

# 1

## Governance and Sustainability

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# 1.1 Company Profile

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

## Company Overview

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

## Diversification

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



Award and recognition

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

### ◆ Participation in industry associations

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

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



## 1.2 Governance Framework

### Material Topic: Corporate Governance

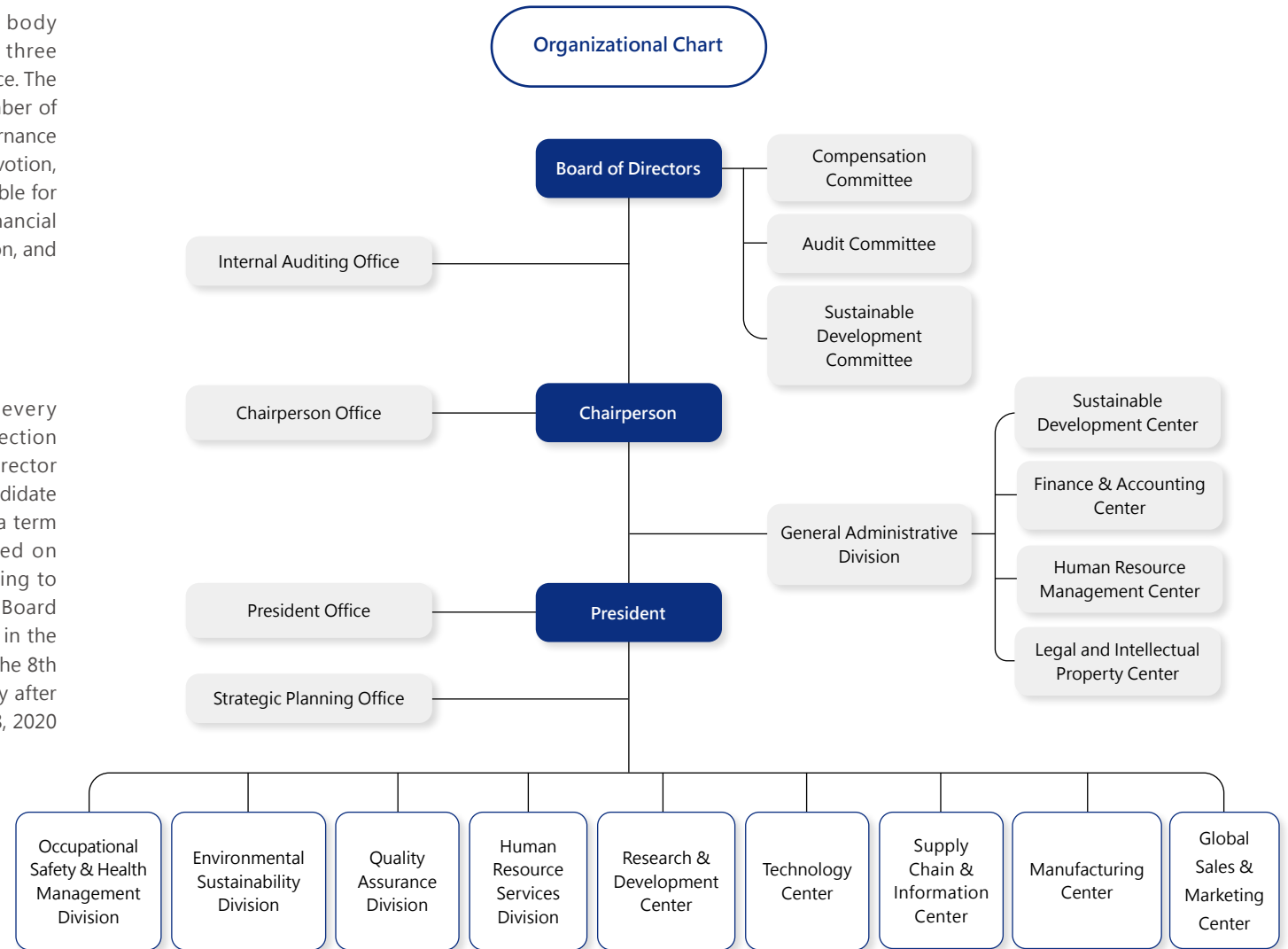
<b>Main Reason</b>	Sustainable operation shall build on the basis of sound corporate governance. Taiflex is committed to protecting the interests of its shareholders and believes that transparency in operation is the key to improving corporate governance. In order to strengthen corporate governance and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

