

1

Sustainable Operation and Governance

- 1.1 About TSC
- 1.2 Corporate Governance
- 1.3 Risk Management
- 1.4 Information Security
Management



Suggested priority for referring to the stakeholders in this chapter:

- Supplier Customer Employee Investor Government Media
- Others (such as the general public, academic institutions, etc.)



TSC aims to achieve sustainable operations and continuously improve its corporate governance structure. It promotes high standards of business ethics, focuses on the rights and interests of stakeholders, and strictly adheres to local legal regulations. The goal is to uphold the core value of integrity through robust mechanisms such as enterprise risk management and information security management. TSC will further enhance its corporate governance systems and actively engage with stakeholders, working towards the objective of sustainable operations.

1.1 About TSC GRI 2-1 GRI 2-6 GRI 2-22 GRI 2-28

TSC (5425) was established in 1979 and is a leading global manufacturer of power semiconductor components. With over 40 years of manufacturing experience, TSC has been dedicated to R&D and innovation, as well as integrating core technologies to provide comprehensive solutions to global customers. The product range includes discrete devices, power management, sensors, and wide band gap, which can be widely applied in consumer electronics, communication devices, power management systems, industrial equipment, and automotive electronics. In recent years, TSC has actively promoted transformation and expansion in the automotive and industrial fields. Its strategies include expanding sales trades, actively participating in customer product development, and discussing product pricing strategies, aiming to enhance competitive advantages, strengthening sustainable supply chain services to customers, and continuously expanding global markets.

Subsidiary TSC Auto ID Technology Co., Ltd. (3611) was established in 1991 and is dedicated to the production and sale of barcode printers. It is a prominent manufacturer of cutting-edge thermal transfer and thermal direct label printing solutions. For further details about TSC Auto ID Technology, please visit the [company's website](#) and consult the annual report.



1.1.1 Introduction to TSC

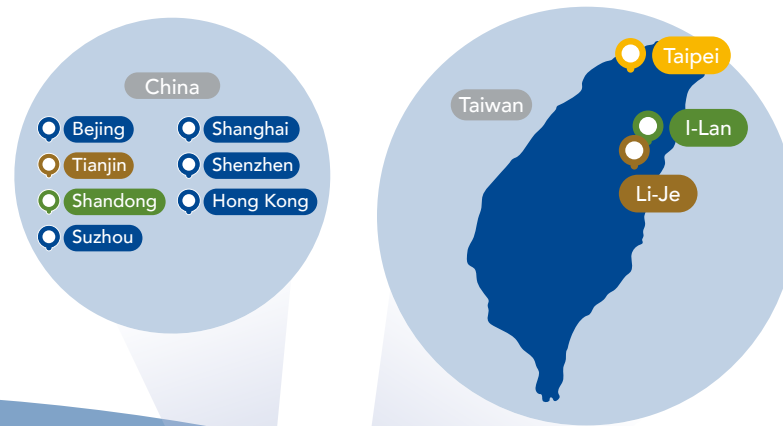
Date of Establishment	Established in accordance with the Company Act in January 1979
Headquarters	Address: 11F., No. 205, Sec. 3, Beixin Rd., Xindian Dist., New Taipei City, Taiwan (R.O.C.)
Capital	NT\$2.634 billion
Industry	Semi-conductor manufacture
Affiliates	The business operations of Company affiliates include electronics components manufacturing, office machines manufacturing, computer and peripheral equipment manufacturing, international trade, management consulting, restrained telecom radio frequency equipment and materials import, and controlled telecommunications radio-frequency devices and materials manufacturing.
Date of Listing	Listed for trading on the Taiwan Stock Exchange in February 2000.
Ticker Symbol	5425

Operations

The headquarters of TSC is located in New Taipei City, Taiwan. There are four production sites, including wafer fabs and assembly sites, located in Taiwan and mainland China. The global service sites are located in mainland China, Hong Kong, Japan, South Korea, India, the United States, Germany, France, the United Kingdom, and other regions. The global employees are over 1600.

The R&D and manufacturing of power semiconductor is the core competitiveness of TSC. From product design, technology research and development, wafer manufacturing, assembly and testing, to global marketing of its own brand, TSC provides customers with a comprehensive power semiconductor solution. TSC's production sites are located in I-lan and Li-Je (Wujie Township, I-lan), Tianjin Province and Shandong Province in mainland China. TSC continues to strengthen technological innovation and integrates resources and collaborates with upstream and downstream supply chain partners to enhance market competitiveness.

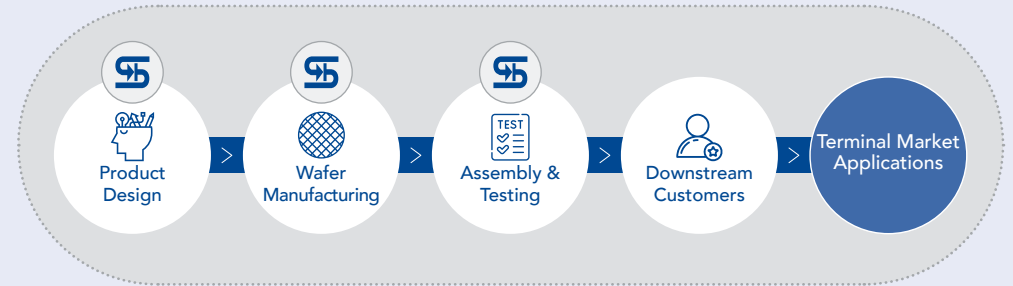
- Headquarter
- Sales office
- Front-End
- Back-End



Main production locations



Industry Value Chain



Sustainable Vision

- Promoting Environmental Protection and Energy Conservation**



Adhering to the principles of environmentally-friendly operations, we strive to optimize energy efficiency in order to minimize our impact on the environment and ecology.
- Creating a Sharing Prosperity with Society**

Create a friendly workplace, establish a comprehensive remuneration and talent development system, and dedicate efforts to integrating internal and external resources for social welfare.
- Sound Corporate Governance**

Committed to establishing a comprehensive management mechanism based on the principles of integrity and ethics in order to mitigate operational risks.

External Advocacy and Organizational Engagement

TSC strives to play an important role in the global market through continuous technological innovation and a complete deployment in the value chain, responding to changes in the international situation and industry together with other companies. TSC also actively participates in trade organizations and external initiatives related to its industry and sustainable development, leading the industry towards mutual benefit.

Name	Description	2023 Main Methods of Participation	TSC's Character and Participation
Industrial Development			
World Semiconductor Trade Statistics (WSTS)	WSTS is an international semiconductor industry organization responsible for collecting and publishing statistical data on the global semiconductor market. It assists the industry in making strategic decisions through analysis and forecasting, and its findings are important reference indicators for the semiconductor industry.	TSC became a member in 2012 and provides shipment information to WSTS on a monthly, quarterly, and semi-annual basis. WSTS regularly releases statistical information (including product categories and applications) and market forecast data for members' reference.	Member
Chinese National Association of Industry and Commerce (CNAIC)	The CNAIC is one of the representative organizations of Taiwan's business community, serving as a bridge for communication between the government and enterprises.	Participates in seminars and events organized by CNAIC on a regular basis to stay updated on the latest economic and trade situations and industry trends.	Member
Business Environment			
Shandong Province Binzhou Enterprise and Entrepreneur Federation	The social organization established by the Binzhou Municipal People's Government, with assistance from the Citizen-Owned Economic Development Service Center, aims to serve as a bridge between enterprise and society, as well as a bridge between enterprise and government. Its primary objective is to address the difficulties and challenges that private enterprises may encounter, provide suggestions and advice to the government, and facilitate coordination and assistance in promoting communication and cooperation among businesses.	Regularly participate in training sessions or events organized by the association, and actively suggest improvements for the local business environment and government services based on experiences and needs in Binzhou.	Director
Corporate Sustainable Development			
CommonWealth Magazine Group - ESG committee	The CommonWealth Magazine Group - ESG committee regularly convenes member discussions on legal regulations, customer requirements, and ESG trends such as carbon tariffs being implemented in various countries.	TSC was invited to become a corporate member in 2023 and participate in the SDGs Workshop, actively exchanging ideas with peers and companies from different industries, sharing its own corporate social responsibility and energy-saving measures in the semiconductor industry with the goal of jointly guiding the sustainable development of Taiwanese companies with industry leaders	Member
E.SUN A Call to Action for Sustainability	The initiative organization, initiated by E.SUN Bank in 2021, aims to encourage like-minded business partners to participate in and promote the implementation of ESG.	E.SUN Bank is one of the cooperative units of TSC. In 2023, TSC was invited to join the initiative, along with other advanced enterprises, in their pursuit of corporate sustainability. TSC has pledged to achieve net-zero emissions by 2050 and is actively implementing sustainable transformation.	Members of the Initiative
 Task Force on Climate-related Financial Disclosures (TCFD)	In response to the TCFD initiative, TSC will implement climate change management based on the TCFD framework starting in 2022. We will follow the TCFD framework to identify climate risks and conduct risk and opportunity analysis through relevant responsible units based on transition and physical risks, and develop adaptation and mitigation strategies.	In 2023, a quantitative risk assessment on greenhouse gas emission cost increases was completed in accordance with TCFD, with detailed analysis provided in 5.1.1 Climate Governance and Strategies.	Members of the Initiative
 CDP (formerly Carbon Disclosure Project)	Through the CDP platform, we provide information on TSC's climate governance, strategies, risk opportunities and management, indicators and goals, and greenhouse gas emissions. We consistently review and enhance our carbon management strategies.	In recent years, TSC has been invited to respond to CDP questionnaires. In 2023, it preliminarily drafted an annual disclosure plan to enhance information transparency. Starting in 2024, it plans to integrate a comprehensive response to the annual CDP questionnaire.	Members of the Initiative
SBTi (Science Based Targets)	TSC supports the goals of the "Paris Agreement" and recognizes the importance of scientifically establishing net-zero emission actions. To more effectively formulate short-, medium-, and long-term carbon reduction targets, and to outline a clearer carbon reduction pathway, TSC plans to implement carbon reduction measures through phased planning.	TSC has formulated a medium- to long-term carbon management plan with four phases outlined as follows. Currently, the focus is on enhancing activities in the first phase, progressing gradually according to schedule: Stage 1 - Strengthen carbon inventory foundation, streamline supply chain, and promote energy-saving projects. Stage 2 - Establish strategies and goals, set SBT submission time, carbon emission hot spots management. Stage 3 - Submit SBT commitments, implement related education and training. Stage 4 - Implement science-based carbon reduction measures according to SBTs.	The members of the initiative have not yet submitted their commitments.

