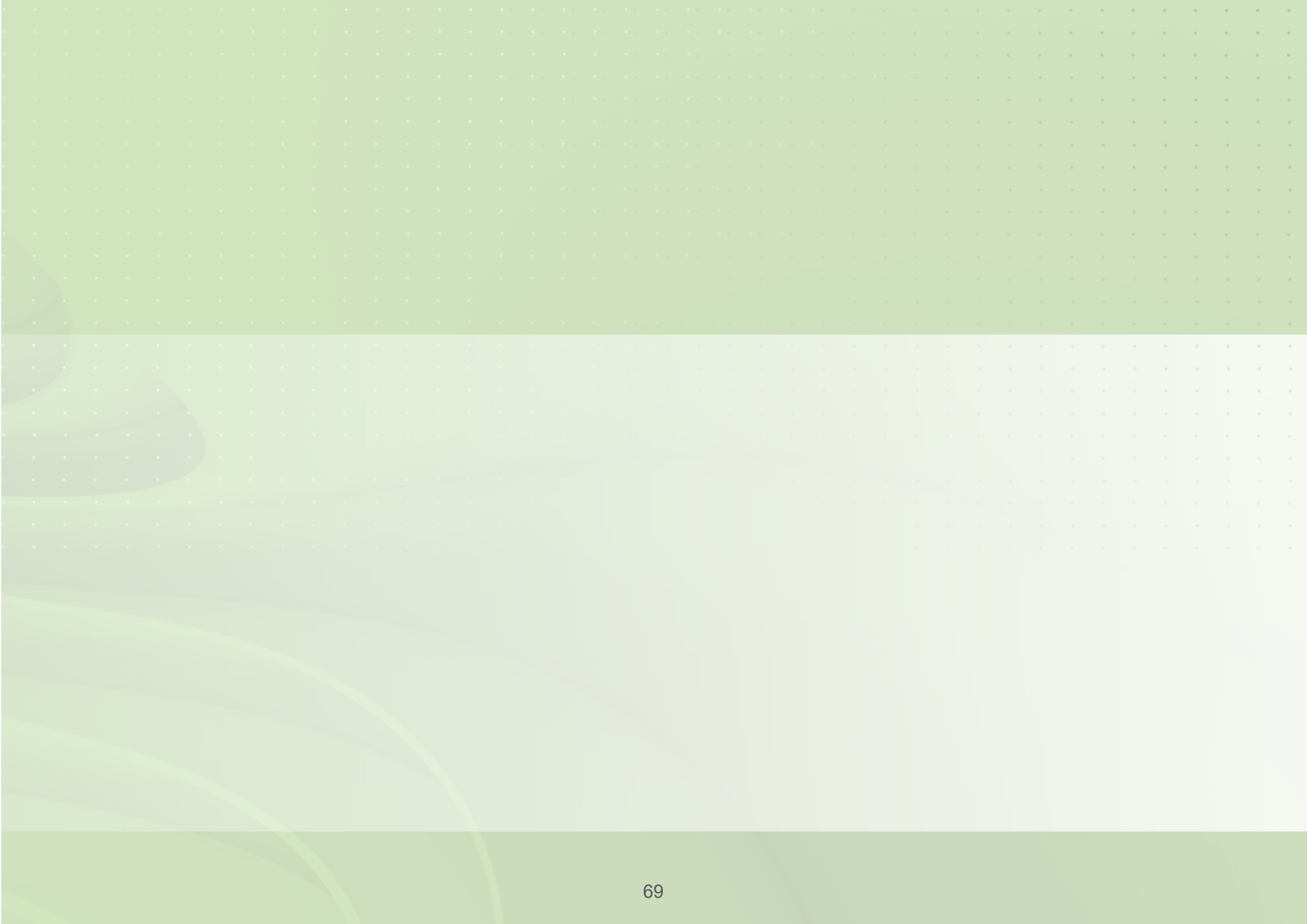
Waste

| Composition              | Hazardous Waste |          | Non-Hazardous Waste |          | Total           |
|--------------------------|-----------------|----------|---------------------|----------|-----------------|
| Processing Method        | On-site         | Off-site | On-site             | Off-site |                 |
| Transfer During Disposal | 370.45          | 132.47   | 0.00                | 700.01   | 1,202.93        |
|                          | 502.92          |          | 700.01              |          |                 |
| Direct Disposal          | 0.00            | 280.04   | 0.00                | 450.96   | 731.00          |
|                          | 280.04          |          | 450.96              |          |                 |
| <b>Total</b>             | <b>782.96</b>   |          | <b>1,150.97</b>     |          | <b>1,933.93</b> |
| Total Waste              | 1,933.93        |          |                     |          |                 |
| Recycling Rate           | 62.20%          |          |                     |          |                 |

Notes:

1. Transfer during disposal: recycling; Direct disposal: incineration (with energy recovery), incineration (without energy recovery), landfill.
2. Recycling rate is calculated as: Recycled waste volume / Total waste volume × 100%.







# 4

## Human Resource Development and Friendly Workplace

- 4.1 Human Resource Management
- 4.2 Stable Partnerships
- 4.3 Employee Suitability and Diversified Development
- 4.4 Safe Workplace





# 4.1 Human Resource Management

## ◇ Material Topic: Human Resource Development ◇

|   |  |
|---|--|
| <b>Main Reason</b>                      | Employees are important assets to a company and human resource are crucial in maintaining core competitiveness. Thus, without compromising employee rights, it is imperative for corporate sustainable development to have a properly formulated human resource blueprint and a comprehensive human resource development framework.  |
| <b>Policy and Strategy</b>              | We establish management rules in the spirit of RBA, and provide comprehensive remuneration and benefits to further attract and retain talents. By planning employee training programs and setting up a fair and diverse career development path, we build a workplace culture of continuous improvement, enhancing the overall R&D capacity of Taiflex and strengthening our market competitiveness.   |
| <b>Goals and Objectives</b>             | <p><b>Short-term goals (2023-2024):</b></p> <ul style="list-style-type: none"> <li>Employee/engineer turnover rate &lt;20%.</li> <li>OPR operator turnover rate &lt;40%.</li> <li>Annual education and training achievement rate &gt; 80%.</li> <li>Training course satisfaction &gt; 80%.</li> <li>Establish human rights protection policy and code.</li> <li>Create a friendly workplace.</li> <li>Implement the essence of SA 8000.</li> </ul> <p><b>Medium-term goals (2025-2027):</b></p> <ul style="list-style-type: none"> <li>Strengthen the correlation between performance and salary compensation to provide a positive drive for talent development.</li> <li>Establish the link between compensation system and sustainable performance.</li> </ul> <p><b>Long-term goals (2028~):</b></p> <ul style="list-style-type: none"> <li>Implement talent cultivation and development and establish career development blueprints for employees.</li> <li>Enhance employee engagement.</li> </ul> |
| <b>Management Assessment Mechanisms</b> | Onboarding and turnover analysis, annual employee performance assessment, new recruit performance assessment, talent readiness, completion of training, training satisfaction surveys, etc.  |
| <b>Performance and Adjustments</b>      | <ul style="list-style-type: none"> <li>Employee/engineer turnover rate of 18.18%.</li> <li>OPR operator turnover rate of 22.93%.</li> <li>Annual education and training completion rate of 57.30% (Cause for failing to meet the target: Due to the pandemic, 6 internal training sessions as well as external courses on occupational safety required by laws were suspended).</li> <li>Training course satisfaction rate of 80.13%.</li> </ul>   |
| <b>Prevention or Remedy Measures</b>    | <ul style="list-style-type: none"> <li>Risk control is carried out through various management mechanisms, e.g., credit checks and document reviews at the time of recruitment.</li> <li>We have established the "Rules of Sexual Harassment Preventive Measures, Complaints and Disciplinary Actions" as well as the "Measures for Prevention of Rights Infringement during Performance of Duties" .</li> </ul>  |

## 4.1.1 Human rights policy

Our human resource management is built on human rights protection. We adhere to local laws and regulations as well as international standards concerning human and labor rights where employees are entitled to fair recruitment, training, compensation, evaluation and promotion. There is no discrimination nor differential treatment on the basis of race, class, language, ideology, religion, party affiliation, national origin, place of birth, gender, sexual orientation, age, marriage, appearance, facial features, physical and mental disabilities, zodiac sign, blood type, or past union membership. In the event of a significant operational change, notices shall be given to employees 10 to 30 days in advance depending on their seniorities pursuant to Article 16 of the Labor Standards Act. Also, the Company has one day off for indigenous rituals and ceremonies in accordance with Article 4 of the Implementation Regulations on Memorial Days and Holidays published by the Ministry of the Interior for respecting the indigenous culture.

The Company specifies in the "Code of Conduct" that employees must be at least 16 years of age (inclusive). Furthermore, the Company has established the "Measures for Prevention of Rights Infringement during Performance of Duties" to prevent employees from being forced to perform duties beyond those prescribed by the law. We manage overtime hours by setting risk alerts through the human resource management system.

In order to fulfill our commitment to human rights-related policies, we have established the "Sexual Harassment Prevention and Complaints Committee" and the "Workplace Violence Prevention and Disciplinary Committee" in accordance with the "Rules of Sexual Harassment Preventive Measures, Complaints and Disciplinary Actions" and the "Measures for Prevention of Rights Infringement during Performance of Duties". The internal complaint channel strengthens the supervision mechanism to ensure that employees' rights are protected. In 2022, the Company did not have incident of child labor, forced labor, discrimination, violation of aboriginal rights, or sexual harassment.

### Human Rights Policy

- 1 Prohibition of child labor under the age of 16.
- 2 Prohibition of any form of forced labor.
- 3 Respect employees' rights to freedom of association and collective bargaining.
- 4 Prohibition of any form of discrimination, harassment and retaliation.
- 5 Provide reasonable salaries and benefits.
- 6 Provide diverse communication channels to maintain good labor-management relations.
- 7 Provide a safe working environment and establish precautionary measures.
- 8 Guarantee employment opportunities for disabled persons.

#### Internal Complaint Channels



Sexual Harassment

Human Resource Services Division

☎ 886-7-8139989#70995

✉ help70995@taiflex.com.tw



Workplace Violence

Workplace Violence Hazard Identification and Assessment Team

☎ 886-7-8139989#70555

✉ 80995@taiflex.com.tw



Violation of Business Ethics

Internal Auditing Office

☎ 886-7-8139989#70999

Security personnel and security system of the Company are managed by a professional security firm. The contract has specified the mandatory compliance with the Labor Standards Act and relevant rules. We have formulated the "Rules Governing Duties of Security Personnel" where the security personnel shall, pursuant to the Occupational Safety and Health Act and the Private Security Service Act, receive professional training every year on courses including disaster prevention and rescue, security-related practical training, etc. In 2022, 15 security personnel received training for a total of 828 hours. Also, they are required to take human rights education and training every year on topics including laws and regulations concerning personal rights, freedom of employment, wages, working hours, leave, ban on discrimination, and freedom of assembly. Human rights-related cases and measures are presented at security meetings from time to time to ensure our security personnel would conform to social norms. The percentage of security personnel trained in human rights or procedures is 100%.

## 4.1.2 Manpower structure

Employees are the cornerstone of an enterprise. Taiflex is committed to building an organizational culture of mutual support, friendliness, discipline, honesty, and hard work. By building a workplace which attracts and retains talents, we can stabilize our human resource and strengthen our corporate structure.



### By employment type

The Company does not have part-time employees. Recruitments are based on suitability including professional competence and experience. The ratio of male to female employees in 2022 was 3.28:1. Also, the percentage of regular employees in 2022 was 99.53%, up 4.60% from the 94.93% in 2021. The increase indicated an increasing stability in our workforce.

| Number of Employees       |          |        |       |          |        |       |          |        |       |
|---------------------------|----------|--------|-------|----------|--------|-------|----------|--------|-------|
| Unit: Person              |          |        |       |          |        |       |          |        |       |
| Year                      | 2020     |        |       | 2021     |        |       | 2022     |        |       |
| Contract Type/<br>Gender  | ♀ Female | ♂ Male | Total | ♀ Female | ♂ Male | Total | ♀ Female | ♂ Male | Total |
| Total number of employees | 168      | 592    | 760   | 203      | 665    | 868   | 200      | 656    | 856   |
| Regular employees         | 168      | 588    | 756   | 193      | 631    | 824   | 198      | 639    | 852   |
| Temporary employees       | 0        | 4      | 4     | 10       | 34     | 44    | 2        | 17     | 19    |
| Full-time employees       | 168      | 592    | 760   | 203      | 665    | 868   | 200      | 656    | 856   |
| Part-time employees       | 0        | 0      | 0     | 0        | 0      | 0     | 0        | 0      | 0     |

Note:

1.Number of employees is based on the data as of the last day of the year.



2.Regular employees are ones with an open-ended (i.e., no time limit) contract. Temporary employees are ones with a fixed-term (i.e., a fixed period) contract. The monthly working hours of full-time employees are defined in accordance with national laws and practices concerning working hours. Part-time employees are ones whose work hours per week, month or year are fewer than that of full-time employees.

| Number Of Non-Employee Workers       |   |                         |
|--------------------------------------|---|-------------------------|
| Unit: Person                         |   |                         |
| Type                                 | Contractual Relationship with The Company | Total Number of Workers |
| On-site contractors                  | Contractor                                | 11                      |
| Security personnel                   | Contractor                                | 12                      |
| Total number of non-employee workers |   | 23                      |

Note: There was no significant change in the total number of non-employees in 2022 compared to 2021.

## ◆ By job category

Senior executives (assistance vice president and above) of the Company are recruited 100% from the local community. Also, supervisory officers are defined as officers at the team leader level or above pursuant to the Company's "Organization and Job Title Design Rules".

| Year  |          | 2020            | 2021          | 2022          |     |
|---|----------|-----------------|---------------|---------------|-----|
| Item/Gender   | Age      | No. of People   | No. of People | No. of People |     |
| <br>Supervisory officers<br>(team leader level or above) | ♂ Male   | Under 30        | 23            | 7             | 9   |
|   |          | 30-50 years old | 135           | 153           | 149 |
|   |          | Over 51         | 14            | 17            | 26  |
|   | ♀ Female | Under 30        | 1             | 0             | 0   |
|   |          | 30-50 years old | 15            | 12            | 14  |
|   |          | Over 51         | 3             | 7             | 8   |
| Total no. of supervisory officers<br>(team leader level or above)   |          | 191             | 196           | 206           |     |
| <br>Non-supervisory officers                             | ♂ Male   | Under 30        | 93            | 141           | 112 |
|   |          | 30-50 years old | 308           | 323           | 338 |
|   |          | Over 51         | 19            | 24            | 22  |
|   | ♀ Female | Under 30        | 33            | 48            | 40  |
|   |          | 30-50 years old | 106           | 125           | 128 |
|   |          | Over 51         | 10            | 11            | 10  |
| Total no. of non-supervisory officers   |          | 569             | 672           | 650           |     |
| Total no. of employees  |          | 760             | 868           | 856           |     |

## ◆ Percentages and number of new recruits

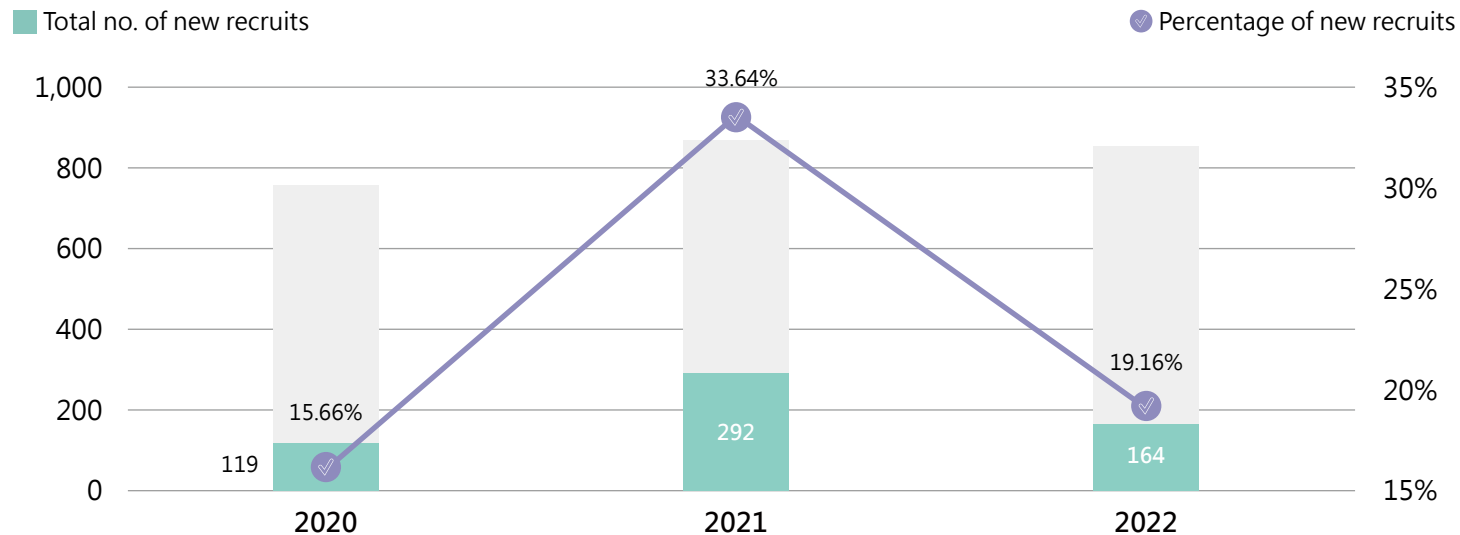
| Year                       | 2020                |                   |                     |                   | 2021                |                   |                     |                   | 2022                |                   |                     |                   |
|----------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| Gender                     | ♂ Male              |                   | ♀ Female            |                   | ♂ Male              |                   | ♀ Female            |                   | ♂ Male              |                   | ♀ Female            |                   |
| Age/Item                   | No. of New Recruits | % of New Recruits | No. of New Recruits | % of New Recruits | No. of New Recruits | % of New Recruits | No. of New Recruits | % of New Recruits | No. of New Recruits | % of New Recruits | No. of New Recruits | % of New Recruits |
| Under 30                   | 47                  | 6.18%             | 13                  | 1.71%             | 128                 | 14.75%            | 42                  | 4.84%             | 58                  | 6.78%             | 25                  | 2.92%             |
| 30-50 years old            | 47                  | 6.18%             | 12                  | 1.58%             | 87                  | 10.02%            | 32                  | 3.69%             | 51                  | 5.96%             | 26                  | 3.04%             |
| Over 51                    | 0                   | 0.00%             | 0                   | 0.00%             | 2                   | 0.23%             | 1                   | 0.12%             | 3                   | 0.35%             | 1                   | 0.12%             |
| Total no. of new recruits  | 119                 |                   |                     |                   | 292                 |                   |                     |                   | 164                 |                   |                     |                   |
| Total no. of employees     | 760                 |                   |                     |                   | 868                 |                   |                     |                   | 856                 |                   |                     |                   |
| Percentage of new recruits | 15.66%              |                   |                     |                   | 33.64%              |                   |                     |                   | 19.16%              |                   |                     |                   |

Note:

1.The number of new recruits included the number of employees resigned during the period.