## 1.2.1 Organization of the Board

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

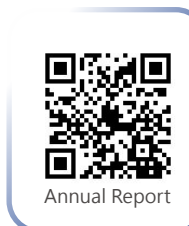
### ◆ Election of the Board

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



## ◆ Board Diversity

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



### Board Members

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

Note: ☆ partially competent ★ competent

Board Members

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

Note: ☆ partially competent ★ competent

Board Members

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

Note: ☆ partially competent ★ competent



Board Members

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

Note: ☆ partially competent ★ competent

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

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

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



## ◆ Tasks and proceedings of the Board

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

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

### Aspects of Material issues

### Important Communication Results



#### Environmental Aspect

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



#### Economic Aspect

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



#### Social Aspect

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

## ◆ Continuing education of the Board

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

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

## ◆ Performance assessment of the Board

### Internal performance assessment of the Board

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

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

### Internal Performance Assessment Results for 2022

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

## External performance assessment of the Board

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

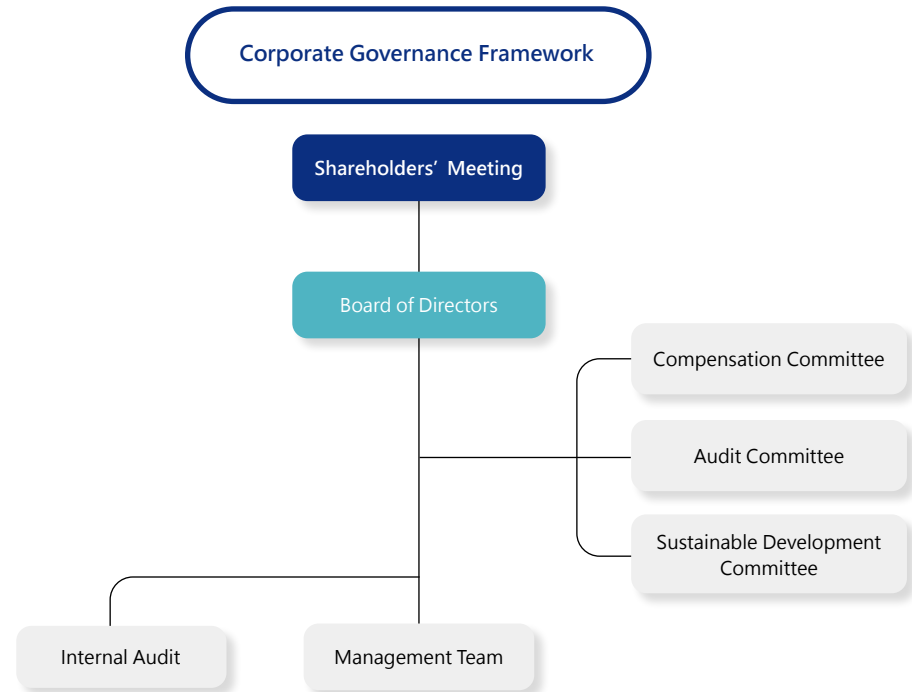
The Taiwan Corporate Governance Association had issued the Board performance assessment report on November 29, 2022. The Company would continue to enhance the functionality of the Board based on recommendations from the Association. The aforementioned recommendations and actions to be taken were reported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