E.SUN A Call to Action for Sustainability

The acceleration of the net-zero transformation process is urgent. "E.SUN A Call to Action for Sustainability" was initiated by E.SUN Bank and its corporate partners in 2021. Through collaborative public advocacy, it actively implements ESG concepts. As a partner of E.SUN Bank, TSC is also dedicated to promoting sustainable development goals. It aims to take the lead and collaborate with numerous advanced enterprises to have a greater impact and create a more prosperous society.

2023 marked TSC's inaugural year of public advocacy participation. Through various forums and seminars, TSC interchanged with industry, government, and academic institutes, we gather insights into international net-zero trends and policies. By actively engaging with the advocacy platform and collaborating with more advanced enterprises, we learned from their experiences and established external resource channels to support TSC's journey towards net-zero transformation. We recognize that achieving our goals in this transformation necessitates a diverse range of internal and external resources. Moving forward, we will continue to share our experiences with esteemed partners and collaborate to drive sustainable transformation.



1.1.2 Financial Performance GRI 201-1 GRI 201-4

TSC believes that good operational performance is the foundation for the sustainable development of a company. In recent years, TSC has been deeply involved in the development of new products such as automotive electronics, industrial control, servers, and analog integrated circuits (ICs). The overall synergy and effectiveness of these efforts have become increasingly evident year by year. TSC complies with the principle of information transparency. We continuously improve capital efficiency and push for communication with stakeholders to provide them with a comprehensive understanding of our operations and growth.

In 2023, due to ongoing disruptions in the global political and economic conditions and weak consumer market demand, the global semiconductor supply chain was facing high inventory levels. TSC's revenue in 2023 reached NT\$4.61 billion, accounting for 81% of the previous year's share, which was a higher base in 2022. The gross profit margin decreased by four percentage points, and the net profit after tax was approximately NT\$720 million, resulting in earnings per share (EPS) of NT\$2.89. Furthermore, the Shareholders' Meeting decided to distribute cash dividends for the year 2023 at a rate of NT\$2 per share.

In 2023, despite the Company's overall financial performance not meeting expectations due to market conditions, the Company remains committed to enhancing competitiveness, continuously improving product value, strengthening integration benefits, and accelerating research and development. These efforts aim to create maximum synergy for the group and provide continuous feedback to society. For more information on the Company's operational performance and financial information, please refer to the TSC 2023 Financial Statements and Annual Report.

Overall Financial Performance

Unit: NT\$ thousand

Type	2021	2022	2023
Operating Revenue	4,803,477	5,699,155	4,610,473
Operating Costs	3,954,927	4,437,327	2,954,250
Employee Salary and Benefits	526,993	700,267	648,608
Dividend Distribution	658,714	1,053,942	526,971
Interest Paid	5,341	9,810	21,285
Payments made to the Government ^{Note 1}	124,583	267,253	146,648

Note:

1. Payments made to the government include all the Company's tax payments and fines as reported.

2. The community investment project is expected to be disclosed beginning in 2024.

3. The overall financial performance is the TSC's parent company only financial performance. For comprehensive details, please consult the financial statements.

Revenue Proportion from the Government

Unit: NT\$ thousand

Type	2021	2022	2023
Tax Reductions and Deductions	7,354	28,110	23,308
Investment Subsidies, R&D Subsidies, and Other Related Subsidies	488	1,879	1,460
Other	1,823	3,458	3,222

Note: The government has not held any shares in TSC in the past three years.



TSC 2023 Parent
Company
Only Financial
Statements



TSC 2023
Corporate
Annual Report

1.2 Corporate Governance

GRI 2-9 GRI 2-10~2-15 GRI 2-18~2-20 GRI 3-3 GRI 405-1

Material Topics - Business Ethics and Integrity - Sound Corporate Governance



Policy and Commitments

Operating on the principle of integrity management, we are committed to establishing a sound corporate governance framework and complying with regulations to ensure the steady operation and growth of the Company, safeguarding the rights and interests of shareholders and stakeholders. Relevant policies and regulations include the "Rules of Work", "TSC Ethical Corporate Management Best Practice Principles", and "TSC of Ethical Conduct".



TSC Ethical Corporate Management Best Practice Principles



TSC of Ethical Conduct



Management Policy and Evaluation Mechanism

- Establish various corporate governance regulations and regularly conduct promotions for managers and employees.
- Regularly disclose both financial and non-financial information on the official website to improve transparency.
- Establish a reporting and protection mechanism to provide channels for internal and external stakeholders to submit grievances.
- Senior managers, corporate governance officers, and other members of the governance team regularly conduct internal and external educational training sessions.



Action Plan and Performance

- ✓ The Board of Directors is diverse in its composition.
- ✓ >50% of Independent Director Seats
- ✓ OTC Company Corporate Governance Evaluation System ranking reached 21%-35%.
- ✓ Recognized as one of the "2023 Taiwan Best-in-Class 100" by the Taiwan Institute of Directors.
- ✓ No complaints were received from internal and external stakeholders grievance in 2023, and there were no incidents of corruption.
- ✓ In 2023, the company redesigned its official website, meticulously organizing financial and non-financial information into distinct sections to enhance user experience.

1.2.1 Sustainable Governance

To ensure sound corporate governance, TSC complies with the principle of integrity in carrying out various business operations, strictly prohibiting any form of corruption, bribery, and fraudulent activities for personal or others' gain through the abuse of power. TSC has also set up a dedicated section for investors on its official website, regularly disclosing financial and non-financial information such as annual Shareholders' Meeting reports and ESG Reports. By enhancing information transparency, TSC strengthens communication with stakeholders and safeguards their rights and interests. TSC's Corporate Governance Evaluation System result for 2023 remains in the same range as the previous year, at 21%-35%. TSC will continue to improve its management system based on the results of the Corporate Governance Evaluation System.

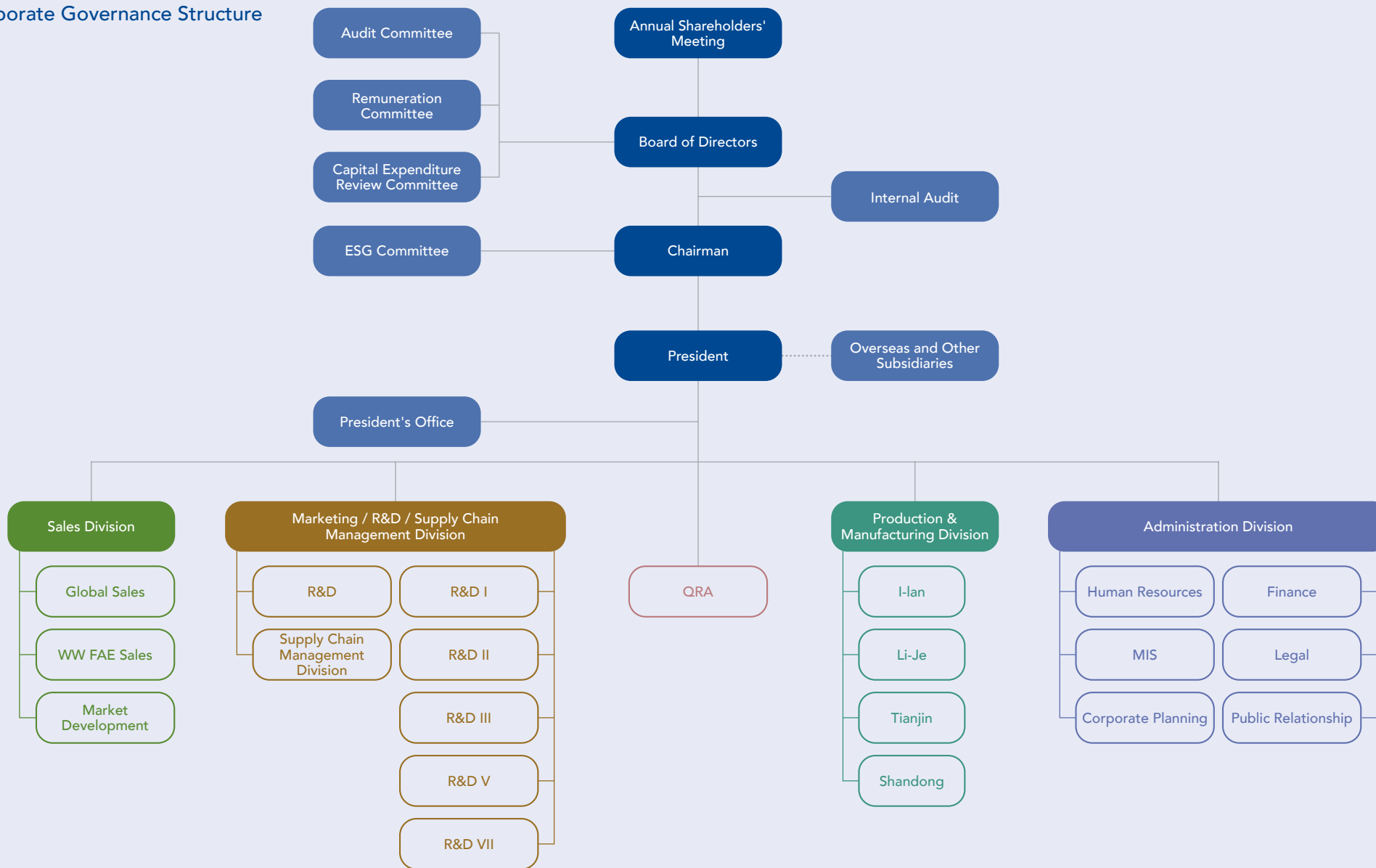
In accordance with the result of the 2023 TSC Corporate Governance Evaluation System and in line with the guidelines of the competent authority's "Corporate Governance 3.0 Sustainable Development Road Map", the Company has been consistently enhancing its management system. Key project items include:

