

Responsible Procurement

3.1 Supply Chain Management



Recommended Primary Stakeholders for This Section:

☐ Suppliers ☒ Customers ☐ Employees ☐ Investors ☐ Government ☐ Media ☒ General Public

3.1 Responsible Procurement

GRI 3-3 204-1

Material Topics Sustainable Supply Chain - Supply Chain Sustainability Management

Responsible Procurement

TSC regards suppliers as mutually supportive partners. In addition to jointly supporting the vision and goals of the Responsible Business Alliance (RBA), TSC also promotes sustainable supply chain assessments. All suppliers are required to sign the RBA Vendor Code of Conduct, which sets clear standards in areas such as labor, health and safety, environmental protection, and business ethics. Together, we aim to safeguard labor rights, prevent discrimination and harassment, ensure occupational safety, uphold environmental responsibility, operate with integrity, and avoid the use of minerals sourced from conflict-affected regions, in pursuit of building a sustainable supply chain. TSC strives to exert a positive influence on green operations while consolidating its core business operations.

RBA Vendor Code of Conduct 

Policy and Commitment

- Collaborate with suppliers across QDCST (Quality, Delivery, Cost, Service, Technology) to ensure operational stability and strengthen customer service.
- In line with the RBA Code of Conduct, TSC promotes ESG practices with suppliers to enhance sustainability competitiveness.

Management Approach and Evaluation Mechanism

- Follow the RBA Code of Conduct and requires suppliers to comply with laws and standards on labor, health and safety, environment, and ethics.
- The Code is regularly updated per the latest RBA version and published on TSC's website.
- Supplier management and evaluation follow the Regulations Governing Vendor Management.
- Monitor potential supply chain risks and activate Business Continuity Management (BCM) when necessary to ensure stability.

Action Plans and Performance

- **Updated the Supplier Code of Conduct in line with the latest RBA version; full implementation targeted by end of 2025.**
- **Managed supply chain risks throughout 2024 under the BCM framework to strengthen resilience.**
- **Maintained local procurement ratio above 60% for three consecutive years.**

3.1 Supply Chain Management

3.1.1 Overview of the Supply Chain

TSC's production sites are primarily located in Taiwan and mainland China. As of the end of 2024, the Company had a total of 157 cooperating suppliers, among which 102 were Tier 1 suppliers, providing core materials and production services for TSC's products.

Site	Yilan ^{*3}	Shandong	Tianjin ^{*4}	Lije	Total (Suppliers)
All suppliers ^{*1}	51	49	37	20	157
Tier 1 suppliers ^{*2}	45	27	21	9	102

Note:

- Statistics include suppliers of materials listed in the Bill of Materials (BOM) and service providers for production processes, excluding suppliers of equipment or facility-related services.
- Tier 1 suppliers refer to those providing key production materials.
- Data for the Yilan Site & Tianjin Site includes suppliers from both local procurement and the OSAT (Outsourced Semiconductor Assembly and Testing) team.

Local Procurement

TSC values sustainable operation and incorporates social and environmental considerations throughout its business processes. While pursuing global expansion, TSC actively promotes local procurement. Despite most production equipment and materials being sourced internationally, each site continues to engage local suppliers in an effort to establish a lean, robust, healthy, and sustainable supply chain. **In 2024, local procurement accounted for 63.93% of TSC's total procurement expenditures, maintaining a rate above 60% for the third consecutive year.** Moving forward, TSC will continue to foster stable partnerships, enhance mutual trust, and increase the proportion of local procurement to support local economic development.

Local Supplier Procurement Overview

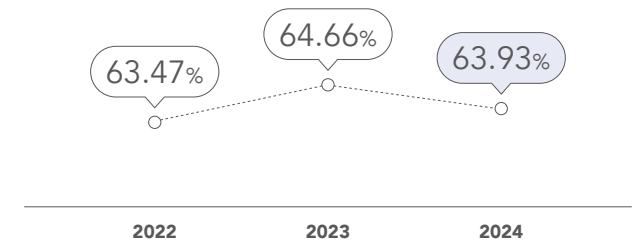
Unit: NT\$

	2022	2023	2024
Local Procurement Value	3,258,261,400	2,385,856,083	2,560,021,654
Total Procurement Value	5,133,808,220	3,690,102,856	4,004,220,444

Note:

- TSC's key operational sites include all manufacturing facilities, namely Lije Site, Yilan Site, Shandong Site, and Tianjin Site.
- Local suppliers are defined based on the geographic location of each site: for the Yilan Site and Lije Site, local procurement refers broadly to suppliers within Taiwan; for the Shandong Site and Tianjin Site, it refers to suppliers within mainland China.
- The statistical scope includes categories of raw material suppliers and purchased finished goods suppliers, excluding suppliers of facility and labor services.
- The statistics include data on related party transactions.

