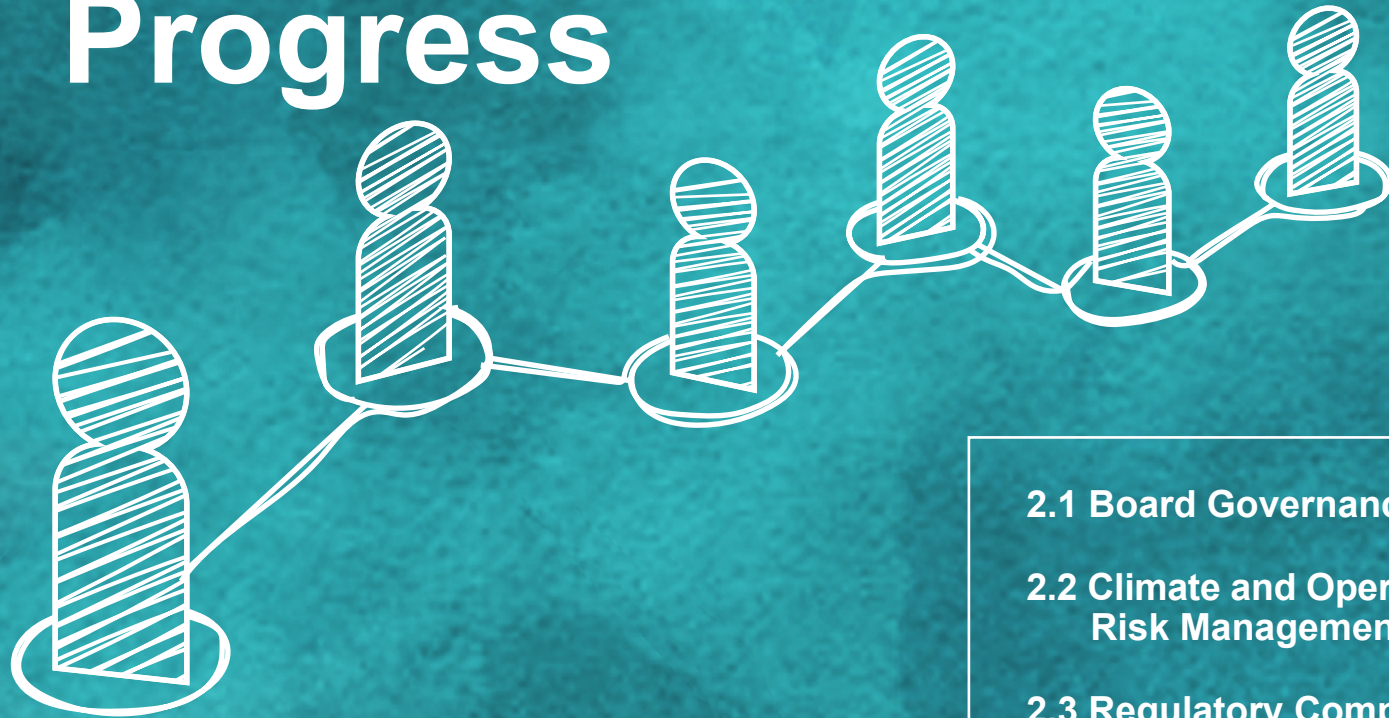


2

Entrepreneur with Steady Progress



2.1 Board Governance

**2.2 Climate and Operational
Risk Management**

**2.3 Regulatory Compliance
and Internal Control**

**2.4 Sustainable Supply
Chain**



2 Entrepreneur with Steady Progress

2.1 Board Governance

Material Topic: Corporate Governance



Main Reason

Sound corporate governance is the cornerstone of sustainable operations. Therefore, enhancing information transparency not only safeguards the rights of shareholders and stakeholders to be fully informed, participate and determine major corporate matters, but also is one of the necessary means to strengthen alignment between both parties towards the Company's development goals and propel the Company towards sustainable operations.

Effect and Impact

- **Actual positive effect:**
Social: Engage in healthy competition with other listed companies through the corporate governance evaluation mechanism to jointly enhance the transparency of operational information, thereby improving the rights and interests of shareholders and stakeholders.
- **Potential positive effect:**
Economic: Can enhance investors' evaluation of the Company, facilitating future financing activities necessary for business expansion.

Policy and Strategy

- The "Compensation Committee," "Audit Committee" and "Sustainable Development Committee" have been established under the Board of Directors with tasks assigned based on their duties and responsibility to fulfill the oversight function.
- The Company has established the "Code of Practice for Corporate Governance" as a guideline for corporate governance implementation. A corporate governance officer has been assigned to perform relevant duties in accordance with the laws and realize the true spirit of corporate governance.

Goal and Objective

- **Short-term goals (2024):**
-Rank in the top 6~20% in the listed companies category of SFI Corporate Governance Evaluation
- **Medium-term goals (2025-2027):**
-Rank in the top 5% in the listed companies category of SFI Corporate Governance Evaluation
-Include female director on the Board
- **Long-term goal (2028~):**
-Rank in the top 5% in the listed companies category of SFI Corporate Governance Evaluation

Management Assessment Mechanism

- Enhance corporate governance transparency based on SFI Corporate Governance Evaluation indicators.
- Conduct internal performance assessment of the Board every year and external performance assessment of the Board every three years.

2023 Goal and Achievement

- **Rank in the top 6~20% in the listed companies category of SFI Corporate Governance Evaluation**
→ ❌ Unachieved. The Company ranked 21~35% in the listed companies category of 2023 (10th) Corporate Governance Evaluation.

We carry out the following actions to improve our score:

- Obtain third-party verification for reports
- Disclose governance practices, strategies, risk management, indicators, and goals of climate-related risks and opportunities according to the TCFD framework
- Invest in energy-saving or green energy-related environmentally machinery and equipment, or invest in Taiwan's green energy industry (e.g., renewable energy power plants)