2.Percentage of new (male/female) recruits by age group = number of new (male/female) recruits in the age group for the year / the total number of (male/female) employees at the operation site at the end of the same year.

3.Percentage of new recruits = number of new recruits for the year / the total number of employees at the operation site at the end of the same year.





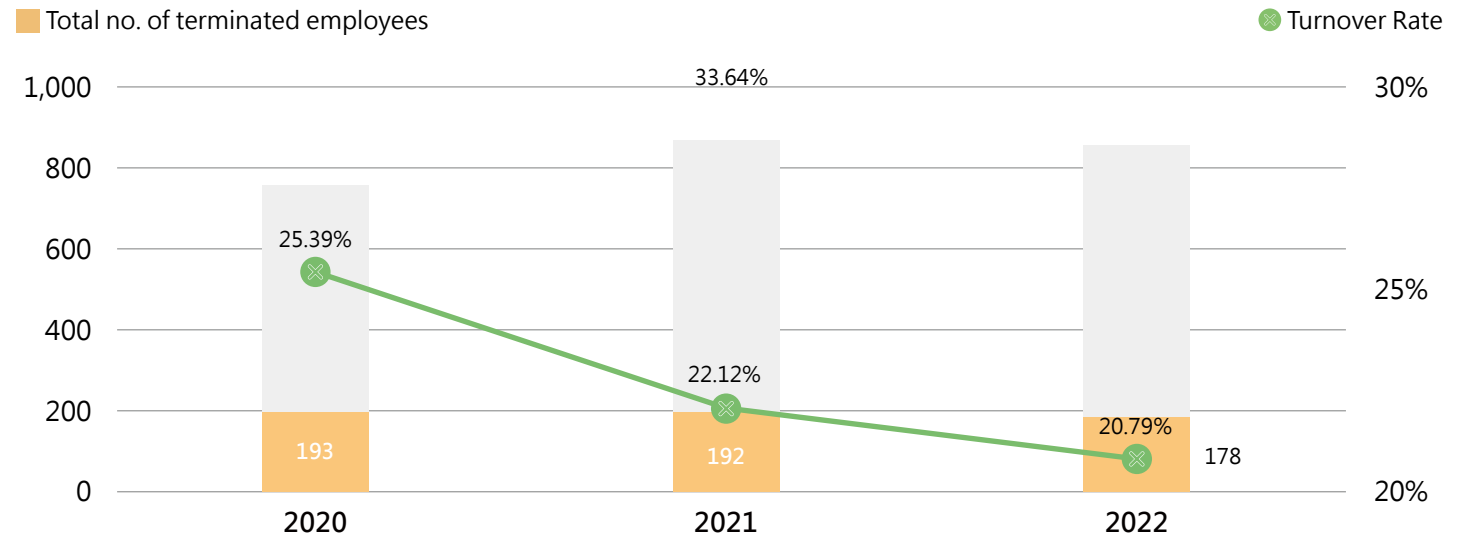
## Percentage and number of terminated employees

The Company offers excellent compensation packages and diverse benefits to reduce employee turnover, stabilize workforce and mitigate the impact of employee turnover on production. In 2022, the Company's turnover rate dropped by 1.33% compared to the previous year. Please refer to "4.2.1 Compensation and Benefits" for more details.

| Year                              | 2020             |               |                  |               | 2021             |               |                  |               | 2022             |               |                  |               |
|-----------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Gender                            | ♂ Male           |               | ♀ Female         |               | ♂ Male           |               | ♀ Female         |               | ♂ Male           |               | ♀ Female         |               |
| Age/Item                          | No. of employees | Turnover rate | No. of employees | Turnover rate | No. of employees | Turnover rate | No. of employees | Turnover rate | No. of employees | Turnover rate | No. of employees | Turnover rate |
| Under 30                          | 72               | 9.47%         | 9                | 1.18%         | 72               | 8.29%         | 14               | 1.61%         | 56               | 6.54%         | 21               | 2.45%         |
| 30-50 years old                   | 82               | 10.79%        | 27               | 3.55%         | 81               | 9.33%         | 20               | 2.30%         | 64               | 7.48%         | 33               | 3.86%         |
| Over 51                           | 3                | 0.39%         | 0                | 0.00%         | 4                | 0.46%         | 1                | 0.12%         | 2                | 0.23%         | 2                | 0.23%         |
| Total no. of terminated employees | 193              |               |                  |               | 192              |               |                  |               | 178              |               |                  |               |
| Total no. of employees            | 760              |               |                  |               | 868              |               |                  |               | 856              |               |                  |               |
| Turnover rate                     | 25.39%           |               |                  |               | 22.12%           |               |                  |               | 20.79%           |               |                  |               |

Note:

- 1.Terminated employees include employees who resign or retired or are dismissed or laid off.
- 2.Turnover rate (for male/female) by age group = number of terminated (male/female) employees in the age group for the year / the total number of (male/female) employees in the age group at the end of the same year.
- 3.Turnover rate = number of terminated employees for the year / the total number of employees at the operation site at the end of the same year.



### 4.1.3 Talent recruitment

Each department would draft manpower requirements for the year based on its annual operation plan and submits applications to the Human Resource Division. The designated unit would then organize recruitments through multiple channels and release job vacancies based on requirements of the applicant departments in order to recruit enthusiastic and proactive talents with competence matching the job description.



#### ◆ Recruit from schools

Besides regular job fairs at campuses, we organize various projects and activities to not only attract talents but also give students the opportunity to become acquainted with the FPC industry. An early experience with workplace culture gives students more choices for their career path.

| Project                         | Execution Method   | Objective  |
|---------------------------------|--|--|
| Summer Internship               | ▶ We provide summer internship opportunities to college and university students.   | Besides experiencing workplace culture in advance, students are encouraged to apply their knowledge as well as interact and learn with our teams.  |
| Corporate Visits                | ▶ Visits from professors and students of our targeted majors.  | This allows college and university students to know the working environment of the industry beforehand and promotes industry-academia exchange and interactions.   |
| School Seminars                 | ▶ We arrange for our managers or industry professionals to hold seminars at colleges or universities.  | To share corporate philosophies as well as career development opportunities associated with FPC and energy materials, encouraging students to take part in relevant fields.  |
| Career Coaching Program         | ▶ We have taken part in the National Cheng Kung University (NCKU) Career Coach Program since 2017.   | Besides attracting outstanding talents to join the Company, we aim to fulfill our corporate social responsibility and allow students to have early exposures to work experience.   |
| Industry-Academia Collaboration | ▶ From 2022 onwards, we participate in the industry-academia partnership program of National Sun Yat-sen University and Cheng Shiu University. | Through industry-academia collaboration, we strengthen the technical and practical skills of young talents through lectures, internships, and special projects to meet the needs of industry development and youth employment. |



▲ Career Coach Program organized by the NCKU in 2022

## ◆ Participate in government programs

In 2017 and 2020, the Company participated in the government's "Youth Employment Project" and "Youth's Employment Ultimate Program" and recruited high school graduates and young people aged 18 to 29 to cultivate skilled personnel through the mentoring program, achieving the goal of building the foundation for talent cultivation.

## ◆ Diversity and Inclusion

Being diverse and inclusive, interviewees and employees would not be subject to differential treatment on the basis of gender, race, nationality, religion, age, physical disability, political affiliation, marital status, or union affiliation. We have created diverse job application channels and offer fair salary and benefits to all job applicants. After joining the Company, we make proper job arrangements for individuals to utilize their potential and contribute to the Company. As of the end of 2022, the Company employed eight disabled persons and two indigenous persons. The disabled employees accounted for 1% of our employees, which met the regulatory quota of disabled employees stipulated by the government.

### Diverse Employee Composition (including indigenous and disabled persons)

| Year          |                 | 2020             | 2021             | 2022             |
|---------------|-----------------|------------------|------------------|------------------|
| Item / Gender | Age             | No. of employees | No. of employees | No. of employees |
| ♂ Male        | Under 30        | 0                | 2                | 1                |
|               | 30-50 years old | 6                | 5                | 7                |
|               | Over 51         | 0                | 1                | 1                |
| ♀ Female      | Under 30        | 1                | 1                | 0                |
|               | 30-50 years old | 0                | 0                | 0                |
|               | Over 51         | 1                | 1                | 1                |

## 4.2 Stable Partnerships

### 4.2.1 Compensation and Benefits

Employees are the key partners in the sustainable operation of Taiflex as well as the key drive to maintain production and innovative research and development. We offer competitive compensation policies and multiple benefits programs to build employee loyalty and retain outstanding talents, hoping that a stable partnership will enable employees to grow together with the Company.

In 2022, we modified our compensation policy. On top of variable bonus, local regular employees are entitled to holiday bonus totaled 1.5 month of salary to maintain a certain level of annual package, thereby attracting talents and enhancing the retention rate. In 2022, the ratio of average standard salary to statutory minimum salary for male and female entry-level employees was 1:1.02 and 1:1.01, respectively, and the ratio after including allowances was 1:1.09 and 1:1.04, respectively.

### ◆ Compensation system

Employee compensation contains both fixed and variable salaries with subitems including base salary, allowance and bonus. Salary standards take into account the position, ranking, education, work experience and seniority of employees and the amount is determined in accordance with the Company's salary scale regardless of gender. In 2022, the ratio of top salary of the Company to the median total salaries of the remaining employees was 12.99. Also, as the top salary of the Company did not change in 2022, the ratio of increases in annual compensation was zero.

|                        |  |                                 |                               |
|------------------------|--|---------------------------------|-------------------------------|
| + Technical allowance  | + Overtime meal allowance                    | + Production yield bonus        | + Year-end bonus              |
| + Management allowance | + Shift allowance                            | + Sales bonus                   | + Employee profit-sharing     |
| + Meal allowance       | + Bonus for major festivals                  | + Production competition prizes | + Operating performance bonus |
| + Overtime payment     | + Bonus for outstanding employee of the year | + Bonus for innovative proposal | + R&D bonus                   |

### Salary Ratio by Ranking

| Category/Item |                          | Number of People |        | Average Annual Salary (NT\$) |           | Salary Ratio |        |
|---------------|--------------------------|------------------|--------|------------------------------|-----------|--------------|--------|
|               |                          | ♀ Female         | ♂ Male | ♀ Female                     | ♂ Male    | ♀ Female     | ♂ Male |
| Funtion       | Managerial Personnel     | 22               | 184    | 1,795,679                    | 1,341,387 | 1.34         | 1      |
|               | Non-managerial Personnel | 178              | 472    | 658,357                      | 643,803   | 1.02         | 1      |
| Nature        | Direct Personnel         | 60               | 411    | 573,402                      | 622,289   | 0.92         | 1      |
|               | Indirect Personnel       | 140              | 245    | 873,488                      | 1,203,795 | 0.73         | 1      |

Note:

- 1.The salary (annual salary) ratio of female to male: "Average annual salary of female in the category/Average annual salary of male in the category" .
- 2.Since middle and senior managers accounted for 86% of female managerial personnel and only 40% of male managerial personnel, the average annual salary was higher for female than that of male in the managerial personnel category.
- 3.For indirect personnel, the average salary of male indirect personnel was higher than that of female due to industry characteristics. Among the indirect personnel, the proportion of middle and senior managers was higher for male than that of female; therefore, the average salary was higher for male indirect personnel than for female ones.

### Welfare system

In addition to employee compensation, Taiflex offers a wide range of benefits to attract quality people and retain employees. The "Employee Welfare Committee" (EWC) is established for the planning and execution of various employee benefit measures in order to enhance employees' sense of belonging to the Company and create a happy workplace.

#### Employee Welfare Program

|   |   |                                |
|---|---|--------------------------------|
| ♥ Subsidies for weddings and funerals   | ♥ Free inspection/maintenance subsidy for motorcycles | ♥ Employee health check-ups    |
| ♥ Birthday cash gifts and meal vouchers | ♥ Contracted stores                                   | ♥ Employee club subsidy        |
| ♥ Trip and personal travel subsidy      | ♥ Language course subsidy                             | ♥ Department gathering subsidy |
| ♥ Education subsidy for children        | ♥ Paid leave for weddings of siblings                 | ♥ Natural disaster relief      |
| ♥ Contracted nursery/childcare center   | ♥ Employee stock ownership trust                      | ♥ Kick-off bonus               |
| ♥ Free lunch/dinner                     | ♥ Exclusive basketball court                          | ♥ Festival activities          |
| ♥ Diverse leaves                        | ♥ Flexible working hours                              | ♥ Year-end party               |

#### Employee Care and Friendly Facilities

- ☺ Parent-child library
- ☺ Family day events
- ☺ Stress relief massage station
- ☺ Nursery room / Refrigerator for breast milk
- ☺ Lounge with shower facilities
- ☺ 7-11 smart vending machine and coffee machine
- ☺ Reserved parking
- ☺ Escort to parking at night
- ☺ Exclusive parking spaces for outstanding employees

## ◆ Childcare benefits

Employees are entitled to childcare benefits regardless of their gender and ranking. Both male and female employees can apply for unpaid parental leave. In 2022, 5 employees applied for the leave and 2 employees had returned to work. The retention rate was 100% for female employees in 2022.

| Year   | 2020   |          |        | 2021   |          |        | 2022   |          |        |
|--|--------|----------|--------|--------|----------|--------|--------|----------|--------|
| Gender/Total   | ♂ Male | ♀ Female | Total  | ♂ Male | ♀ Female | Total  | ♂ Male | ♀ Female | Total  |
| No. of eligible applicants for parental leave for the year A                           | 2      | 4        | 6      | 3      | 9        | 12     | 1      | 10       | 11     |
| No. of applicants for parental leave for the year B                                    | 2      | 4        | 6      | 1      | 5        | 6      | 0      | 5        | 5      |
| No. of employees expected to return from parental leave for the year C                 | 3      | 5        | 8      | 3      | 3        | 6      | 0      | 3        | 3      |
| No. of employees returned from parental leave for the year D                           | 3      | 4        | 7      | 1      | 3        | 4      | 0      | 2        | 2      |
| No. of employees returned from parental leave in previous year E                       | 2      | 9        | 11     | 3      | 4        | 7      | 0      | 2        | 2      |
| No. of employees returned from parental leave in previous year and stay for one year F | 2      | 7        | 9      | 3      | 3        | 6      | 0      | 2        | 2      |
| Return rate for the year % (D/C)   | 100%   | 80%      | 87.50% | 33.33% | 100%     | 66.67% | 0%     | 66.67%   | 66.67% |
| Retention rate for the year % (F/E)  | 100%   | 77.78%   | 81.82% | 100%   | 75%      | 85.71% | 0%     | 100%     | 100%   |

Note:

- 1.The number of employees expected to return = The number of employees who are expected to be reinstated after their parental leave for the year.
- 2.The number of people retained in 2022 = The actual number of employees reinstated in 2021 and remained employees of Taiflex as of December 31, 2022.
- 3.The return rate for the year = The actual number of employees returned from parental leave for the year / the number of employees expected to return from parental leave for the year (D/C).
- 4.The retention rate for the year = The number of employees returned from parental leave in previous year and stay for one year / the number of employees returned from parental leave in previous year (F/E).



## ◆ Stable and sound retirement system

Taiflex draws up employee pension policy in accordance with the Labor Standards Act and the Labor Pension Act, and provides pension contributions and payments. Besides making contributions to the retirement reserve as required by law, Taiflex also engages professional accounting consultants to conduct annual actuarial calculations of the retirement reserve to ensure that sufficient amount has been contributed to protect the rights and interests of employees.


We make a contribution equals to 6% (2.93% under the old pension system) of employees' salaries to the Labor Pension Fund Supervisory Committee which would deposit the money in the Committee's name at the Bank of Taiwan. As of the end of 2022, the fair value of plan assets amounted to NT\$40,176 thousand. In accordance with the aforementioned rules, Taiflex recognized expenses of NT\$8,659 thousand in 2022. Regulatory contributions for future periods are accounted for as accrued pension liabilities, which equaled to NT\$179,147 thousand as of December 31, 2022.

## ◆ Employee insurance planning and health care management

Employees are covered by labor insurance, national health insurance and occupational accident insurance as required by law, as well as the group insurance (including the period of leave without pay), which covers life insurance, accident insurance, medical insurance, cancer insurance, critical illness insurance, overseas travel insurance, etc., so that our employees can be fully protected. Family members of employees are also entitled to join the group insurance, extending our care to employees' families.

Employee Health Care Mechanism

|  |  |  |
|--|--|--|
| + Work environment monitoring/risk assessment/improvement            | + Critical illness compensation            | + Sports courses   |
| + Health check-ups above regulatory requirements                     | + Various health promotion programs        | + Overload hazard prevention management                        |
| + On-site medical staff  | + Health measurement services, care visits | + On-site weekly services from group insurance specialists     |
| + Health management and personal protection kits for business travel | + Maternal health protection management    | + Travel insurance and overseas emergency assistance services  |
| + Health seminar   | + Ergonomic risks prevention management    | + Group insurance for employees and family members at discount |
| + Vaccination  | + Stress relief station (Massage service)  | + Free medical group insurance for employees                   |



## 4.2.2 Labor-management communication and employee loyalty

We respect employees' right to freedom of association and collective bargaining. Although we have not established a labor union, we attach great importance to two-way communication with our employees. In addition to quarterly labor-management meetings, we have established multiple communication channels for both parties to exchange opinions and discuss issues in a harmonious and honest manner. Through effective communication, concerns of employees can be heard and we can adjust our personnel management policies promptly to create a friendly workplace and achieve a win-win situation for both management and employees.