Local Procurement Ratio



3.1.2 Sustainable Supply Chain Management GRI 2-23 2-24 3-3 308-1 308-2 403-7 409-1 408-1 414-1 414-2

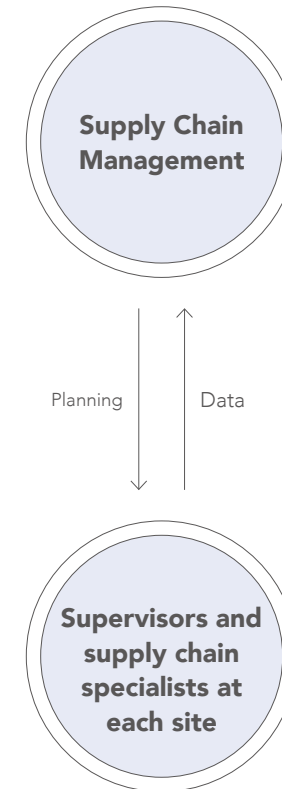
Supply Chain Management Measures and Strategies

Sustainable supply is a key element of TSC's supply chain strategy. In response to increasing geopolitical uncertainty, TSC prioritizes supplier diversification, inventory monitoring, and Business Continuity Management (BCM) to mitigate risks and maintain operational continuity.

The Supply Chain Management Department centrally integrates procurement across all sites, overseeing resource planning, demand forecasting, production, and delivery. Regular production-sales cycles and a dedicated platform ensure efficient coordination, streamlined operations, and compliance with internal controls.

To strengthen supply continuity, flexible inventory policies are applied based on market trends and product demand. Since implementing the BCM system in 2023, TSC developed secondary sources for three critical materials in 2024 to reduce procurement risk. Each site works closely with headquarters to assess risks and align upstream strategies.

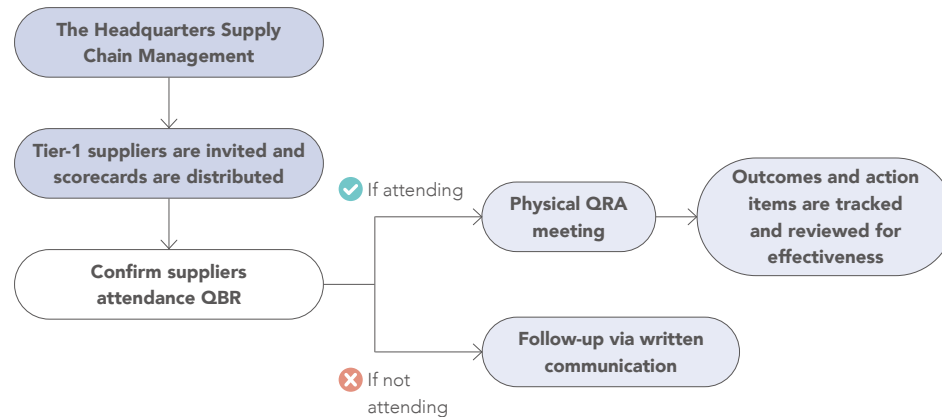
Additionally, TSC collaborates with customers via contracts and digital platforms to improve information exchange, enhance transparency, and boost responsiveness. These efforts reduce costs, improve efficiency, and ensure a flexible and resilient supply chain.