### Improvement Measures

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

## 1.2.2 Functional committee

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



## ◆ Audit Committee

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

### Major Items Supervised by the Audit Committee

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

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

## ◆ Compensation Committee

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

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

### Key Responsibilities of the Compensation Committee

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

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

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



Governance

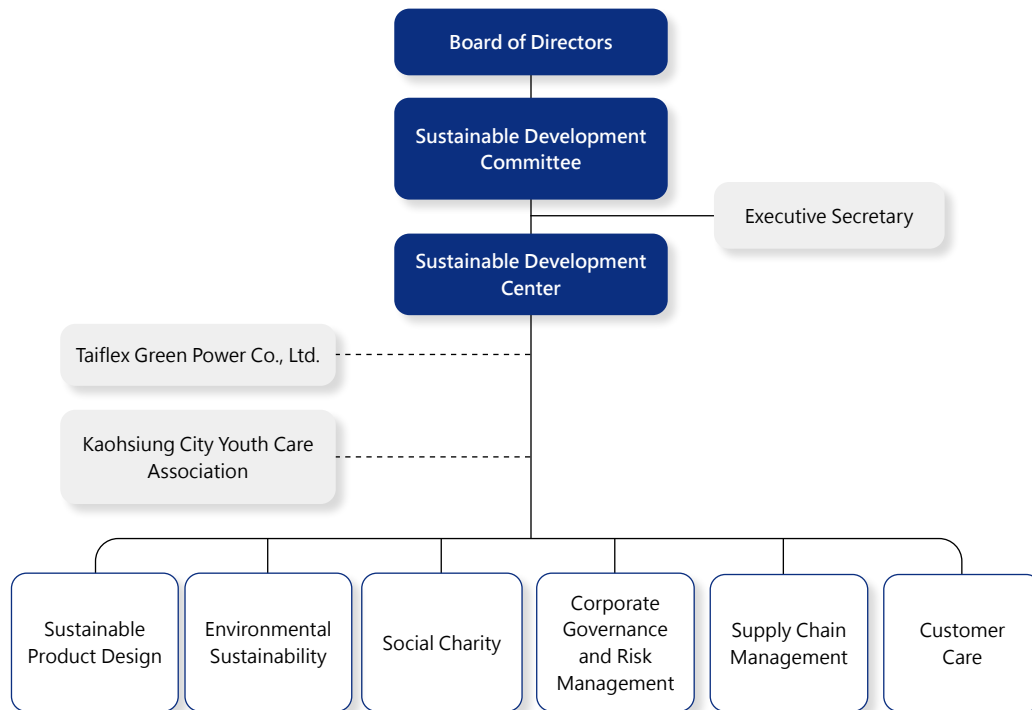


Market Observation Post System Website

# 1.3 Sustainable Development and ESG Promotion

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

Organizational Structure of the Sustainable Development Committee



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

Operation of the Sustainable Development Committee in 2022

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



# 1.4 Risk Management

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

## ◆ Risk Management Organizational Structure

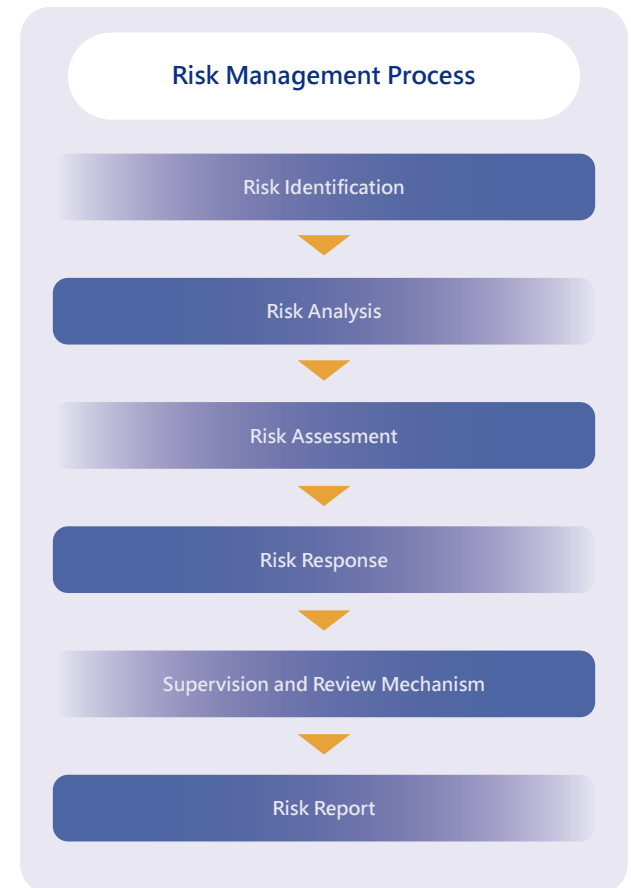
The Board of Directors is the highest decision-making body for risk management in the Company. It oversees the effective operation of risk management mechanism and authorizes the Chairperson to be the convener of risk management plans, coordinating and directing the promotion and operation of risk management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