Communication Channels and Objectives of Taiflex

|   |                                     |  |
|---|-------------------------------------|--|
| 1 | <b>Labor-management meetings</b>    | Coordinate labor relations, promote labor-management cooperation, and improve work efficiency  |
| 2 | <b>Employee satisfaction survey</b> | To gather feedback from employees concerning the Company's overall policies and make improvements with reference to employees' opinions                      |
| 3 | <b>CEO seminar</b>                  | It gives employees the opportunity to make suggestions and raise issues as well as to understand the Company's operational status and development objectives |
| 4 | <b>Ehr platform</b>                 | An on-line communication platform for the Company and employees  |
| 5 | <b>EWC</b>                          | The majority of Committee members are employees, fighting for the benefits they are entitled to as well as plan and execute employee welfare matters         |
| 6 | <b>OSH Committee meetings</b>       | 100% tracking and responding to labor safety and health issues every quarter   |





We wish to grow and thrive together with our employees. In order to build employee loyalty, we regularly hold various activities such as factory celebration, annual family day, and thanksgiving events. Through participation in these events, employees can interact and exchange ideas which facilitate team spirit and further identify with the Company. Our EWC has established a wide range of clubs, including the jogging club and yoga club, where employees can have more interactions with each other at the clubs, strengthening their sense of belonging and enhancing their physical and mental health. There were 12 activities organized in 2022 with about 3,000 participants.

## 2022 Event Highlights



Taiflex Family Day



25th Anniversary Celebration



Friendship Basketball Tournament



Yoga Club

## 4.3 Employee Suitability and Diversified Development

Taiflex upholds the training philosophy of “diverse learning to improve professional skills, internalization to prompt company-wide growth, learning transfer to enhance performance and continuous improvement for developments” and designs talent cultivation blueprint in line with the five major work attitudes of enthusiasm, responsibility, integrity, creativity and execution. There is also the “Education and Training Guidelines” integrating external and internal resources and formulating systematic training courses for employees to improve their competence in all aspects along with suitability. The spirit of continuous learning prompts mutual growth of employees and the Company. Based on the talent cultivation blueprint, there were 5,841 trainees with a total of 17,949 training hours in 2022.



2022 Training Performance of Talent Development System

| Training System/Item     | Total No. of Trainees | Total Training Hours | Average Training Hours per Person | % of Training Hours to Total |
|--------------------------|-----------------------|----------------------|-----------------------------------|------------------------------|
| New Employee Orientation | 783                   | 834                  | 6.00                              | 4.65%                        |
| Core Competency          | 620                   | 1,223                | 11.12                             | 6.81%                        |
| Professional Competency  | 4,203                 | 15,474               | 20.80                             | 86.21%                       |
| Managerial Competency    | 213                   | 304                  | 8.00                              | 1.69%                        |
| Self-Development         | 22                    | 114                  | 28.50                             | 0.64%                        |
| <b>Total</b>             | <b>5,841</b>          | <b>17,949</b>        | <b>17.34</b>                      | <b>100%</b>                  |

## ◆ Personal development plan and diverse learning channels

Taiflex maps out the “Individual Development Plan” (IDP) based on job requirements, performance assessment outcome and career development of individuals. The plan is divided into three sections: On-Job Training, Off-Job Training and Self Development, with corresponding training blueprints, providing diverse learning channels and development resources to enhance the competence of employees. On-Job Training is the core of training, as this section has a direct and definite impact on whether the Company can function normally and effectively. Training expense amounted to NT\$1,717,953 in 2022 with a satisfaction rate of 80.13%.

| Item/Category          |              | Managerial Personnel |          | Non-managerial Personnel |          | Direct Personnel |          | Indirect Personnel |          |
|------------------------|--------------|----------------------|----------|--------------------------|----------|------------------|----------|--------------------|----------|
| Unit / Gender          |              | ♂ Male               | ♀ Female | ♂ Male                   | ♀ Female | ♂ Male           | ♀ Female | ♂ Male             | ♀ Female |
| Total no. of trainee   | Person       | 184                  | 22       | 472                      | 178      | 411              | 60       | 245                | 140      |
| Total training hours   | Hour         | 3,278                | 879      | 9,321                    | 4,471    | 2,957            | 410      | 9,642              | 4,940    |
| Average training hours | Hour/ person | 17.82                | 39.95    | 19.75                    | 25.12    | 7.19             | 6.83     | 39.36              | 35.29    |
| Training expense       | NT\$         | 691,439              | 173,373  | 631,698                  | 221,443  | 190,857          | 48,857   | 1,132,280          | 345,959  |

Note:

1.(Total number of managerial personnel + Total number of non-managerial personnel) = Total number of employees at the operation sites.

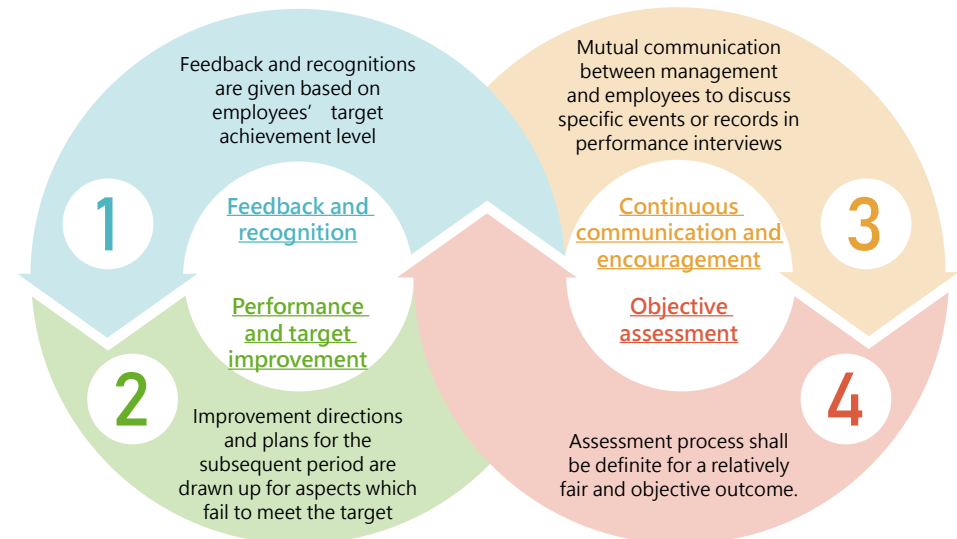
2.(Total number of direct personnel + Total number of indirect personnel) = Total number of employees at the operation sites.

3.The percentage of women in the middle and senior management positions who are in charge of market information and strategy development is slightly higher than that of men; therefore, there are more courses associated with new product information and strategy planning. As a result, the average number of training hours for female managerial personnel is higher.

## ◆ Performance management and employee development

Performance assessments not only review the annual job performance of employees but also focus on stimulating the development of employees’ potential and facilitating the improvement on human resource system of the Company. The assessment is the same regardless of gender, religion and race. Besides stressing the fact that employees and management have reached consensus on job targets, the purpose of the assessment system is to cover the two main functions of assessment and development based on the “employee development supplemented by performance assessment” mechanism. Through the system, we expect to nurture and develop the competence of employees for them to become highly skilled in their jobs and true supports for managers as well as positive force to the Company. Corporate competitiveness and efficiency can thus be enhanced. In addition, there is the internal recommendation system as a mean for promotion of competent employees and retention of quality employees, achieving the objective of having the right people in the right position. All Taiflex employees had undergone annual performance assessment and to improve our management system, new recruits are subject to assessment three months after joining the Company. In 2022, there were 155 new recruits subject to the assessment and all employees participated in the annual performance evaluation.

### Four Principles of Taiflex’ s Performance Management System





## ◆ Mentoring system and internal lecturer training program

In addition to trainings, we have also actively constructed the mentoring program in recent years and enriched employees' learning experience via job rotation and guidance, allowing positive experience to be passed on effectively to shorten employees' learning curves. To facilitate knowledge sharing and pass on techniques, Taiflex has built a comprehensive system to nurture internal lecturers. We are in the process of forming a Taiflex knowledge academy. Over the years, the Company has a total of 260 formally certified internal lecturers. Lecturers would be paid a fee on top of their salaries as an incentive for their devotion and contribution in passing on their experience. They would also be recognized publicly in seminars and morning meetings for their contribution and participation in forging a learning culture.

## 4.4 Safe Workplace

### ◆ Material Topic: Occupational Safety and Health ◆

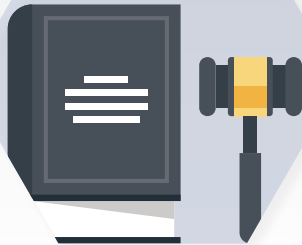
|                                  |  |  |   |  |
|----------------------------------|--|--|---|--|
| Main Reason                      | Employees are deemed as the most valuable assets by the Company; therefore, workplace safety and physical/mental health of employees are of utmost importance. All employees rely on this promise of well-being and continue to strengthen intrinsic safety design and implement safety and health control measures to prevent occupational hazards.   |  |   |  |
| Policy and Strategy              | Based on the OSH management concept of Taiflex, we have established five major policies for all employees and stakeholders to follow: <ul style="list-style-type: none"><li>◆ Regulatory compliance: Comply with occupational safety laws and regulations and enhance corporate image.</li><li>◆ Full participation: Unite as a team in communication and cooperation and raise company-wide safety awareness.</li><li>◆ Workplace safety: Commit to a sound work environment and promote the physical/mental well-being of employees.</li><li>◆ Risk control: Identify occupational hazard risks and create a safe workplace.</li><li>◆ Continuous improvement: Advance occupational safety management performance and achieve the goal of corporate sustainability.</li></ul>                |  |   |  |
| Goals and Objectives             | <b>Short-term goals (2023-2024):</b> <ul style="list-style-type: none"><li>◆ Major event and occupational accident (hospitalization): 0 incident.</li><li>◆ Maintain 0 incident of occupational disaster from chemical exposure.</li></ul>   |  | <b>Medium-term goals (2025-2027):</b> <ul style="list-style-type: none"><li>◆ Major event and occupational accident (hospitalization): 0 incident.</li><li>◆ Maintain 0 incident of occupational disaster from chemical exposure.</li></ul>   |  |
|                                  | <b>Long term (2028~year):</b> <ul style="list-style-type: none"><li>◆ Major event and occupational accident (hospitalization): 0 incident.</li><li>◆ Maintain 0 incident of occupational disaster from chemical exposure.</li></ul>  |  | <ul style="list-style-type: none"><li>◆ Disabling injuries frequency rate (FR) ≤ 1.5.</li><li>◆ Disabling severity rate (SR) ≤ 3.6.</li><li>◆ Voluntary participation in health promotion scheme &gt; 40%.</li></ul> <ul style="list-style-type: none"><li>◆ Disabling injuries frequency rate (FR) ≤ 0.9.</li><li>◆ Disabling severity rate (SR) ≤ 3.2.</li><li>◆ Voluntary participation in health promotion scheme &gt; 50%.</li></ul> |  |
| Management Assessment Mechanisms | <ul style="list-style-type: none"><li>◆ Annual management review is conducted to evaluate the implementation performance and target achievement.</li><li>◆ Through the corporate sustainability promotion committee and its taskforce, we keep track on the implementation and degree of target achievement.</li></ul>   |  |   |  |
| Performance and Adjustments      | <b>2022 target achievement status:</b> <ul style="list-style-type: none"><li>◆ Voluntary participation in health promotion scheme &gt; 40% → Failed with only 29%<br/>As Covid-19 wreaked havoc in 2022, the voluntary participation in health promotion scheme failed to meet the target.</li><li>◆ Major event and occupational accident (hospitalization): 0 incident → achieved</li><li>◆ Disabling injuries frequency rate (FR) ≤ 2.4 → achieved (actual: 1.82)</li><li>◆ Disabling severity rate (SR) ≤ 4.4 → achieved (actual: 3.64)</li></ul> <ul style="list-style-type: none"><li>◆ Improvement rate on potential threat &gt; 93% → achieved (actual: 93.3%)</li><li>◆ Maintain 0 incident of occupational disaster from chemical exposure → achieved (actual: 0 incident)</li></ul> |  |   |  |
| Prevention or Remedy Measures    | We continue to build a safe and healthy workplace through semi-annual review on OSH performance and achievement and formulation of relevant improvement schemes. If the outcome fails to meet the objective, we make adjustments according to the actual situation, and organize joint communication and cooperation between relevant internal and external resources.   |  |   |  |

With the core value of “people-oriented” and the ultimate goal of “zero accident”, we aim to build the best protection for employee health and safety through humanistic safety culture while our employees are strengthening our industry competitiveness. We have formulated the following five major OSH policies:

### Five Major OSH Policies

Comply with occupational safety laws and regulations and enhance corporate image.

#### Regulatory compliance



Commit to a sound work environment and promote the physical/mental well-being of employees.

#### Workplace safety



Advance occupational safety management performance and achieve the goal of corporate sustainability.

#### Continuous improvement



#### Full participation



Unite as a team in communication and cooperation and raise company-wide safety awareness.

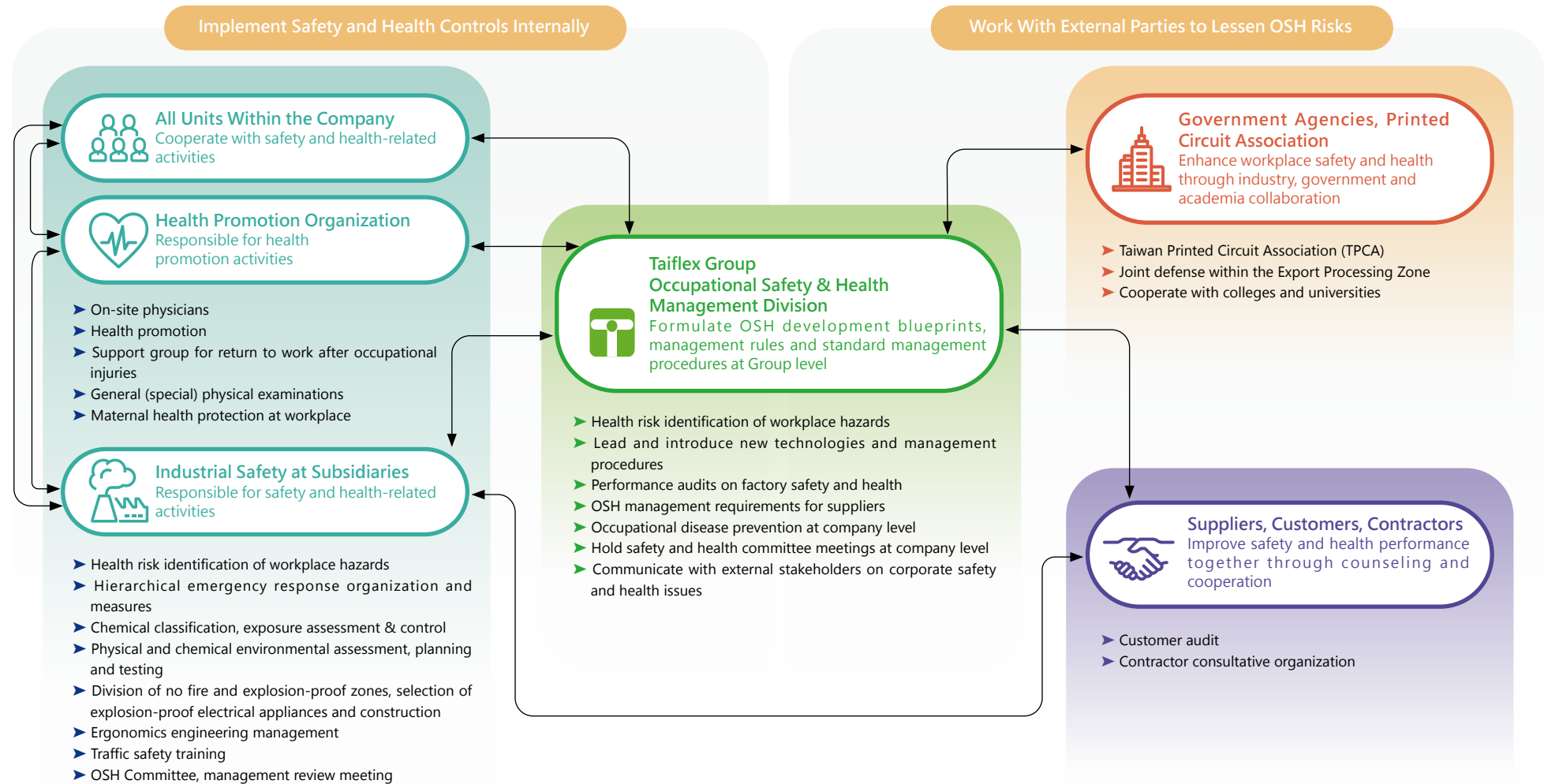
#### Risk control



Identify occupational hazard risks and create a safe workplace.

## 4.4.1 Risk management system for occupational safety

Taiflex has established the Occupational Safety & Health Management Division to coordinate OSH management and planning. On-site safety and health tasks are carried out through cooperation between OSH personnel, the Industrial Safety Section of the Manufacturing Center and the safety and health personnel of each unit. To meet the requirements and expectations of our stakeholders, besides continuous promotion on safety culture and implementation of risk management and improvement measures, we also allocate resources on optimizing occupational disease prevention and the Taiflex Employee Assistance Program, striving to build the best healthy workplace.





In 2020, Taiflex obtained the ISO 45001 certification for OSH management systems, aligning with the global OSH management through our latest OSH management system. In 2022, we took one step further and expanded the coverage of management system to all factories. Each factory lists and sets various performance indicators for safety and health management pursuant to the OSH management system, and regularly calculates these performance indicators to ensure the effectiveness and feasibility of safety and health management measures.

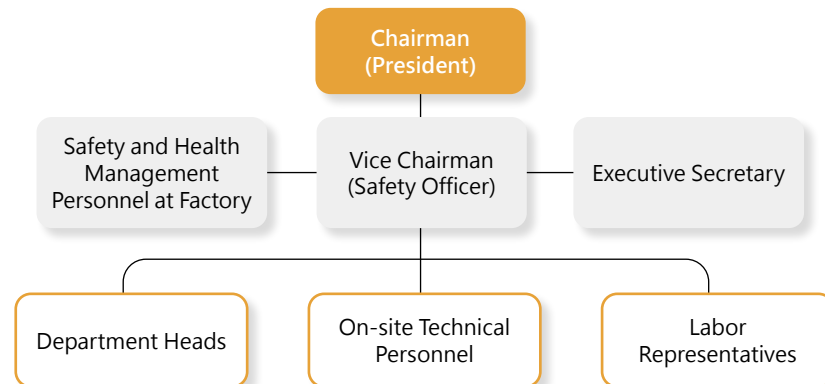
Our OSH system does not exclude any employee. It covers all production and non-production sites, areas, equipment and routine/non-routine operations within the Company's operation sites, as well as activities carried out by external parties on our premises (e.g., provision of facilities and equipment to be operated within the Company, caterers, security, equipment maintenance providers, etc.).