Prevention or Remedy Measure

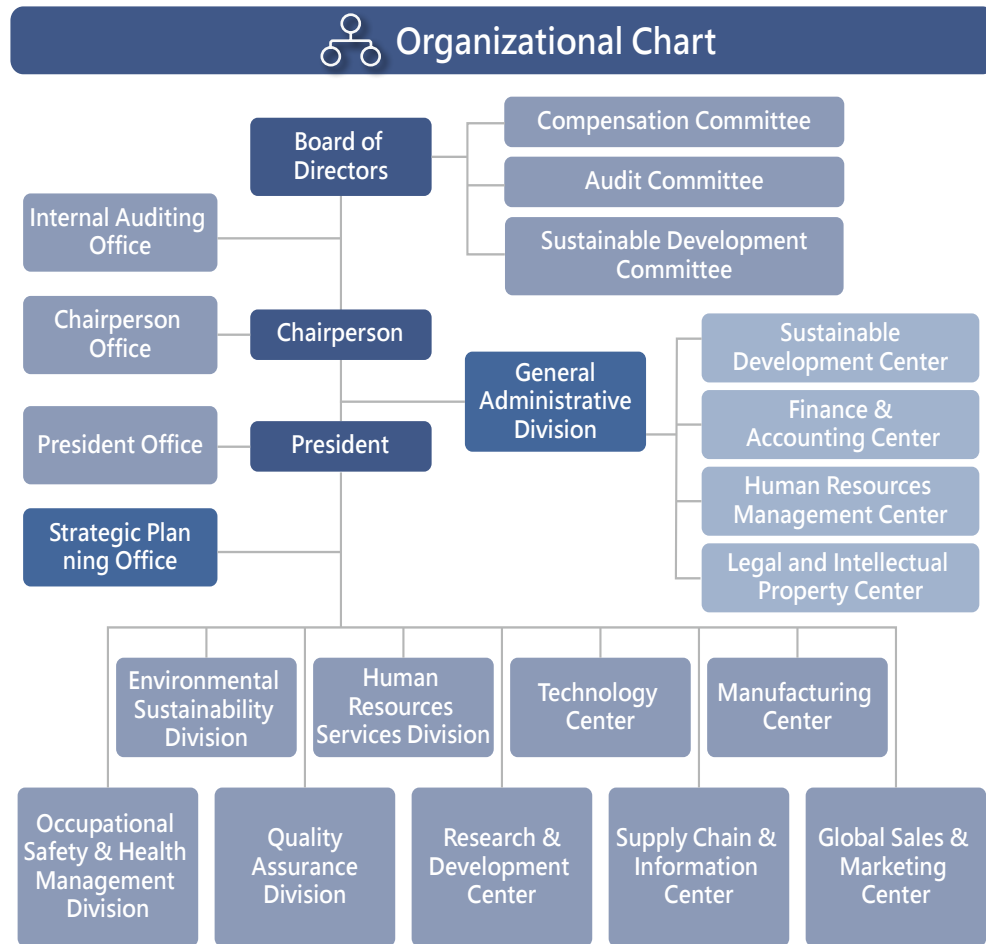
- The Audit Committee, consisting of three Independent Directors, replaces the Supervisors, and its independence strengthens its supervisory role.
- Based on feedback and recommendations from the Corporate Governance Evaluation and external performance assessments, improvements and enhancements are made to various corporate governance measures.



2.1.1 Organizational structure

The Board of Directors is the highest governance body of Taiflex, consisting of nine Directors with extensive industry experience. The Board is chaired by the Chairperson who 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.

The Company convenes shareholders’ meeting every year and holds regular Director election in accordance with the “Director Election Procedures.” The tenure of the 10th Board spans from May 30, 2023 to May 29, 2026.



Board diversity

The Company has established the “Code of Practice for Corporate Governance” to ensure the Board’s governance capability, and the diversity policy is stipulated in the “Strengthen the Board’s Functions” section. The policy requires Board members to possess eight key abilities, i.e., operational judgment, accounting and financial analysis, business management, crisis management, industrial knowledge, global market perspective, leadership and decision-making. The expertise of current Board members covers global perspectives, regional management capabilities, financial management, copper manufacturing, polymer chemical engineering and international business, which shapes a well-structured Board. Please refer to Appendix I ESG Information - Governance Information of this report for detailed information on Board members.

Board independence and recusal due to conflict of interests

For corporate governance transparency, the Chairperson of Taiflex would not concurrently serve as the President in principle. If such a situation arises, it would only be a temporary arrangement for a transition period not exceeding six months. No such occurrences were recorded in 2023.

The three Independent Directors account for one-third of the total number of Directors in the Board, which is in compliance with the law. 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.

The Company also assesses the independence 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.

In accordance with the Company’s “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. We have verified that there were no incidents of insider trading or corruption involving Board members and senior management of the Company in 2023. Detailed information regarding the recusal of Board members due to conflict of interest can be found in our 2023 Annual Report.



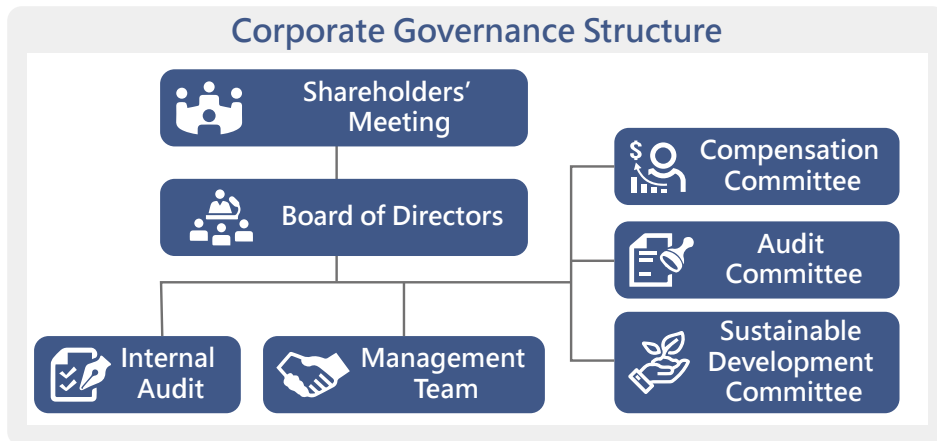
Annual Report



Functional committee

To effectively leverage the functions of the Board 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 address important corporate governance, economic, environmental and social issues. There is also the Internal Auditing Office, an administrative audit unit, which audits and evaluates the reliability and effectiveness of the Company's internal control system, and regularly reports audit findings and makes improvement recommendations to the Audit Committee to facilitate effective operations within the Company. For more information on the Sustainable Development Committee, please refer to "1.1 Sustainable Development Committee" of this report.

As for the Compensation Committee, it is composed of three Directors appointed by the Board, including at least two Independent Directors. Its main responsibility is to assess the overall compensation and benefits policies of the Company, as well as the compensation policies and systems of Directors and managers, in a professional and objective manner, and make recommendations to the Board as reference in making decisions. The Compensation Committee held six meetings in 2023 where members had an attendance rate of 100%. The Company's Articles of Incorporation stipulate that remuneration to Directors and Supervisors shall not exceed 4% of the annual profits. Please refer to our 2023 Annual Report for details on remuneration to Directors and managers.



