

# 3

## Developer of Innovative Materials



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# 3 Developer of Innovative Materials

## 3.1 Market and Business Expansion

### Material Topic: Economic Performance

#### Main Reason

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.

#### Effect and Impact

- **Actual positive effect:**  
Economic: Generate capital returns for shareholders.
- **Potential positive effect:**  
Social: A sound financial structure contributes to the sustainable operation of the Company, providing employees with a long-term and stable work environment.
- **Potential negative effect:**  
Economic: Economic performance has a direct impact on capital contributions from investors. Performance below peers could result in a significant reduction in capital contributions from investors.

#### Policy and Strategy

We have established the Strategic Planning Office as well as the Global Sales & Marketing Center. Through collaboration between our Global Business Division, Marketing Division and Technical Solutions Division, we strive to drive the external business of Taiflex from the three aspects of customer needs, market dynamics analysis and technology application and services, committing to providing customers with the most reliable and advanced FPC materials.

- **The Strategic Planning Office is responsible for matters set out below:**
  - (1)Analyze technology and industry market dynamics to facilitate the Group with identifying business opportunitie
  - (2)Plan and drive the short and long-term strategies of the Group and monitor the implementation outcome
  - (3)Assess potential strategic investments, M&A targets and cooperation opportunities
- **The Global Sales & Marketing Center is responsible for the following:**
  - (1)In charge of domestic and overseas production and act as an agent for product sales
  - (2)Collect market intelligence and analyze the industry and macro economy
  - (3)Plan and market FPC products as well as propose new product development requirements to the R&D.
  - (4)Provide customers product solutions, respond to questions raised by customers concerning new products and handle customer complaints on new product sampling

Also, we established Taichem Materials Co., Ltd. through spin-off to focus on semiconductor and display packaging materials. There is also the Taiflex Green Power which concentrates on the generation and selling of electricity from renewables.

#### Goal and Objective

- **Short-term goals (2024):**
  - Return on equity not below industry average
  - Operating profit margin not below industry average
- **Medium-term goals (2025-2027):**
  - Return on equity above industry average by 1~5%
  - Operating profit margin above industry average by 1~5%
- **Long-term goal (2028~):**
  - Return on equity above industry average by at least 5%
  - Operating profit margin above industry average by at least 5%

#### Management Assessment Mechanism

We hold regular management and performance review meetings according to the KPIs chosen.

#### 2023 Goal and Achievement

- **Return on equity not below industry average**  
→ Achieved. The Company's return on equity was 4.47% in 2023, which was 5.425% higher than the industry average of -0.955%.
- **Operating profit margin not below industry average**  
→ Achieved. The Company's operating profit margin was 4.43% in 2023, which was 23.73% higher than the industry average of -19.30%.

The average growth rate of return on equity and operating profit margin were -48.38% and -44.20% in 2023, respectively, failing to meet the target of positive growth. This was mainly due to inventory digestion throughout the industry during the year and a lack of significant turnaround in end-market demand.

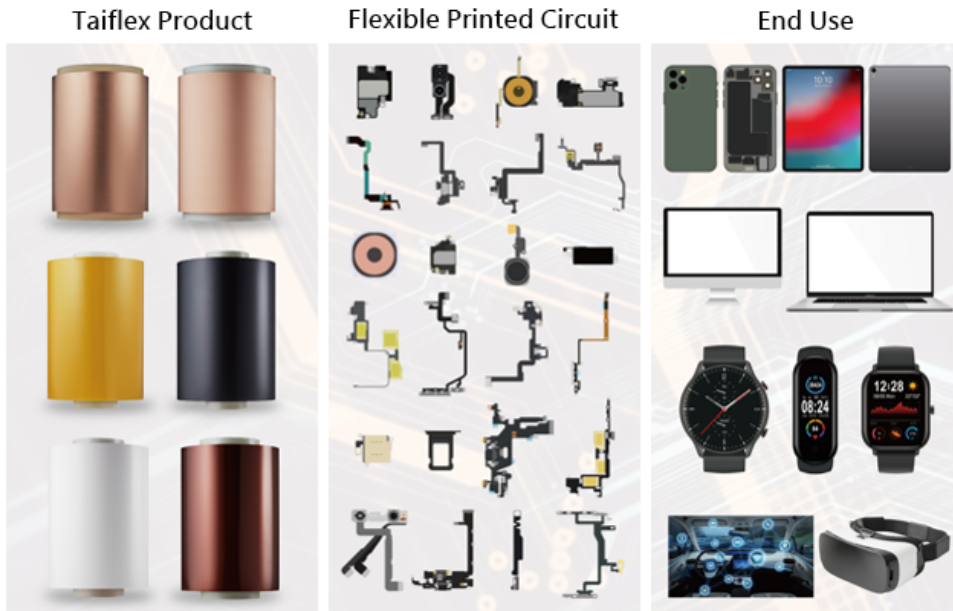
#### Prevention or Remedy Measure

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.



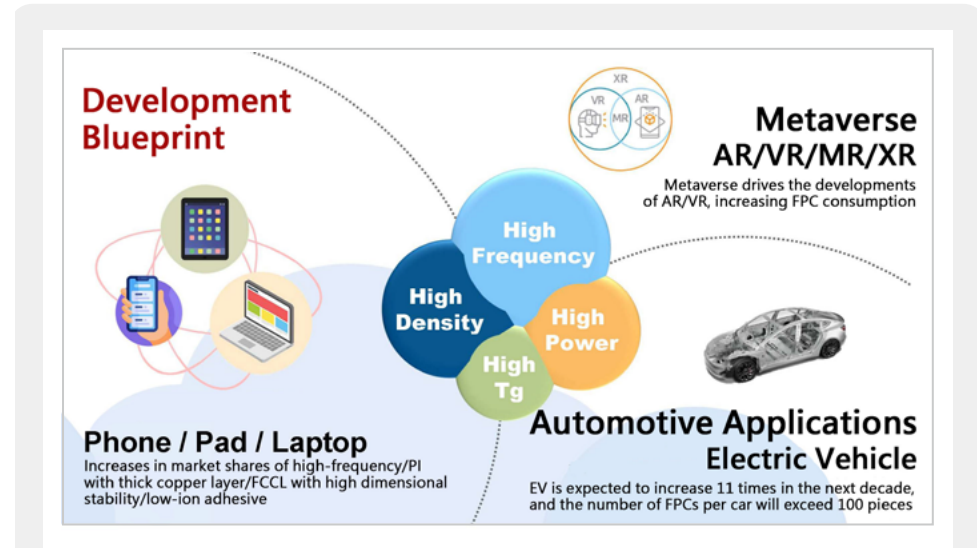
## Development trends of FPC materials

As a world's leading supplier of FPC materials, our product portfolio includes Flexible Copper Clad Laminate (FCCL,) cover-layer, bonding sheet, stiffener and composite materials. Once processed by our Flexible PCB (FPC) customer, these materials can be applied to computer, communication and consumer electronics (3C products,) mobile devices, wearable devices, automotive multimedia and others fields.