### OSH System Coverage Rate

| Category     | Total No. of Persons | Total No. of Persons Covered by the OSH System | Coverage Rate |
|--------------|----------------------|--|---------------|
| Employee     | 856                  | 856  | 100%          |
| Non-employee | 23                   | 23   | 100%          |



## OSH Committee



### Composition of the OSH Committee

| Factory/Personnel | Management Representative | Labor Representative | Safety and Health Personnel / Technical Personnel |
|-------------------|---------------------------|----------------------|---|
| Taiflex 1         | 1                         | 1                    | 1   |
| Taiflex 2         | 2                         | 4                    | 3   |
| Taiflex 3         | 3                         | 4                    | 5   |
| Taiflex 5         | 1                         | 1                    | 1   |

Note: The Chairman is not included (for all factories).

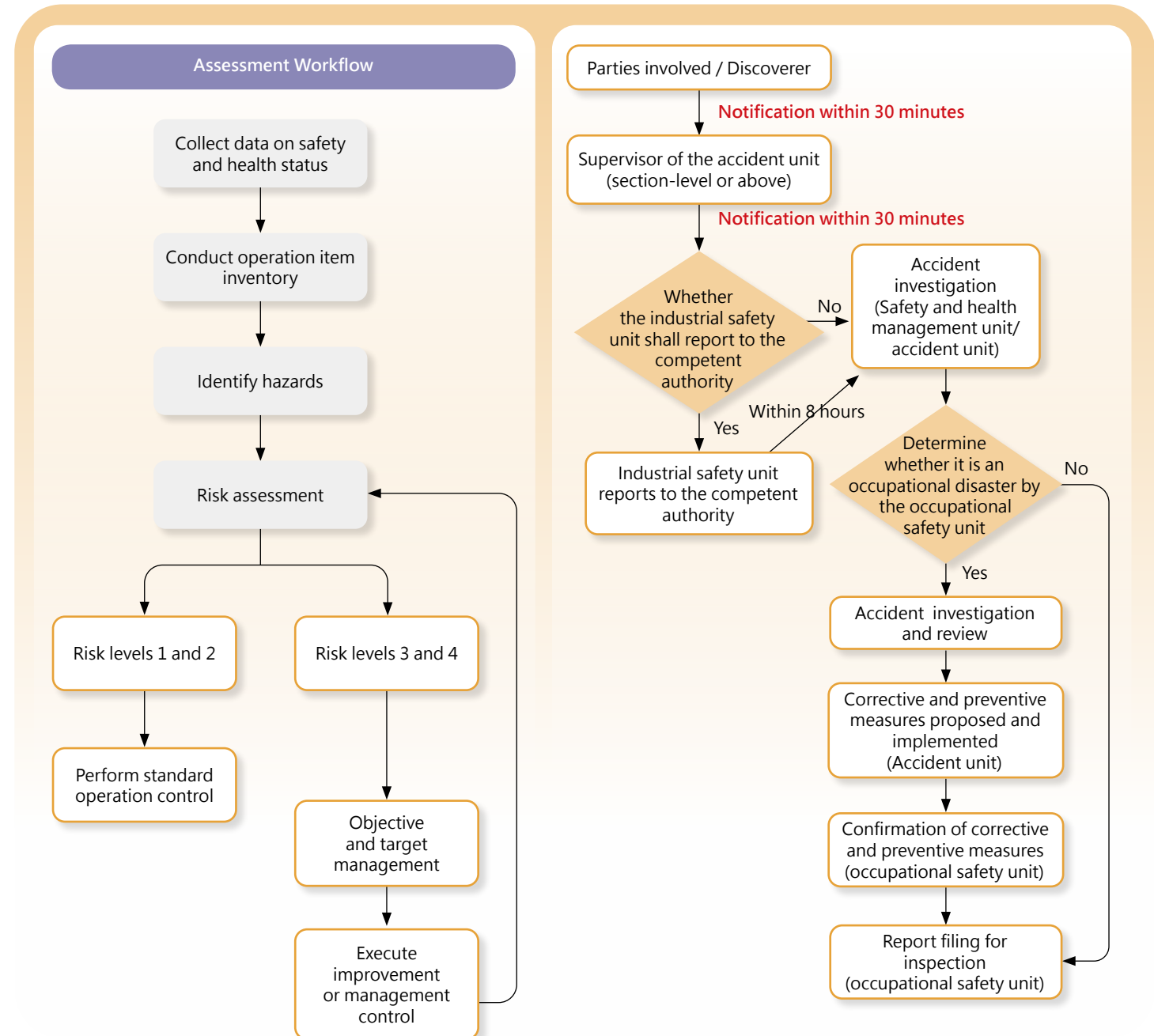
Taiflex has established the OSH Committee where labor representatives are elected by laws. The Committee provides a formal channel for the management and employees to communicate face-to-face on OSH issues. Besides quarterly Committee meetings, department heads would hold monthly meetings of the same purpose in response to the growing scale of the Company for OSH management. In 2022, a total of 10 labor and management members attended the regular OSH Committee meetings.



## ◆ Hazard identification and incident investigation

Taiflex takes the cause of each occupational injury seriously and has established response procedures, including notification, investigation and analysis, and subsequent corrective and preventive measures, to prevent the recurrence of incidents with specific and effective improvement measures. Except for rare cases of occupational accidents, through the hazard identification team comprising of seeded member of each unit, we proactively evaluate factors that may cause hazards with respect to unit operations, areas, equipment, and the physical and mental status of personnel, and statistically analyze the units with higher disabling injuries frequency rate and the types of most common occupational accidents. We would target units with relatively high accident severity and recurrence as the focus of safety communications and management.

We also delve into minor incidents and false alarm incidents to explore feasible and efficient improvement plans and build our own safety culture. Through participation by all departments, 487 and 596 hazards were identified in 2021 and 2022, respectively. For hazards with medium-level risk or above (Level 3 or 4), control measures shall be established and the OSH Committee would review the improvement progress every six months. There were seven hazards placed under management control in 2022 and improvement schemes were completed for five of them. The other two items were still ongoing with improvement expected to be completed by the second quarter of 2023.



### ◆ Management effectiveness above industry average

All of our occupational injury data had met the internal objectives in 2022 with hard work from all employees. We will continue to reduce potential hazards and environmental risks through education and training, workplace inspections, hazard identification and risk assessment, and internal/external audits to achieve the ultimate goal of zero occupational accidents with FSI below 0.10. The 3-year average FSI of the electronic manufacturing industry and the semiconductor industry were 0.17 and 0.15, respectively. Our objective of 0.1 is superior than the industry average.

| Occupational Injury Rate/Index | 2020 | 2021 | 2022 | Target (2020~2022) |
|--------------------------------|------|------|------|--------------------|
| No. of reported incident       | 1    | 1    | 0    | 0                  |
| FR                             | 0.68 | 0.63 | 1.82 | <2.4               |
| SR                             | 10.2 | 4.4  | 3.64 | <4.4               |
| FSI                            | 0.08 | 0.05 | 0.08 | <0.1               |
| Fatal occupational injury rate | 0    | 0    | 0    | 0                  |

Note:

- 1.Occupational injuries exclude traffic accidents
- 2.FR = Number of Disabling Injury / Total Hours Worked \* 1,000,000
- 3.SR = Number of Working Days Lost (excluding the number of fatality) / Total Hours Worked × 1,000,000
- 4.FSI =  $\sqrt{((FR \times SR)/1000)}$
- 5.Fatal Occupational Injury Rate = Number of Fatality from Occupational Injury / Total Hours Worked × 1,000,000

## 4.4.2 Occupational accident prevention

### ◆ Occupational safety and health education and training

In order to instill the culture of workplace safety and health, new recruits are to attend general OSH education and training courses when they report to work. Assessments would be conducted to establish the basic OSH concept for employees. On-the-job training courses are also arranged regularly for employees to promote their awareness of safety and health protection and operational safety.

#### OSH education and promotion in the past three years

| Year | No. of Trainees | No. of Training Hours |
|------|-----------------|-----------------------|
| 2020 | 2,822           | 2,159.5               |
| 2021 | 1,753           | 1,409.0               |
| 2022 | 2,560           | 2,094.5               |



## OSH Training

### Category

### Training Item

### No. of Trainees

### Training Fee (NT\$)



### OSH

|  |       |        |
|--|-------|--------|
| Use of noise meter                                   | 6     | 0      |
| ISO 45001 Internal Auditor Training                  | 13    | 12,000 |
| Use of respiratory protection - SCBA                 | 19    | 0      |
| Fire protection training                             | 124   | 0      |
| 2022 traffic safety (Online course)                  | 801   | 0      |
| Traffic safety - Defensive driving course            | 92    | 0      |
| 2022 illegal infringement prevention (Online course) | 757   | 0      |
| 2022 general on-the-job training (Online course)     | 603   | 0      |
| Subtotal   | 2,415 | 12,000 |



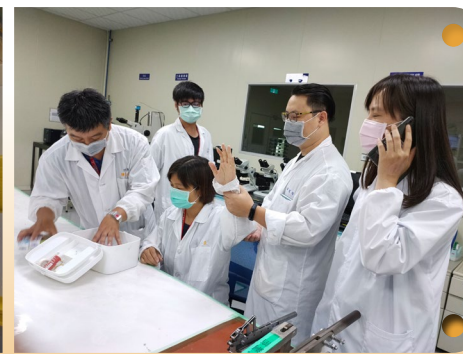
### Health Management / Promotion

|   |     |   |
|---|-----|---|
| Health promotion - First aid / Pandemic prevention/ Musculoskeletal disorder prevention | 78  | 0 |
| Food for eating out and three-hypers (Online course)                                    | 15  | 0 |
| High cholesterol health education (Online Course)                                       | 25  | 0 |
| Hypertension health education (Online Course)   | 27  | 0 |
| Subtotal  | 145 | 0 |

### Total

2,560 12,000

Note: Trainees included both employees and on-site external parties.





## Emergency drills



The Company regularly carries out various emergency response drills to establish the correct response concept and appropriate disaster relief procedures in the events of multiple hazards for employees, enhance the effectiveness of the disaster notification system, and to review the feasibility and applicability of the overall emergency response measures in the event of a disaster. In 2022, we strengthened nighttime and holiday response drills, ensuring employees of all factories and shifts are fully trained to minimize the damage caused by disasters.



Observation and Training of Responses for Multiple Hazards



Firefighting and Rescue



Accident Notification and Evacuation



Toxic Chemical Spills



Toxic Disaster Response



Decontamination Procedures



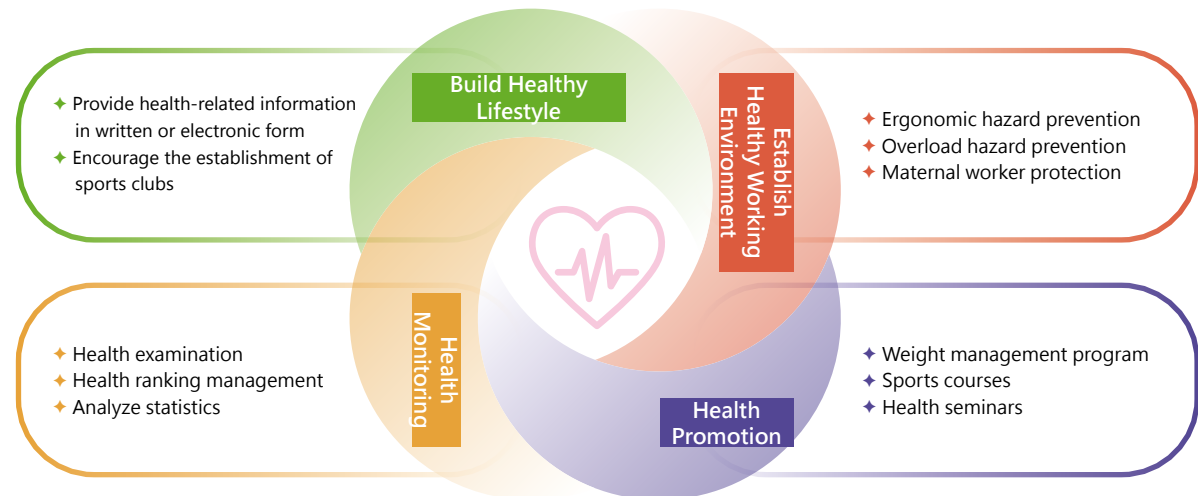
## ◆ Identification and prevention of occupational injury

Unsafe operation environment and practices may result in occupational disease or injuries. In addition to direct damage on the safety and health of employees, it also has an indirect impact on the Company's productivity. In order to improve the physical and mental health of employees, Taiflex conducts regular assessments on five major types of physical and mental injuries and implements improvement and enhancement measures to prevent the occurrence of occupational hazards and injuries.

|                          | Sustainable management   | Enhanced measures  | Results   |
|--------------------------|--|--|---|
| Chemical/<br>Physical    | <ul style="list-style-type: none"> <li>Monitoring of ambient concentration at operation areas containing chemicals to ensure safety. Check the noise value and exposure risk.</li> <li>Health ranking management measures for employees taking special health examination.</li> </ul>                    | <ul style="list-style-type: none"> <li>Reduce noise pollution with sound-proofing works, and bolster protective gears and training.</li> </ul>                 | <ul style="list-style-type: none"> <li>✓ 100% compliance with ambient concentration.</li> <li>✓ 100% health counseling rate.</li> </ul>   |
| Ergonomic                | <ul style="list-style-type: none"> <li>Regular examinations on musculoskeletal conditions of employees and monitor employees taking sick leaves for musculoskeletal disorders.</li> <li>Analyze and investigate the situation and conduct hazard assessment on possible high-risk workplaces.</li> </ul> | <ul style="list-style-type: none"> <li>Install and optimize labor-saving devices.</li> <li>Assist employees with health and operation improvements.</li> </ul> | <ul style="list-style-type: none"> <li>✓ Continuous installation of labor-saving devices.</li> <li>✓ 21 employees requiring management had received care assistance.</li> </ul> |
| Biological               | <ul style="list-style-type: none"> <li>Provide information on infectious diseases as well as preventive measures. Survey health status of employees and check whether there are contacts with COVID-19 cases.</li> <li>Set up a response team to cope with changes in pandemic developments.</li> </ul>  | <ul style="list-style-type: none"> <li>Establish an e-investigation platform for access control.</li> <li>Set up automatic temperature scanner.</li> </ul>     | <ul style="list-style-type: none"> <li>✓ Pandemic was not spread within the factories to affect productivity.</li> </ul>  |
| Social/<br>Psychological | <ul style="list-style-type: none"> <li>Establish psychological consultation mechanisms.</li> <li>Regularly conduct surveys on the mental load of employees.</li> </ul>   | <ul style="list-style-type: none"> <li>Take the initiative in conducting interviews and referrals for employees with excess fatigue.</li> </ul>                | <ul style="list-style-type: none"> <li>✓ 2 referrals to professional psychologist counseling in 2022.</li> </ul>  |
| Maternity<br>Protection  | <ul style="list-style-type: none"> <li>Regular inventory of the maternal hazard at operation.</li> <li>Conduct maternal care interviews.</li> <li>Assess operational hazards.</li> </ul>   | <ul style="list-style-type: none"> <li>Unit heads take the initiative to adjust the work scope.</li> </ul>   | <ul style="list-style-type: none"> <li>✓ 12 employees requiring management in 2022.</li> <li>✓ Job adjustment for a total of 3 employees with Level 3 risk.</li> </ul>          |

## ◆ Implementing health monitoring

The Company engages excellent and qualified hospitals to provide employees who have been employed for more than one year with free annual health check-ups that are superior to regulatory requirements, as well as special health examinations for those involved in tasks with special health hazards. Employees are entitled to a paid health check-up leave, encouraging them to care about their health conditions and take the health check-ups. Health examination results are analyzed to identify possible causes of diseases and a ranking approach is adopted for health risk management where high-risk groups are monitored. At the same time, we carry out occupational health promotion and occupational disease prevention, providing employees with comprehensive medical care services. The Company conducts regular health check-up compliance audits. In 2022, the compliance rate was 100% with zero case of occupational disease.



### Number of Participants in Health Check-ups in the Past 3 Years

| Item/Year                | 2020 | 2021 | 2022 |
|--------------------------|------|------|------|
| General health check-ups | 638  | 680  | 692  |
| Special health check-ups | 111  | 120  | 107  |

To provide employees with professional health consultation, we have contracted doctors stationed on-site taking the initiative in arranging employees with abnormal health examination results, maternal employees, employees with excessive workloads as well as ones suffering from occupational disasters to consult with medical specialists. For employees classified as above ranking management, the doctors would evaluate both the health status and job functions to advise on the appropriateness of job arrangements. 30 employees participated in health consultation service in 2022.

There is the "Health Management Service System" in place to continuously improve health care efficiency. We adopt e-caring and e-tracking mechanisms to assist employees with detection of physical/mental health issues. Early treatment as well as healthy life styles would improve the overall well-being of individuals. We also use the UOF app to notify employees of any health issues immediately and provide the latest health knowledge and assistance resources.

### Health Passport

#### ► Cardiovascular disease community management ◀

67 high-risk employees received work-hour management and health guidance

#### ► Maternal health protection ◀

Assisted 12 maternity colleagues with work environment assessment and health care

#### ► Respiratory protection with physiological assessment ◀

Physiological assessment for 194 employees with respiratory protection needs

#### ► Occupational musculoskeletal symptom prevention ◀

Provide health education and guidance to 21 colleagues with suspected musculoskeletal symptoms

### Health promotion activities

- 1 Provision of health information
  - Provided 38 health-related messages
  - A total of 1,857 visitors
- 2 Health seminar
  - 4 online seminars and courses
  - A total of 145 participants
- 3 Weight management & weight loss program (Based on statistics for 2022)
  - Number of employees achieving the target: 33 employees
  - Reduction in kg: 257.05 kg
  - Average weight loss in kg in the past 3 years: 2022 (7.8) > 2020 (7.3) > 2021 (6.5)
  - Weight maintenance rate after weight loss: 2022 (46%) > 2021 (43%)
- 4 Blood donation campaign
  - No. of participants: 15 employees
- 5 Influenza vaccination
  - No. of participants: 11 employees (> 3 in 2021)
- 6 Smoking cessation classes and physical fitness test
  - Suspended due to the pandemic
- 7 Sports clubs
  - Establish basketball club, yoga club, softball club, jogging club, etc., encouraging employees to make exercise a habit. 142 employees participated.