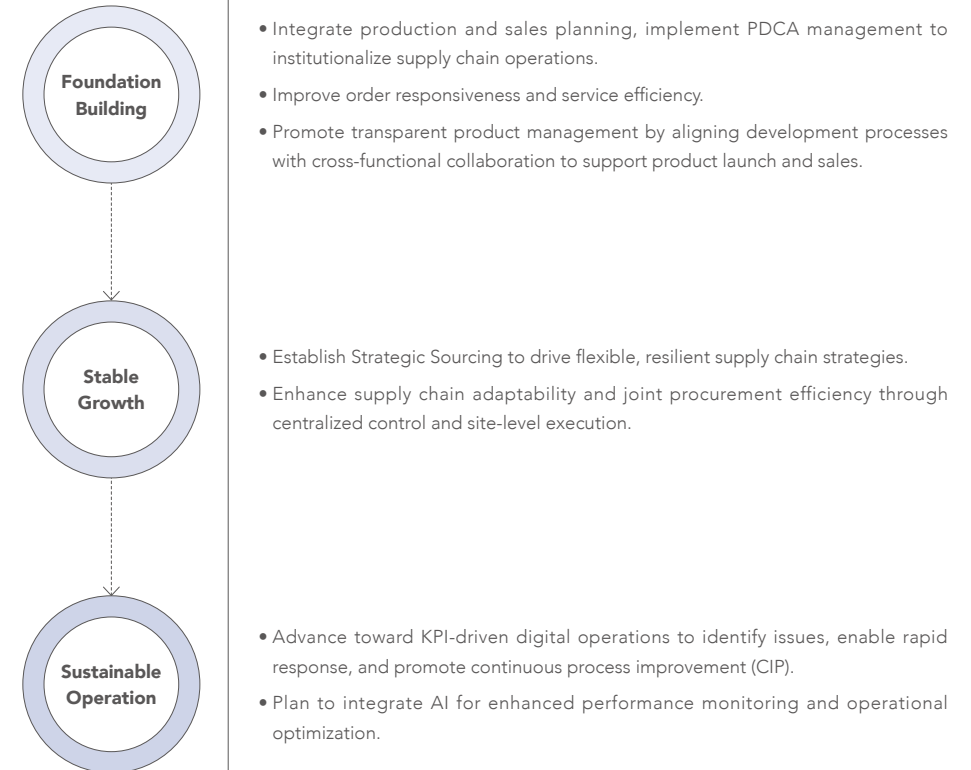
Enhancing Supplier Communication

To strengthen sustainable supply chain partnerships, TSC promotes transparent and effective communication, including Quarterly Business Reviews (QBRs) with key and strategic suppliers. These reviews cover five dimensions: Quality, Delivery, Cost, Service, and Technology (QDCST), while also monitoring Tier 1 suppliers' ability to manage their Tier 2 supply chains.

TSC applies a scorecard system to evaluate supplier performance and encourage continuous improvement through brand influence. The scorecard weightings are: Quality (40%), Delivery (20%), Cost (25%), and Service & Technical Support (15%), with a total score of 10 points. Each quarter, a minimum score of 6 out of 10 is required to meet TSC standards and support ongoing optimization efforts. Quarterly Business Review (QBR) Implementation Procedure:



Three Core Elements of Supplier Management



Supplier Sustainability Impact Assessment

TSC continues to enhance supply chain resilience and sustainability by evaluating suppliers not only on technical capabilities, delivery, quality, and cost, but also across economic, environmental, and social dimensions, aligning with the Company's risk management and sustainability principles.

Since 2017, TSC has adopted the Responsible Business Alliance (RBA) standards and established the RBA Vendor Code of Conduct. This Code, approved by the Chairman, requires suppliers to comply with local regulations and adhere to clear standards across labor rights, occupational safety, environmental protection, and business ethics. Each site's procurement team monitors supplier compliance and reports any violations to the Supply Chain Management Department.

In 2024, TSC launched internal training to reinforce understanding of the updated Code, which will be published on the corporate website in 2025. New suppliers are required to sign the Code and undergo evaluation under the Vendor Management Regulations. These assessments include environmental and social impact records, as well as certifications such as ISO 14001 and ISO 45001.

All suppliers passed the environmental and social evaluation criteria in 2024, with no significant negative impacts identified.

TSC also closely monitors regulatory and geopolitical developments that may affect material sourcing—for example, steel restrictions due to the Russia-Ukraine war, export controls amid U.S.-China trade tensions, and human rights-related origin investigations concerning Xinjiang. In response, TSC has implemented relevant policies, due diligence processes, and origin declarations to ensure service quality and customer trust.

For details regarding conflict minerals (tantalum, tin, tungsten, and gold), please refer to Section 3.1.3 "Conflict Minerals Management."