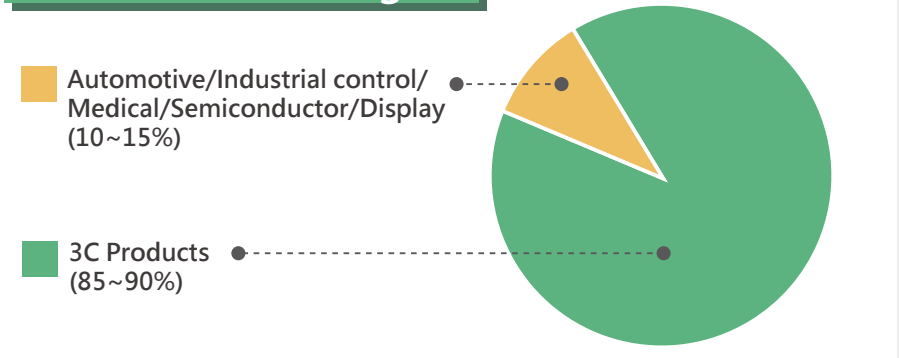


With advantages of being flexible, light and thin, FPC materials are widely used in consumer products that are size-sensitive. Thus, adhesiveless FPC material (2L-FCCL), having the advantage of being thinner, officially replaces adhesive FPC material (3L-FCCL) to become the main specification in the market. Furthermore, the increasing demand for high data transmission leads to a proactive shift towards high-density, fine-line, low-loss and high-speed applications.

In addition, the trend of lightweight electric vehicles (EVs) drives the transition from traditional copper cable harnesses to FPCs for the battery management system (BMS) within the electronic control system. We therefore expect an increasing demand for automotive-grade FCCLs that are high-temperature and high-pressure resistant. We have already built a factory in Thailand to expand our capacity for automotive materials. Please refer to "Column - Our Presence in Thailand" of this report for detailed information.



## Product Percentages



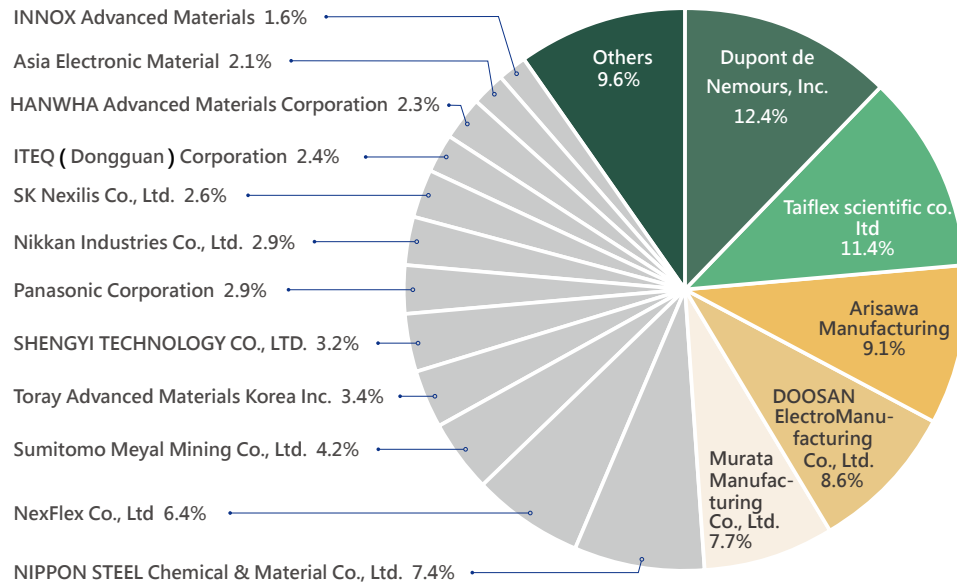


## Market competition

The global supply of FCCL is dominated by Japan, Taiwan and Korea. However, the PCB industry in China has grown rapidly in recent years with help from the government. A complete industry cluster, including upstream copper foil plants and CCL plants and downstream assembly factories, is taking shape. Meanwhile, there are also peers of the Copper Clad Laminate (CCL) sector tapping into the FCCL market, complicating the industry competition.

Faced with a dynamic industry environment, we will persistently build long-term competitive and sustainable operation, continue to invest research and development resources in advanced materials for flexible electronics and semiconductor materials, and strengthen our core competence, working towards producing high-value added products. At the same time, we will leverage our leading position in flexible materials to collaborate with customers in order to capture the driving forces of market growth and lay a solid foundation for sustainability. In 2022, our global market share in FPC reached 11.4%.

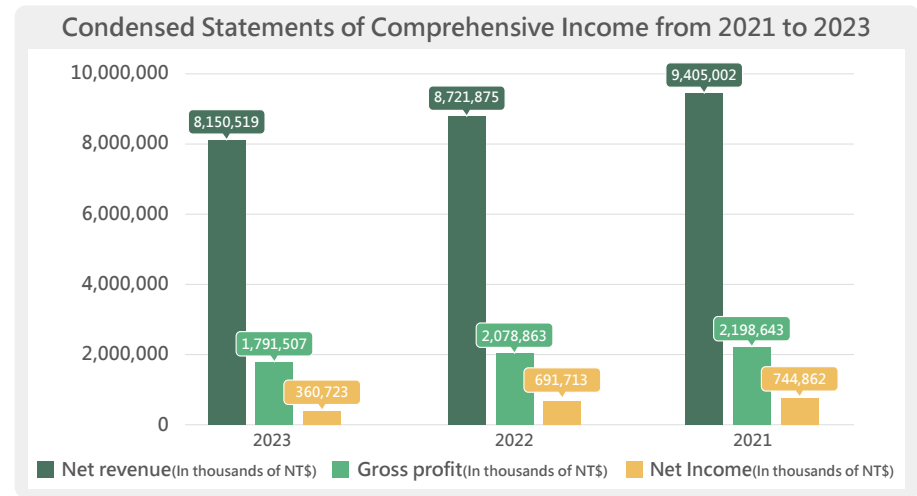
### JMS Market Share Pie Chart



## Annual operating performance

Under the dual impact of price spikes and central bank raising 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 segment of the supply chain put sales under greater recessionary pressure. Our operating revenue amounted to NT\$8,151 million in 2023, down 6.6% from the previous year, with an earnings per share of NT\$2.02. Please refer to Appendix I ESG Information - Economic Data of this report for detailed financial data.

Moving forward, the Company will continue to actively implement various operational and risk control measures, such as increasing local purchases, adopting flexible inventory strategies for key raw materials and products, optimizing product structure, and persistently executing cost improvement, production efficiency enhancement as well as expense control. We aim to mitigate the negative impact of declining demand and enhance our resilience. Besides reducing the adverse effects of uncertainties, we will escalate our investments in new material research and development as well as product sampling, striving to expand our market share while awaiting economy recovery to seize the growth opportunity from next material upgrades.



Annual Report



Shareholder Services



Financial Report



Financial Information



# Expanding Business Footprint - Our Presence in Thailand



For long-term consideration of organizational sustainability, expanding our global presence and establishing overseas footprint have always been a crucial part of our planning. Upon prudent evaluation, we had selected Thailand as the Group’s third production base and chose to build the factory at Amata City Chonburi after several on-site inspections.