## 4.4.3 Audit and improvement

### ◆ Occupational injury statistics

We attach great importance to occupational disaster management of all stakeholders. The monitoring scope covers employees in the Kaohsiung factories and warehouses (97%), as well as on-site external parties, contractors and other workers (3%). We also perform cause analysis on every occupational disaster, both internal and external, as the basis for risk control, incident prevention and continuous improvement of the OSH system.

In 2022, there were no employee or non-employee fatalities or serious injuries caused by occupational disasters.

#### Occupational Injury Statistics

| Category  | Item   | 2020      | 2021      | 2022      |
|---|--|-----------|-----------|-----------|
| Employee<br>     | Working hours  |           |           |           |
|   | ♀ Total working hours of female employees  | 317,752   | 364,104   | 386,344   |
|   | ♂ Total working hours of male employees  | 1,156,600 | 1,232,200 | 1,263,096 |
|   | Total working hours  | 1,474,352 | 1,596,304 | 1,649,440 |
|   | No. of recordable occupational injuries (including the number of fatalities and serious occupational injuries) |           |           |           |
|   | ♀ Total number of female occupational injuries (times)   | 4         | 2         | 1         |
|   | ♂ Total number of male occupational injuries (times)   | 3         | 1         | 2         |
|   | Total number of occupational injuries (times)  | 7         | 3         | 3         |
|   | Fatality rate of occupational injuries   | 0         | 0         | 0         |
|   | Rate of severe occupational injury   | 0         | 0         | 0         |
|   | Rate of recordable occupational injury   | 4.75      | 1.88      | 1.82      |
| Non-employee<br> | Working hours  |           |           |           |
|   | ♀ Total working hours of female employees  | 31,323    | 2,710     | 11,520    |
|   | ♂ Total working hours of male employees  | 108,589   | 13,713    | 42,240    |
|   | Total working hours  | 139,912   | 16,423    | 53,760    |
|   | No. of recordable occupational injuries (including the number of fatalities and serious occupational injuries) |           |           |           |
|   | ♀ Total number of female occupational injuries (times)   | 0         | 0         | 0         |
|   | ♂ Total number of male occupational injuries (times)   | 0         | 0         | 0         |
|   | Total number of occupational injuries (times)  | 0         | 0         | 0         |
|   | Fatality rate of occupational injuries   |           | 0         |           |
|   | Rate of severe occupational injury   |           | 0         |           |
|   | Rate of recordable occupational injury   |           | 0         |           |

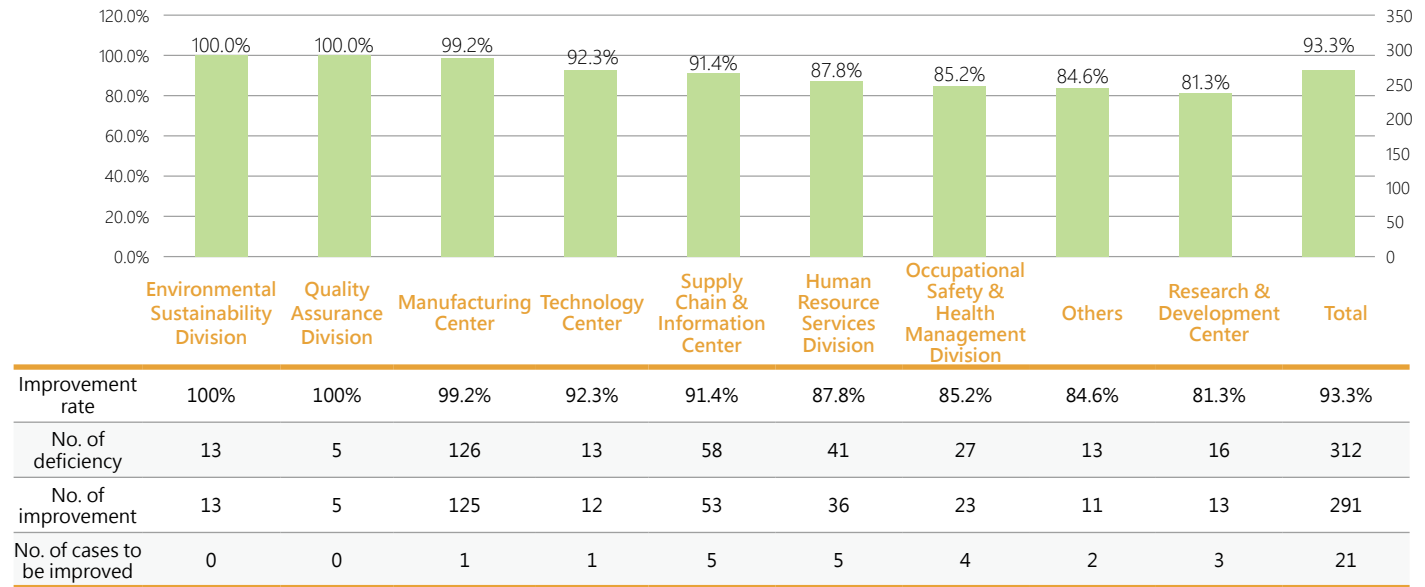
Note:

1. Fatality rate of occupational injuries = (Number of fatalities caused by occupational injuries / working hours) × 1,000,000
2. Rate of severe occupational injury = [Number of severe occupational injuries (excluding fatalities) / working hours] × 1,000,000.
3. Rate of recordable occupational injury = [Number of recordable occupational injuries (including fatalities and severe occupational injuries) / working hours] × 1,000,000.
4. Severe occupational injury means occupational injury that cannot be recovered from within 6 months.
5. Recordable occupational injuries exclude ones from commuting.
6. There were three recordable occupational disasters in 2022, i.e., sprains, falls, and pinch injuries.



## ◆ Internal safety and health audit

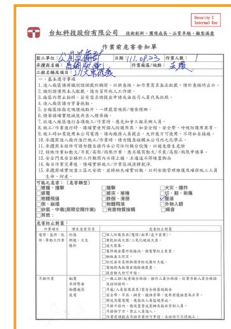
In order for eliminate potential operation hazards, the OSH Management Division implements voluntary internal inspections. Audits are conducted on five major areas within the daily operation, i.e., chemicals, machinery and equipment, on-site environment, fire safety equipment and waste treatment. A total of 312 deficiencies were identified in 2022 with improvements completed for 291 cases, delivering an improvement rate of 93.3%. We continue to monitor the progress of the remaining 21 cases, where 20 cases are expected to be completed in the first quarter of 2023 and the last one will be completed in the first half of 2023 due to reasons of outsourcing and material. The OSH Management Division will keep track of the progress until it is completed.



## ◆ Safety audits and counseling for partners (contractors, suppliers and lessors)

In view of the fact that many occupational hazards do not happen to employees but to non-employees instead, Taiflex has strengthened management measures, requirements and supervision for contractors performing high-risk operations on site in particular, thereby improving the safety of our working environment and extending the protection to our contractors. In order to ensure the overall safety of factories, we collaborate with on-site lessors through mutual support. Regular safety meetings are held by both parties to strengthen the safety of common operating environment. Furthermore, we conduct regular audits on all partners. Deficiencies identified during the audit shall be improved by prescribed deadlines, otherwise there will be fines or penalties including work suspension. In 2022, we audited and provided assistance to four suppliers along with 14 recommendations.

In order to improve the emergency response capabilities of contractors working on the premises, we have included contractors and lessors in our emergency response drills since 2021 and continue with the practice in 2022 to ensure the feasibility and applicability of other workers' emergency response measures in the event of a disaster.



Risk identification prior to work

Conduct hazard identification and operational safety analysis of the operating environment prior to work and ensure all personnel receive relevant education and training prior to operation.



Safety promotion prior to work

Precautionary measures, work details and safety and health regulations, protective gears and associated risks are addressed in daily toolbox meeting.



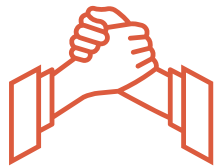
On-job inspection

Daily on-site safety inspections are carried out. When safety concerns are identified, the inspector has the right to interrupt the work and inform the responsible unit.

Documentation after work

Once the work is completed, work forms of the day would be organized and submitted to the personnel in charge of work for reference.





# 5

## Social Facilitation and Positive Impact

5.1 Cultivation of High-Tech Talents

5.2 Charity Activities

Column - The 25th Anniversary of Taiflex and  
Gung Ho with Kaohsiung





## 5.1 Cultivation of High-Tech Talents

Taiflex has been technology-based since establishment. We provide customers with the most reliable and advanced FPC materials as well as integration of innovative applications. After years of hard work, our products have been adopted in a variety of end-user electronic products. We not only realize our vision of becoming a world-class FPC materials company, but also become one of the many forces driving the information and communications technology applications.

We are well aware of the challenges in material technology evolution. In addition to ongoing R&D investments, we also highlight long-term talent cultivation and talent fostering at schools. Since 2015, we have participated in the NCKU Career Coach Program where our executives act as coaches supporting students' career development. We currently have 6 managers involved in the program with an accumulated number of 80 to 90 students. In 2022, we applied for the industry-academia program of Cheng Shiu University, and expected to recruit 20 students to be trained as stable entry-level technicians with high potential.

As the complexity of technology research and development increases, the high-tech industry is now gradually moving toward supply chain integration or cross-industry cooperation. More emphasis will be placed on interdisciplinary competence. Therefore, in response to the "National Key Fields Industry-University Cooperation and Skilled Personnel Training", Taiflex and six other companies have jointly funded the establishment of the "College of Semiconductor & Advanced Technology Research" of National Sun Yat-sen University. In 2022, the course quota of 120 students for the first class was already met. The program will nurture thousands of high-tech quality people within ten years, injecting new forces to the next-generation technology industry of Taiwan and cultivating top talents with global competitiveness. We provide two lecturers at present and expect to train 40 young talents.



▲ 2022 NCKU Career Coach Program

College of Semiconductor & Advanced Technology Research of National Sun Yat-sen University works with enterprises to cultivate advanced talents with a master degree. It contains two research institutes, Institute of Advanced Semiconductor Packaging and Testing and Institute of Precision Electronic Components, and complete curriculum maps for one-year of university courses and two-year internship at enterprises and research, covering both academic knowledge and industrial practice to bridge the gap between industry and academia. Students are also entitled to scholarships of close to one million dollars, and job offers through matching with relevant industries upon graduation.

## 5.2 Charity Activities

### ◆ Kaohsiung City Youth Care Association

Taiflex has long been committed to charity activities. In 2011, our employees initiated the Youth Care Club, which was renamed Kaohsiung City Youth Care Association in 2012. The Taiflex Volunteers was also established and officially registered with the Social Affairs Bureau of Kaohsiung City Government.

We have been involved with youth care for more than 10 years as we believe that caring for youth means caring for the future. Underprivileged youth, in particular, need more care and support to explore the society during their growth as care helps to eliminate negative emotions, such as poverty, loneliness and low self-esteem, and develop self-confidence, responsibility and creativity. These supports are not only for their personal well-being and growth, but also for a more harmonious and stable society by promoting equality and inclusion.

In 2022, in addition to providing scholarships for disadvantaged students to pursue their studies, the Kaohsiung City Youth Care Association partnered with schools to organize various club activities such as basketball tournaments and stage performances on family day. We have also worked with the Puren Youth Care Foundation in hosting the study tour for low-income students in the Nurturing Program of the Foundation. Students were awarded for their skills in sports, music, and traditional arts and crafts, all of which were accumulated through hard work and practice after school. During the study tour, university students who were facilitators shared their growth experiences and the responses received included "The facilitators answered many questions. Some of the sharing had touched me and made me want to be a better person." and "Unfamiliarity faded away during the two-day tour and we became good friends". Students broadened their horizons during the tour and activities. A total of 42 volunteers participated in events with a total spending of NT\$463,864 in 2022.



▲ Kaohsiung study tours ▲



▲ Sponsored sports jersey for basketball team of Siao Gang Senior High School ▲



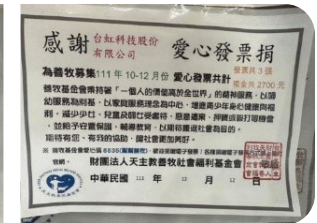
## Public donations

Besides appropriating a portion of our earnings to support the disadvantaged annually, we take part in charity activities. Activities for the past two years are as follows:

| Item           | 2021          |                | 2022          |                |
|----------------|---------------|----------------|---------------|----------------|
|                | Amount (NT\$) | Proportion (%) | Amount (NT\$) | Proportion (%) |
| Cash donation  | 1,600,560     | 90.99%         | 323,000       | 26.66%         |
| Goods donation | 128,439       | 7.30%          | 0             | 0%             |
| Volunteers     | 30,000        | 1.71%          | 888,400       | 73.34%         |
| Total          | 1,758,999     | 100%           | 1,211,400     | 100%           |

## Charity Activities in 2022

Donation of invoices to the Good Shepherd Social Welfare Foundation.



Co-organized blood donation activities with Kaohsiung Cianjhen Technology Industrial Park Administration.

Volunteers: 10  
Total spending: NT\$20,000



## Taiflex family day

Volunteers: 2,000  
Total spending: NT\$4,000,000  
5% of the day's sales were donated to charity.  
Invited charity organizations to set up booths.  
Invited agencies of public sector to set up booths for promotion.  
Sponsored blind massagists to provide free massage sessions.



## Column

# The 25th Anniversary of Taiflex and Gung Ho with Kaohsiung

On August 16, 2022, Taiflex celebrated its 25th anniversary at the headquarters in Kaohsiung Cianjhen Technology Industrial Park with the Group's domestic and overseas subsidiaries through video conference. Due to the pandemic, we had to implement rotational shift while at the same time hosting the meal gathering. Therefore, we organized an outdoor food truck fair in addition to indoor dining, inviting numerous internet-famous food trucks in Kaohsiung to join the event as a leisure alternative for our employees.

The pandemic not only disrupted the supply chain of technology industry, but also had a direct impact on the real economic activities of the society. A large number of young entrepreneurs had no choice but to withdraw from the market due to the freefall of traffic and sales. Being the Chairperson of the National Innovation and Entrepreneurship Association (formerly the

National Youth Entrepreneurship Association), our chairperson not only reminded entrepreneurs who have suffered from the pandemic to understand risks and face themselves honestly, but also provided them with a cost-free opportunity by inviting food trucks to the fair. We took actions to encourage and support their entrepreneurship idea and spirit.

The food truck fair successfully created a free, lively and relaxing atmosphere for the anniversary celebration. 95% of meal coupons issued had been used and many managers and colleagues supported these food trucks with cash purchases. The Company also took this opportunity to reward the work team with a variety of refreshments during the wonderful afternoon together.



Mr. Lonely

Many thanks to Taiflex's invitation. We were surrounded by enthusiastic customers and made several trips home to restock! The event was a great encouragement after the setback due to the pandemic. We will take some time to regroup and continue to move forward in the future.



Chuan Tien Ice Cream

I really enjoyed the atmosphere of the event and the fair. I chose food truck as my profession because I love it. I was happy being here to celebrate with Taiflex and I hoped that the ice cream also made everyone happy!



Become Good Rice Ball

The freedom of food truck is supported by hard work on preparation and cleanup afterwards. A cheerful spirit is essential and we have to take care of each other in order to do well together.

Mini Egg

Selling egg pancakes allows me to have flexible work hours to spend time with my children. I am grateful to have good friends in the food vendor market recommending good activities to each other. I am very happy to be invited here to celebrate the event with Taiflex.



Shih-Nien Handmade Deserts

Organizing events with companies gave us the opportunities to experience new way of work. Meal coupons issued by Taiflex allowed people to choose freely, and they were not issued in an unlimited manner which would not be cherished. It had been a great honor to participate in the anniversary celebration with everyone.



Cheng-Sin-Cheng-Yi Thai Milk Tea

The sell-out today was an enormous encouragement to us. We are very happy to have the opportunity to share our favorite milk tea with everyone.