- 1 Implement non-financial information disclosure through the issuance of a sustainability report. Enhance the disclosure of sustainability report information by referencing international standards (including TCFD and SASB), providing investors with valuable ESG information for decision-making.
- 2 The Board of Directors quarterly manages the schedule for greenhouse gas inventory and verification.
- 3 To enhance stakeholder communication, establish a dedicated section on the new official website to provide updates on the results of stakeholder consultations.
- 4 Incorporate the process of compiling and verifying the sustainability report into the Company's internal control system to enhance sustainability governance.



New ESG Section on the Official Website

Corporate Governance Structure



Composition and Operation of the Board of Directors

The Board of Directors is the highest governance body of TSC, responsible for guiding the Company's strategy, supervising management, and being accountable to shareholders. The Board of Directors of TSC exercises its powers in accordance with laws, Articles of Incorporation, or resolutions of Shareholders' Meetings in relation to various operations and arrangements of the corporate governance system. In order to strengthen supervision and enhance management functions, the Board of Directors has established multiple Functional Committees, including the Audit Committee, and Compensation Committee, and has specified organizational regulations to assist the Board of Directors in fulfilling its supervisory responsibilities. The committees regularly report their activities and decisions to the corporate governance body and Board of Directors. TSC's Internal Audit is responsible for regularly conducting internal audit operations, and its effectiveness and efficiency are supervised by the Audit Committee.

Board of Directors of TSC is composed of 7 Directors, each serving an average term of 3 years, including 2 Directors who are employees or managers, 1 external Director who is not an employee, and 5 Independent Directors, in accordance with the regulations for the Compliance Requirements for the Appointment and Exercise of Powers of the Boards of Directors of TPEX Listed Companies. Furthermore, in accordance with Article 206 of the Company Act, Board of Directors should have a majority attendance. In 2023, Board of Directors of TSC held 7 meetings, with all 7 Directors (including Independent Directors) present. The average attendance rate of Directors in 2023 was 100%, demonstrating excellent attendance and compliance with regulations. The remuneration of all Directors (including Independent Directors) in 2023 accounted for 5.79% of the Company's net profit after tax.

Nomination and Selection of Directors

The Board of Directors establishes the election system for Directors in accordance with laws and the Articles of Incorporation. The selection process for all Directors is open and fair, in compliance with the "Articles of Incorporation of Taiwan Semiconductor Co., Ltd".

In addition, according to the Rules for Election of Directors established by the Company, the method of selecting Directors and Independent Directors adopts a cumulative voting system and a candidate nomination system, allowing shareholders holding a certain number of shares or more to propose a list of candidates to promote shareholder participation and avoid the monopolization or excessive use of nomination rights, thereby maintaining independence.



Diversity of the Board of Directors

According to the articles of the TSC Corporate Governance Best Practice Principles, the Company has established a policy of diversity and specific management objectives for the Board of Directors. The diversity of Board of Directors is achieved by taking gender, age, nationality, culture, professional background, and industry experience into consideration with regard to its composition. In this way, TSC can be guided by a diverse industry and international market perspective. Currently, all seven Directors of the Company are male R.O.C nationals, and each possesses the necessary knowledge, skills, and education for fulfilling their duties. Each of them has a wealth of expertise in accounting, finance, business, law, marketing, or industry technology. The Board of Directors is expected to undergo re-election in 2024, continuing efforts to enhance diversity of Board of Directors.

Board of Directors Members

Name of Director	Job Title	Gender and Age	Diversified Core Expertise							Functional Committee Members	Date First Elected	Attendance Rate
			Operational Judgment	Accounting and Financial Analysis	Business Management	Crisis Management	Industry Knowledge	International Market Relations	Leadership and Decision Making			
Wang Shiu Ting	Chairman	Male (61-77 years old)		✓	✓	✓	✓	✓	✓	ESG Committee (President)	1998.06.19	100%
TSC Auto ID Technology Co., Ltd. Representative: Wang Xing Lei	Director	Male (41-50 years old)	✓	✓	✓	✓	✓	✓	✓	Member of ESG Committee	2015.06.18	100%
UMC Capital Co., Ltd. Representative: Liu Chang Yu	Director	Male (41-50 years old)	✓	✓	✓	✓	✓	✓	✓	None	2021.07.26	100%
Jhan Cian Long (Independent Director)	Independent Director	Male (61-77 years old)	✓	✓	✓	✓	✓	✓	✓	Audit Committee (Convener) Member of Compensation Committee	2012.06.27	100%
Lin Bo Sheng (Independent Director)	Independent Director	Male (61-77 years old)	✓	✓	✓	✓	✓	✓	✓	Member of Audit Committee Member of Compensation Committee	2012.06.27	100%
Fan Hong Shu (Independent Director)	Independent Director	Male (51-60 years old)	✓	✓	✓	✓	✓	✓	✓	Member of Audit Committee Member of Compensation Committee (Convener)	2012.06.27	100%
Ma Shu Zhuang (Independent Director)	Independent Director	Male (41-50 years old)	✓	✓	✓	✓	✓	✓	✓	Member of Audit Committee	2021.07.26	100%

Note:

- Please refer to the Company's Annual Report for information regarding the introduction of members of Board of Directors and their attendance at meetings.
- The Chairperson of the highest governing body is the senior management.



Performance Evaluation of Board of Directors

To implement corporate governance and enhance the functioning and efficiency of the Board of Directors, we have established performance goals. In accordance with Rules for Performance Evaluations of the Board of Directors, TSC conducts an annual performance evaluation. In 2023, the evaluation was conducted online or through self-assessment forms. The evaluation was assessed the overall operation of the Board of Directors members, functional committees, and performance of each Director. The evaluation results and improvement plans were submitted to the Board of Directors.

Performance Evaluation Items of Board of Directors

- Participation Level in Company Operations
- Quality of Decision-Making by the Board of Directors
- Composition of the Board of Directors
- Selection and Continuing Education of Directors
- Internal Controls

2023 Internal Self-Assessment Results

Excellent to Outstanding

Management of Conflicts of Interest in the Board of Directors

TSC follows relevant laws and regulations, with Independent Directors serving as members of the Audit Committee to ensure the independence of the Board of Directors and fulfill its supervisory function. TSC discloses positions of the Board of Directors' members in other companies in the Annual Report, indicating that there is no cross-shareholding with major suppliers or other stakeholders.

Functional Committee

Functional Committee	Responsibilities	Frequency of Meeting	Major Resolutions
Audit Committee	<p>The main purpose of the Audit Committee is to supervise the following matters:</p> <ul style="list-style-type: none"> • The proper expression of the Company's financial statements. • Selection, appointment, independence, and performance of Certified Public Accountant / CPA • Effective implementation of internal controls within the Company. • Company compliance with relevant laws and regulations. • The management of existing of potential risks to the Company. 	At least once per quarter; a total of 7 times in 2023.	<ul style="list-style-type: none"> • Annual and Quarterly Financial Statements Report • Internal Audit Activities Report • Major Investment Projects of the Company
Compensation Committee	<p>The Committee is responsible for evaluating the compensation policy and system for Directors, Supervisors, and Managers of the Company in a professional and objective manner, and for submitting its suggestions to the Board of Directors as a reference in the decision-making process.</p>	At least twice per year; a total of 3 times in 2023.	<ul style="list-style-type: none"> • Discuss and approve the performance evaluation of Directors and Managers for 2023. • Study and discuss the compensation of Directors and Managers for 2023. • Discuss and approve the proposals of the Compensation Committee for 2023 • Discuss and review the results of the performance evaluation of Directors and Managers of the Company in 2023 and relevance and reasonableness of salary and compensation. • Discuss and approve the review of the actual payment of various salaries and remuneration of the Company's Directors and Managers in 2023. • Discuss and approve the review of the Company's 2023 remuneration of Directors and remuneration case of employees.
Other Functional Committees			
Capital Expenditure Review Committee	<p>Tracking operational performance by reviewing capital expenditure budgets, long-term development strategies, implementing plans, and making cost-effective adjustments.</p>	At least once per quarter	<ul style="list-style-type: none"> • Discussion of capital expenditure budgeting, and implementation, revision, and addition of plans.
ESG Committee	<ul style="list-style-type: none"> • Formulate the Company's sustainable development policy. • The Company's sustainable development, including the establishment of goals, strategies, and implementation plans for sustainable governance, integrity in operational, environmental, and social aspects. • Review, track, and revise the implementation and effectiveness of the Company's sustainable development. • Pay attention to the concerns and supervisory communication plans of various stakeholders, including shareholders, customers, suppliers, employees, government, non-profit organizations, communities, and media. 	At least twice per year; a total of 3 times in 2023.	<ul style="list-style-type: none"> • Proposal and discussion on TSC's renewable energy development strategy. • Proposal and discussion of TSC's carbon reduction pathway map and report on customer green energy usage requirements.