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

## ◆ Risk Management Process

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



## Material Risk Identification

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

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



Annual Report

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

Possibility of Occurrence

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

## Risk Response

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



# 1.5 Information Security and Customer Privacy

◇ Material Topic: Customer Privacy and Information Security

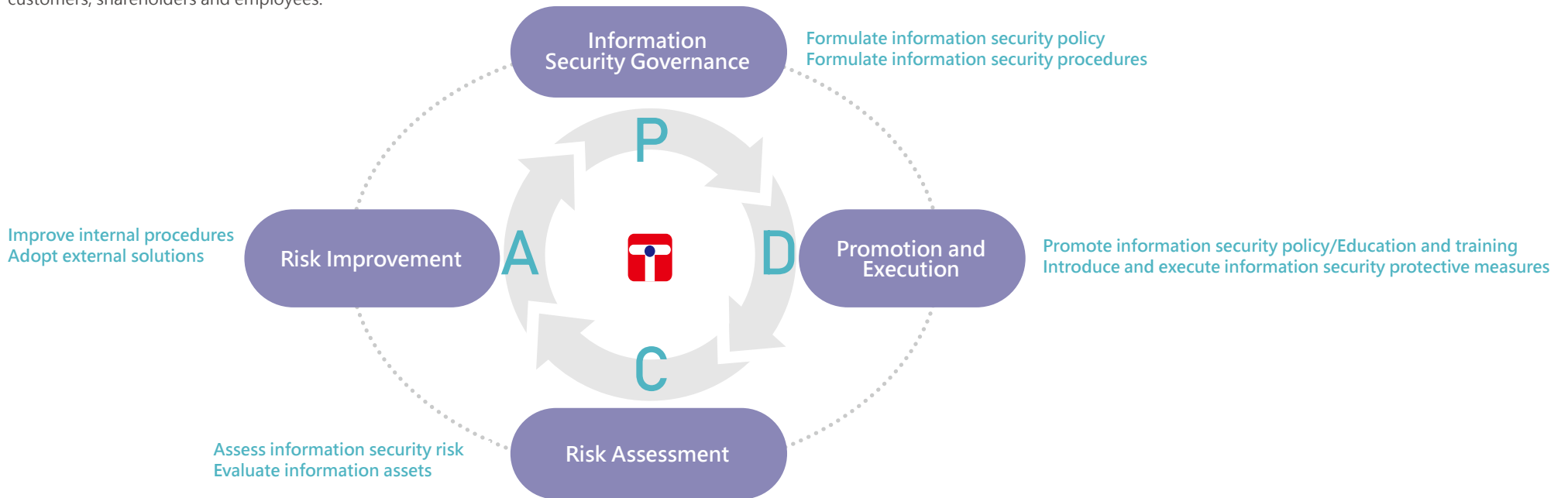
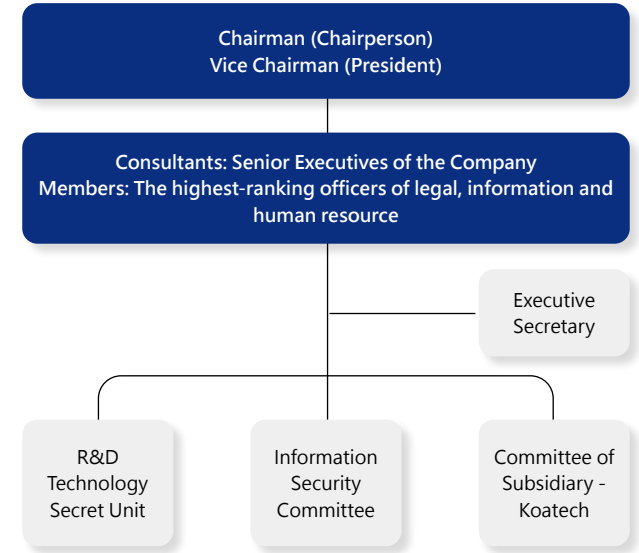
<b>Main Reason</b>	Our business involves advanced knowledge and technology and so do our customers; therefore, protecting the privacy of our customers and maintaining a highly secured information environment are the corner stones for securing our long-term competitiveness and sustainable operation.	
<b>Policy and Strategy</b>	Our information security policy is to strengthen information security management, ensuring the confidentiality, integrity and availability of our information and information assets in order to provide an environment for continued operation of information system, thereby achieving the objective of business continuity and regulatory compliance as well as being protected against intentional or accidental threats, both internal and external. Through management in eight major aspects, we can realize the goals of information security risk mitigation and customer information protection. We have also established the “Confidential Information Protection Manual” and the “Confidential Information Protection Policy” (CIPP) for a comprehensive risk management framework and followed an effective information security management system to perform various information services.	
<b>Goals and Objectives</b>	<p><b>Short-term goals (2023-2024):</b></p> <ul style="list-style-type: none"> <li>◆ Transition to ISO 27001:2022 (current version: 2013).</li> <li>◆ Obtained Level-A TIPS certification in 2023.</li> <li>◆ No litigation arising from customer privacy breaches and information security incidents.</li> <li>◆ Establish the position of Chief Information Security Officer at the level of Vice President or above.</li> </ul> <p><b>Long-term goal (2028~):</b></p> <ul style="list-style-type: none"> <li>◆ Construct an automated information security system.</li> <li>◆ No litigation arising from customer privacy breaches and information security incidents.</li> </ul>	<p><b>Medium-term goals (2025-2027):</b></p> <ul style="list-style-type: none"> <li>◆ Assign a Chief Information Security Officer and establishes an information security incident management and tracking platform.</li> <li>◆ Continuous implementation of personal information protection and management and customer information protection.</li> <li>◆ Ongoing ELN.</li> <li>◆ No litigation arising from customer privacy breaches and information security incidents.</li> </ul>
<b>Management Assessment Mechanisms</b>	<ul style="list-style-type: none"> <li>◆ Follow the cycle of regular inspection, verification and tracking of ISO 27001 and implement relevant risk management.</li> <li>◆ Stability assessment on critical internal systems.</li> <li>◆ Information security audits by key customers and international certification systems for information security management.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Criteria for receiving high scores in external information security assessments.</li> <li>◆ Conduct annual assessment on the Taiflex confidential information protection standards to ensure all employees are aware of relevant standards.</li> </ul>