Key Responsibilities of the Compensation Committee



- 1 Regularly review the Charter and propose amendments
- 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 determine the compensation packages and amount of individuals; and submit the recommendations to the Board for discussion

In 2017, the Company has established the Audit Committee in place of the Supervisors. By leveraging the professional competence and independence of the three Independent Directors, the Company has implemented corporate governance, improved the oversight function and strengthened the management mechanism. The Audit Committee held six meetings in 2023 where members had an attendance rate of 100%.

Primary Oversight Responsibilities of the Audit Committee



- 1 Fair presentation of the Company's financial statement
- 2 Appointment (discharge), independence and performance of the Company's CPAs
- 3 Effective implementation of the Company's internal controls
- 4 Compliance with applicable laws, regulations and rules
- 5 Controls over existing or potential risks of the Company

The Company's Audit Committee Charter, Compensation Committee Charter and 2023 Annual Report are available on the corporate website and the Market Observation Post System website.



Corporate Governance



Market Observation Post System website



2.1.2 Board operations




The Board of Directors is responsible for the appointment, nomination and performance evaluation of senior management. It also delegates authority to senior management to handle economic, environmental and social issues arising from operations. To ensure an effective implementation of strategies, the Board not only receives regular reports from the management team, but also frequently communicates and discusses with the management, urging the management team to make appropriate adjustments. Good communications between the Board and management team are the cornerstone of Taiflex' s sustainable operation.

Tasks of the Board



- 1 Supervise and determine business directions to align with the short, medium and long-term market demand
- 2 Appoint an ethical, honest and professional management team to carry out business strategies formulated by the Board in order to guarantee the Company' s business performance
- 3 Lead the management team to devise strategies favorable to the Company' s long-term developments

The Board of Directors convenes regular quarterly meetings to review matters reported by functional committees and development strategies proposed by the management team. For all agenda items to be fully understood and discussed, relevant personnel are invited accordingly to attend and report at the Board meetings. The feasibility of each item is properly evaluated by the Board before it can be implemented. In 2023, a total of seven Board meetings (with an average attendance rate of 100%) were held to review 54 agenda items, including 51 items related to environmental, economic and social issues.

Aspects of Agenda Item	Important Communication Results
 Environmental Aspect	The 2023 sustainable development plan was approved, outlining goals and implementation plans for renewable energy, carbon reduction, and waste reduction. In addition, environmental-related capital expenditures of approximately NT\$200 million were approved. A mid-year review of the overall implementation progress was conducted in 2023.
 Economic Aspect	The Board reviewed the 2023 business plan and discussed recommendations from the external evaluation performed by Taiwan Corporate Governance Association during the Board meeting for subsequent improvements. Additionally, the risk map for the Company' s operational risks was reviewed, along with response strategies. A report on information security was presented, and the positions of CISO and a dedicated Information Security Officer were established.
 Social Aspect	The Board accepted shareholders' proposals, reviewed employee bonuses, and formulated an employee stock option plan for profit-sharing.

Continuing education of the Board

To continuously enhance the Board' s professionalism and skills, the Company regularly schedules diverse training courses related to business operations and sustainable development for Directors. Through external education for Directors to understand global trends and diversify their perspectives, we aim to strengthen the Board' s leadership and decision-making abilities for it to exercise due care of a good administrator when engaging in business operations, and ultimately maximizing shareholder returns and boosting the competitiveness of the Company in the face of the ever-changing business environment.

In 2023, the training hours of all Directors have met the statutory requirement (i.e., 6 hours), with a total of 54 hours of training and an average of 6 training hours. Please refer to Appendix I ESG Information - Governance Information of this report for detailed information on the continuing education of the Board members in 2023.

Performance assessment of the Board

Internal performance assessment of the Board

To implement corporate governance, an internal Board performance evaluation shall be conducted at least once a year pursuant to the "Methods for Evaluating Board of Directors' Performance." 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 committee members, and reports the evaluation results at the next Board meeting. By clearly defining performance objectives, we aim to enhance the functionality of the Board and strengthen its operational efficiency. Details and recommendations of the 2023 performance evaluation were presented in the Board meeting in January 2024.





Internal Performance Evaluation Results for 2023

Type	Methods	Grading Criteria	Results
Performance evaluation on the Board	Evaluation by the Board agenda unit based on the actual operation of the Board	<ul style="list-style-type: none"> • Level of participation in corporate operations • Enhancement on the quality of Board decisions • Composition and structure of the Board • Election and continuing education of Directors • Internal control 	The overall score was 92.21, equivalent to a rating of excellence. The result indicated a relatively sound operation of the Board, conforming to the spirit of corporate governance.
Performance evaluation on individual Board members	Self-assessment by Board members	<ul style="list-style-type: none"> • Command over corporate goals and mission • Understanding of Directors' duties • Level of participation in corporate operations • Internal relationship management and communication • Professionalism and continuing education of Directors • Internal control 	The overall average score was 98.48, equivalent to a rating of excellence. The result indicated that the Directors gave positive reviews on the operation efficiency and effectiveness of various evaluation items.
Performance evaluation on functional committees	Self-assessment by functional committee members	<ul style="list-style-type: none"> • Level of participation in corporate operations • Understanding of functional committees' duties • Enhancement on the quality of functional committees' decisions • Composition of the functional committees and election of members • Internal control 	The average scores of the Compensation Committee, the Audit Committee and the Sustainable Development Committee were 96.99, 96.88, and 95.92, respectively, equivalent to a rating of excellence. The result indicated that the functional committee members gave positive reviews on the operation efficiency and effectiveness of various evaluation items.

External performance assessment of the Board

The Company conducts a Board effectiveness evaluation (including performance) once every three years. In 2022, the Company commissioned the professional and independent Taiwan Corporate Governance Association to carry out the evaluation, which encompassed eight aspects of the Board (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 Board performance evaluation report was issued on November 29, 2022, and we incorporated improvement suggestions from the evaluation as references for continuous enhancement of Board functions. On January 11, 2023, the improvement suggestions along with measures to be adopted were presented in the Board meeting. We plan to conduct another external Board effectiveness evaluation in 2025 to further improve our practices.

Improvement Measures Adopted in 2023

The Company has instructed the "corporate governance and risk management" team under the Sustainable Development Committee to convene relevant meetings and aggregate risk identification and risk response strategies from various organizational levels to formulate corresponding response measures. The team shall also report relevant risk analysis and response plans to the Sustainability Development Committee and the Board of Directors.



2.2 Climate and Operational Risk Management

Material Topic: Climate Change and Operational Risk Management

Main Reason

As the climate change issue deteriorates, stakeholders are highly 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 affecting corporate competitiveness.