Board of Directors Remuneration Policies

The compensation provided TSC includes cash compensation, stock warrants, profit-sharing and stock ownership, retirement benefits or severance pay, various perks, and other substantial incentives. The scope of these measures is consistent with the guidelines for the disclosure of remuneration for Directors, Supervisors, and Managers in the Company's Annual Report. In order to improve the compensation system for Directors, Supervisors, and Managers, the Company has also established a Compensation Committee and formulated the "Remuneration Committee Charter".

The Compensation Committee evaluates the compensation policies and systems for the Company's Directors in a professional and objective manner, in accordance with its regulations. The evaluation considers individual performance, company performance, and the rational assessment of future risks. The Compensation Committee then presents recommendations to the Board of Directors for their consideration in decision-making. Once the remuneration for Directors is approved by the Board of Directors and reported to the Shareholders' Meeting, it is implemented in accordance with the "TSC Director Remuneration Range Table".

ESG Governance

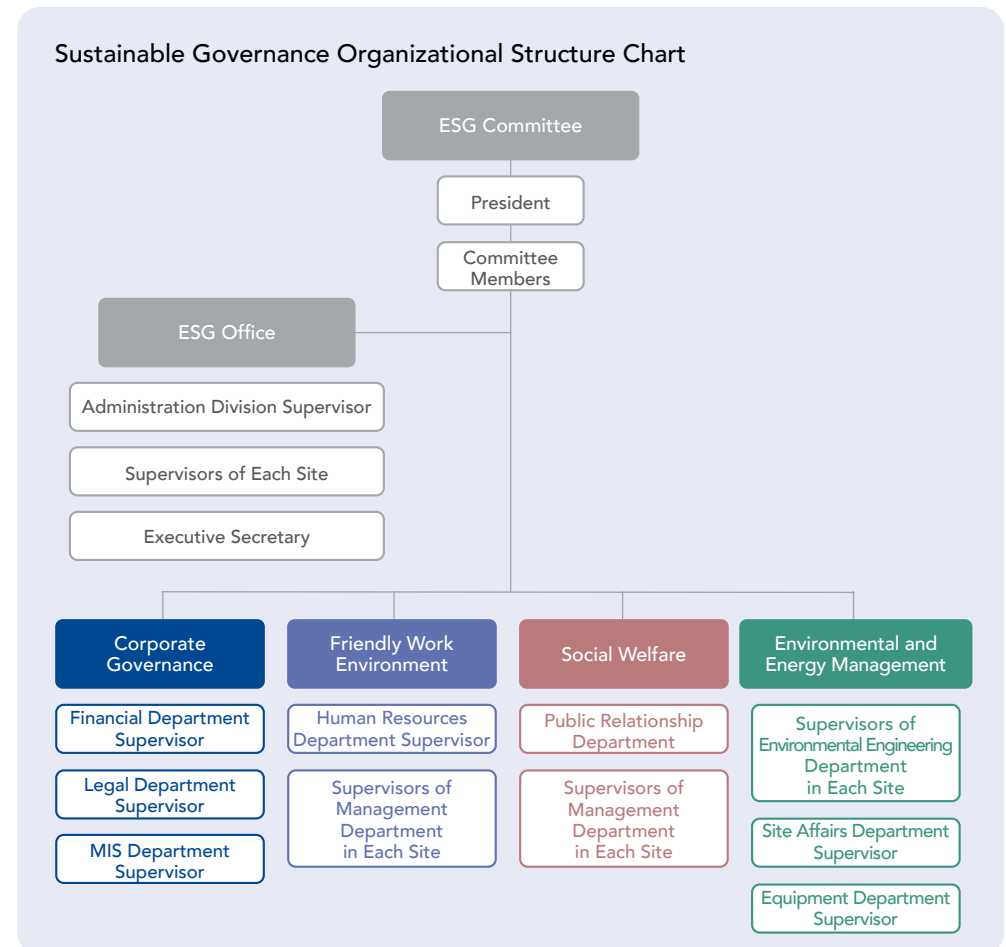
The highest sustainable governance unit of TSC is the ESG Committee. It serves as the decision-making and supervisory unit for TSC's sustainable development efforts, dedicated to promoting environmental conservation and fulfilling social responsibilities. The committee has also formulated an ESG Committee Charter to ensure that the Company fulfills its responsibilities in safeguarding the rights and interests of the Company, employees, shareholders, and stakeholders. TSC aims to elevate the ESG Committee to the Board of Directors level by 2024 in order to enhance the overall governance of corporate sustainability.

The ESG Committee is responsible for formulating the Company's sustainable development policies, strategies, and implementation plans for corporate sustainable governance, integrity operation, and environmental and social goals. It is also responsible for reviewing, tracking, and revising the implementation and effectiveness of the Company's sustainable development. Additionally, ESG Committee should pay attention to the concerns of various stakeholders, including shareholders, customers, suppliers, employees, government, non-profit organizations, communities, and the media, and supervise communication plans.

Under the ESG Committee are the ESG Office and the Corporate Social Responsibility Functional

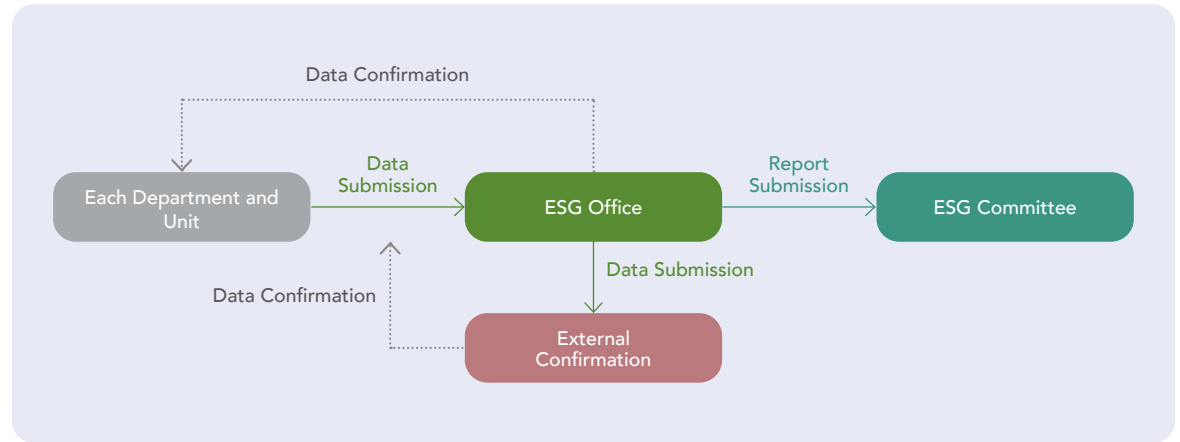
Team that ensure the promotion and implementation of corporate sustainable development-related work. The ESG Office is composed of supervisors of the Administration Division, and supervisors and executive secretaries of each site. They are responsible for managing relevant policies and action plans for sustainability goals, coordinating and tracking the progress of various actions, and reporting on the progress of sustainability projects and other significant issues to the ESG Committee at least twice a year.

Sustainable Governance Organizational Structure Chart



Information Disclosure of Sustainable Development

TSC shares its sustainability performance and achievements with stakeholders annually through the publication of a sustainability report. The process involves the ESG Office collecting annual sustainability performance data from various production sites and departments, verifying and consolidating the information. Once the report is confirmed by a third-party organization and approved by the ESG Committee, it is authorized for release. In 2023, TSC implemented an internal control system in accordance with the "Rules Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies" of the Taiwan Stock Exchange Corporation to enhance the preparation and verification mechanism of the Company's sustainability report.



Highlight Story 02

TSC Honored 2023 Taiwan Best-in-Class 100 Companies



TSC has been honored with the "2023 Taiwan Best-in-Class 100 Companies" award by the Taiwan Institute of Directors and Corporate Development Research Center (CDRC) in 2023. TSC's outstanding performance in the market, fundamentals, sustainability, and foreign institutional ownership set it apart from the 1,779 listed and OTC companies.

According to the selection principles of the Taiwan Institute of Directors, the Top 100 list serves as a benchmark for evaluating companies with excellent corporate quality that meet the recognition criteria from the perspective of international institutional investors. It simulates the investment methods of different global institutional investors. TSC, with its 45 years of establishment, is committed to strengthening its corporate governance system, improving communication with stakeholders, and promoting sustainable development.



TSC set it apart from the 1,779 listed and OTC companies ▶

Market

Fundamentals

Sustainability

Foreign institutional ownership

1.2.2 Integrity Management GRI 2-16 GRI 2-17 GRI 2-23 GRI 2-24 GRI 2-26

Integrity management has been the foundation of TSC's operations for the past 45 years. In addition to adhering to local regulations at all our business locations, the Company also establishes policies related to integrity management, as well as internal supervision and whistle-blower protection systems. We promote various training and advocacy programs to ensure that the behavior of all employees aligns with the moral values of TSC.

Policies and Norms of Ethical Conduct

TSC is committed to sound and integrity management, in accordance with relevant national laws and regulations, as well as guidelines and reference examples issued by the Taiwan Stock Exchange Corporation and the Taipei Exchange. We have established the "Rules of Work", "TSC Ethical Corporate Management Best Practice Principles", "TSC of Ethical Conduct", and various management measures as guiding principles for all employees (including managers) in their behavior and ethics, with the aim of shaping a corporate culture of integrity and moral values. All relevant regulations are announced and implemented in accordance with the internal control process after approval by the Chairman. As of 2023, TSC's production sites have maintained good compliance and have no record of any adverse litigation.