# 6 Appendix

Appendix I: Stakeholder Identification and Communication

Appendix II: Material Topics of Sustainable Development

Appendix III: Comparison Table of GRI Standards

Appendix IV: Comparison Table for SASB Sustainability Accounting Standards - Industrial Machinery & Goods

Appendix V: Comparison Table of Sustainability Disclosure Indicators - Electronic Parts and Components Industry of the Taiwan Stock Exchange Corporation  
"Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies"

Appendix VI: Climate-related Information of TWSE/ TPEX-listed Companies of the Taiwan Stock Exchange Corporation  
"Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies"

Appendix VII: Comparison Table of SDGs

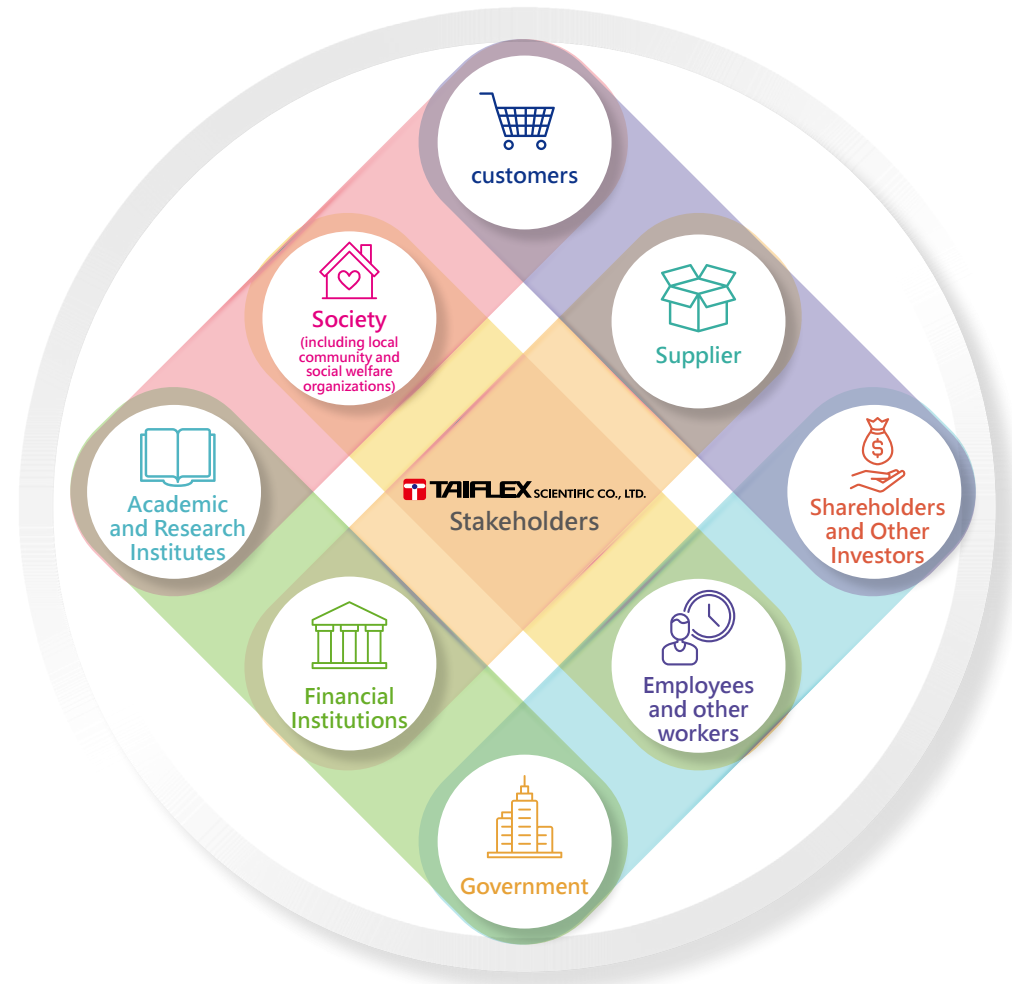


## Appendix I: Stakeholder Identification and Communication

Stakeholder identification and communication is the foundation for sustainable corporate development. We communicate with our stakeholders on an ongoing basis through a variety of channels, and regularly report the results of these communications to our Board of Directors (results of 2022 was reported in the meeting on January 11, 2023). We listen to the voices of our stakeholders and adopt their opinions, needs and expectations as reference for operational decisions, hoping to create and share maximum benefits.

### ◆ Stakeholder identification




Through internal discussions with department heads, incorporation of external expert opinions, and reference to industry peers, the Company's Sustainable Development Committee analyzed stakeholder groups that may be positively and negatively impacted by the Company's operational activities, and adopted the AA1000 SES Stakeholder Engagement Standards for assessment and ranking. We identified eight major stakeholder groups, including customers, suppliers, shareholders and other investors, employees and other workers, government, financial institutions, academic and research institutes, and society (including local communities and social welfare organizations).








## ◆ Stakeholder communication

The Company takes a proactive approach to stakeholder communication by using a variety of channels such as annual reports, official websites, relevant meetings, EHR platform (Taiflex Forum), employee suggestion boxes, customer service, ESG questionnaires, emails and official documents to understand the issues and matters of concern to stakeholders. Through coordination and communication among the management team, we decide how to handle the issues and matters received based on their nature, sensitivity, and impact in accordance with our internal processes and past experience with different stakeholders, so that we can respond and handle them immediately and appropriately.

### Stakeholder Communication Channels and Effectiveness in 2022

| Stakeholders  | Significance of Stakeholders to the Company  | Communication Channel              | Frequency     | Communication Effectiveness  |
|---|--|------------------------------------|---------------|--|
| <br>Customer                           | The key to business development is to provide customers with value-added products and become a trusted business partner.   | Sustainability questionnaire       | Annually      | <ul style="list-style-type: none"> <li>Scored 88.5 in customer satisfaction in 2022.</li> <li>11 customer audit visits with 31 improvement items in 2022.</li> <li>Over 80 technical exchange meetings.</li> </ul>   |
|   |  | Customer satisfaction survey       | Semi-annually |  |
|   |  | Technical exchange meeting         | Monthly       |  |
|   |  | Business visits                    | Monthly       |  |
|   |  | Customer service hotline           | Instantly     |  |
|   |  | Email for external parties         | When needed   |  |
|   |  | Audit visits                       | When needed   |  |
| <br>Supplier                          | Our operations depend on stable supply from our suppliers. We place great importance on the quality of raw materials provided by our suppliers and expect to share benefits and achieve sustainable growth with suppliers. | Supplier conference                | Annually      | <ul style="list-style-type: none"> <li>Eight excellent suppliers were recognized in 2022 supplier conference.</li> <li>E-procurement system and implementation of green procurement management principles.</li> <li>One regular supplier audit in 2022.</li> </ul>   |
|   |  | Sustainability questionnaire       | Annually      |  |
|   |  | Phone                              | Instantly     |  |
|   |  | Email for external parties         | When needed   |  |
|   |  | Regular audits                     | Annually      |  |
| <br>Shareholders and Other Investors | Investors and shareholders are key players in supporting the sustainable operation of Taiflex, and being accountable to them is vital for the Company.   | Shareholders' meeting              | Annually      | <ul style="list-style-type: none"> <li>Voluntarily disclosed monthly consolidated revenue by product types.</li> <li>Held one shareholders' meeting and one investor conference for investors to understand the Company's operations.</li> <li>Released the English version of shareholders' meeting agenda, annual report and minutes of shareholders' meeting as reference materials for investors.</li> </ul> |
|   |  | Investor Conference                | Annually      |  |
|   |  | Annual reports / Financial reports | Annually      |  |
|   |  | Investor relations website         | When needed   |  |
|   |  | Sustainability questionnaire       | Annually      |  |
|   |  | Shareholder hotline                | When needed   |  |
|   |  | Email for external parties         | When needed   |  |

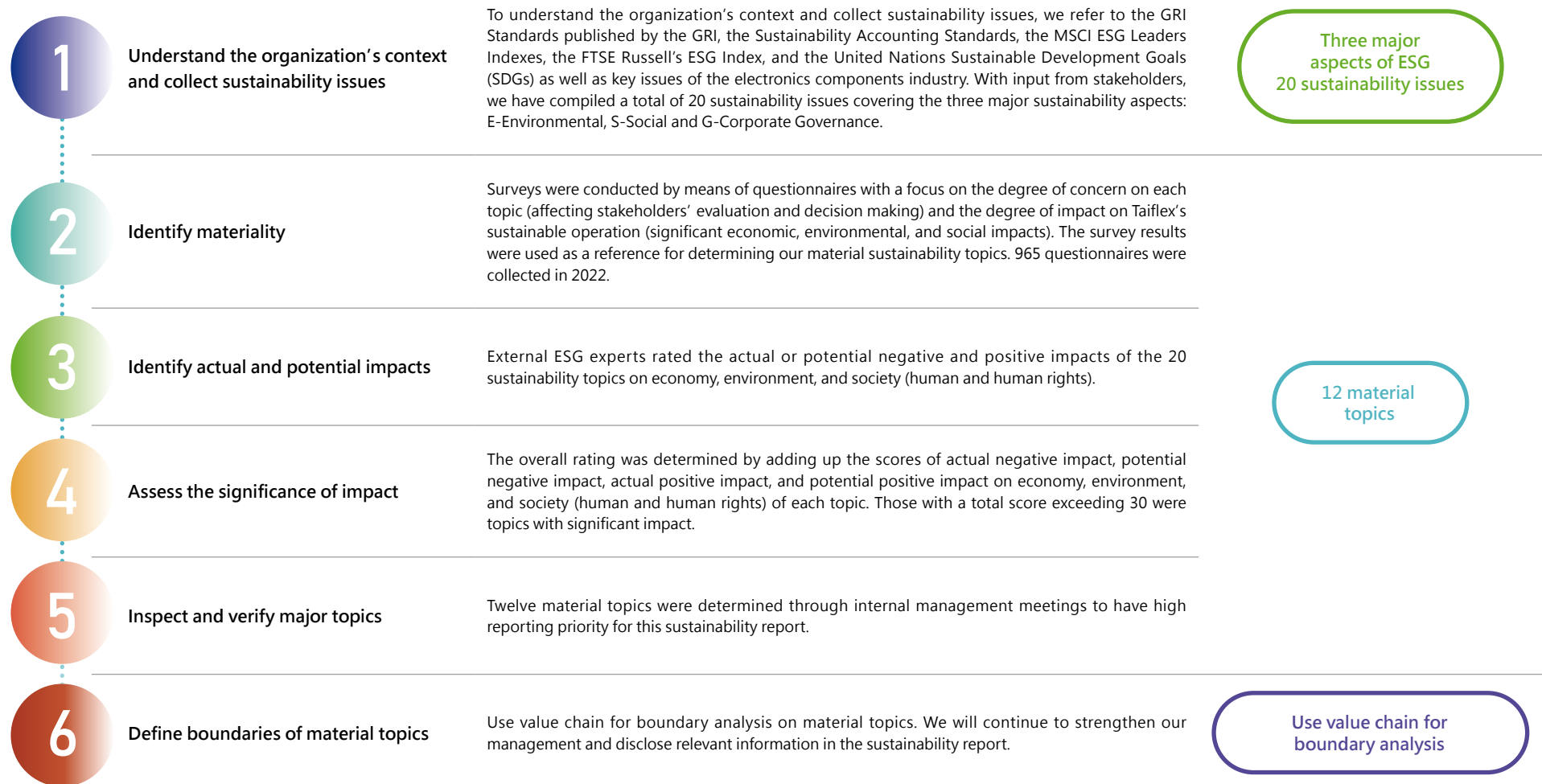
| Stakeholders   | Significance of Stakeholders to the Company   | Communication Channel                 | Frequency     | Communication Effectiveness  |
|--|---|---------------------------------------|---------------|--|
|  <p>Employees and other workers</p> | <p>Employees are important capital and the key to our core competitiveness. We want to create a challenging, sustainable learning and fun work environment with employees for sustainable growth with our partners.</p>                                     | Ehr platform (Taiflex forum)          | Instantly     | <ul style="list-style-type: none"> <li>19 discussions and responses on the Ehr platform in 2022.</li> <li>4 labor-management meetings were held in 2022.</li> <li>2 informal meetings with CEO. With 2 sessions in each meeting, there was a total of 4 sessions.</li> <li>8 EWC meetings.</li> <li>4 OSH Committee meetings in 2022.</li> <li>860 employees completed the online information security education and training (including assessment) in 2022 (i.e., completion rate of 100%).</li> </ul> |
|  |   | Labor-management meetings             | 3 months      |  |
|  |   | Informal meeting with CEO             | Semi-annually |  |
|  |   | EWC meetings                          | Quarterly     |  |
|  |   | OSH Committee meetings                | Quarterly     |  |
|  |   | Employee suggestion mailbox           | Instantly     |  |
|  |   | Education, training and promotion     | When needed   |  |
|  |   | Sustainability questionnaire          | Annually      |  |
|  |   | Internal hotline                      | Instantly     |  |
|  <p>Government</p>                  | <p>The importance of maintaining two-way communication with the government can be seen from the fact that business operations are based on regulatory compliance and government supervision, and changes in policies affect the operational directions.</p> | Correspondence                        | When needed   | <ul style="list-style-type: none"> <li>1 time submission of the Code of Conduct for approval.</li> <li>Over 150 exchanges with competent authorities, including the Taiwan Stock Exchange, the Investment Commission of the Ministry of Economic Affairs, and tax authorities in 2022.</li> <li>Completed 2 cybersecurity promotional videos designated by the competent authorities.</li> </ul>   |
|  |   | Inspections and audits                | When needed   |  |
|  |   | Labor-management meetings             | 3 Months      |  |
|  |   | EWC meetings                          | Quarterly     |  |
|  |   | Public hearings and press conferences | When needed   |  |
|  |   | Presentations and seminars            | When needed   |  |
|  |   | Sustainability questionnaire          | Annually      |  |
|  |   | Phone                                 | Instantly     |  |
|  |   | Email for external parties            | Instantly     |  |
|  <p>Financial Institutions</p>    | <p>Capitals are the lifeblood of business operations, and financial institutions are important providers of capital; therefore, we manage their concerns and maintain close communications.</p>   | Correspondence                        | When needed   | <ul style="list-style-type: none"> <li>Over 1,320 exchanges in 2022.</li> </ul>  |
|  |   | Sustainability questionnaire          | Annually      |  |
|  |   | Phone                                 | When needed   |  |
|  |   | Email for external parties            | When needed   |  |

| Stakeholders  | Significance of Stakeholders to the Company   | Communication Channel                    | Frequency   | Communication Effectiveness  |
|---|---|--|-------------|--|
|  <p>Academic and Research Institutes</p>                                     | We respect academic theory, cultivate professional talents through industry-academia cooperation, accelerate product development and strengthen the Company's overall sustainable development through academic expertise. | Presentation/Forum                       | When needed | <ul style="list-style-type: none"> <li>Participated in the NCKU Career Coaching Program, with 5 managers coaching a total of 80 to 90 students since 2015.</li> <li>Took part in the 10-year program organized by the "College of Semiconductor &amp; Advanced Technology Research" of National Sun Yat-sen University to nurture talents. We provided two lecturers so far and expect to train 40 young talents.</li> <li>Applied for the industry-academia program of Cheng Shiu University, and expected to recruit 20 students.</li> <li>With assistance from the academic and research institutions, we planned to introduce new quantitative measures of environmental impact and environmental management systems in 2022.</li> <li>Collaborated with National Sun Yat-sen University and National University of Kaohsiung to develop new products and technologies in 2022.</li> </ul> |
|   |   | Correspondence                           | When needed |  |
|   |   | Seminars/Project meetings                | When needed |  |
|   |   | Sustainability questionnaire             | Annually    |  |
|  <p>Society (including local community and social welfare organizations)</p> | Maintain good interactions with our neighborhood residents and aim to build a better future by contributing to the community and fulfilling our corporate social responsibility.  | Welfare, donations, volunteer activities | When needed | <ul style="list-style-type: none"> <li>Participated in the donation activities of the Puren Youth Care Foundation.</li> <li>The "Kaohsiung City Youth Care Association" is actively involved in various activities and organized three events in 2022.</li> </ul>  |
|   |   | Correspondence                           | Instantly   |  |
|   |   | Phone                                    | Instantly   |  |
|   |   | Email for external parties               | Instantly   |  |

## Appendix II: Material Topics of Sustainable Development

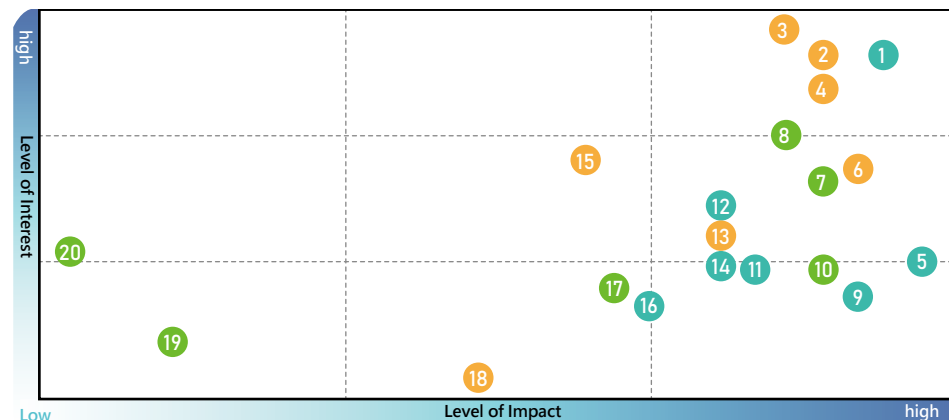
### ◆ Process to Identify Material Topics

To ensure that the information disclosed in the sustainability report is in line with international sustainability trends and closely aligned with stakeholders' expectations, we establish the framework for analyzing the materiality of sustainable issues based on the GRI Standards (2021) Process to identify material topics, which includes six steps: "Understand the organization's context"; "Identify materiality"; "Identify impact"; "Significance assessment"; "Verify material topics" and "Define boundaries of material topics".





## Material Topics Identification

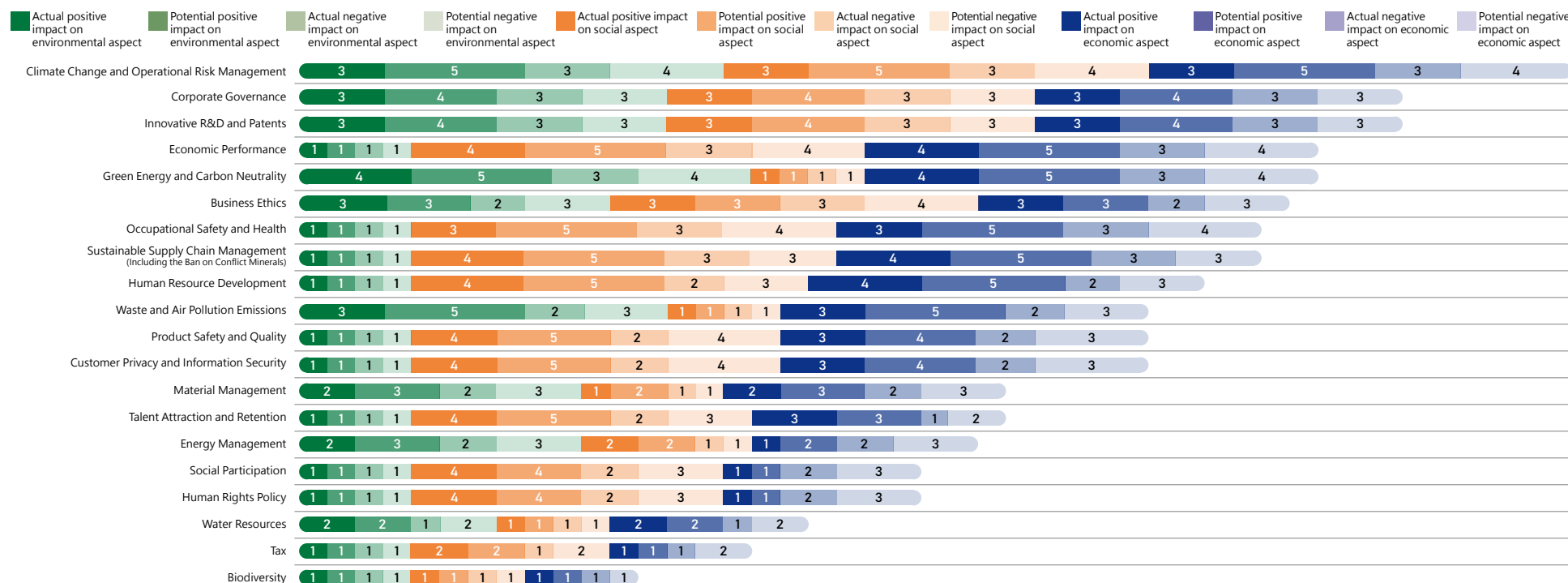


### Results of Materiality Identification

|   |   |                         |
|---|---|-------------------------|
| 1 Business Ethics                           | 8 Waste and Air Pollution Emissions   | 15 Human Rights Policy  |
| 2 Product Safety and Quality                | 9 Corporate Governance  | 16 Tax                  |
| 3 Occupational Safety and Health            | 10 Energy Management  | 17 Material Management  |
| 4 Customer Privacy and Information Security | 11 Economic Performance   | 18 Social Participation |
| 5 Innovative R&D and Patents                | 12 Sustainable Supply Chain Management (Including the Ban on Conflict Minerals) | 19 Biodiversity         |
| 6 Human Resource Development                | 13 Talent Attraction and Retention  | 20 Water Resources      |
| 7 Green Energy and Carbon Neutrality        | 14 Climate Change and Operational Risk Management                               |                         |

## Assessment on Significance of Impact

### Level of Impact of Taiflex's Material Topics



## ◆ List of material topics for the year

Material topics for 2022 sustainability report were identified after materiality analysis, impact assessment, and discussion at internal management meetings using value chain for boundary analysis. They were grouped into five chapters of “Governance and Sustainability” ; “Innovation Development and Quality Management” ; “Green Production and Climate Governance” ; “Human Resource Development and Friendly Workplace” and “Social Facilitation and Positive Impact” , detailing our proactive management on issues of governance, product quality, environmental and social participation, and human resource development. In the future, we will continue to strengthen our sustainability management and disclose relevant information in the sustainability report.