Effect and Impact

- **Actual positive effect:**
Environmental: Mitigate the environmental impact of operating activities.
- **Actual negative effect:**
Economic: In addition to carbon fee that may be required in the future due to regulatory requirements, there are ongoing expenditures for investments in facilities related to energy saving and carbon reduction initiatives.
- **Potential positive effect:**
Economic: Being able to complete the low-carbon transition ahead of peers would be beneficial to securing customer orders and becoming an indispensable partner in the low-carbon supply chain of customers.

Policy and Strategy

We continuously monitor various climate action targets following the Paris Agreement and actively align with international sustainable development trends to reduce potential climate-related impacts in the future.

Goal and Objective

- **Short-term goal (2024):**
-Establish a mechanism to assess and promote climate risk
- **Medium-term goal (2025-2027):**
-Publish TCFD Report
- **Long-term goal (2028~):**
-Complete and implement specific transition plans
-Participate in CDP

Management Assessment Mechanism

Both the Corporate Governance and Risk Management Team and the Environmental Sustainability Team under the Sustainable Development Committee work together on analyzing climate-related risks and opportunities based on the TCFD framework. Moreover, the Sustainability Development Center evaluates the feasibility of departments' energy-saving initiatives, establishes management objectives within each business scope, and then, through the Sustainable Development Committee, consolidates the implementation progress of functional teams to report the achievements to the Board of Directors at least twice a year.

2023 Goal and Achievement

- **Establish a mechanism to assess and promote climate risk**
→ **Achieved.** Through GHG inventory, we have completed a preliminary analysis on the financial impact of climate change on the Company and 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.

Prevention or Remedy Measure

- The Corporate Governance and Risk Management Team continues to collect climate scenario information and dynamically updates the Company' s financial impact analysis. The Sustainable Development Center also continuously gathers external climate information (e.g., regulations and trends), and through the Sustainable Development Committee, summarizes implementation results of each functional team and provides the information to the Board of Directors to evaluate the effectiveness of climate response strategies.
- The Company has established a business continuity plan to address climate-related risks, formulating emergency responses procedures for potential natural threats to ensure the continued operations of the Company and reduce the occurrence of incidents and impact.



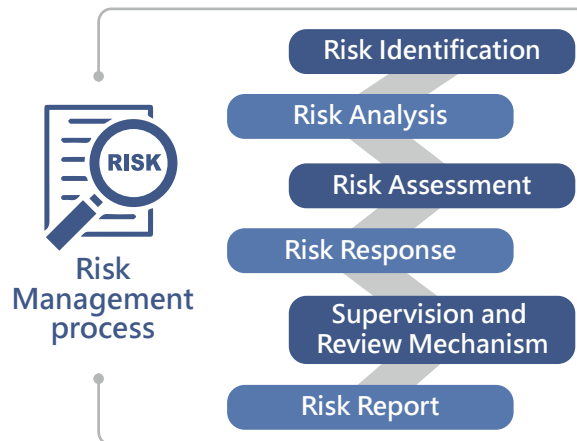
2.2.1 Operational risk management

The Board of Directors serves as the highest decision-making body for risk management in the Company, overseeing the effective operation of risk management mechanism to ensure that the Company's business strategies can be effectively implemented to achieve business objectives. The Board authorizes the Chairperson to be the convener of risk management plans, coordinating and directing the plan promotion and operation.

The Corporate Governance and Risk Management Team under the Sustainable Development Committee consolidates risk elements identified at each level of the organizational management system, risk response strategies and implementation reviews, and reports to the Sustainable Development Committee on the execution of risk management. The Sustainable Development Committee then reports to the Board at least once a year on the performance of the overall risk management plan.



The Company has established the "Risk Management Policies and Procedures" to enhance its risk management awareness and execution capability. Through the establishment of a systematic management method, we incorporate relevant response plans as a basis for formulating business strategies. This approach ensures that risks stay within a tolerable level, minimizing potential losses to safeguard the interests of customers, employees, and other stakeholders, thus increasing shareholder value and achieving optimal allocation of corporate resources.



Material risk identification

The Company stays up to date on internal and external issues as well as environmental changes. In addition to factors such as the Company's scale, industry, business characteristics, operational activities, and sustainability (including climate change), we also place importance on environmental, social, and corporate governance issues concerned by stakeholders. In 2023, management of each functional unit identified the following 18 major risks that could impact the achievement of strategic objectives:

Scope of Risk Management	Major Risk Items	Risk Items Identified in 2023
Strategic Risks	<ul style="list-style-type: none"> Risk of changes in technology industry Competitive risk 	<ul style="list-style-type: none"> Slow growth in key markets Supply chain relocation Domestic manufacturing
Operational Risks	<ul style="list-style-type: none"> Market risk Supply chain risk Human resources risk Information security risk 	<ul style="list-style-type: none"> Inventory management risk Raw material price hikes Raw material shortage Energy shortage Logistics and transportation risks Labor shortage in manufacturing
Financial Risks	<ul style="list-style-type: none"> Financing risk Exchange rate risk Interest rate risk Tax compliance risk 	<ul style="list-style-type: none"> Refinancing risk Exchange rate risk
Information Risks	<ul style="list-style-type: none"> Information security risk System integration risk 	<ul style="list-style-type: none"> Cross-country system integration
Compliance Risks	<ul style="list-style-type: none"> Regulatory risk Material contract mismanagement risks 	<ul style="list-style-type: none"> Tightening labor regulations
Integrity Risks	<ul style="list-style-type: none"> Risk of non-compliance with the code of ethics 	--
Hazardous Risks	<ul style="list-style-type: none"> Natural disaster risk Factory safety 	<ul style="list-style-type: none"> Natural disaster with increasing intensity
Climate Change Risks	<ul style="list-style-type: none"> Carbon neutrality (including requirements concerning renewable energy and zero waste) 	<ul style="list-style-type: none"> Green supply chain 100% renewable energy Pursuit of carbon neutrality Zero-waste trend