With 30 years of experience in industrial park development and having these industrial parks contributing to more than 10% of Thailand’s GDP, Amata Group is a leading developer of industrial and commercial zones in Thailand. The Amata City Chonburi, located in Chonburi Province, southeast of Bangkok, is part of Thailand’s Eastern Economic Corridor (EEC). Covering an area of 4,000 hectares, it is the largest industrial park in Thailand. With over 770 companies and a total workforce exceeding 210,000 people, it has evolved into a sizable industrial cluster, fully equipped with functions of living, leisure, education, and research. The park is connected by two highways, allowing access to Suvarnabhumi International Airport (BKK) and Laem Chabang, Thailand’s largest port, within half an hour, and it is only a one-hour drive from downtown Bangkok. In addition, a planned high-speed rail line is expected to set up a station here. All of which highlight its convenience in terms of transportation. Furthermore, the “Amata Taipei Smart City,” a joint venture between Taiwan and Thailand, is adjacent to the north of the industrial park with construction commenced in January 2022. A future industrial cluster of Taiwanese companies where technological expertise and operational capabilities can be better aggregated could create enormous business opportunities.

Thailand’s advantageous geographical location as a vital transportation hub in Southeast Asia, coupled with its government’s active promotion of free trade and investment incentives, prompt flourishing developments in economy and industries which is favorable for our continuous growth. More importantly, Thailand is a major automotive manufacturing center in Southeast Asia, often referred to as the “Detroit of the East.” With a complete automotive supply chain, it stands as the largest automotive manufacturing and exporting country in Southeast Asia and has been actively driving the EV industry development in recent years. With proven experience in mass production of EV materials and being the only FPC material supplier with a factory in Thailand, Taiflex will become an integral part of the automotive component supply chain in Thailand, realizing local production to provide more timely services to meet the needs of automotive customers.

The area of our Thai factory was nearly 42,000 square meters. We invested US\$35 million for phase one of the project to manufacture double-sided adhesiveless FCCL. With a focus on the enormous potential of the automotive market in Southeast Asia, we plan to manufacture other FPC materials including cover-layer and adhesive FCCL.

We actively promote the concept of low-carbon economy, and our new factory in Thailand is a green factory in line with the RE100 initiative. In addition to installing rooftop solar power systems on the premises, we signed a ten-year purchase agreement with the Enmax Group (Thailand) for green power certificates of 75 GWh on February 6, 2024 to meet the expectations of customers and the international community, and provide a solution for our Thailand factory to achieve RE100.

Our new factory in Thailand is scheduled to commence mass production in the second quarter of 2024, with an opening ceremony in May. Upon full completion, it will be the green manufacturing benchmark within the Group and lay a solid foundation for the Group’s operations in Southeast Asia.





## 3.2 Product R&D and Innovation

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

#### Main Reason

“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.

#### Effect and Impact

- **Actual positive effect:** :  
Economic: Gain a technological edge and more opportunities for customer collaboration.  
Social: Assist in technological product upgrades to promote the convenience of people’ s lives.
- **Potential positive effect:**  
Environmental: Develop green products with biomass raw materials or increase the proportion of recycled raw materials to help reducing the environmental impact.

#### Policy and Strategy

- Innovative R&D: The R&D Center integrates market and customer feedback provided by other units to formulate R&D plans.
- Patent management: Coordinated by the Legal and Intellectual Property Center, the IP management and review system is established based on TIPS with a combination of the Company’ s business strategies, operation objectives and core technologies using the “Plan-Do-Check-Act (PDCA)” approach.

#### Goal and Objective

- **Short-term (2024):**  
- 2 patent applications per year  
- To obtain Level-A TIPS re-certification
- **Medium-term (2025-2027):**  
- 2 patent applications per year  
- Establish strategic IP portfolio and improve the Company’ s IP management system
- **Long-term goal (2028~):**  
- 2 patent applications per year  
- Integrate the development directions of R&D and IP rights in line with the Company’ s operation strategy  
- Revive corporate resources through IP strategies including technology sale/transfer or licensing

#### Management Assessment Mechanism

- The R&D Center performs phase review every month based on the project progress of the Product Life-cycle Management and adjust the execution details.
- The Legal and Intellectual Property Center calculates the number of patents every year and reports to the Board of Directors.

#### 2023 Goal and Achievement

- **2 patent applications per year**  
→ Achieved. There were 4 applications in 2023, i.e., an achievement rate of 200%.
- **To obtain Level-A TIPS certification**  
→ Achieved. The Company had obtained Level-A TIPS certification in 2023.

#### Prevention or Remedy Measure

Prior to the commencement of a R&D project, the Legal and Intellectual Property Center would assist our R&D personnel in eliminating the sources of patent risk through preliminary patent research. They may opt for a design around to ensure the freedom to operate. The Legal and Intellectual Property Center also assists our colleagues in transforming their R&D results into IP when R&D projects are underway.

### 3.2.1 Commitment to long-term R&D

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 FPC material supplier 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. Please refer to Appendix I ESG Information - Economic Data of this report for detailed information on Taiflex' s participation in external industry associations.

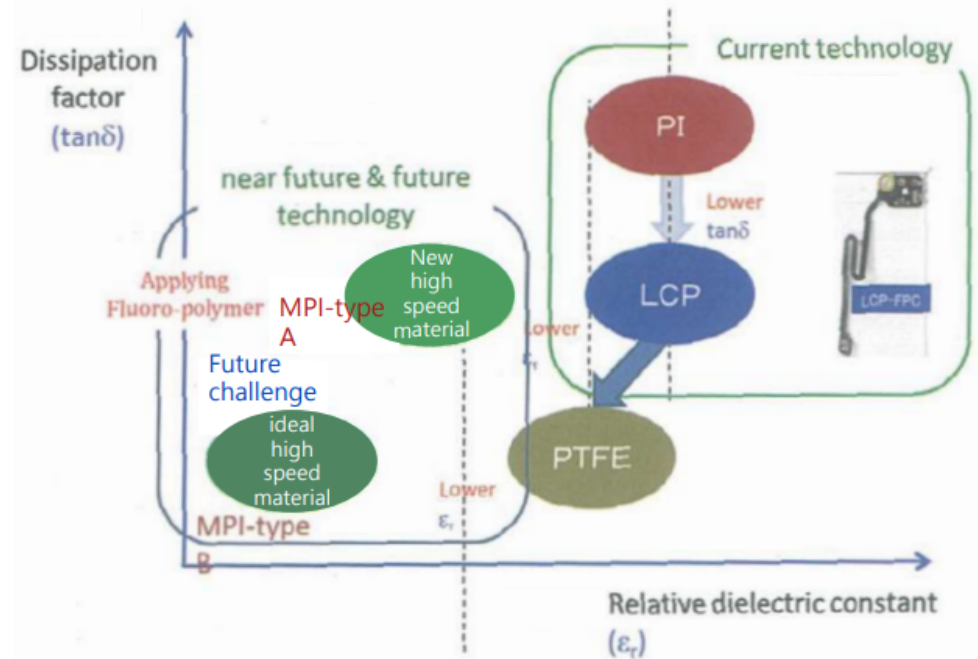
In addition to our long-term involvement with FPC materials, we have expanded our business to include advanced packaging materials for semiconductors and display as well as high-precision coating manufacturing services by leveraging our three core technologies of formula development, precision coating, 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.

