



3 Partner Co-prosperity

Corresponding Material Issues



Customer
Privacy



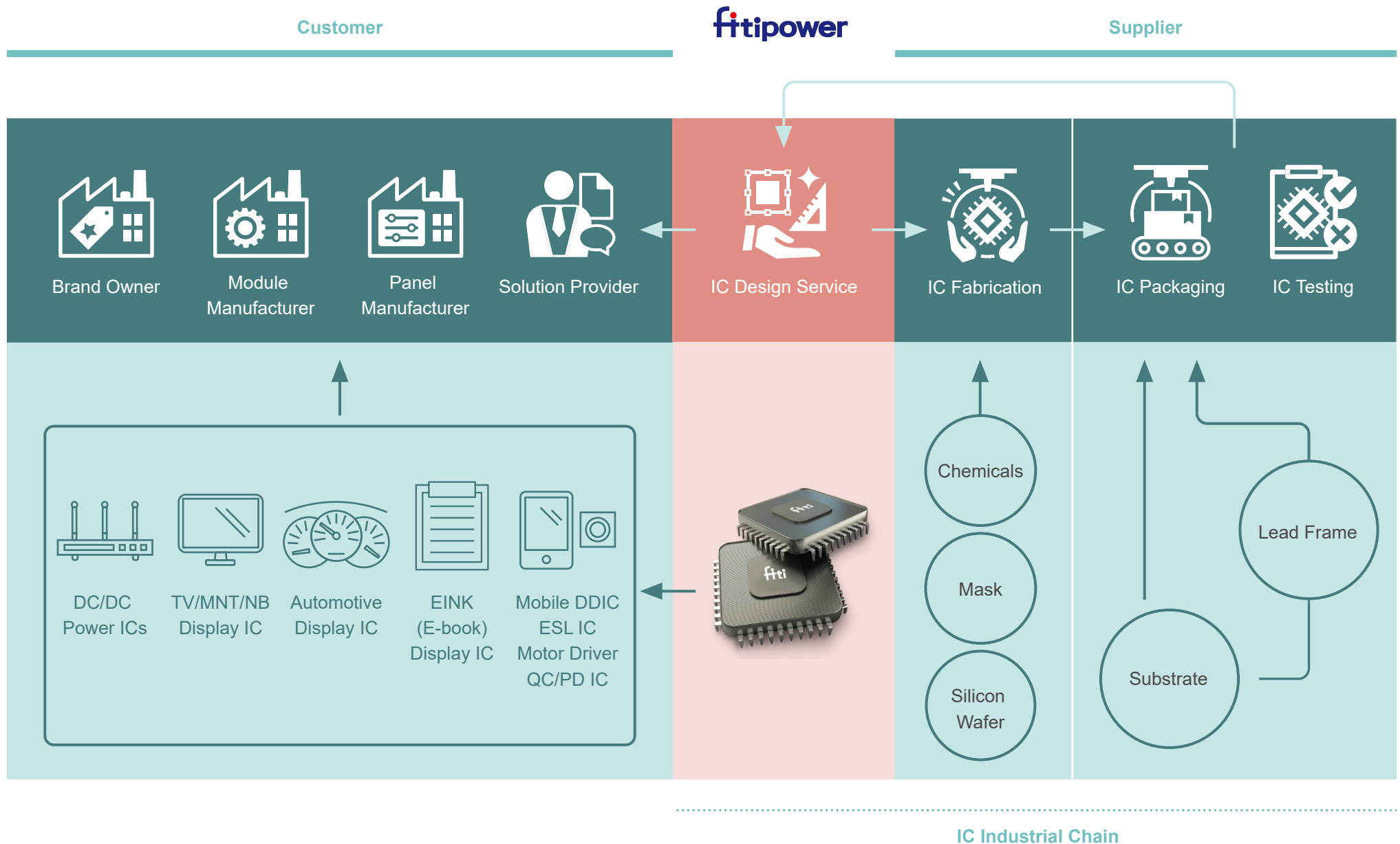
Supply Chain
Management

Policy and Commitment

In the after-sales service, quality, and safety of products, we seek total satisfaction and recognition of both customers and users. In employee human rights, integrity and ethics, and environmental protection, we further request for the development of a sustainable partnership with ESG interdependency with the supply chain.