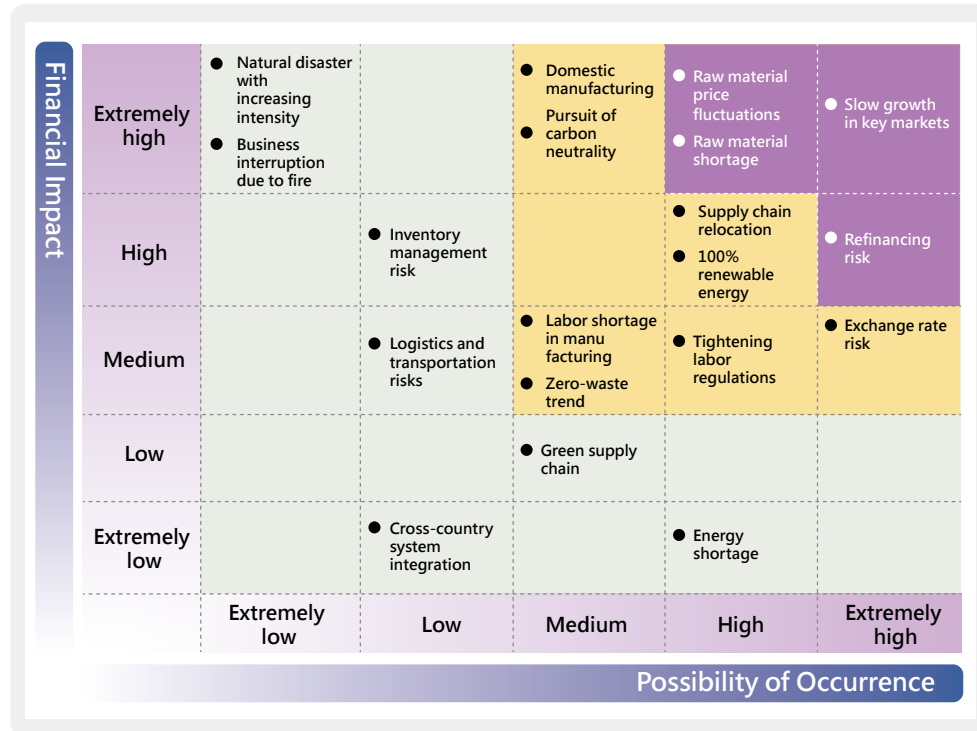


Analysis and assessment

The aforementioned risks were used to create a risk map based on their impact and probability of occurrence, so as to prioritize the risks and develop relevant response plans. Major risks identified in 2022 were: "slow growth in key markets," "raw material price fluctuations and shortage," and "refinancing risk," which were reported to the Board along with response plans in 2023. The action plans and mitigation measures concerning climate risk are available in the Company's annual report.



Annual Report



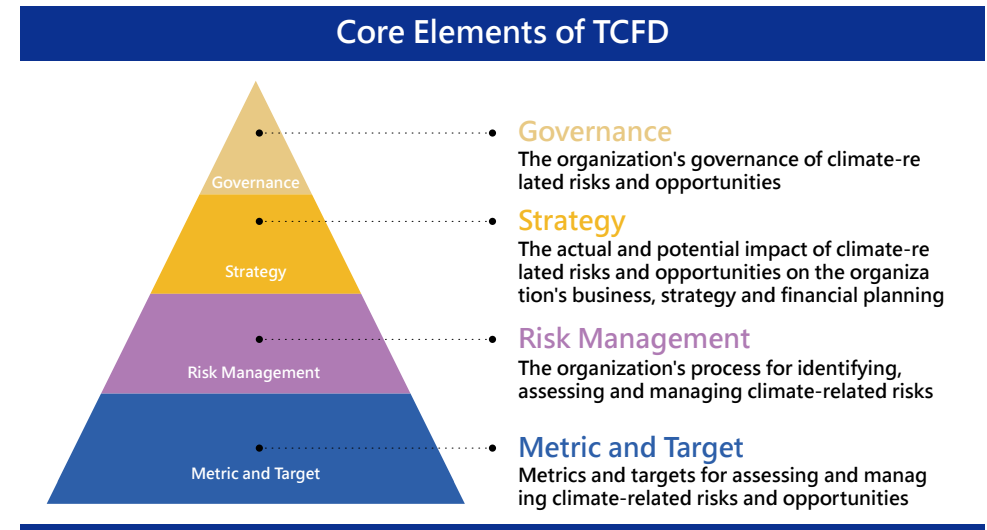
Risk response and supervision

After evaluating the impact and probability of risks identified, relevant units are assigned to carry out risk response plans. For risk map items with high probability of occurrence and significant impact, corporate resource would be consolidated to establish a task force, and continuously review and modify the execution status of each risk to mitigate their impact.

2.2.2 Climate risk adaptation actions

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 climate action targets following the Paris Agreement as well as the targets of stakeholders, and gradually incorporate them into our sustainable development strategy.

The Board had approved the sustainable development roadmap in January 2023 and authorized the Sustainable Development Committee to manage climate risks. Functional teams under the Committee are tasked with promoting climate action issues and goal management. This ensures the integration of sustainability strategies and climate action issues into product, operation, and value chain management.





TCFD Framework for Taiflex

The Sustainable Development Committee reports to the Board twice a year, reviewing climate change-related risks and opportunities, and proposing corresponding short, medium, and long-term plans, measures, and goals. The Board regularly evaluates the effectiveness of climate response strategies based on the plan progress of functional teams summarized by the Sustainable Development Committee (Sustainability Center).

Governance

- **Sustainable Development Committee**
Being the highest climate change management body, its members are determined by the Board with over half being Independent Directors and the elected convener oversees relevant affairs. The Committee consists of six functional teams.
- **Corporate Governance and Risk Management Team**
Take inventory on the Company's risk environment, risk management priorities and response measures, and assess the financial impact of risks.
- **Environmental Sustainability Team**
Monitor international trend of environmental issues, take inventory on the risks and opportunities brought about by climate change, and set targets and implementation plans.

Strategy

Conduct cross-departmental discussions to address short, medium, and long-term climate risks and opportunities identified; adopt scenario analysis to assess potential financial impacts on the Company; integrate resources to determine the allocation priority, and formulate response strategies based on the Company's technological advantages. Currently, we focus on the following two directions:

- **Introduce new processes and eco-friendly facilities to improve the recycling rate of chemicals, thereby reducing resource consumption and saving costs. Develop new green products using chemical formulas with low biological reproductive hazards to satisfy the ESG requirements of end-users, aiming to enhance the Company's reputation and increase sales.**

Risk Management

With reference to the risk identification/assessment model recommended by TCFD, climate risk items are incorporated into the existing risk management process, with response plans and objectives proposed for each item. The Sustainable Development Committee tracks and manages these plans and objectives on an ongoing basis and regularly reports to the Board on the implementation status in order to refine the overall strategic direction.

