

Message from the Chairperson

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

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

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

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



Chairperson 孫達波 *Sun Te-Wen*

Message from the President

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

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

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



President

Tzong-Hann Jiang

About this Report

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

◆ Reporting Scope and Period

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

◆ Preparation Principles and Guidelines

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

◆ Timing and Frequency of the Report

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



Previous report: June 2022

Current report: June 2023

Next report: Scheduled to be released in June 2024

◆ Audit and External Verification

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

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

◆ Feedback

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

Sustainable Development Center/TAIFLEX Scientific Co., Ltd.



Address: No.1, Huanqu 3rd Rd., Qianzhen Dist., Kaohsiung City, Taiwan

Telephone number: 886-7-8139989 # 72350

Email address: knight@taiflex.com.tw

Sustainable Development Section:

https://www.taiflex.com.tw/english/esg_overview.html

ESG Performance and Highlights for 2022

E Environment Aspect

- Completed 2021 GHG inventory pursuant to the **ISO 14064:2018** version and passed the third-party audit by an impartial institution in 2022.
- The Company saved a total of **5,447.63 GJ** in energy consumption, a reduction of approximately **735.85 MT CO₂e** in 2022.
- The Company saved a total of **NT\$44,236** thousand in environmental expense with expected benefits of **NT\$91,199** thousand in 2022.
- The recycling and reuse rate of NMP solvent was **93.71%**, with a total recycling volume of **306.07 MT**, of which 286.82 MT was reused in the production line and 19.25 MT was recycled externally in 2022.







S Social Aspect








- No** incident of occupational disease **nor** major occupational accidents or fatalities in 2022.
- There was no deficiency identified during external audits on occupational safety and health; however, there were 28 negative observations with an **improvement rate of 100%** in 2022.
- There were **42 volunteers** in the Kaohsiung City Youth Care Association with a total spending of **NT\$463.86 thousand**.
- Welfare donation amounted to **NT\$1,211.40** thousand in 2022.
- There were **5,841 participants** in employee training for a total of **17,949 training hours**. Training expenses amounted to **NT\$1,717.95 thousand**. Training satisfaction rate was **80.13%**.

G Corporate Governance Aspect

- The Company ranked in the **top 6% to 20%** in the TWSE-listed companies category and **top 5%** in the "TWSE- or TPEX-listed companies with a market value between NT\$5 to 10 billion" category of the 2022 (8th) Corporate Governance Evaluation of Taiwan Stock Exchange Corporate.
- We **applied for five patents** in 2022 with an accumulated number of 243 applications by 2022, of which 84% are invention patents. There are 146 patents granted.
- We **launched 11 new products** in 2022, accounting for 11.21% of annual revenue.
- Operating revenue totaled **NT\$8,722 million** with an earnings per share of **NT\$3.35** in 2022.
- Information security of Taiflex Group was **rated A (excellent)** by the SSC, an external information security specialist.
- The Information Security and Knowledge Management Division** was established per Board approval in March 2022.
- We secured a customer satisfaction rate of **88.5** in 2022.

Sustainable Development Goals and SDGs in Practice

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

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