Fitipower Product Value Chain



3.1 Customer Service



Completed goal

Short Term (2022~2023)

Medium to Long Term (2024~)



Goals

- Continue to provide customers with required quality products and services, protect the confidential and sensitive data of the customers, and continue enhancing good partnership.
- Customer satisfaction > 83 points
- There were no incidents related to customer infringement or information leakage.
- Closure rate for customer complaints reach 100%
- Customer satisfaction > 85 points
- There were no incidents related to customer infringement or information leakage.
- Closure rate for customer complaints reach 100%



KPIs

- Customer satisfaction
- Customer complaint and handling status
- Sales amount



Major Stakeholders



Customer



Responsibility

- Sales unit
- Quality engineering unit
- R&D unit



Communication Mechanism

- Corresponding to the major stakeholders; refer to the [“Communication with Major Stakeholders”](#)

As customers are our key partners, our quality is the backbone of their trust. Upholding “‘Integrity’ is our commitment to customers; ‘innovation’ is the self-requirement; and ‘quality’ is our persistence in the products”; we provide total solutions for a wide range of products from DDICs to power source ICs. The applications of our products include displays of different sizes and the power management circuits of TVs, laptop computers, computer monitors, commercial displays, EPDs, and ESLs. Our customers include branded manufacturers, panel manufacturers, module manufacturers, and solution providers at home and abroad. We continue to provide stable and reliable product solutions that ensure both quality and safety. Pursuant to the requirements of ISO 9001 quality management system, we strictly control the whole product process through the spirit of PDCA. We run system and equipment electrostatic discharge (ESD) tests to verify all IC products to ensure their high antistatic capacity to prevent the impact of the statistic charge accumulated in the environment or substances on IC products to ensure product electrostatic safety. In addition, we also comply with other standards, such as ACE Q100 and UL Product IQ according to product characteristics and customer requirements. We understand customers’ needs and suggestions via two-way communication outlets, including online feedback, technical exchanges, face-to-face visits and annual questionnaires so as to make further improvements and optimize products. For the information on the protection of customer’s confidential and sensitive data, refer to the [“Cybersecurity”](#) section.



Quality Policy

To fulfill our responsibility for product quality assurance, we have implemented and comply with the ISO 9001 standard and established the quality policy.

Innovation

Outstanding design enhances product competitiveness.

Quality

Excellent quality enhances product stability.

Service

Professional services enhance customer satisfaction.

Quality Management Process

We establish the quality management program and believe that continuous quality improvement is the basis of quality management. In addition to products and services, our quality management covers all processes and supports for achieving the above outputs. Our quality management program covers the resources required for implementing quality management in development, production, and after-sales services. Through a series of processes and cycles, we achieve our continuous improvement quality management goal. We also implemented a series of quality training activities, including customer complaint management procedures, internal audit management procedures, and correction and prevention management procedures to address the customer’s demand for the continual improvement of high-quality and high-specification products, encourage employees to insist on output quality to become frontline protectors.



Development

The development support team implements processes including market survey, customer requirements verification, product process design verification, and product verification



Production

The production support team implements processes including product plan, procurement, and warehouse control.