Metric and Target

- **Short-term goals (2024):**
 - 4% reduction in GHG Scope 1 emissions with 2021 being the base year
 - Use of renewable energy accounts for 1% of total electricity consumption
 - Cumulative installed solar capacity of 1,657 kW by Taiflex Green Power (subsidiary)
- **Medium-term goals (2025-2027):**
 - 12% reduction in GHG Scope 1 emissions with 2021 being the base year
 - Use of renewable energy accounts for 6% of total electricity consumption
 - Cumulative installed solar capacity of 2,949 kW by Taiflex Green Power (subsidiary); and biomass energy capacity of 280kW
- **Long-term goal (2028~):**
 - >27% reduction in GHG Scope 1 emissions with 2021 being the base year
 - Use of renewable energy accounts for 10% of total electricity consumption
 - Cumulative installed solar capacity of 3,379 kW by Taiflex Green Power (subsidiary); and biomass energy capacity of 280kW

Both the Corporate Governance and Risk Management Team and the Environmental Sustainability Team under the Sustainable Development Committee work together on analyzing climate-related risks and opportunities based on the TCFD framework. The Committee then consolidates the information and formulates the following promotion plans, which have been reviewed by the Board.

Risk Category	Transition risk	Transition risk	Physical risk	Physical risk
Aspects	Policy and regulation	Market	Immediate	Long-term
Stakeholder	Taiflex	Taiflex customer	Taiflex supply chain	Taiflex supply chain
Climate Risk	Cap-and-trade, carbon fee and carbon tax	Net zero emission trend, environmental protection performance	Extreme weather disasters	Rising temperature
Potential Financial Effect	Limited capacity expansion and increasing operating costs	Increasing capital expenditure and rising operating costs	<ul style="list-style-type: none"> • Financial losses and decreasing revenue due to production disruption • Higher operating costs due to increasing insurance premium expenses 	Increasing electricity consumption leads to higher carbon emissions and operating costs
Climate Opportunity	<ul style="list-style-type: none"> • Participate in renewable energy programs • Participate in carbon markets 	<ul style="list-style-type: none"> • Pursue counseling programs subsidized by government agencies • Develop eco-friendly products 	<ul style="list-style-type: none"> • Evaluate regional climate risk and probability; and map out factory locations and production capacity allocation worldwide • Enhance resilience against natural disasters 	<ul style="list-style-type: none"> • Optimize factory unit efficiency • Promote low-carbon production and lifestyle
Potential Financial Effect	Renewable energy investment and carbon credit demand based on production capacity	Increase revenue with subsidies for counseling programs; Develop eco-friendly products to meet customer demand and increase revenue	Decentralize production bases to build a resilient supply chain; and secure customer orders to increase revenue	Reduce energy loss, save operating costs, and increase profits
Management Approach	<ul style="list-style-type: none"> • The Sustainable Development Committee reviews our green energy status as well as the carbon reduction target and progress annually • Implement the ISO 50001 Energy Management System • Carry out inventory according to ISO 14064 to identify and improve carbon emission hotspots 	Functional teams under the Sustainable Development Committee execute relevant programs on a project basis	Risk analysis and regional planning	Functional teams under the Sustainable Development Committee execute relevant programs on a project basis



2.3 Regulatory Compliance and Internal Control

Material Topic: Business Ethics

Main Reason

Operations of a company shall 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.

Effect and Impact

- **Actual positive effect:**
Social: Build a culture of integrity within the Company to reduce the occurrence of violations or human rights abuses.
- **Potential positive effect:**
Economic: Ensure operational stability to avoid significant penalties for violations of laws in daily operations.
- **Potential negative effect:**
Economic: If not managed properly, corruption or other related incidents may occur which will adversely affect the reputation and image of the Company and may lead to setbacks in sales.

Policy and Strategy

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.

Goal and Objective

- **Short-term goals (2024):**
-Develop comprehensive management and preventive measures
-Director, manager and employees with zero violations of ethical principle
- **Medium-term goals (2025-2027):**
-All employees participate in the "Business Ethics" education and training
- Director, manager and employees with zero violations of ethical principle
- **Long-term goal (2028~):**
-Achieve the goal of zero complaint cases
-Director, manager and employees with zero violations of ethical principle

Management Assessment Mechanism

We use business integrity and ethics education, training and assessments to evaluate employees' compliance awareness, and conduct regular internal audits on the nine 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.

2023 Goal and Achievement

- **Develop comprehensive management and preventive measures**
→ Achieved. Internal announcements pertaining to the "Principles of Business Ethics," "Procedures and Guidelines of Business Ethics" and "Code of Ethical Conduct" have been sent to employees on a monthly basis since 2023.
- **Director, manager and employees with zero violations of ethical principle**
→ Achieved. There were no violations of ethical principle by Director, manager and employees in 2023.

Prevention or Remedy Measure

- 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.
- We conduct regular legal compliance as well as various internal and external audits every year, and adjust audit details and management rules according to issues identified.
- 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.
- 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 immediately cease all business dealings and blacklist counterparties if any dishonest behavior is identified in business transactions or partners.



2.3.1 Emphasize the culture of integrity

“Integrity, Responsibility, Enthusiasm, Creativity and Execution” are the core values of our corporate culture and we have, 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.” All employees of the Company and its subsidiaries have signed the CIPP to ensure the implementation of our core values.

We conduct our business activities based on the principles of fairness, transparency, honesty, and integrity. Directors, managers and employees of the Company are prohibited from offering, accepting, promising or demanding, either directly or indirectly, any improper benefits, or engaging 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, in order to obtain or maintain benefits during the course of business.

■ Deepen integrity and ethics awareness

In order to cultivate an organizational culture of mutual support, friendliness, discipline, honesty, and hard work, the Company regularly advocates the concept of “integrity and ethical conduct” to all employees, instilling integrity and ethical standards in the minds of our employees. In 2023, the coverage rate of integrity advocacy to employees and relevant education and training undertaken by Directors were both 100%. For suppliers, we have set up an e-trading platform to implement integrity management and audits.

Headcount and Percentage of Integrity and Ethical Conduct Advocacy in 2023


Category	Number of People	Number of Trainees	Coverage Rate
Employees	785	785	100%
Managers	18	18	100%
Total	803	803	100%


Note: Advocacy coverage rate = Number of people cover by the advocacy / Total number of people in the category × 100%


The Company has established an effective accounting system and internal control system for business activities with a higher risk of unethical behavior. We also set up an explicit and effective reward and punishment system by integrating business ethics policy with employee performance evaluation as well as personnel policies for effective management.

■ Corruption reporting

To prevent misconduct, 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 losses, a report would be prepared immediately to notify the Independent Directors in writing. 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 would be immediately disclosed on the Company’s intranet.



 Integrity hotline: (07)813-9989#70999

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

There were no reported violations of ethical and integrity management practices in 2023, nor any violations of laws and regulations concerning antitrust, market monopoly, integrity and business ethics.