The integrity management policies and prevention plans are reviewed by the ESG Committee-Corporate Governance Team for implementation and compliance, and it is reported to the Board of Directors at least once a year. The relevant policies and operations are disclosed on the Company's internal management platform and official website for all employees and other stakeholders to access.

Internal Supervision of Integrity Management

The Internal Audit of the Company continues to use effective accounting systems and internal control systems to regularly analyze and supervise business activities within the scope of operations that involve higher risks of integrity violations. Through this, we establish audit targets, scope, items, frequency, and other preventive measures, and regularly conduct audits to ensure effective supervision and control. In addition to establishing internal monitoring mechanisms, we also appoint Certified Public Accountants / CPAs to conduct audits or engage professional consultants for assistance. After producing audit reports based on the audit results, we report on the

implementation status to the Board of Directors at least once a year. For specific responsibilities of the Internal Audit, please refer to "1.3.1 Risk Management".

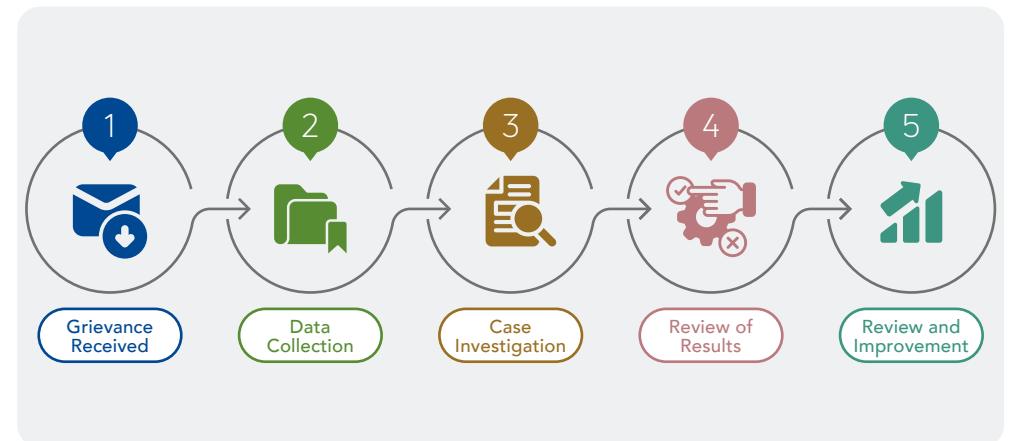
Whistle-blowing and Protection Mechanism

For improper behavior that violates the policy on unethical conduct, TSC has established a grievance email address, through which employees and relevant stakeholders can file grievances with the Company. The handling of grievances is kept confidential throughout the process to protect the whistleblower from any improper retaliation. Subsequently, the supervisors of each site, the Internal Audit, and the Legal Office will handle grievances according to their responsibilities. If a grievance involves significant corruption or other serious matters, it will be reported to the Chairman for further action. In 2023, no grievances were received from internal or external stakeholders, and no incidents of corruption occurred.



Employee Feedback Mailbox: feedback.hq@ts.com.tw
 External Stakeholder Whistleblower Mailbox: anticorruption@ts.com.tw

Violation of Integrity Grievance Reporting Procedure



Training and Information

When new employees join TSC, they are required to carefully read TSC Ethical Corporate Management Best Practice Principles, which include topics such as anti-corruption, respect for intellectual property, and compliance with laws and regulations. In the future, TSC will continue to strengthen related education and training. Starting in the second half of 2023, the Legal Department has planned to hold face-to-face education and training sessions on the Trade Secrets Act and intellectual property rights to ensure that TSC employees fully understand the relevant policies, content, and consequences of violating ethical behavior. The first session is scheduled for the second quarter of 2024. In addition, TSC also promotes and requires its supply chain to sign the "RBA Vendor Code of Conduct" to ensure that business partners who engage in commercial activities with the Company have guidelines to follow. See "3.1.2 Sustainable Supply Chain Management" for more details.

Senior Governance of Integrity Management

To align with national and industrial standards and uphold professional ethics, the Board of Directors and Senior Managers of TSC regularly participate in relevant legal training. The course topics include sustainable development, corporate governance, and taxation, among others. Through regular education and training for governance body and Senior Managers, we strive to implement honest and ethical business practices.



RBA Vendor Code of Conduct

Director, Independent Director, and Manager Training Overview in 2023

Job Title	Name	Date of Training		Organizer	Course Name	Hours
		Start	End			
Director	Wang Shiu Ting	10/26	10/26	Taiwan Corporate Governance Association	The Macro Vision of the Sustainable Development of Global Enterprises - From Vision 2050 to Action 2023	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0
Representative of Legal Entity as Director	Wang Xing Lei	10/26	10/26	Taiwan Corporate Governance Association	The Macro Vision of the Sustainable Development of Global Enterprises - From Vision 2050 to Action 2023	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0
Representative of Legal Entity as Director	Liu Chang Yu	03/14	03/14	Taiwan Academy of Banking and Finance	Corporate Governance Series Forum	3.0
		07/31	07/31	Taiwan Academy of Banking and Finance	Corporate Governance Series Forum	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0
Independent Director	Jhan Cian Long	09/18	09/18	Taiwan Corporate Governance Association	Corporate Governance by Board of Directors under ESG	3.0
		09/18	09/18	Taiwan Corporate Governance Association	Legal Matters Board Directors Should Know About Ethical Corporate Management Best Practice Principles	3.0
Independent Director	Lin Bo Sheng	10/26	10/26	Taiwan Corporate Governance Association	The Macro Vision of the Sustainable Development of Global Enterprises - From Vision 2050 to Action 2023	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0
Independent Director	Fan Hong Shu	05/05	05/05	Taiwan Corporate Governance Association	Enterprise Anti-Corruption - Case Analysis	3.0
		10/26	10/26	Taiwan Corporate Governance Association	The Macro Vision of the Sustainable Development of Global Enterprises - From Vision 2050 to Action 2023	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0
Independent Director	Ma Shu Zhuang	10/26	10/26	Taiwan Corporate Governance Association	The Macro Vision of the Sustainable Development of Global Enterprises - From Vision 2050 to Action 2023	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0
Vice President, Finance & Accounting Supervisor, and Corporate Governance Officer	Cheng I Cheng	10/19	10/19	Accounting Research and Development Foundation	(Continuing Education Program for Accounting Supervisor) Continuing Development Course of Accounting Supervisors of Issuers, Securities Firms, and Securities Exchanges	12.0
		10/24	10/24	Accounting Research and Development Foundation	Common Deficiencies in Financial Report Review and Important Internal Control Regulations	6.0
		10/26	10/26	Taiwan Corporate Governance Association	The Macro Vision of the Sustainable Development of Global Enterprises - From Vision 2050 to Action 2023	3.0
		11/09	11/09	Taiwan Corporate Governance Association	Potential tax risks under common business models of Taiwan entrepreneurs	3.0



1.3 Risk Management

1.3.1 Risk Management System

In order to identify and promptly grasp internal and external operational risks, safeguard the rights and assets of shareholders, employees, customers, and all internal and external stakeholders, as well as effectively control risks, TSC has constructed a sound risk management framework and policy and included all stakeholders within the scope of management. Additionally, regular risk identification and risk testing plans are proposed to ensure that potential risks arising from various operations are strictly regulated within the control range.

Risk Management Framework

The Board of Directors is fully responsible for establishing and supervising TSC's risk management framework. The current supervisory department for risk control is the President's Office, which is responsible for risk assessment and auditing. The risk control implementing unit under the Office of the President is the RBA Implementation Committee, established in accordance with the RBA Code of Conduct, with the President serving as the Chairperson. The committee is responsible for implementing overall risk control and related policy issuance for the headquarters and each site, and submits the risk assessment form to President in December annually for further submission to the Board of Directors for resolution, ensuring that its management objectives reasonably reflect market and operational changes of the Company.

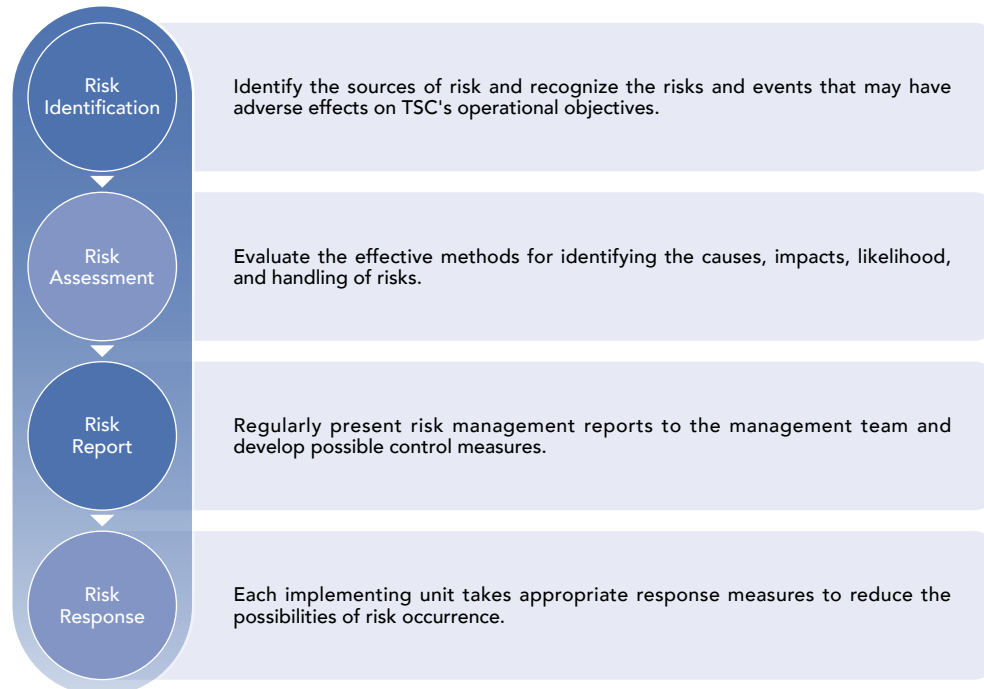
Starting in 2023, Supply Chain Management Department of TSC has enhanced its risk management system by implementing the "TSC Business Continuity Management Process". Factory managers, departments, and units will consistently enforce the organizational risk policy and mitigate identified risks through review and approval.