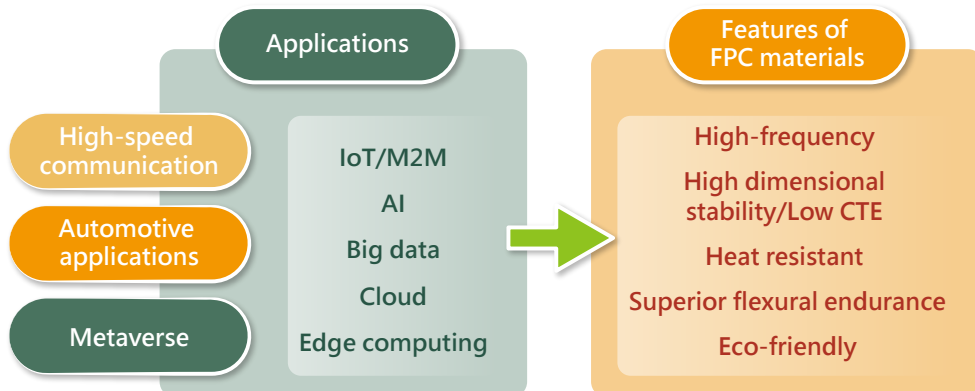
### Development of low-loss materials

The rising proportion of 5G communication over the years along with the demand for high data transmission and robust developments in the new energy vehicle segment drive major material companies and brands to shift towards high bandwidth and low latency applications. Since high-speed signal transmission suffers greater insertion loss, applications mostly opt for materials with low Dk/Df. Besides LCP and MPI which are common in the market, our R&D Center is aggressively developing fluoro-based materials with lower Dk and Df values.



Nevertheless, the focus shall not be placed merely on understanding the material but also its subsequent 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. It is therefore an excellent material for high-frequency applications. However, the material itself is difficult to process in the subsequent stages.

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





## 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 will continue to focus on technology and invest more than 3% of our annual sales in R&D. Through continuous research and innovation, we aim to provide the market with superior and more diverse choices of materials and a wide range of applications. We expect our new products to enjoy significant growth in automotive, meta-universe and wearable segments in the future.



### R&D Expenses over the Years

Year		2019	2020	2021	2022	2023
R&D Expenses	Revenue (In thousands of NT\$)	6,919,495	7,491,041	7,671,215	7,287,918	6,837,677
	R&D Expenses (In thousands of NT\$)	265,762	260,938	284,484	350,360	314,812
	Percentage (%)	3.84%	3.48%	3.71%	4.81%	4.60%

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



### Future R&D Headcounts

Year	2023	2024	2025	2026	2027
No. of staff	37	41	41	45	45
No. of new staff	0	4	0	4	0
Growth rate	0%	9.75%	0%	8.88%	0%

Note: Growth rate = No. of new staff of the current year / R&D headcounts of the previous year × 100%.

## 3.2.2 Intellectual property management

Taiflex places utmost importance on R&D innovations and recognizes IP as one of the core assets of the organization. During technology development, the Legal and Intellectual Property Center would assist the R&D Center in 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.

Also, the Legal and Intellectual Property Center regularly maintains and evaluates our patents and R&D results under protection, analyzes IP value based on the intelligence collected, and commercializes our IPs through patent licensing or technology transfer to increase the economic benefits and lower the operating costs of IP.

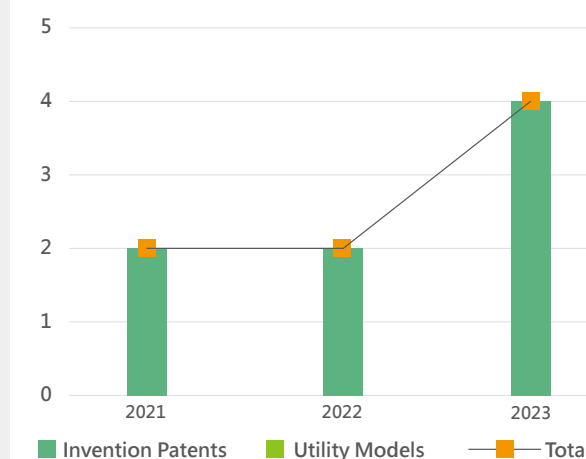
### Patent portfolio

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 2023, we had 247 global patent applications and up to 84% of them were invention patents in the major markets of Taiwan, the U.S., Japan, Europe and mainland China, with 150 applications approved. We aim to continuously expand our IP portfolio regarding our core technologies and R&D achievements.



PATENTED

Patents from Product Development in the Past Three Years







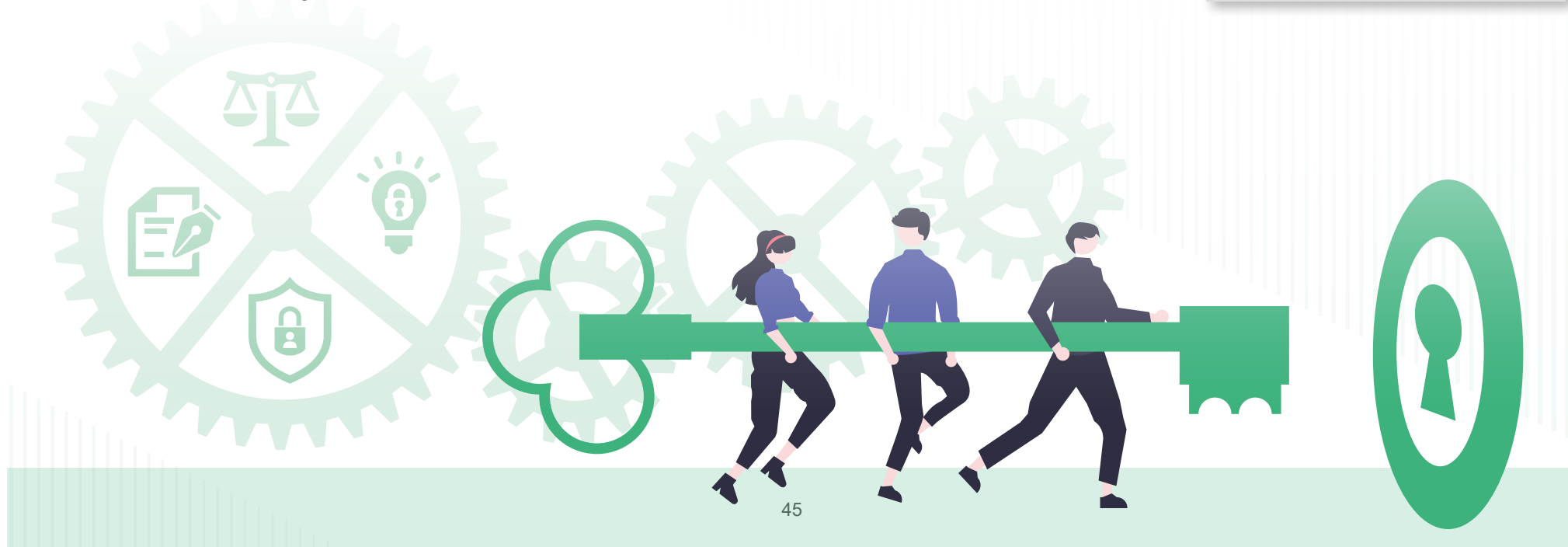
## IP protection system

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. Trade secrets include 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. With respect to trade secrets concerning key formula and process, we registered four cases for management in 2023 (there were no concerns over leakage of customer privacy), with a cumulative total of 15 cases. We introduced ELN in 2021 to reinforce our control over R&D achievements, thereby furthering our technological advantages.

For employees to have correct understanding on IP management system, Taiflex has adopted the Taiwan Intellectual Property Management System (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 obtained the Level-A TIPS certification in 2023. With further improvement on IP management, we reduce the risk of intangible assets management, thereby enhancing our overall profitability and operation performance.