### List of Material Topics

| No. | Material topics for 2022   | Topics Covered   | Impact Boundary by Value Chain                      | Page Number |
|-----|--|--|---|-------------|
| 1   | Business Ethics  | GRI 206 Anti-competitive Behavior<br>GRI 205 Anti-corruption   | Taiflex (originated)                                | 27          |
| 2   | Product Safety and Quality   | GRI 417 Marketing and Labeling<br>GRI 416 Customer Health and Safety   | Taiflex (originated)/Supplier (directly associated) | 41          |
| 3   | Occupational Safety and Health   | GRI 403 Occupational Health and Safety   | Taiflex (originated)/Supplier (directly associated) | 86          |
| 4   | Customer Privacy and Information Security                                    | GRI 418 Customer Privacy   | Taiflex (originated)/Supplier (directly associated) | 24          |
| 5   | Innovative R&D and Patents   | Self-defined topics  | Taiflex (originated)                                | 38          |
| 6   | Human Resource Development   | GRI 202 Market Presence<br>GRI 401 Employment<br>GRI 404 Training and Education<br>GRI 405 Diversity and Equal Opportunity | Taiflex (originated)                                | 72          |
| 7   | Green Energy and Carbon Neutrality   | GRI 302 Energy<br>GRI 305 Emissions (305-1~5)  | Taiflex (caused)/Supplier (contributed)             | 54          |
| 8   | Waste and Air Pollution Emissions  | GRI 306 Waste<br>GRI 305 Emissions (305-6, 7)  | Taiflex (originated)                                | 62          |
| 9   | Corporate Governance   | Self-defined topics  | Taiflex (originated)                                | 11          |
| 10  | Economic Performance   | 201 Economic Performance   | Taiflex (originated)                                | 32          |
| 11  | Sustainable Supply Chain Management (Including the Ban on Conflict Minerals) | GRI 204 Procurement Practices<br>GRI 308 Supplier Environmental Assessment<br>GRI 414 Supplier Social Assessment           | Taiflex (caused)/Supplier (directly associated)     | 46          |
| 12  | Climate Change and Operational Risk Management                               | Self-defined topics<br>Economic Performance (201-2)  | Taiflex (caused)/Supplier (directly associated)     | 52          |

## Appendix III: Comparison Table of GRI Standards 「\*」: Material Topics

|                                 |   |
|---------------------------------|---|
| Statement of use                | The report is prepared in accordance with the GRI Standards for the period from January 1, 2022 to December 31, 2022. |
| GRI 1 used                      | GRI 1: Foundation 2021  |
| Applicable GRI Sector Standards | None  |

| No.  | GRI Standard Disclosures  | Corresponding Chapter  | Page           | Omission/<br>Note |
|--|---|--|----------------|-------------------|
| <b>GRI2: General Disclosures 2021</b>      |   |  |                |                   |
| <b>Organization and reporting practice</b> |   |  |                |                   |
| 2-1  | Organizational details  | 1.1 Company Profile  | 10             |                   |
| 2-2  | Entities included in the organization's sustainability reporting            | About this Report  | 4              |                   |
| 2-3  | Reporting period, frequency and contact point                               | About this Report  | 4              |                   |
| 2-4  | Restatements of information   | About this Report  | 4              |                   |
| 2-5  | External assurance  | About this Report  | 4              |                   |
| <b>Activities and workers</b>              |   |  |                |                   |
| 2-6  | Activities, value chain and other business relationships                    | 1.1 Company Profile<br>2.1.1 FPC applications and development trends   | 10<br>33       |                   |
| 2-7  | Employees   | 4.1.2 Manpower structure   | 74             |                   |
| 2-8  | Workers who are not employees   | 4.1.2 Manpower structure   | 74             |                   |
| <b>Governance</b>                          |   |  |                |                   |
| 2-9  | Governance structure and composition  | 1.2.1 Organization of the Board<br>1.2.2 Functional committee<br>1.3 Sustainable Development and ESG Promotion | 12<br>19<br>21 |                   |
| 2-10                                       | Nomination and selection of the highest governance body                     | 1.2.1 Organization of the Board  | 12             |                   |
| 2-11                                       | Chair of the highest governance body  | 1.2.1 Organization of the Board  | 12             |                   |
| 2-12                                       | Role of the highest governance body in overseeing the management of impacts | 1.3 Sustainable Development and ESG Promotion  | 20             |                   |
| 2-13                                       | Delegation of responsibility for managing impacts                           | 1.2.1 Organization of the Board<br>1.3 Sustainable Development and ESG Promotion                               | 12<br>21       |                   |
| 2-14                                       | Role of the highest governance body in sustainability reporting             | About this Report<br>1.3 Sustainable Development and ESG Promotion   | 4<br>21        |                   |
| 2-15                                       | Conflicts of interest   | 1.2.1 Organization of the Board  | 12             |                   |
| 2-16                                       | Communication of critical concerns  | 1.2.1 Organization of the Board  | 12             |                   |

| No.                                       | GRI Standard Disclosures                                     | Corresponding Chapter  | Page   | Omission/<br>Note |
|---|--|--|--|-------------------|
| 2-17                                      | Collective knowledge of the highest governance body          | 1.2.1 Organization of the Board  | 12   |                   |
| 2-18                                      | Evaluation of the performance of the highest governance body | 1.2.1 Organization of the Board  | 12   |                   |
| 2-19                                      | Remuneration policies  | 1.2.2 Functional committee   | 19   |                   |
| 2-20                                      | Process to determine remuneration                            | 1.2.2 Functional committee   | 19   |                   |
| 2-21                                      | Annual total compensation ratio                              | 4.2.1 Compensation and Benefits  | 79   |                   |
| <b>Strategies, policies and practices</b> |  |  |  |                   |
| 2-22                                      | Statement on sustainable development strategy                | Message from the Chairperson<br>Message from the President   | 2<br>3   |                   |
| 2-23                                      | Policy commitments   | 1.6.1 Business ethics<br>2.4.2 Supply chain management structure<br>3.3.1 Green commitment                   | 28 73<br>48 86<br>58   |                   |
| 2-24                                      | Embedding policy commitments                                 | 1.6.1 Business ethics<br>2.4.2 Supply chain management structure   | 4.1.1 Human rights policy<br>4.4 Safe Workplace<br>28 73<br>48 86                      |                   |
| 2-25                                      | Processes to remediate negative impacts                      | 1.6.1 Business ethics<br>2.4.2 Supply chain management structure   | 3.3 Environmental Policy and Investment<br>4.1.1 Human rights policy<br>28 58<br>48 73 |                   |
| 2-26                                      | Mechanisms for seeking advice and raising concerns           | 1.6.1 Business ethics<br>1.6.2 Regulatory compliance   | 4.1.1 Human rights policy<br>28 73<br>28   |                   |
| 2-27                                      | Compliance with laws and regulations                         | 1.6.1 Business ethics<br>1.6.2 Regulatory complian   | 4.1.1 Human rights policy<br>4.4.3 Audit and improvement<br>28 73<br>28 96             |                   |
| 2-28                                      | Membership associations                                      | 1.1 Company Profile  | 10   |                   |
| <b>Stakeholder engagement</b>             |  |  |  |                   |
| 2-29                                      | Approach to stakeholder engagement                           | Appendix I Stakeholder Identification and Communication  | 104  |                   |
| 2-30                                      | Collective bargaining agreements                             | 4.2.2 Labor-management communication and employee loyalty  | 82   |                   |
| <b>GRI 3: Material Topics 2021</b>        |  |  |  |                   |
| 3-1                                       | Process to determine material topics                         | Appendix II Material Topics of Sustainable Development   | 108  |                   |
| 3-2                                       | List of material topics                                      | Sustainable Development Goals and SDGs in Practice<br>Appendix II Material Topics of Sustainable Development | 6<br>108   |                   |

| GRI Standard Type/Topic                                    | No.   | GRI Standard Disclosures   | Corresponding Chapter                          | Page | Omission/Note |
|--|-------|--|--|------|---------------|
| <b>Topic-specific GRI standard: 200 (Economic topics)</b>  |       |  |  |      |               |
| <b>* Economic Performance</b>                              |       |  |  |      |               |
| GRI 3<br>Economic Performance Management Disclosure 2021   | 3-3   | Management of material topics  | 2.1 Business Overview                          | 32   |               |
| GRI 201<br>Economic Performance Topic Disclosure 2016      | 201-1 | Direct economic value generated and distributed                                | 2.1.2 Operational performance                  | 35   |               |
|  | 201-2 | Financial implications and other risks and opportunities due to climate change | 3.1 Climate Risk/Opportunity Assessment        | 52   |               |
|  | 201-3 | Defined benefit plan obligations and other retirement plans                    | 4.2.1 Compensation and Benefits                | 79   |               |
|  | 201-4 | Financial assistance received from government                                  | 2.1.2 Operational performance                  | 35   |               |
| <b>* Market Presence</b>                                   |       |  |  |      |               |
| GRI 3<br>Market Presence Management Disclosure 2021        | 3-3   | Management of material topics  | 4.1 Human Resource Management                  | 72   |               |
| GRI 202: Market Presence Topic Disclosure 2016             | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage   | 4.2.1 Compensation and Benefits                | 79   |               |
|  | 202-2 | Proportion of senior management hired from the local community                 | 4.1.2 Manpower structure                       | 74   |               |
| <b>Indirect Economic Impacts</b>                           |       |  |  |      |               |
| GRI 203<br>Indirect Economic Impacts Topic Disclosure 2016 | 203-1 | Infrastructure investments and services supported                              | 5.2 Charity Activities                         | 100  |               |
|  | 203-2 | Significant indirect economic impacts  | 5.1 Cultivation of High-Tech Talents           | 100  |               |
| <b>* Procurement Practices</b>                             |       |  |  |      |               |
| GRI 3<br>Procurement Practices Management Disclosure 2021  | 3-3   | Management of material topics  | 2.4 Sustainable Supply Chain                   | 46   |               |
| GRI 204<br>Procurement Practices Topic Disclosure 2016     | 204-1 | Proportion of spending on local suppliers                                      | 2.4.1 Procurement policy                       | 47   |               |
| <b>* Anti-corruption</b>                                   |       |  |  |      |               |
| GRI 3<br>Anti-corruption Management Disclosure 2021        | 3-3   | Management of material topics  | 1.6 Regulatory Compliance and Internal Control | 27   |               |
| GRI 205<br>Anti-corruption Topic Disclosure 2016           | 205-1 | Operations assessed for risks related to corruption                            | 1.6.1 Business ethics                          | 28   |               |
|  | 205-2 | Communication and training about anti-corruption policies and procedures       | 1.6.1 Business ethics                          | 28   |               |
|  | 205-3 | Confirmed incidents of corruption and actions taken                            | 1.6.1 Business ethics                          | 28   |               |



| GRI Standard Type/Topic  | No.   | GRI Standard Disclosures  | Corresponding Chapter  | Page     | Omission/Note |
|--|-------|---|--|----------|---------------|
| <b>* Anti-competitive Behavior</b>                             |       |   |  |          |               |
| GRI 3<br>Anti-competitive Behavior Management Disclosure 2021  | 3-3   | Management of material topics   | 1.6 Regulatory Compliance and Internal Control               | 27       |               |
| GRI 206<br>Anti-competitive Behavior Topic Disclosure 2016     | 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | 1.6.1 Business ethics  | 28       |               |
| <b>Tax</b>   |       |   |  |          |               |
|  | 207-1 | Approach to tax   | 2.1.2 Operational performance                                | 35       |               |
| GRI 207<br>Tax Topic Disclosure 2019                           | 207-2 | Tax governance, control, and risk management                                    | 2.1.2 Operational performance                                | 35       |               |
|  | 207-3 | Stakeholder engagement and management of concerns related to tax                | 2.1.2 Operational performance                                | 35       |               |
| <b>Topic-specific GRI standard: 300 (Environmental topics)</b> |       |   |  |          |               |
| <b>Materials</b>   |       |   |  |          |               |
| GRI 301<br>Materials Topic Disclosure 2016                     | 301-2 | Recycled input materials used   | 3.3.2 Build a green industry chain<br>3.4.1 Source reduction | 59<br>63 |               |
|  | 301-3 | Reclaimed products and their packaging materials                                | 3.3.2 Build a green industry chain                           | 59       |               |
| <b>* Energy</b>  |       |   |  |          |               |
| GRI 3<br>Energy Management Disclosure 2021                     | 3-3   | Management of material topics   | 3.2 Green Energy and Carbon Neutrality                       | 54       |               |
|  | 302-1 | Energy consumption within the organization                                      | 3.2.1 Energy structure and carbon emission management        | 55       |               |
| GRI 302<br>Energy Topic Disclosure 2016                        | 302-3 | Energy intensity  | 3.2.1 Energy structure and carbon emission management        | 55       |               |
|  | 302-4 | Reduction of energy consumption   | 3.2.1 Energy structure and carbon emission management        | 55       |               |
| <b>* Water and Effluents</b>                                   |       |   |  |          |               |
|  | 303-1 | Interactions with water as a shared resource                                    | 3.4.1 Source reduction                                       | 63       |               |
|  | 303-2 | Management of water discharge-related impacts                                   | 3.4.2 Pollution control                                      | 65       |               |
| GRI 303<br>Water and Effluents Topic Disclosure 2018           | 303-3 | Water withdrawal  | 3.4.1 Source reduction                                       | 63       |               |
|  | 303-4 | Water discharge   | 3.4.1 Source reduction                                       | 63       |               |
|  | 303-5 | Water consumption   | 3.4.1 Source reduction                                       | 63       |               |
| <b>* Emissions</b>   |       |   |  |          |               |
| GRI 3<br>Emissions Management Disclosure 2021                  | 3-3   | Management of material topics   | 3.2 Green Energy and Carbon Neutrality                       | 54       |               |
|  |       |   | 3.4 Waste Reduction Actions                                  | 62       |               |

| GRI Standard Type/Topic   | No.   | GRI Standard Disclosures  | Corresponding Chapter                                 | Page | Omission/Note |
|---|-------|---|---|------|---------------|
| GRI 305<br>Emissions Topic Disclosure 2016                            | 305-1 | Direct (Scope 1) GHG emissions  | 3.2.1 Energy structure and carbon emission management | 55   |               |
|   | 305-2 | Energy indirect (Scope 2) GHG emissions   | 3.2.1 Energy structure and carbon emission management | 55   |               |
|   | 305-3 | Other indirect (Scope 3) GHG emissions  | 3.2.1 Energy structure and carbon emission management | 55   |               |
|   | 305-4 | GHG emissions intensity   | 3.2.1 Energy structure and carbon emission management | 55   |               |
|   | 305-5 | Reduction of GHG emissions  | 3.2.1 Energy structure and carbon emission management | 55   |               |
|   | 305-6 | Emissions of ozone-depleting substances (ODS)                                   | 3.4.2 Pollution control                               | 65   |               |
|   | 305-7 | Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 3.4.2 Pollution control                               | 65   |               |
| * Waste   |       |   |   |      |               |
| GRI 3<br>Waste Management Disclosure 2021                             | 3-3   | Management of material topics   | 3.4 Waste Reduction Actions                           | 62   |               |
| GRI 306<br>Waste Topic Disclosure 2020                                | 306-1 | Waste generation and significant waste-related impacts                          | 3.4.2 Pollution control                               | 65   |               |
|   | 306-2 | Management of significant waste-related impacts                                 | 3.4.2 Pollution control                               | 65   |               |
|   | 306-3 | Waste generated   | 3.4.2 Pollution control                               | 65   |               |
|   | 306-4 | Waste diverted from disposal  | 3.4.2 Pollution control                               | 65   |               |
|   | 306-5 | Waste directed to disposal  | 3.4.2 Pollution control                               | 65   |               |
| * Supplier Environmental Assessment                                   |       |   |   |      |               |
| GRI 3<br>Supplier Environmental Assessment Management Disclosure 2021 | 3-3   | Management of material topics   | 2.4 Sustainable Supply Chain                          | 46   |               |
| GRI 308<br>Supplier Environmental Assessment Topic Disclosure 2016    | 308-1 | New suppliers that were screened using environmental criteria                   | 2.4.2 Supply chain management structure               | 48   |               |
|   | 308-2 | Negative environmental impacts in the supply chain and actions                  | 2.4.2 Supply chain management structure               | 48   |               |
| Topic-specific GRI standard: 400 (Social topics)                      |       |   |   |      |               |
| * Employment  |       |   |   |      |               |
| GRI 3<br>Employment Management Disclosure 2021                        | 3-3   | Management of material topics   | 4.1 Human Resource Management                         | 72   |               |