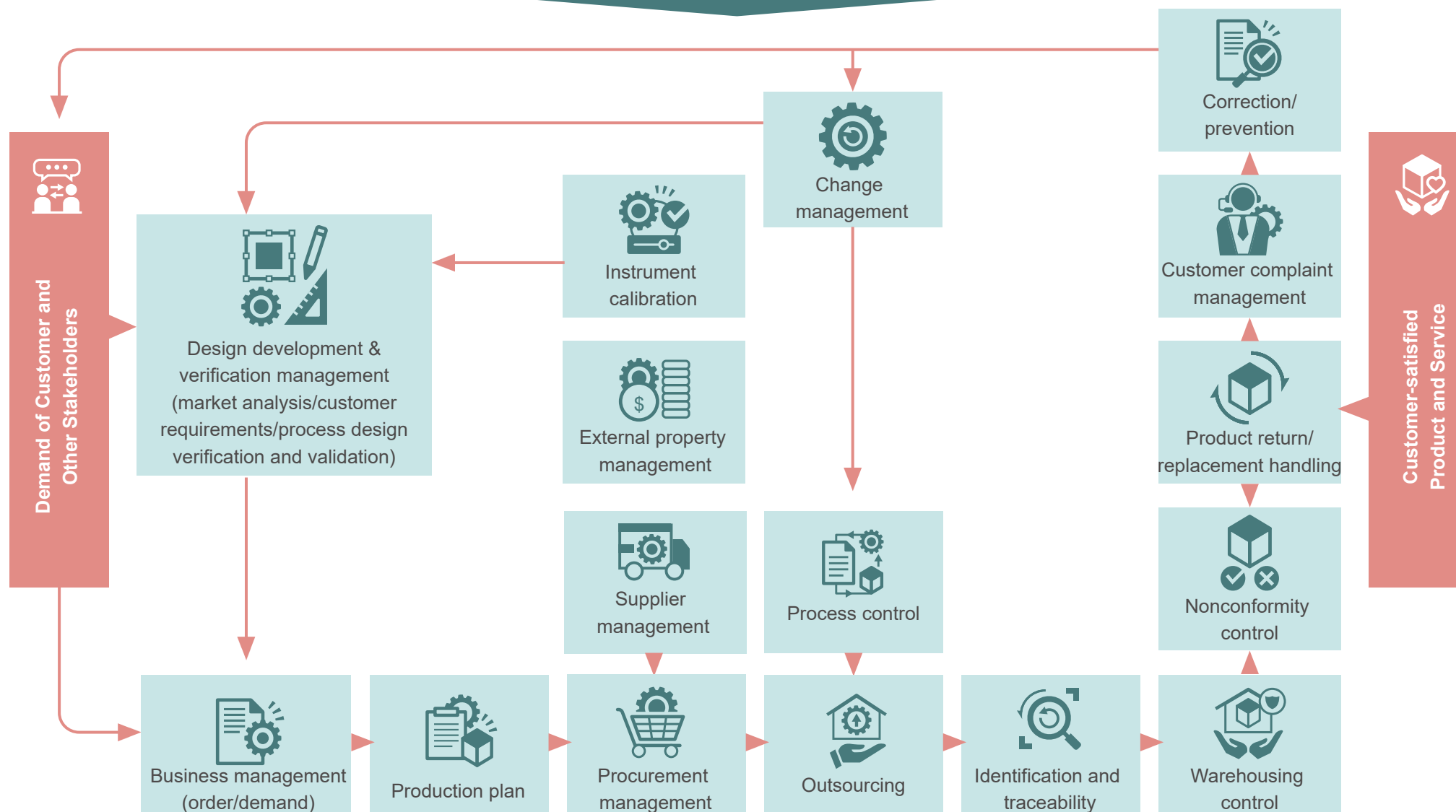
After-sales service

The management support team implements processes including warranty service, after-sales services, customer feedback, nonconformity control, corrective and preventive action.



Management support

(operations/organizational responsibility and authority/internal audit/document control/data backup/education and training)