## Protection of trade secrets

We understand trade secrets have high commercial value and importance to corporate operations. Besides protecting our research achievements through patent applications, we have adopted ISO27001 Information Security Management System in 2016, established the Intangible Assets Security Committee and formulated the Confidential Information Protection Policy to manage the Company's confidential information. By establishing a sound trade secret protection management mechanism, 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.





# Knowledge Management Kickoff Meeting



On October 13, 2023, Taiflex' s Knowledge Management (KM) was officially launched under the leadership of the President. With tea being the theme, the kickoff meeting used tea as a metaphor for knowledge, where the process of brewing tea is similar to the unfolding, extraction, and diffusion of knowledge, embodying the spirit of KM.

During the kickoff meeting, the President shared with colleagues the concept of knowledge is power, power creates value, and value leads the Company towards sustainability. By systematically categorizing, integrating, accumulating, analyzing, and applying knowledge, the power of knowledge would lead Taiflex to explore and innovate in unknown territories.

Taiflex' s KM aims to "build a knowledge temple for electronic materials and become the cornerstone of sustainable operation." It seeks to revitalize the Company' s knowledge culture by establishing a learning organization, nurture precision coating through delving into innovative developments, study high-end formulas in light of global trends,

complete digital transformation with smart manufacturing developments, and accelerate production scale to deploy diversification strategies, thereby leading Taiflex towards sustainable operation.

In 2023, the KM team organized a total of 25 educational, counseling and promotional activities with an average attendance rate of 74%. To drive a sharing culture and enhance knowledge exchange, the team carried out promotional activities in five ways: printed materials, electronic media, events, promotional materials, and systems. In 2024, it will continue to promote the transfer and utilization of knowledge and experience as well as accelerate R&D innovations on a solid foundation to enhance competitiveness and create sustainable value.



### 3.3 Information Security and Customer Privacy

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

##### Main Reason

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 cornerstones for securing our long-term competitiveness and sustainable operation.

##### Effect and Impact

- **Actual positive effect:**  
Economic: Proper management of corporate intangible assets earns customer trust and helps to maintain cooperative relationships.
- **Potential negative effect:**  
Economic: With frequent occurrences of cyberattacks and hacking incidents, a leakage of confidential information would undermine the Company's competitive advantage and may result in customer claims or regulatory penalties.

##### Policy and Strategy

Through management in eight major aspects, we impose rules from the source to the end to ensure the confidentiality, integrity and availability of our information and assets, thereby protecting them against intentional or accidental threats, both internal and external, and complying with applicable laws and regulations.

##### Goal and Objective

- **Short-term goals (2024):**
  - Transition to ISO 27001:2022 (current version: 2013)
  - No litigation arising from customer privacy breaches and information security incidents
- **Medium-term goals (2025-2027):**
  - Establish an information security incident management and tracking platform
  - Continuous implementation of personal data protection and management, and customer data protection
  - No litigation arising from customer privacy breaches and information security incidents
  - Ongoing ELN
- **Long-term goal (2028~):**
  - Construct an automated information security system
  - No litigation arising from customer privacy breaches and information security incidents



##### Management Assessment Mechanism

- Implement relevant risk management pursuant to ISO 27001, and perform stability assessment on critical internal systems.
- Conduct information security audits of key customers and international certification systems for information security management.

##### 2023 Goal and Achievement

- **Established the position of CISO at the level above Vice President**  
→ Achieved. The Company has established the position of CISO at the level above Vice President.
  - **Transition to ISO 27001:2022 (current version: 2013)**  
→ Unachieved. CISO will lead the Information Security team to complete the transition to ISO 27001:2022 in 2024.
  - **No litigation arising from customer privacy breaches and information security incidents**  
→ Achieved.
- In addition, we achieved a system stability of 99.996%, passed the information security audits of key customers again, and obtained the ISO27001 certification for eight consecutive years in 2023. Also, the Group's information security was rated A (excellent) by the SSC, an external information security specialist.

##### Prevention or Remedy Measure

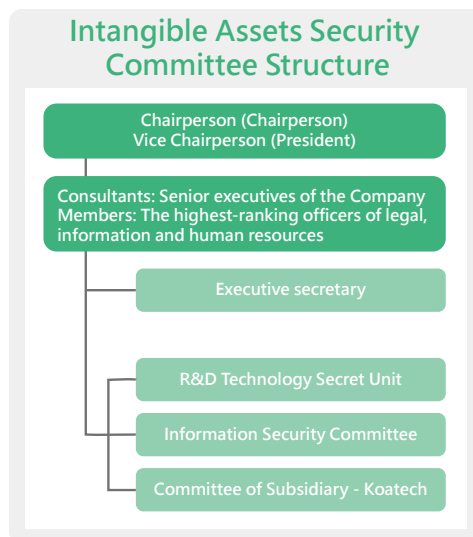
The Intangible Asset Security Committee regularly reviews the effectiveness of various information security procedures in order to enhance or strengthen relevant management mechanisms and prevent information security risks.



## Information security risk management organization

With the development of information technology and smart manufacturing, modern enterprises extensively utilize information systems. In order to maintain corporate governance and reduce operational risks, we established the "Intangible Asset Security Committee" in 2015, where the heads of legal affairs, information, human resources and other units would carry out cross-departmental communications and coordinate the planning of the Group's information security policy, information security risk management framework, specific action plans and resources required.

As a R&D-oriented company, Taiflex engages in numerous collaborative projects and exchanges with customers. Therefore, effective management of information security risks and protection of trade secrets are measures to protect customer privacy. The Company has taken one step further and established the Information Security and Knowledge Management Division in March 2022 for the planning, implementation, and risk management of policies related to information security and trade secret protection. The CISO along with the Information Security Officer report to the Board on information security issues and the effectiveness of relevant governance every year.








## Management measures in eight major aspects

Information security risk exists in every corner of business operations and involves daily business of each department. Therefore, we require 100% of our employees to sign the Employment and Service Commitment for them to be fully informed of their confidentiality obligations when they join the Company. Upon termination of employment, employees shall return information acquired during the employment and fully comply with the confidentiality obligations.

In order to build an information security culture within the Company, we have monthly promotion of CIPP and conduct annual assessment on the Taiflex confidential information protection standards to ensure all employees of the Company and its subsidiaries are aware of relevant standards. We also encourage employees to use the information security hotline: (07)813-9989#70110/e-mail: IT\_security@taiflex.com.tw to report potential information security hazards immediately.

The Company has implemented management measures in eight major aspects to minimize information security risks and achieve the goal of protecting customer privacy. In 2023, the Company did not identify any major cyberattacks or security breaches, nor was there any actual or potential issues which may have material adverse impact on the Company's operation.