2.3.2 Internal controls

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, on the basis of applicable laws and regulations of the industry we operate in and our overall operating activities. The system is reviewed and adjusted on an ongoing basis for changes in internal and external environments and regulations, thereby enhancing the effectiveness of management and product quality.

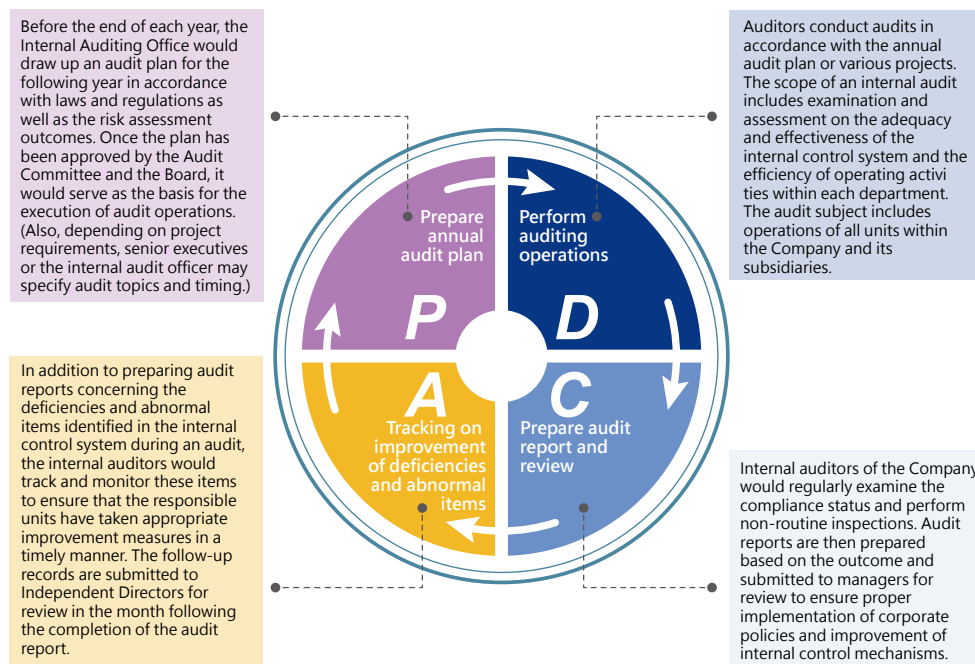
■ Annual audit

The Company has set up an Internal Auditing Office under the Board, and employed full-time auditors to perform internal audits on the overall operations. The independence of the Office enables it to achieve the purpose of auditing the Company’s business conducts. 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 are required to attend audit-related courses organized by professional training institutions to enhance their professional competence every year. Through professional and independent internal audit structure, the internal control system can be applied to all levels of the Company. In 2023, 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.



Regulatory compliance

As regulatory compliance is fundamental to business operations, with business across Asia and aggressive global expansion, we have established policies and procedures for regulatory compliance within our business scope, including but not limited to prevention of corruption, anti-harassment/discrimination, environmental protection, and protection of confidential information. We also set up the Legal and Intellectual Property Center to review domestic and foreign laws and regulations regularly and when needed as well as take external courses to understand regulatory amendments and the latest developments. The Center 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 in order to formulate response strategies and serve as a reference for future business directions.

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. In addition, the Legal and Intellectual Property Center promotes the concept of compliance through announcements and emails regularly and when needed.

In 2023, there were no significant penalties exceeding NT\$1 million. However, the Company was subject to a fine of NT\$50,000 for violating Paragraph 2, Article 32 of the Labor Standards Act due to overtime hours in excess of the regulatory limit. We will increase headcount for proper allocation of workload, monitor employees' overtime hours, and enhance advocacy of overtime regulations to prevent violations of the laws due to extended working hours.

Fulfill tax obligations

The Company does not make any political contribution and pays taxes every year in accordance with domestic and foreign 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. Please refer to Appendix I ESG Information - Economic Data of this report for detailed information.

The tax affairs of Taiflex are managed by the Finance and Accounting Center, which oversees tax compliance at our domestic and overseas operation bases and stays updated on global tax law developments. 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 following tax policies are established to reduce tax risks and pursue the optimal interests of the Company and its shareholders:

Tax Policy

- 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 tax risks associated with 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.



2.4 Sustainable Supply Chain

Material Topic: Sustainable Supply Chain Management (Including the Use of Conflict-free 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, delivery and prices of raw materials, 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 and jointly fulfill corporate social responsibility.

Effect and Impact

- **Actual positive effect:**
Environmental: Work with suppliers to reduce material and resource consumption and mitigate environmental impact.
Social: Urge suppliers to fulfill their responsibilities and prevent human rights violations within the value chain.
- **Potential positive effect:**
Economic: Maintain the quality of upstream raw materials for a consistent production of high-quality products.

Policy and Strategy

- Maintain long-term relationships with domestic and foreign suppliers and urge them to meet regulatory requirements. Actively introduce alternate suppliers to the qualified supply chain 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 Corporate Social Responsibility Commitment" (or provide relevant declaration documents).

Goal and Objective

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

Management Assessment Mechanism

We organize annual audit plan according to the "Supplier (Green) System Audit Evaluation Form," which covers three aspects: Quality system, HSPM system and RBA.

2023 Goal and Achievement

- **Carbon footprint inventory of raw material suppliers**
→ Achieved. In 2023, we surveyed the carbon inventory status of 48 suppliers. Four of them had adopted ISO 14064-1 while seven of them had carried out voluntary inventory.
→ For the 2023 Supplier (Green) System Audit Evaluation, a total of 44 supplier audits (13 on-site audits/31 document review of suppliers) were conducted. The Quality Assurance unit asked suppliers to respond with corrective measures regarding deficiencies identified within the prescribed period.

Prevention or Remedy Measure

- Announce our annual ESG policy to suppliers through supplier conference. 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 are procured following green product specifications.