Risk Management Policies

With reference to the RBA Code of Conduct, TSC has established relevant policies and management measures regarding professional ethics, social responsibility, safety and health, environment, and risk possibilities. This includes the revision and control of the Professional Ethics Risk Assessment Management Measures, Social Responsibility Risk Assessment Management Measures, and Risk and Opportunity Management Procedures by the President's Office. Additionally, the environmental safety and health departments and personnel of each site implement the Safety and Health Hazard Identification and Risk Management Procedures and Environmental Consideration Identification and Management Procedures based on ISO 14001 guidelines. These serve as guiding and implementing principles for risk management, facilitating risk identification and the development of mitigation measures. Currently, TSC's risk management process includes identification, assessment, reporting, and response, as shown in the diagram below.

Risk Management Procedures



Ongoing Operational Management

With the ongoing rise in global risks, TSC will be implementing risk management mechanisms and ensuring uninterrupted service. Starting in 2023, TSC adopted the framework and principles of operational continuity management to establish the TSC Business Continuity Management Process. This process enhances the management system to enable immediate response in case of emergencies and minimize losses or damages.

Our Business Continuity Management Process objectives

To ensure uninterrupted operations that support business continuity and meet customer demand, regardless of natural or man-made disasters.

To reduce the risk and harm of emergencies, each site has established emergency response mechanisms and measures. Regular drills are conducted to assess potential risks, review preventive measures, and improve the ability to respond promptly and recover effectively. These sites have implemented risk management for potential events such as supply chain disruptions, labor shortages, critical equipment failures, earthquakes, fires, and interruptions to water, gas, and electricity supply, in accordance with relevant environmental, safety, and health regulations.



Risk Identification Assessment and Response

According to the annual The Global Risks Report released by the World Economic Forum (WEF), categorizes key risks into five major types: economic, environmental, geopolitical, social, and technological. With the increasing emergence and probability of new global risks, TSC incorporates emerging risk topics into its analysis scope and regularly reviews them to formulate corresponding response measures. In response to external environments and challenges such as climate change, TSC evaluates the likelihood of occurrence and significant negative impact of each risk based on its nature, identifying the following risks.

Category	WEF Risk Topics	Potential Impacts on TSC's Operation	TSC Countermeasures
Economy	<p>Rising Inflation</p> <p>Due to the impact of the Russo-Ukrainian war and the COVID-19 pandemic, countries worldwide are grappling with challenging inflationary pressures. Consequently, they have adopted contractionary monetary policies, resulting in a global rise in the cost of living.</p>	<p>Since 2022, the overall semiconductor industry's consumption has experienced a sluggish recovery momentum due to the impact of the pandemic and war, leading to weak terminal demand. Impact on TSC's short-term operational performance.</p>	<ul style="list-style-type: none"> Continuously adjusting product strategies, stabilizing the strong demand in the automotive and industrial control industries, and expanding market presence consistently. This plan will be implemented over a period of five years. Actively participate in customer product development, understand market trends and demands, and develop a diverse product line.
Environment	<p>Natural Disasters and Extreme Weather</p> <p>With the growing frequency and severity of climate change-related disasters globally, the impact and influence of both natural and man-made hazards on damage and casualties have become significant.</p>	<p>Extreme weather conditions may lead to potential energy and water resource crises in the future, as well as an increased probability of various natural disasters. In response to extreme weather, governments worldwide are increasingly focusing on strengthening carbon emission reduction measures. This includes the implementation of carbon taxes or fees (such as the European Union's Carbon Border Adjustment Mechanism (CBAM)). Taiwan has also announced the implementation of the Climate Change Response Act in 2023, which officially incorporates the 2050 net-zero emissions target into regulations and gradually imposes carbon fees. Mainland China has also taken measures such as dual control of total energy consumption and intensity as well as power rationing to drive the energy transformation of businesses. As a result, companies may be compelled to increase operational costs.</p>	<ul style="list-style-type: none"> To mitigate the impact of environmental disasters and reduce the costs caused by environmental damage, it is essential to actively participate in various environmental protection and energy-saving activities. This includes implementing annual replacement plans and energy-saving measures in all site areas, as well as expanding the scope of greenhouse gas inventory. Design and produce environmentally friendly products by implementing measures such as water recycling, energy reduction, and minimizing the negative impact of operations on the natural environment. In order to promote the development of renewable energy, a plan has been devised to decrease carbon emissions and establish targets and a roadmap. Concrete measures will be implemented to achieve energy conservation and carbon reduction. The interim targets for renewable energy have been set at 10% by 2025 and 20% by 2030. A thorough risk assessment has been conducted on the material topics of climate change, and appropriate risk management policies or strategies have been formulated. Please see 5.1.1 Climate Governance and Strategies for more information.
Geopolitics	<p>Geoeconomic Conflict</p> <p>Countries affect business activities through the formulation or revision of laws, including Export Administration Regulations (EAR) and tense cross-strait relations, which may affect Chinese customers or suppliers and result in the loss of potential business opportunities. Additionally, the Russian invasion of Ukraine has caused energy supply fluctuations and triggered geopolitical risks, intensifying the tension in the international regional situation.</p>	<p>Geopolitical risks may have a significant impact on interest rates and exchange rates, affecting the development of economic globalization. They may also affect TSC's entry into new markets or face issues such as supply chain disruptions, which would have a potential impact on TSC's operations.</p>	<ul style="list-style-type: none"> In order to enhance the regional investment strategy and establish a diversified supply chain, our goal is to reduce dependence on any single country or region. Continuously monitor changes in the international situation and customer demands, and strengthen flexible plans to maintain competitiveness in the industry. The Supply Chain Management Department is implementing the operational continuity management program to improve traceability management, procurement management, and other areas, with the aim of achieving sustainable supply chain goals.
Technology	<p>Widespread Cybercrime and Insecurity</p> <p>With the advancement of digital technology, information security risks are becoming increasingly complex. In recent years, there have been frequent incidents of data breaches and cyber attacks, both domestically and internationally. As a result, companies have been compelled to prioritize the issue of information security risk management.</p>	<p>Due to a network security failure, the lack of sufficient capability to defend against cyber attacks can result in incidents such as ransomware, hacker threats, and phishing websites. These incidents can lead to the leakage of important company assets and trade secrets, and can even have a negative impact on production and manufacturing systems.</p>	<ul style="list-style-type: none"> TSC has appointed a Chief Information Security Officer and a team of dedicated personnel who are responsible for developing the organization's cyber security management framework. As a functional unit within the Company's MIS Department, they regularly report to the Board of Directors and present information-related risk issues, response and improvement measures, and regulatory compliance reviews during monthly risk management meetings. An implementation plan for the ISO27001 Information Security Management Systems is being developed to address the critical infrastructure within TSC. For detailed schedule planning, please refer to 1.4 Information Security Management.

Internal Control and Internal Audit

In accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, an Internal Audit directly subordinate to the Board of Directors has been established to set up a comprehensive internal risk control system and effectively implement it. An internal audit plan is conducted once a year between November and December, and the audit plan for the following year is reported to the Board of Directors in order to respond to changes in the internal and external environment of the group and ensure the design and the continuous effectiveness of the system. In 2023, a total of 106 audit operations were carried out, with most internal control risks being minor. All necessary improvements were completed by the end of the year.

TSC annually conducts listed and OTC company audits and assurance. During the auditing, the effectiveness of the internal control systems is also examined. The accounting firm performs the Company's internal control information cycle testing and covers testing and evaluation of TSC's internal control system to ensure proper risk management and business operations.

The main purpose and execution requirements of the Internal Audit are to investigate and evaluate deficiencies in the internal control system and the efficiency of operations as well as providing timely improvement suggestions to assist the Board of Directors and management in fulfilling their responsibilities. The Internal Audit adopts independent full-time internal auditing, conducting regular and irregular business audits and financial audits to effectively evaluate the soundness, reasonableness, and effectiveness of the internal control systems.


Internal Audit Operations Process

In addition to conducting annual audits of items required by laws and regulations, the Internal Audit also considers the results of the Company's operational risk assessments when developing the audit plan for the following year and specifying the audit items. The plan is then implemented after approval by the Audit Committee and the Board of Directors. Any internal control deficiencies and abnormal matters that are discovered are communicated to the audited units, and if necessary, improvement plans and expected completion dates are obtained. The Internal Audit tracks the progress of the improvements and continues to monitor them until they are completed.

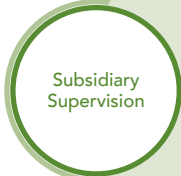
The audit report must be completed by the end of the following month and submitted to the Audit Committee for review. Quarterly, the progress in addressing deficiencies must be reported

to the Audit Committee and the Board of Directors for consideration. In case of major violations or potential significant harm to the Company, it should be promptly reported to the President of each headquarters, the Audit Committee, and the Board of Directors.


2023 Work Priorities



The Internal Audit conducts self-assessment exercises in each department and Subsidiary annually. It consolidates the identified internal control deficiencies and improvement measures to assess the effectiveness of the overall internal control system for the Board of Directors and the President. Subsequently, a statement on the internal control system is issued. This statement is also reported on the Market Observation Post System and published in the annual report.