 <b>Document Management</b>	<ul style="list-style-type: none"> <li>Establish a document management platform (DMP) and adopt file classification management.</li> <li>Establish procedures for the retrieval and destruction of confidential documents and implement tracking and management measures.</li> </ul>
 <b>Risk Management</b>	<ul style="list-style-type: none"> <li>Risk assessments and regular vulnerability scanning on computer facilities.</li> <li>Regular disaster exercises and drills concerning cybersecurity.</li> </ul>
 <b>Information Operation Security</b>	<ul style="list-style-type: none"> <li>Enforce password rules and establish endpoint detection and response (EDR) software.</li> <li>Set up remote and local backup/recovery services.</li> </ul>
 <b>Device Security</b>	<ul style="list-style-type: none"> <li>Set up device security protection mechanisms (e.g., encryption), and monitor network and information access security.</li> </ul>
 <b>Supply Chain Security</b>	<ul style="list-style-type: none"> <li>Units shall adopt the practice of signing non-disclosure agreements (NDAs) with suppliers.</li> <li>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 controls, thereby avoiding supply chain disruptions caused by information security incidents.</li> </ul>
 <b>Premises Security</b>	<ul style="list-style-type: none"> <li>Implement controls over computers of guests/visitors as well as electronic devices, personal mobile phones and USB flash drives at production lines and laboratories.</li> <li>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.</li> </ul>
 <b>Human Resource Security</b>	<ul style="list-style-type: none"> <li>All employees of the Company and its subsidiaries have signed the CIPP with a 100% signing rate.</li> <li>Carry out cybersecurity education and training, and promote information security instructions company-wide.</li> <li>Promote "Confidential Information Protection Policy" on the first day of each month to increase employees' awareness of information security.</li> </ul>
 <b>Information Security Assessment</b>	<ul style="list-style-type: none"> <li>The Company has obtained ISO27001 Information Security Management certification for consecutive years.</li> <li>Passed the information security audits of key customers with improvement measures.</li> <li>Internal audits and self-assessments; the Company continues to carry out periodic vulnerability and threat analyses and reports to top executives for approval.</li> </ul>



## Continuous improvement of operational security

The Company has introduced ISO 27001 Information Security Management Systems (ISO 27001:2013) in 2016 and been certified by external agencies for eight consecutive years, building the best security defense for the Company. The CISO is expected to lead the Information Security team to complete the transition to ISO 27001:2022 in 2024. With an effective information security management system, we ensure that all our information systems and digital assets can continue to operate in an environment that maintains confidentiality, integrity, and availability.

The Intangible Assets Security Committee has established an information security management framework with predictive capabilities and responsiveness. It regularly conducts the iterative process of PDCA to review the effectiveness of various information security operations within the Company. It continuously strengthens various information operation management mechanisms to ensure proper protection of our data and intellectual property, and prevent the theft of trade secrets by malicious individuals, thereby strengthening our competitive advantage to maximize the interests of our customers, shareholders and employees.

- Formulate information security policy
- Formulate information security procedures



- Improve internal procedures
- Adopt external solutions

- Promote information security policy/ Education and training
- Introduce and execute information security protective measures

- Assess information security risk
- Evaluate information assets



A former employee of Taiflex was involved in a criminal case related to the violation of trade secret in 2021. The case was brought to trial in 2022 after the conclusion of investigations by prosecutors, and transferred to the criminal court of the Intellectual Property and Commercial Court in 2024. In view of the violation, our management measures are adjusted as follows:

1. For the violation of the Company’s confidentiality policy by using personal devices 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.
2. 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. Also, 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.





### 3.4 Customer Demand and Quality Management

#### Material Topic: Product Safety and Quality

##### Main Reason

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 the Company and our customers.



##### Effect and Impact

- **Actual positive effect:**  
Economic: Efficient services and high-quality products are favored by customers, which help to secure more orders.
- **Potential positive effect:**  
Social: Promote healthy competition in the industry and reduce the chances of inferior products from other brands entering the market.



##### Policy and Strategy

- Provide prompt technical support services with solid R&D capabilities to meet customer needs for development, design, testing and after-sales services.
- 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.

##### Goal and Objective

- **Short-term goals (2024):**
  - Customer satisfaction rate of at least 88 points
  - 100% compliance with hazardous substances free-related regulations and customer requirements
- **Medium-term goals (2025-2027):**
  - Customer satisfaction rate of at least 89 points
  - 100% compliance with hazardous substances free-related regulations and customer requirements
- **Long-term goal (2028~):**
  - Customer satisfaction rate of at least 90 points
  - 100% compliance with hazardous substances free-related regulations and customer requirements



##### Management Assessment Mechanism

Conduct customer satisfaction surveys on a regular basis, and include them in the management review meetings for review and be submitted to the President.



##### 2023 Goal and Achievement

- **Customer satisfaction rate of at least 88 points**  
→ Achieved. Customer satisfaction rate was 90.4 points in 2023.
- **100% compliance with hazardous substances free-related regulations and customer requirements**  
→ Achieved. All our products complied with hazardous substances free-related regulations and customer requirements in 2023.



##### Prevention or Remedy Measure

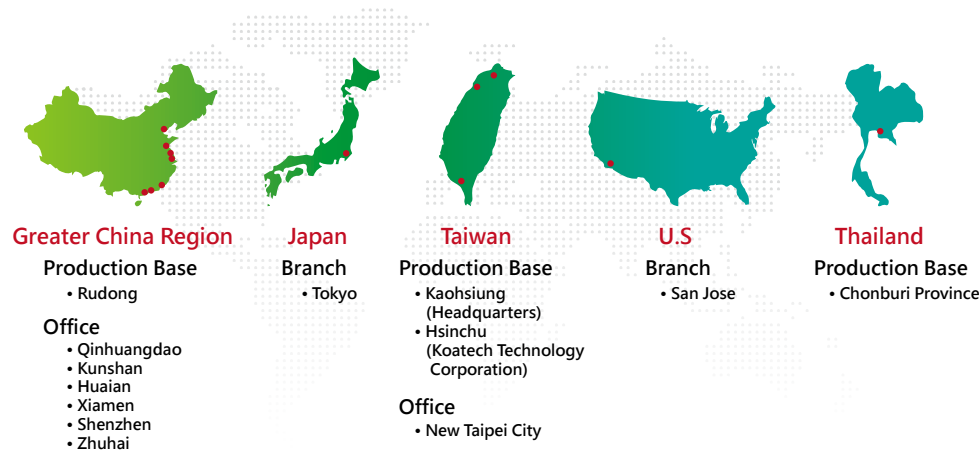
Review the status of target achievement in the management review meeting every year, and provide explanations and improvement plans for items failing to meet the objective.

### 3.4.1 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. We maintain continuous communication with customers throughout the production and sales stages, providing weekly feedback on future global demand to the Headquarters and later translating the feedback into production plans. We collaborate with companies in the supply chain to form a comprehensive industry value chain and pursue maximum benefits for the Company while meeting customer demands.

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 cover-layer</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>

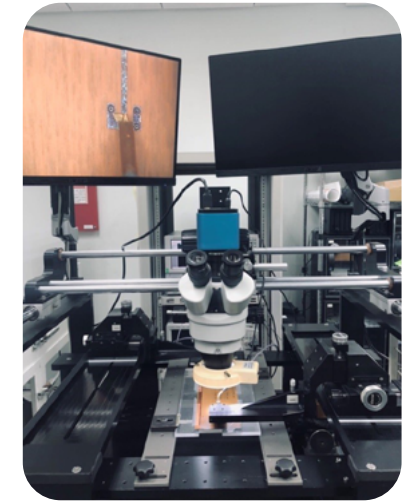
Customer satisfaction is at the heart of our management philosophy. We are committed to deliver innovative products and services and uphold the core values of responsibility and enthusiasm. Taiflex has dedicated units providing product services to customers and working closely with the quality assurance 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.