| GRI Standard Type/Topic  | No.    | GRI Standard Disclosures  | Corresponding Chapter                                | Page | Omission/ Note |
|--|--------|---|--|------|----------------|
| GRI 401<br>Employment Topic Disclosure 2016                        | 401-1  | New employee hires and employee turnover  | 4.1.2 Manpower structure                             | 74   |                |
|  | 401-2  | Benefits provided to full-time employees that are not provided to temporary or part-time employees            | 4.2.1 Compensation and Benefits                      | 79   |                |
|  | 401-3  | Parental leave  | 4.2.1 Compensation and Benefits                      | 79   |                |
| Labor/Management Relations   |        |   |  |      |                |
| GRI 402<br>Labor/Management Relations Topic Disclosure 2016        | 402-1  | Minimum notice periods regarding operational changes  | 4.1.1 Human rights policy                            | 73   |                |
| * Occupational Health and Safety                                   |        |   |  |      |                |
| GRI 3<br>Occupational Safety and Health Management Disclosure 2021 | 3-3    | Management of material topics   | 4.4 Safe Workplace                                   | 86   |                |
| GRI 403<br>Occupational Health and Safety Topic Disclosure 2018    | 403-1  | Occupational health and safety management system  | 4.4.1 Risk management system for occupational safety | 88   |                |
|  | 403-2  | Hazard identification, risk assessment, and incident investigation  | 4.4.1 Risk management system for occupational safety | 88   |                |
|  | 403-3  | Occupational health services  | 4.4.2 Occupational accident prevention               | 91   |                |
|  | 403-4  | Worker participation, consultation, and communication on occupational health and safety                       | 4.4.2 Occupational accident prevention               | 91   |                |
|  | 403-5  | Worker training on occupational health and safety   | 4.4.2 Occupational accident prevention               | 91   |                |
|  | 403-6  | Promotion of worker health  | 4.4.2 Occupational accident prevention               | 91   |                |
|  | 403-7  | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 4.4.2 Occupational accident prevention               | 91   |                |
|  | 403-8  | Workers covered by an occupational health and safety management system  | 4.4.1 Risk management system for occupational safety | 88   |                |
|  | 403-9  | Work-related injuries   | 4.4.3 Audit and improvement                          | 96   |                |
|  | 403-10 | Work-related ill health   | 4.4.2 Occupational accident prevention               | 91   |                |
| * Training and Education   |        |   |  |      |                |
| GRI 3<br>Training and Education Management Disclosure 2021         | 3-3    | Management of material topics   | 4.1 Human Resource Management                        | 72   |                |
| GRI 404<br>Training and Education Topic Disclosure 2016            | 404-1  | Average hours of training Yearly per employee   | 4.3 Employee Suitability and Diversified Development | 84   |                |
|  | 404-2  | Programs for upgrading employee skills and transition assistance programs                                     | 4.3 Employee Suitability and Diversified Development | 84   |                |
|  | 404-3  | Percentage of employees receiving regular performance and career development reviews                          | 4.3 Employee Suitability and Diversified Development | 84   |                |

| GRI Standard Type/Topic   | No.   | GRI Standard Disclosures   | Corresponding Chapter                                       | Page     | Omission/Note |
|---|-------|--|---|----------|---------------|
| <b>* Diversity and Equal Opportunity</b>  |       |  |   |          |               |
| GRI 3<br>Diversity and Equal Opportunity Management Disclosure 2021               | 3-3   | Management of material topics  | 4.1 Human Resource Management                               | 72       |               |
| GRI 405<br>Diversity and Equal Opportunity Topic Disclosure 2016                  | 405-1 | Diversity of governance bodies and employees   | 1.2.1 Organization of the Board<br>4.1.2 Manpower structure | 12<br>74 |               |
|   | 405-2 | Ratio of basic salary and remuneration of women to men   | 4.2.1 Compensation and Benefits                             | 79       |               |
| <b>Non-discrimination</b>   |       |  |   |          |               |
| GRI 406<br>Non-discrimination Topic Disclosure 2016                               | 406-1 | Incidents of discrimination and corrective actions taken   | 4.1.1 Human rights policy                                   | 73       |               |
| <b>Freedom of Association and Collective Bargaining</b>                           |       |  |   |          |               |
| GRI 407<br>Freedom of Association and Collective Bargaining Topic Disclosure 2016 | 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 4.2.2 Labor-management communication and employee loyalty   | 82       |               |
| <b>Child Labor</b>  |       |  |   |          |               |
| GRI 408<br>Child Labor Topic Disclosure 2016                                      | 408-1 | Operations and suppliers at significant risk for incidents of child labor                                      | 4.1.1 Human rights policy                                   | 73       |               |
| <b>Forced or Compulsory Labor</b>   |       |  |   |          |               |
| GRI 409<br>Forced or Compulsory Labor Topic Disclosure 2016                       | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor                       | 4.1.1 Human rights policy                                   | 73       |               |
| <b>Security Practices</b>   |       |  |   |          |               |
| GRI 410<br>Security Practices Topic Disclosure 2016                               | 410-1 | Security personnel trained in human rights policies or procedures  | 4.1.1 Human rights policy                                   | 73       |               |
| <b>Rights of Indigenous Peoples</b>   |       |  |   |          |               |
| GRI 411<br>Rights of Indigenous Peoples Topic Disclosure 2016                     | 411-1 | Incidents of violations involving rights of indigenous peoples   | 4.1.1 Human rights policy                                   | 73       |               |
| <b>* Supplier Social Assessment</b>   |       |  |   |          |               |
| GRI 3<br>Supplier Social Assessment Management Disclosure 2021                    | 3-3   | Management of material topics  | 2.4 Sustainable Supply Chain                                | 46       |               |
| GRI 414<br>Supplier Social Assessment Topic Disclosure 2016                       | 414-2 | Negative social impacts in the supply chain and actions taken  | 2.4.2 Supply chain management structure                     | 48       |               |
| <b>Public Policy</b>  |       |  |   |          |               |
| GRI 415<br>Public Policy Topic Disclosure 2016                                    | 415-1 | Political contributions  | 2.1.2 Operational performance                               | 35       |               |

| GRI Standard Type/Topic  | No.   | GRI Standard Disclosures  | Corresponding Chapter                         | Page | Omission/Note |
|--|-------|---|---|------|---------------|
| <b>* Customer Health and Safety</b>  |       |   |   |      |               |
| GRI 3<br>Customer Health and Safety Management Disclosure 2021                     | 3-3   | Management of material topics   | 2.3 Customer Demand and Quality Management    | 41   |               |
| GRI 416<br>Customer Health and Safety Topic Disclosure 2016                        | 416-1 | Assessment of the health and safety impacts of product and service categories                 | 2.3.2 Quality control                         | 44   |               |
|  | 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | 2.3.2 Quality control                         | 44   |               |
| <b>* Marketing and Labeling</b>  |       |   |   |      |               |
| GRI 3<br>Marketing and Labeling Management Disclosure 2021                         | 3-3   | Management of material topics   | 2.3 Customer Demand and Quality Management    | 41   |               |
| GRI 417<br>Marketing and Labeling Topic Disclosure 2016                            | 417-1 | Requirements for product and service information and labeling                                 | 2.3.2 Quality control                         | 44   |               |
|  | 417-2 | Incidents of non-compliance concerning product and service information and labeling           | 2.3.2 Quality control                         | 44   |               |
|  | 417-3 | Incidents of non-compliance concerning marketing communications                               | 2.3.2 Quality control                         | 44   |               |
| <b>* Customer Privacy</b>  |       |   |   |      |               |
| GRI 3<br>Customer Privacy Management Disclosure 2021                               | 3-3   | Management of material topics   | 1.5 Information Security and Customer Privacy | 24   |               |
| GRI 418<br>Customer Privacy Topic Disclosure 2016                                  | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data  | 1.5 Information Security and Customer Privacy | 24   |               |
| <b>Self-defined topics</b>   |       |   |   |      |               |
| <b>* Innovative R&amp;D and Patents</b>  |       |   |   |      |               |
| GRI 3<br>Innovative R&D and Patents Management Disclosure 2021                     | 3-3   | Management of material topics   | 2.2 Product R&D and Innovation                | 38   |               |
| <b>* Corporate Governance</b>  |       |   |   |      |               |
| GRI 3<br>Corporate Governance Management Disclosure 2021                           | 3-3   | Management of material topics   | 1.2 Governance Framework                      | 11   |               |
| <b>* Climate Change and Operational Risk Management</b>                            |       |   |   |      |               |
| GRI 3<br>Climate Change and Operational Risk Management Management Disclosure 2021 | 3-3   | Management of material topics   | 3.1 Climate Risk/Opportunity Assessment       | 52   |               |



## Appendix IV: Comparison Table for SASB Sustainability Accounting Standards - Industrial Machinery & Goods

| Accounting Metric | Topic                                 | Code   | Accounting Metric   | Category                | Unit of Measure  | Response   |
|-------------------|---------------------------------------|--|---|-------------------------|--|--|
|                   | Energy Management                     | RT-IG-130a.1                                 | Overall energy consumption  | Quantitative            | Gigajoules (GJ)  | 206,982.54 GJ  |
|                   |                                       |  | Percentage of grid electricity  | Quantitative            | Percentage (%)   | 100%   |
|                   |                                       |  | Percentage of renewables  | Quantitative            | Percentage (%)   | 0%   |
|                   | Employee Health & Safety              | RT-IG-320a.1                                 | Total recordable incident rate (TRIR)   | Quantitative            | Rate   | 1.82   |
|                   |                                       |  | Fatality rate   | Quantitative            | Rate   | 0  |
|                   |                                       |  | Near miss frequency rate (NMFR)   | Quantitative            | Rate   | 2.43   |
|                   | Fuel Economy & Emissions in Use-phase | RT-IG-410a.1                                 | Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles  | Quantitative            | Fuel consumption per 1,000 ton-miles (Gallons per 1,000 Ton-miles) | N/A (The Company does not sell medium and heavy-duty vehicles)   |
|                   |                                       | RT-IG-410a.2                                 | Sales-weighted fuel efficiency for non-road equipment   | Quantitative            | Fuel consumption per hour (Gallons per hour)                       | N/A (The Company does not sell non-road equipment)   |
|                   |                                       | RT-IG-410a.3                                 | Sales-weighted fuel efficiency for stationary generators  | Quantitative            | Power generated per gallon (Watts per gallon)                      | N/A (The Company does not sell stationary generators)  |
|                   |                                       | RT-IG-410a.4                                 | Average sales-weighted nitrogen oxide (NOx) and suspended particulate (PM) emission rates for marine diesel engines, train diesel engines, on-road medium and heavy-duty vehicles, and off- road diesel engines | Quantitative            | Air pollution per kWh (Grams per Kilowatt-hour)                    | N/A (The Company does not sell stationary generators)  |
| Activity Index    | Materials Sourcing                    | RT-IG-440a.1                                 | Description of the management of risks associated with the use of critical materials  | Discussion and Analysis | --   | Some key materials for FCCL are oligopolistic in nature, so supply chain management and securing material sources are also sources of significant competitive advantage in this industry. As one of the industry leaders, we have competitive advantages in terms of procurement scale and customer bases, and have therefore established long term strategic alliances with key raw material suppliers to enjoy dominating advantage in materials sourcing. |
|                   | Remanufacturing Design & Services     | RT-IG-440b.1                                 | Revenue from remanufactured products and remanufacturing services   | Quantitative            | Amount   | The Company sells these products.  |
| Activity Index    | Code                                  | Activity Index                               |   | Category                |  | Response   |
|                   | RT-IG-000.A                           | Number of Units Produced by Product Category |   | Quantitative            |  | Electronic materials: 38,470 thousand m <sup>2</sup><br>Others: 5,464 thousand m <sup>2</sup>  |
|                   | RT-IG-000.B                           | Number of Employees                          |   | Quantitative            |  | 856 employees  |

## Appendix V: Comparison Table of Sustainability Disclosure Indicators - Electronic Parts and Components Industry of the Taiwan Stock Exchange Corporation "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies"

| No. | Indicator   | Response   |
|-----|---|--|
| 1   | Total energy consumption, percentage of purchased electricity and renewable energy usage<br>(Quantitative/GJ, %)  | 206,982.54 GJ<br>Percentage of purchased power: 100%<br>Renewable energy use rate: 0%  |
| 2   | Total water withdrawal and total water consumption<br>(Quantitative/m <sup>3</sup> )  | Total water withdrawal: 91.546 m <sup>3</sup><br>Total water consumption: 36.536 m <sup>3</sup>  |
| 3   | Weight of hazardous waste generated and percentage of recovery<br>(Quantitative/MT, %)  | Weight: 280 MT of waste adhesive + 6 MT of waste copper sludge + 37.1 MT of non-hazardous mixture containers + (459.83 MT of MEK + NMP recovery) = 782.93 MT<br>Recovery percentage: (459.83/782.93)*100=58.73%  |
| 4   | Explain the type, number and rate of occupational disasters<br>(Quantitative/%, Quantity)   | No. of fatality: 0; Fatality rate: 0<br>No. of recordable occupational injuries: 3; Rate of recordable occupational injury: 1.82%  |
| 5   | Product lifecycle management disclosure: including the weight of scrapped products and electronic waste and the percentage of recycling <sup>Note</sup><br>(Quantitative/MT, %) | Total waste: 1,933 MT<br>Recycled rate: 59%  |
| 6   | Description of risk management related to the use of critical materials (Qualitative description)   | Some key materials for FCCL are oligopolistic in nature, so supply chain management and securing material sources are also sources of significant competitive advantage in this industry. As one of the industry leaders, we have competitive advantages in terms of procurement scale and customer bases, and have therefore established long term strategic alliances with key raw material suppliers to enjoy dominating advantage in materials sourcing. |
| 7   | Total monetary loss resulting from legal proceedings related to anti-competitive regulations<br>(Quantitative/NT\$)   | There was no such incident and the total monetary loss resulting from legal proceedings related to anti-competitive regulations was NT\$0.   |
| 8   | Production volume of major product by category (Quantitative/Depend on product category)  | Electronic materials: 38,470 thousand m <sup>2</sup><br>Others: 5,464 thousand m <sup>2</sup>  |

Note: Including sale of scraps or other recycling treatment. Details shall be provided.

# Appendix VI: Climate-related Information of TWSE/ TPEX-listed Companies of the Taiwan Stock Exchange Corporation “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies”

| Climate-related Risks and Opportunities and Action Plans  | Corresponding Chapter   |
|---|---|
| 1. Describe the oversight and governance of the Board and management on climate-related risks and opportunities.  | <p>① The Board assesses the effectiveness of climate response strategies based on the project outcome of functional teams summarized by the Sustainable Development Committee at least once every year.</p> <p>② The Sustainable Development Committee formulates policies and improvement targets based on the discussion results or resolutions of the Board and passes on to each functional team for execution.</p>   |
| 2. Describe how the identified climate-related risks and opportunities would affect the business, strategy, and finance of the entity (short, medium, and long-term).   | <p><b>Short-term:</b><br/> Risk: Uncertainties regarding the demand for 100% renewables from end customers and relevant specifications as well as insufficient domestic supply of renewables increase the complexity and risk of renewable investments.<br/> Opportunity: By improving internal processes, we can increase the recycling and reuse rates of resources (i.e., 100% recycling and reuse of solvents), thereby significantly reducing Scope 1 emissions, enhancing corporate image and enjoying a competitive edge when competing for customer orders.</p> <p><b>Medium to long-term:</b><br/> Risk: Carbon neutrality and the corresponding trend of 100% renewables will add on to the costs and investment requirements for businesses. Companies need to increase their investments on process improvement and installation of renewable systems. In the long run, failing to satisfy the net zero requirements of customers or the governments would affect a company's ability to continue as a going concern.<br/> Opportunity: Green product research and development, process improvement and the use of renewables would boost the customers' willingness to buy. In addition to expanding market shares, this would be an intangible competitive advantage to companies. Therefore, we will start our transition early in pursuing net zero emission. By being the leading company among peers, we can attract more customers to collaborate with us, thereby compensating the costs and expenses of climate risks. We can even seize relevant business opportunities and expand our market shares to drive our sustainable developments.</p> |
| 3. Describe the financial impact of extreme weather events and transition activities.   | Extreme weather events may result in temporary suspension of operation or decreasing efficiency of the entire supply chain, leading to financial and business losses. The key impact of transition is topics associated with carbon neutrality, which will push us to increase capital expenditure, bringing about a higher cost of operation. If we fail to outperform our competitors where carbon neutrality is concerned, end customers may cut down their purchases with us which would then affect our financial performance.   |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.   | Based on the climate risk analysis of the Corporate Governance and Risk Management Team, the Sustainable Development Committee would take inventory on existing resources and the financial impact of changes in the external environment to draw up climate response strategies and various projects.  |
| 5. If scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used shall be described.   | --  |
| 6. If there is a transition plan for managing climate-related risks, describe the plan details, and the indicators and targets used to identify and manage physical risks and transition risks.   | --  |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated   | --  |
| 8. If climate-related targets have been set, the activities covered, the scope of GHG emissions, the planning horizon, and the progress achieved each year shall be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or the quantity of RECs to be offset shall be specified. | --  |
| 9. GHG inventory and assurance status   | The Company has completed the 2021 parent company only GHG inventory pursuant to ISO 14064:2018 version with a verification statement issued by the SGS Taiwan Limited. Please refer to 3.2.1 Energy structure and carbon emission management for details.  |

## Appendix VII: Comparison Table of SDGs

| Goals    | Sustainable Development Goals   | Corresponding Chapter                              | Page No. |
|----------|---|--|----------|
| Goals 1  | End poverty in all its forms everywhere   | 5.2 Charity Activities                             | 100      |
| Goals 3  | Ensure healthy lives and promote well-being for all at all ages   | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 7  | Ensure access to affordable, reliable, sustainable and modern energy for all  | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 8  | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all  | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 9  | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation   | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 12 | Ensure sustainable consumption and production patterns  | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 13 | Take urgent action to combat climate change and its impacts   | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 16 | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | Sustainable Development Goals and SDGs in Practice | 6        |
| Goals 17 | Strengthen the means of implementation and revitalize the global partnership for sustainable development  | Sustainable Development Goals and SDGs in Practice | 6        |

We hope this Report would provide our stakeholders with better understanding of our efforts in promoting corporate sustainability and social responsibility. If you have any suggestions or comments regarding our ESG Sustainability Report, please contact us through the following methods:



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