Include each Subsidiary within the scope of internal audit. Assist and supervise the implementation of internal control systems. Issue work reports to notify each Subsidiary of any abnormal indicators, facilitating timely adjustments and improvements.



Each year, we participate in the internal audit courses organized by the Financial Supervisory Commission to enhance our professional skills and risk management awareness. We also disclose the list of internal auditors and their training records on the Market Observation Post System. The training topics for 2023 included Practices and Key Auditing Points in the Production Cycle, The Role of Internal Audit in Sustainable Information Management and Internal Control, and Internal Audit Guidelines for Sales and Collection Cycles and Compliance with Laws and Regulations, totaling 7 sessions.

Risk Reporting Mechanism

In addition to risk management, TSC includes all employees in the scope of overall risk management. Currently, employees can use the Company's internal network Employee Grievance Mailbox platform to proactively report potential risk items and assist in managing the impact of various internal and external risks. No employee grievances were received in 2023.

1.3.2 Regulatory Compliance GRI 2-27 GRI 205-3 SASB TC-SC-520a.1

TSC engages in all operational activities, striving to comply with relevant laws and regulations in the jurisdictions where it operates. The Company established various internal operating procedures and continuously paid attention to any domestic and international laws and regulatory policies that may affect its operations, making necessary adjustments at any time. The TSC Ethical Corporate Management Best Practice Principles, clearly stipulate that all employees should comply with the Company Act, Securities and Exchange Act, Political Donations Act, Government Procurement Act, and other regulations. It strictly prohibits bribery, accepting bribes, or giving or receiving political donations. It also adopts relevant preventive measures for business activities that pose a higher risk of dishonest behavior within the scope of Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, or other business activities. We comply with the highest professional ethical standards to uphold the Company's reputation and maintain the trust of all stakeholders.

To avoid improper disclosure of information and ensure the consistency and accuracy of external information, TSC has established a sound internal system for processing and disclosing significant information. Additionally, in order to prevent insider trading, the Company has formulated and published the Internal Handling of Significant Information and Prevention of Insider Trading Management Measures on its website for compliance.



Regulatory Compliance Status

In 2023, there were no significant incidents of anti-corruption, anticompetitive behavior, money laundering, or insider trading. There were also no other major legal violations occurred^{Note}
 1. However, there were two cases that violated Article 7, Paragraph 1 of the Water Pollution Control Act. These cases were promptly addressed within the specified time frame. We have also developed plans for improving water quality and optimizing wastewater treatment processes. For more information, please refer to 5.3.2 Wastewater Management. TSC will continue to closely monitor regulatory changes and regularly review internal operating procedures to minimize the risk of non-compliance and ensure adherence to legal requirements.

Violations and Improvement Measures in 2023


TSC Li-Je Site		
Fault	Fines	Improvement Measures
On January 10, 2023, the water sampling quality test results for the discharge port (D01) did not meet the effluent standards (suspended solids: 33.8 mg/L, maximum limit: 30 mg/L). ^{Note 2}	NT\$221 thousand	<ul style="list-style-type: none"> To educate and train the personnel on the site, it is important to establish a regular cleaning schedule and keep a record of the cleaning activities. If the inspection personnel conduct sampling during the cleaning process, explanations should be provided and the D01 cleaning records should be presented as evidence.
On July 24, 2023, the water sampling quality test results for the discharge port (D01) did not meet the effluent standards (suspended solids: 42.0 mg/L, maximum limit: 30 mg/L). ^{Note 3}	NT\$179 thousand	<ul style="list-style-type: none"> Short-term goals: Restore pipeline functionality, enhance the number and strength of pipeline supports, and install liquid level alarms between pipelines. Long-term: The material of the pipeline should be changed from UPVC to stainless steel. Additionally, a backflushing pipeline should be added to ensure regular cleaning of the pipeline, reducing structural damage and blockages.

Note:
 1. Major violations are in accordance with the provisions of the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities." In 2023, TSC did not encounter any major violations.
 2. On January 10, 2023, the Environmental Protection Bureau, Yilan County conducted an inspection at the site during the cleaning of the personnel release monitoring well for the environmental abnormality incident. However, our personnel failed to inform the sampling personnel about the need to postpone the sampling, which resulted in a violation.
 3. On July 24, 2023, an environmental anomaly occurred when the discharge pipeline in the D01 site's wastewater treatment unit ruptured. The emergency shutdown and repair process took approximately 12 hours. After the pipeline was repaired, the structure (calcium salt) that had formed on the pipe's inner wall peeled off and was discharged at the outlet. Upon discovery, an emergency shutdown was implemented for treatment. The next day (July 25, 2023), filtration operations were carried out at the outlet until all the adhered substances inside the pipeline were discharged.

1.4 Information Security Management


GRI 3-3 | GRI 2-25 | GRI 418-1

Material Topics -
 Information Security Management - Enterprise and Customer Information Leakage




Policy and Commitments

We are actively developing a comprehensive information security management policy, which includes the formulation of the Information and Communication Policy and Network Data Security Management Policy. We plan to implement ISO 27001 Information Security Management Systems (ISMS) and irregularly enhance internal awareness and understanding of information security through various means. This will help us minimize operational risks resulting from human error or improper use of security assets.




TSC's Policy on Information and Communication Policy and Network Data Security Management



Management Policy and Evaluation Mechanism

- Establish a Chief Information Security Officer (CISO) and a team of dedicated personnel to track the Company's information security indicators and address related risk issues.
- Regularly review the information security environment of each site and office, and enhance employees' awareness of digital security maintenance through education and training, or promotion.
- Evaluate and implement external information security audits and vulnerability scanning.
- Regular monitoring of the implementation status of equipment information security.



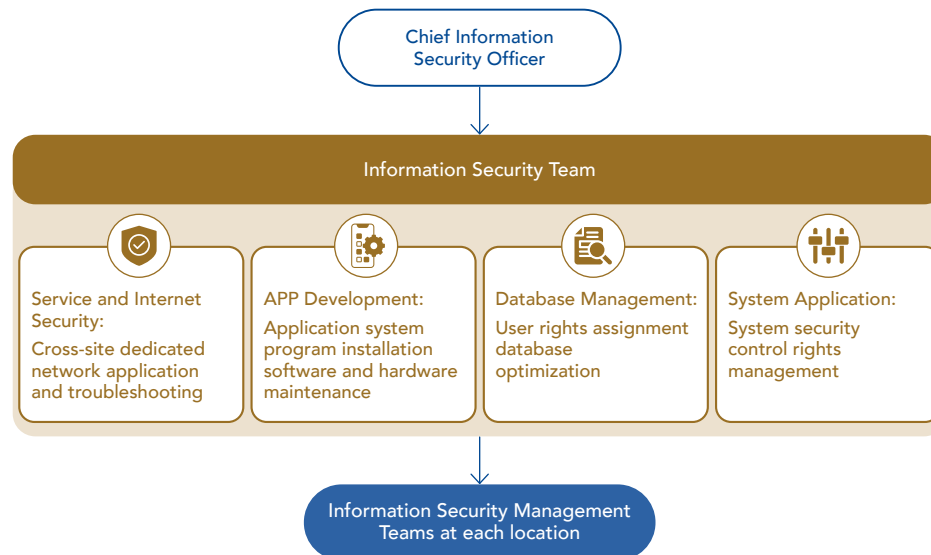
Action Plan and Performance

- ✓ Periodic review of the information security operations plan.
- ✓ Implementation status of action improvement plan following regular review of external information security inspection.
- ✓ Completed the promotion of internal information security education and training in 2023.
- ✓ In 2023, TSC implemented a test of the "Network and Endpoint Monitoring System" at all of its locations.

To ensure the security of the Company and customer information, TSC is dedicated to actively developing a robust information security management system and policies. We have appointed a Chief Information Security Officer (CISO) and a team of experts responsible for establishing the enterprise information security management framework. As a functional unit within TSC's MIS Department, we track various information security indicators and related risk issues across the Company. We are also planning to implement the ISO 27001 Information Security Management Systems, and are currently in the vendor selection and preparatory phase.

In the meantime, through irregular information security project testing, we examine whether there are vulnerabilities at the policies and management level, reducing the frequency and probability of information security incidents. In recent years, TSC has also gradually introduced information security protection equipment and organized related education and training to establish a complete information security system.

Information Security Management Structure



Information Security Management Policies

With the rapid development of information technology, businesses are facing an increasing number of information security threats and risks. In particular, ensuring the security of corporate information assets and maintaining personal privacy has become a crucial issue for businesses due to frequent internal data exchange. TSC adheres to the "Guidelines for Cyber Security Management of Listed and OTC Companies" and considers recommendations from TWCERT/CC. We have established policies such as "Information and Communication Policy and Network Data Security Management" and procedures including "Information Cycle and Electronic Data Control Procedures" based on these guidelines. Each site follows general principles while developing internal procedures tailored to information security requirements, aiming to achieve comprehensive regulatory standards in information security management.


In response to the government's promotion of the "Cyber Security Management Act" and to enhance self-security protection, TSC has developed a plan to implement the ISO 27001 Information Security Management Systems (ISMS) starting in 2022. The vendor selection phase began in 2023, and certification for critical infrastructure's essential information systems required for continuous operation is expected to be completed by 2025. This initiative aims to strengthen the security protection of the information infrastructure. The implementation is expected to optimize existing management systems and establish more comprehensive control standards in terms of management, technology, training, and other aspects, thereby consolidating TSC's information security system.