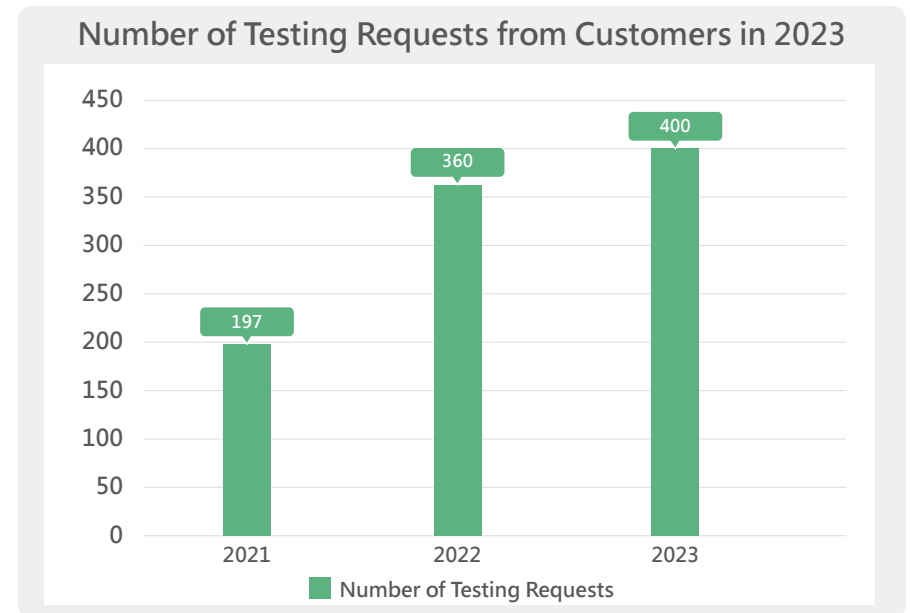
### Technical support

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 to enhance service efficiency and forge a closer tie with customers. We engage in technical exchanges with customers when needed and provide technical assistance to address any issues they encounter during design and testing.

Taiflex has acquired a complete set of testing equipment including SEM/EDS, FTIR, metallurgical microscopes, TMA/DSC/DMA thermal analyzers and tension machines for internal departments as well as testing requests from customers to satisfy their needs for material analysis and characteristic testing. Besides expediting the product validation process for our customers, our technical staff can gain a better understanding of product characteristics, thereby enhancing cooperation and mutual understanding with customers.



PNA microwave network analyzer



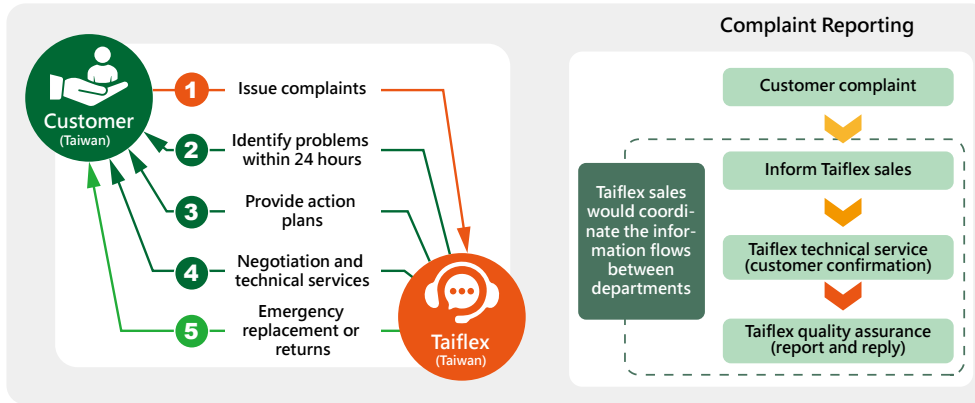
Note: We have restated the number of testing requests from customers for 2021 and 2022 as the numbers in the previous report were incorrect.



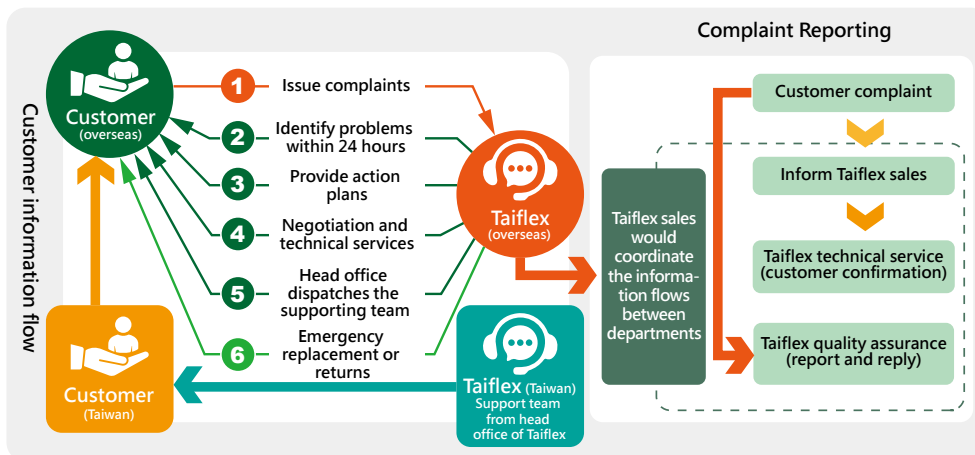
## Handling of customer complaints

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.

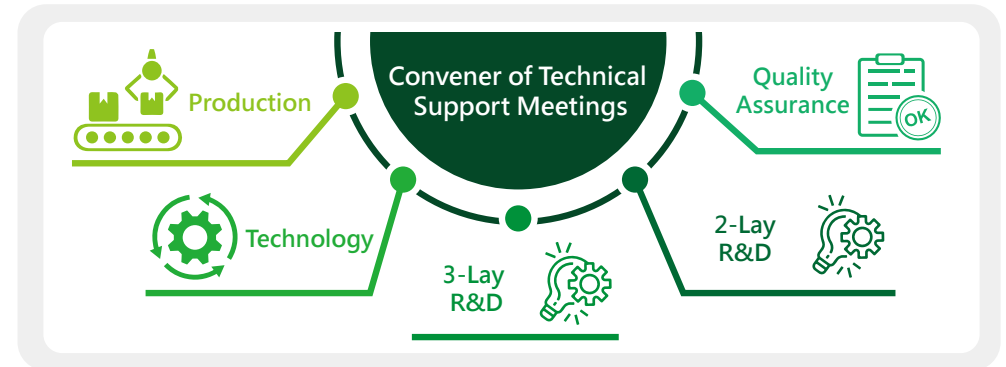
### Procedures for Domestic Customer Complaints



### Procedures for Overseas Customer Complaints



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.



## 3.4.2 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 continue to make improvements through cross-departmental technical meetings, quality proposals, 5S, defect rate meetings, etc., aiming to satisfy our customers' needs as quickly as possible.

A total of 183 quality proposals were submitted in 2023. 5S activities are assigned by engineers or supervisors on a rotating basis to assess the on-site environment / safety / work practices in order to meet quality and safety requirements.

Note: 5S refers to sort, set in order, shine, standardize and sustain.