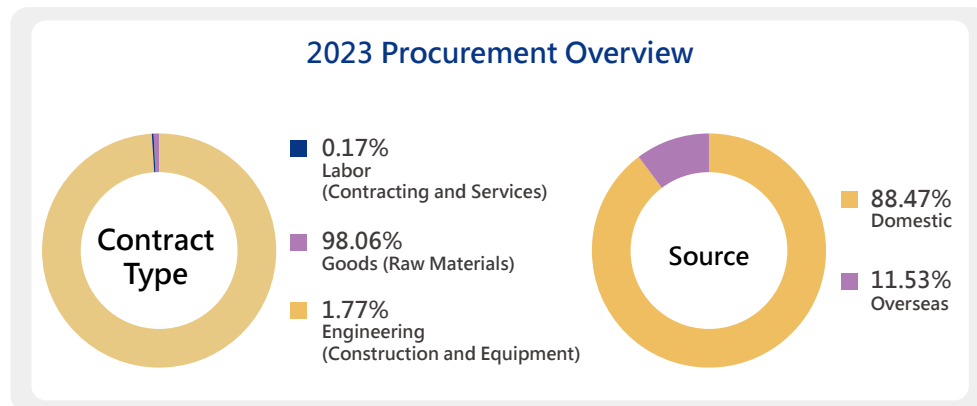
We adhere to the fair-trade principle as well as relevant laws and regulations, respect human rights, safeguard physical and mental health and safety of workers, protect the environment and fulfill social responsibilities.

We uphold the ethical principle, commit to fulfilling corporate social responsibilities in our procurement activities and pursue sustainability.

Supplier overview

Over 90% of the Company's procurement items are goods used in production (raw materials) and packaging (supplies). Raw materials include copper, PI (polyimide), TPI (thermoplastic polyimide) and PET film, most of which need to be imported from abroad. Efforts are being made to increase the use of recycled copper. In terms of supplies, we actively utilize recycled paper and promote the reuse of wooden pallets.

In recent years, the Company has continued to increase the number of suppliers for key raw materials and process equipment. By 2023, the percentage of local purchases has exceeded 88.47%. Please refer to Appendix I ESG Information - Economic Data of this report for detailed information on the procurement categories and percentages.



Raw material control

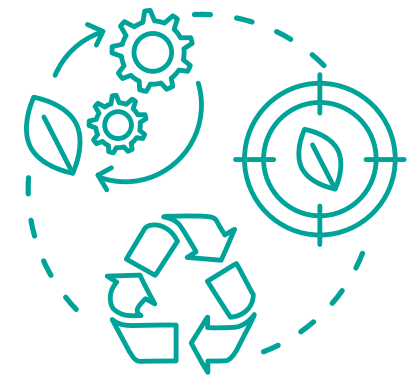
Developments of the electronics industry have always been highly dependent on the use of minerals. The global consensus has now leaned towards the use of conflict-free minerals to protect human rights. To fulfill our corporate social responsibilities, we comply with the "conflict minerals disclosure 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 widely used metal in our production of FPC materials. Besides mining new minerals, recycling from existing applications or electronic products has become the trend. About 90% of copper foil factories worldwide use recycled copper as raw materials. Thus, Taiflex cooperates with key suppliers of copper foil and maintains the use of recycled copper foil at a certain degree, contributing to the reuse of resources and the sustainable development of the planet. Furthermore, the cost advantages, the precision required in ED copper foil process as well as the greater flexibility in width and thickness adjustments allow recycled copper to be widely used in various electronic products. We purchased 158 MT of recycled copper in 2023.

Green procurement

GP documents shall be provided or updated for the introduction of new materials and the regular purchases of 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 have been delivered to suppliers along with our orders through the e-procurement system while we promote the green procurement concept to suppliers. We adopt standards above the regulatory requirements to prevent or mitigate adverse environmental impact, thereby enhancing the Company's operational resilience under climate change crisis.



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. Since 2020, we have been



referring to the Supplier Relationship Management (SRM) platform for suppliers to 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 would immediately be initiated. Relevant departments including procurement, quality assurance and production planning would quickly review aspects such as raw materials stocktaking, supply of materials from alternate suppliers, elevation of raw materials inventory level and material consumption during process, and swiftly draw up a contingency plan.

2.4.2 Evaluation and audit

Taiflex regularly conducts "Supplier Green System Evaluation" on key suppliers through two main approaches: "on-site audits" and "document reviews." This is done to strengthen suppliers' sustainability management mechanisms and ensure their implementation of sustainability initiatives. Green evaluation covers three aspects: Quality system (economic), HSPM system (environmental) and ESG (social). Suppliers shall provide feedback on their implementation of sustainability actions along with relevant management system certifications. This not only allows the Company to understand their sustainability efforts but also help them to enhance their management of sustainability risks. In 2023, a total of 44 supplier audits were conducted (13 on-site audits and 31 document reviews of suppliers). All deficiencies identified were addressed and closed, achieving a completion rate of 100%, and none of the suppliers were disqualified as a result of the audit.

In addition, the Company conducts annual assessments of suppliers in five aspects: quality, procurement, research and development, technology and shipment fulfillment rate. Transactions would be suspended for raw material suppliers who fail the assessment. They would be given a deadline for improvement and subjected to a follow-up audit after six months. Suppliers would be disqualified if improvements were not made. For supplies suppliers who fail the assessment, transactions would be suspended for at least one year, except for sole suppliers. In 2023, a total of 91 suppliers were assessed (44 raw materials suppliers and 47 supplies suppliers). One supplier failed the assessment with follow-up actions completed, achieving a 100% improvement rate.

Supplier quality management

Taiflex requires all raw material 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 return rate of incoming materials, number of major abnormalities, 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 2023 was outstanding.

Social responsibility commitment

In the selection process for raw material suppliers to become part of Taiflex' s supply chain, besides third-party verification of ISO9001 and ISO14001 compliance, suppliers shall commit to complying with the corporate social responsibility standards set out in the "Taiflex Supplier/ Contractor Corporate Social Responsibility Commitment" (CSR Commitment) before signing the contracts. The CSR Commitment is established for suppliers to understand and adhere to corporate sustainability. It encompasses the Code of Conduct for suppliers and contractors, RBA Code of Conduct, and rules and requirements pertaining to conflict-free minerals. We currently have 63 raw material suppliers, and all of them have signed the CSR Commitment (or provide relevant declaration documents). We will work on having all suppliers to follow suit.





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, counseling and improvement programs for 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, as well as commit to the highest ethical and moral standards in their business.

In our 2023 Supplier Conference, we expressed our gratitude towards suppliers' support and outstanding contributions over the past year, and recognized seven excellent suppliers for their efforts. 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.



2023 ESG Supplier Conference



Sustainable Development - ESG

<p>E 環境保護 Environmental</p>	<ul style="list-style-type: none"> ✓ Greenhouse Gas Emissions ✓ Water & Energy Efficiency ✓ Biodiversity
<p>S 社會責任 Social</p>	<ul style="list-style-type: none"> ✓ Labor & Community Relations ✓ Diversity and Inclusion ✓ Customer Benefits
<p>G 公司治理 Governance</p>	<ul style="list-style-type: none"> ✓ Business Ethics ✓ Supply Chain Management ✓ Enterprise Competition