<b>Performance and Adjustments</b>	<ul style="list-style-type: none"> <li>◆ The Board approved the establishment of the Information Security and Knowledge Management Division in March 2022.</li> <li>◆ We continue to pass the information security audit by key customers and obtain ISO 27001 certification for seven consecutive years.</li> <li>◆ Regarding the alleged violation of trade secret by former employee, the case was investigated and prosecuted by the prosecutor in 2022. In view of the violation, our management policy was adjusted as follows:             <ol style="list-style-type: none"> <li>1. For the violation of the Company’s confidentiality policy by former employee who used personal device to duplicate confidential information of the Company: In addition to the enhanced promotion on the use of information equipment and audits, employees are required to notify their supervisors as well as the legal and information security units immediately when they become aware of any violation.</li> <li>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. At the same time, we ask relevant supervisors to promote the need-to-know principle and employees are required to notify their supervisors as well as the legal and information security units immediately when they become aware of any violation.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>◆ Information security of Taiflex Group was rated A (excellent) by the SSC, an external information security specialist.</li> <li>◆ System stability of 99.996% in 2022.</li> </ul>
<b>Prevention or Remedy Measures</b>	<ul style="list-style-type: none"> <li>◆ The Employment and Service Commitment signed by employees when they join the Company contains details of confidentiality obligations. Upon termination of employment, employees shall return information acquired during the employment and comply with the confidentiality obligations.</li> <li>◆ The “Confidential Information Protection Manual” is distributed and announced with monthly promotion of CIPP to stress the importance of confidential information protection.</li> <li>◆ The Company’s Intangible Asset Security Committee regularly reviews various information security procedures to enhance or supplement relevant operations and prevent information security risks.</li> <li>◆ The information unit regularly organizes disaster and recovery drills to improve the emergency responsiveness of information during major abnormal occurrence.</li> <li>◆ To strengthen employees’ awareness of information security, we regularly organize information security training courses for all employees every year and invite external experts for trade secrets seminars on-site.</li> <li>◆ The Information Services Division regularly updates the security applications of software systems.</li> </ul>	

## Information Security Unit and Risk Management Structure

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

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

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



## ◆ Specific Information Security Improvement and Management Plans

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



### Document Management

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



### Risk Management

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



### Information Operation Security

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



### Device Security

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



### Supply Chain Security

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



### Premises Security

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



### Human Resource Security

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



### Information Security Assessment

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

# 1.6 Regulatory Compliance and Internal Control

◇ Material Topic: Business Ethics ◇

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

## 1.6.1 Business Ethics

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

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

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

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

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

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

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

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

## 1.6.2 Regulatory Compliance

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

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

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

Reporting Hotline and Mailbox

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



### 1.6.3 Internal control

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

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

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