New Supplier Selection Process

01 Search

New supplier/new material development need

- Applicable to the development of new products when existing suppliers are unable to satisfy such needs or provide similar products
- Develop secondary suppliers
- As requested by customers

02 Select

New supplier sustainability risk assessment and supplier evaluation

- **Quality:** The supplier is required to possess the ISO 9001 Quality Management certification while aiming to obtain the IATF 16949 Automotive Quality Management System certification.
- **Environment:** The supplier is required to possess the ISO 14001 Environmental Management Systems certification (or other equivalent certifications) and meet the REACH and RoHS requirements. The percentage of suppliers that passed the environmental aspect evaluation in 2024 was 100%.
- **Society:** The supplier is required to comply with principles concerning workers human rights, prohibition of child labor, human treatment, anti-discrimination or anti-harassment as stipulated in the RBA Code of Conduct.
- **The Conflict-Free Sourcing Initiative:** The supplier is prohibited from using conflict minerals in the raw materials it supplies. If the supplier is unable to identify the source of the conflict minerals or it is confirmed that the supplier uses conflict minerals, the supplier is required to issue and disclose a conflict minerals report.
- **The RBA Vendor Code of Conduct:** The supplier is required to comply with and sign up for TSC's RBA Vendor Code of Conduct.

03 Develop and validate

Engineering experiment VDA 6.3 process audit Safe mass production Material review meeting

- Engineering technology and quality system certifications: Procurement procedures may only begin after confirming the results of sample analysis and packaging of finished products, as well as passing the evaluation and audit processes.

04 Production and Oversight

Procurement and evaluation

TSC conducts comprehensive evaluation in terms of quality, delivery, cost, service, and technique while establishing long-term partnerships by enhancing communication and collaboration in the supply chain on an ongoing basis.

Note:

1. Raw material suppliers are the primary category of suppliers in TSC's supplier selection process. In 2024, TSC's operating sites added 3 new relevant suppliers, while our existing suppliers did not violate the aforesaid code of conduct.



Optimizing Packaging Design to Enhance Customer Experience

At the Lije Site, finished products were originally packaged using anti-static boxes secured with anti-static tape to ensure wafer safety during transportation. However, the tape often adhered to gloves during unpacking, causing operational inconvenience and posing a potential risk of particle contamination, which could affect usage efficiency and quality stability.

To eliminate potential usage risks and improve the overall customer experience, the procurement team promptly launched an improvement project to review and redesign the packaging structure. This involved researching market packaging technologies and engaging with long-term suppliers to explore feasible alternative designs. After comprehensive evaluation, the team proposed adding an interlocking feature to the original box structure, replacing the original tape-sealing mechanism. This effectively reduced manual contact and the risk of foreign particle contamination.

Through proactive communication, the supplier developed prototypes and offered optimization suggestions. After multiple iterations—ranging from the first version to a second improved version—the final design passed internal testing and review. The optimized solution significantly improved both safety and ease of use, ultimately gaining client approval. This successful optimization case highlights the close collaboration and agile responsiveness between the procurement team and suppliers. It not only enhanced the quality of product packaging but also further strengthened partnerships with both customers and suppliers.

3.1.3 Conflict Minerals Management

TSC is committed to corporate social responsibility and international human rights by implementing a Conflict Minerals Management Policy, ensuring its products do not contain minerals from conflict-affected regions. Suppliers are required to sign a Declaration of Non-Use of Conflict Minerals and follow the Responsible Minerals Assurance Process (RMAP). TSC encourages sourcing from third-party certified smelters/refineries and conducts supply chain due diligence to minimize social and environmental impacts. Smelter and sourcing data are also disclosed based on mineral report findings.

[Conflict Minerals Policy](#)

[Conflict Minerals Reporting](#)

Conflict Minerals Management Measures



Conflict Minerals Due Diligence Status

TSC is committed to avoiding the use of conflict minerals, including tantalum, tin, tungsten, gold (3TG), and cobalt sourced under armed conflict or human rights abuses. We follow the Responsible Minerals Initiative (RMI) and require suppliers to avoid raw materials mined under illegal or unethical conditions, including forced and child labor.

Suppliers are encouraged to develop mineral management policies and source from smelters certified by the Responsible Minerals Assurance Process (RMAP) or equivalent third-party audits. We also regularly reassess smelters based on the Conformant Smelters List published by the RBA.

To verify sourcing, all suppliers are required to complete the RMI Conflict Minerals Reporting Template (CMRT) and sign a Declaration of Non-use of Minerals from Conflict Zones. In 2024, **159 suppliers—representing 90% of our supply chain—completed the declaration**, a 12% increase from the previous year. TSC will continue to work with suppliers to uphold ethical sourcing and strengthen supply chain sustainability.

Conflict Minerals Declaration – Site Status

Site	Number of Supplier Responses	Total Number of Suppliers	Signing Rate
Lije	33	35	94.3%
Yilan	45	54	83.3%
Shandong	47	47	100%
Tianjin	34	38	89.5%
Total	159	174	91.4%