Plans to Receive ISO 27001 ISMS Certification


Preparatory Work -
Data Center Hosts' Enhancement of
Information Security Operations 

In response to the constantly changing information environment and varying risks, TSC remains committed to collaborating with information equipment manufacturers, external information security sites, and other units to regularly update application equipment and software based on recommendations, while also patching security vulnerabilities. In 2023, we will continue to promote the update of hardware controllers for server storage space in the data center, as well as virtual software patching, in order to continuously strengthen critical infrastructure equipment. Furthermore, we have plans to further enhance these efforts in 2024 as part of the preliminary preparation for the implementation of the ISO 27001 management system.

- **Storage space hardware controller update:** In accordance with the manufacturer's recommendation, it is advised to carry out an update of the storage controller to address any security vulnerabilities.
- **Virtual software patching:** Software vendors respond to self-discovery and releases from external information security sites by implementing version changes and installing security vulnerability patch programs.

Selecting Consultant Vendors
Q1 2023 to Q3 2024 

Review and Establishment of Information
Environment and System
Q4 2024 

Certification Auditing
Q1 2025 

TSC's Key Focuses of Policy Implementation on Information and Communication Policy and Network Data Security Management

- 1 All user information activities utilizing Internet resources within the Company, including incoming and outgoing emails, are automatically backed up and recorded on a dedicated network server.
- 2 All authorized network personnel should refrain from using functions that consume a significant amount of network bandwidth, downloading large amounts of data, or sharing data unrelated to personal business. All information regarding network connections is logged on the network proxy server for external internet connections. If it is determined that the aforementioned information is unrelated to business and has a detrimental impact on the Company's network operation or compromises confidential information, it will be reported to department supervisors and the general management unit for approval and appropriate action.
- 3 For internet instant messaging software or cloud sharing software, personnel in the information unit should submit an annual usage list for review by the highest management supervisor of each department. The list should then be transferred to the information unit for configuration or record storage.
In order to prevent employees from using illegal software and to protect the Company's assets, it is necessary for employees to sign the "TSC Software and Hardware Affidavit". This agreement is designed to safeguard the integrity of Company assets and protect the intellectual property rights that are protected by laws and regulations.

Identification of Information Security Risks

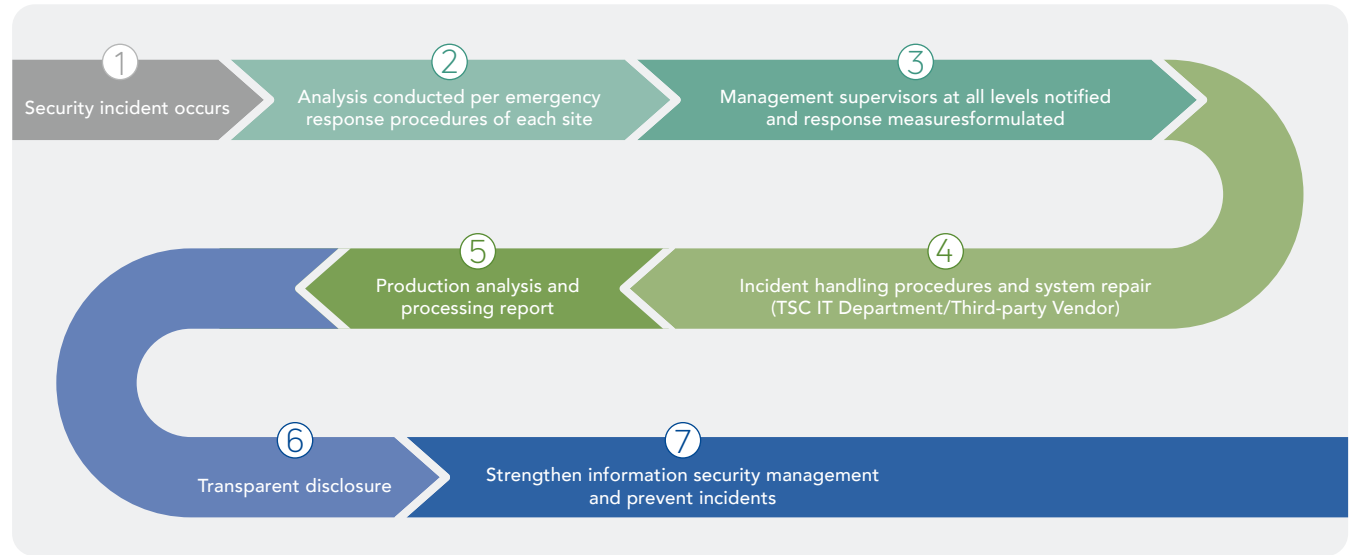
Considering the value and importance of information security to TSC, we conduct a preliminary analysis of potential threats and vulnerabilities, estimate the likelihood of occurrence and impact of risks, evaluate the level of urgency and scope of impact, rank risks, plan corresponding management measures, in order to reduce the potential negative impacts on our operations, reputation, financial status, competitiveness, and related negative aspects when information security incidents occur.

Notification and Handling of Information Security Incidents

For the notification and handling of information security incidents, each site of TSC has specifically established information security notification and handling procedures. When a security incident occurs, the information unit will report to various departments and determine the level of the incident. If it is a major security incident, it will immediately report to supervisors at all levels and the risk management organization, and activate corresponding measures and actions according to the emergency response procedures and items at each site. Overseas sites also report major incidents to the Taipei headquarters and take contingency measures. After the incident is resolved, the information security management team will submit an analysis and handling report to the ESG Committee for evaluation, then provide explanations to TSC's customers and trading partners as well as take corrective measures to prevent the recurrence of incidents and maintain the trust of stakeholders.



Grievance Channel for TSC's Stakeholders
External Stakeholder Whistleblower Mailbox:
anticorruption@ts.com.tw



Establishing a Protection Plan and Information Security Culture

To encourage employees to stay up-to-date with information security knowledge, each site of TSC has become a member of TWCERT/CC. Through our collaboration with TWCERT/CC, we conduct irregular security testing to ensure the implementation of the Company's information security defense and maintenance. Additionally, during the annual financial audit conducted by TSC's accounting firm, we hired professional auditors of Information Technology Audit (ITA) to perform IT audits. These audits include testing and evaluating various aspects of the ITA system, such as functional testing, security vulnerability testing, and data integrity testing. The purpose is to verify the reliability, security, and effectiveness of the system, ensuring that TSC's ITA system can meet business needs and provide reliable data support. In terms of internal promotion, we are committed to promoting information security education and training. We schedule relevant knowledge training to enhance employees' autonomous information defense capabilities and competence. In December 2023, we will conduct a comprehensive cyber security general education and training for all personnel in the Taiwan region.

2023 Cyber Security General Education and Training - Promotion of Advertising Letter Management System Usage

Hackers are constantly evolving their attack methods, and many threats originate from attacks launched through email, followed by the use of malicious websites, programs, and other tools to achieve their invasion goals. To ensure that colleagues can use the email system confidently and filter outgoing emails, thereby reducing the risk of exposure to malicious emails, TSC has implemented an advertisement email management system. This system can intercept various types of attack emails before they reach the mail server, effectively reducing phishing, forgery, and other virus emails.

Information Security Risk Incidents and Countermeasures

In December 2023, TSC's American site discovered a Trojan malware alert. The relevant colleagues promptly reported the alert to the headquarters' MIS Department and management unit. Through collaborative efforts between the headquarters and the vendor, endpoint controls were immediately activated, restricting specific IPs and implementing permission controls. As a result, the alert was successfully removed. Thanks to real-time alerts and a robust information security incident response mechanism, the incident had no negative impact on operations and no significant data breaches occurred.

Highlight Story 03

Introducing Endpoint Protection Testing to Mitigate Information Security Threats

The information security problem is becoming more intricate as hackers continuously evolve their attack methods. To enhance our security system, TSC implemented a "Network and Endpoint Monitoring System" test at all locations in 2023. This test included vulnerability scanning, penetration testing, and other techniques to simulate hacker attacks to proactively detect threats and promptly report them, enabling early identification of hacker activity, improved real-time response capabilities, timely solution development, and mitigation of potential information security risks. In the future, during the process of digital transformation, there may be increasingly complex and severe information security challenges. TSC will continue to seek and integrate top-notch information security technologies to comprehensively enhance the overall security protection network in areas such as operating systems, network security, and endpoint protection.

Highlight Story 04

Integrating ERP Systems of Overseas Sites to Establish a Real-time Cross-border Team

As a multinational company, TSC frequently encounters challenges in team collaboration and communication, including remote operations and time differences. The inability to communicate in real time can have an impact on the senior management team's ability to develop agile business strategies. In March 2023, TSC headquarters launched the Enterprise Resource Planning (ERP) Information System Integration Project. Colleagues from the headquarters' MIS Department were dispatched to the U.S. subsidiary to aid in the implementation, and it was officially launched in January 2024.

By integrating information within the group, business data such as procurement, inventory, and order sales can now be connected in real-time. This has reduced the time it takes for information to flow from 3 days to real-time updates, greatly improving communication efficiency. Additionally, it has increased the speed of decision-making for the business team and decreased the risk of customer churn.

Customer Privacy Protection

In view of the globalization of TSC's business and services, we are committed to implementing protection mechanisms for personal privacy and personal information to prevent leakage, abuse, and theft, thereby safeguarding the rights and interests of personal privacy. In the event of customer data leakage, TSC will respond in accordance with the guidelines set out by the information security policy. The Company planned to gradually introduce the ISO 27001 Information Security Management Systems as a management mechanism starting in 2023, reducing the potential impact and risks of customer data breaches by following international standards.

In addition to international standards, information security-related messages and advocacy will be increased through various channels and meetings in the future to enhance employees' awareness and understanding of information security, explicitly specifying the legal use scenarios, storage measures, responsible departments, and handling procedures for personal data incidents, continuously strengthening customer privacy protection. In 2023, there were no incidents of violating customer privacy or losing customer confidential information, and no complaints were received regarding the violation of customer privacy or loss of customer data.