## 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.

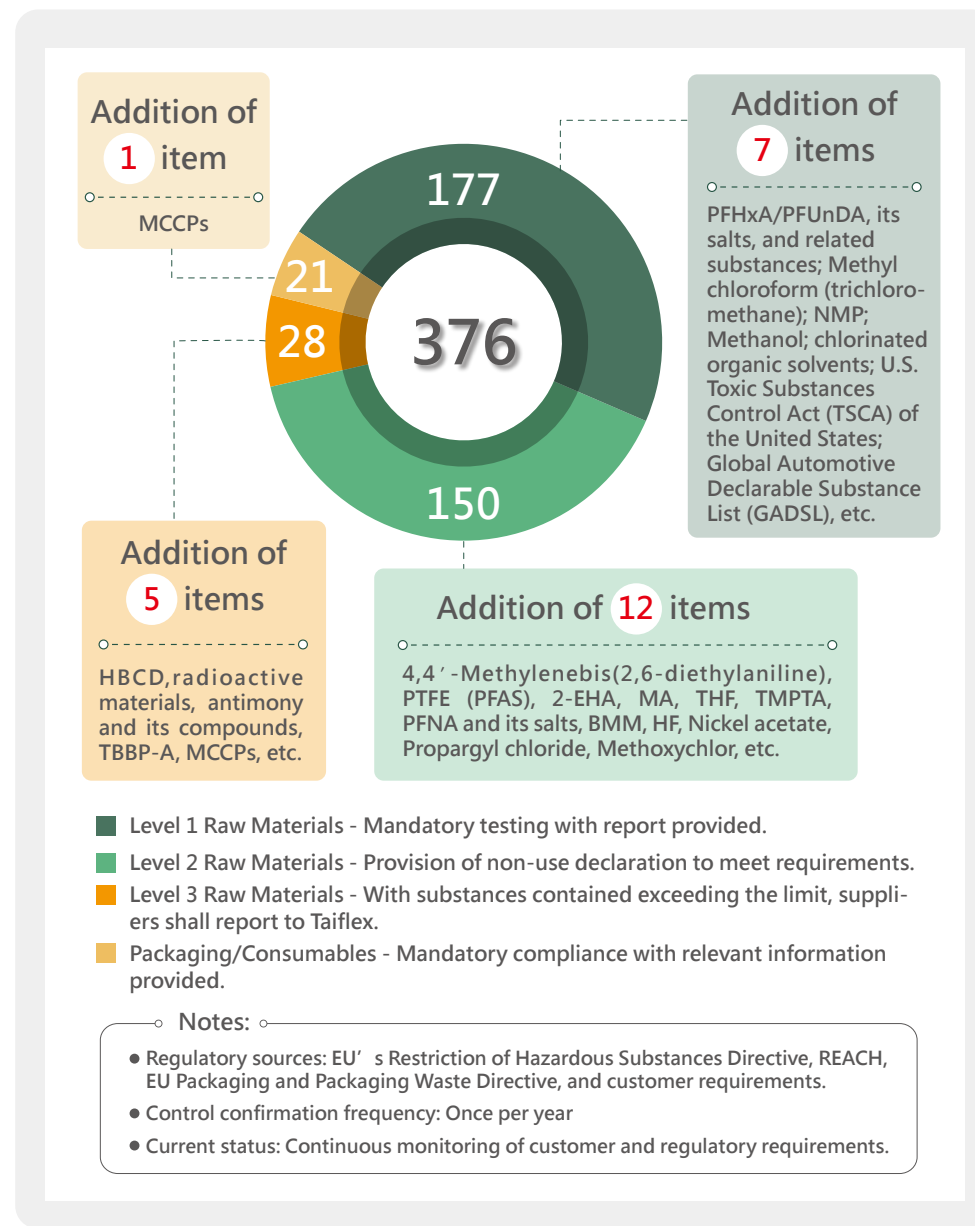
In 2023, there were no incidents where quality of our products affected the safety or health of downstream suppliers and end-users nor non-compliances of laws and regulations concerning product and service labeling and marketing.



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 Comparative Tracking Index: IEC 60112 REACH/RoHS/ISO 9001/IATF 16949	100%
3L FCCL	Flammability: ISO 9773, IEC 60695-11-10 Comparative Tracking Index: IEC 60112 REACH/RoHS/ISO 9001/IATF 16949	100%
CVL	Flammability: ISO 9773, IEC 60695-11-10 REACH/RoHS/ISO 9001/IATF 16949	100%
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.

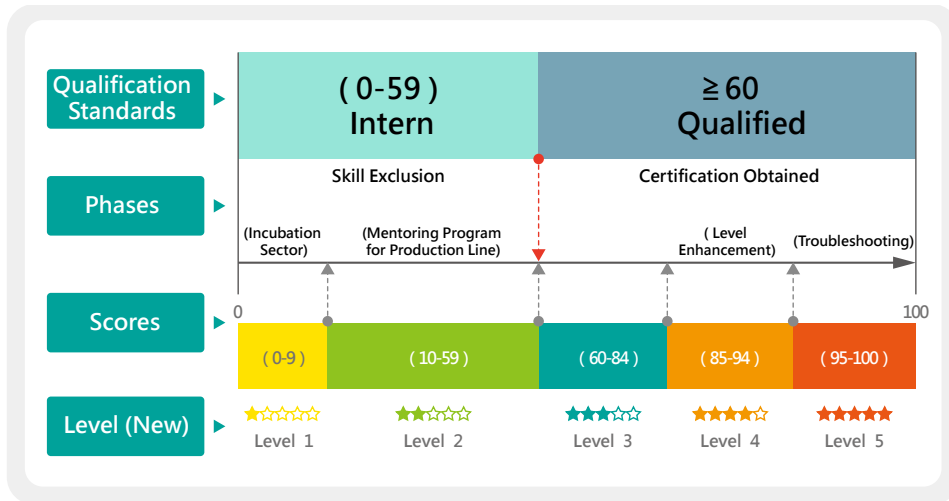
## 2023 Hazardous Material Control Items





## Operator training

The skill proficiency of direct personnel in the Manufacturing Center is an important factor that directly affects the stability of production quality. Therefore, we have implemented a certification system (Level 1 to 5). Employees shall undergo safety and orientation training when coming aboard and only qualified employees (above Level 3) can join the production line to operate machines independently. They would receive on-the-job skill training from trainers and on-site personnel through the mentoring program.



Assessments on the on-the-job skill training include instruments and equipment operation, product appearance judgment, and troubleshooting. Assessments are conducted quarterly and annually for level advancement evaluation. Of the 340 direct personnel in 2023, 3% were at Level 2, 32% were at Level 3, 6% were at Level 4 while 59% were at Level 5. When new recruits come on board, they would be paired through the mentoring program and with training mechanism set up by the incubation sector, they shall be able to meet job requirements with adequate quality and safety awareness on schedule.



## Customer satisfaction survey

To truly understand and listen to our customers, Taiflex conducts customer satisfaction surveys every six months. Survey forms are regularly sent to target customers by sales personnel via fax or E-mail, and where necessary, contacts may be made via phone or letters. The purpose of the survey is fully explained to the customers, and they are requested to respond within the specified deadline. Once data are collected, the "Customer Satisfaction Survey Report" (including the results of customer satisfaction surveys and evaluations) would be prepared, which is then reviewed by the (assistant) managers and submitted to the (Vice) President for approval.

In 2023, we scored an average of 90.4 points in customer satisfaction, achieving the annual goal of 88 points or above. Negative feedback or failed performance from the survey 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.