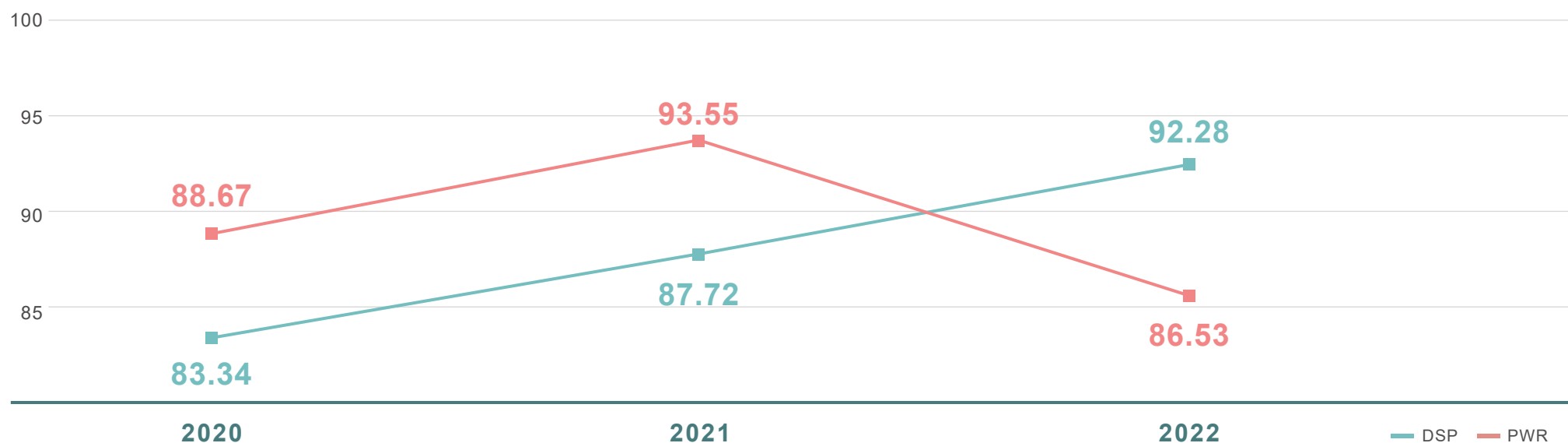


Customer Satisfaction and Feedback

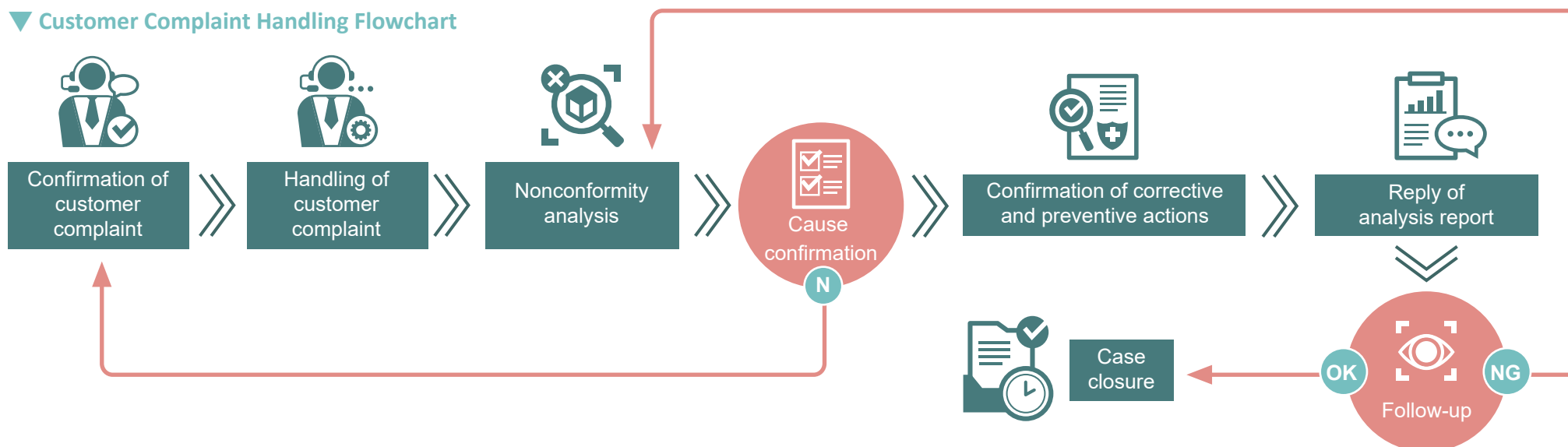
We treat customer feedback as the important basis for customer relationship improvement. After periodically reviewing and analyzing customer comments, we propose appropriate improvement plans to build a complete customer feedback response procedure. We conduct annual customer satisfaction survey in four respects of sales services, technical services, customer complaints, and product quality. 12 major customers participated in the survey in 2022 (6 DSP and 6 PWR customers). The satisfaction rates of DSP and PWR customers reached the target of 83 points, respectively 92.28 and 86.53 points. Analysis of the reasons for the change: Some DSP customers stated that the response time against complaints was slow in the previous year - through immediate communication and appointing personnel to conduct visits, we were once again affirmed by customers. The lower satisfaction rate of PWR customers compared to that of last year was due to the quality of outsourcing vendors - for the outsourcing vendors with more abnormalities, we have arranged staff to be stationed at the factories and are responsible for weekly inspection of the production status and unscheduled audits. This has effectively reduced the occurrence of supplier abnormalities.

To ensure that our products and services can fulfill the customer requirements and expectations, we have established a SOP to handle customer complaints. The SOP applies to all activities related to the products and services, such as product quality, packaging, transportation, and product failure during use by customers. Major complaint channels include email or direct complaint over the telephone to the responsible contact. After receiving a complaint, we will immediately contact the customer to re-confirm the complaint contents. Then, we will proceed with nonconformity analysis and the subsequent procedures to resolve the customer's problems and meet their needs within the shortest time. In 2022, we made positive communication and improvement with respect to the feedback of the customers, and improvement measures have been completed for all the feedback cases (a close rate of 100%). The contents of the feedback are summarized in the attached table.

▼ Satisfaction of Major Customers



Customer Complaint Handling Flowchart



Major Customer Complaints and Improvement in 2022

Complaint	Solution	Effectiveness
R&D Support	- Developed products that met the market demands in line with the requirements of the customer. - Recruited R&D employees to improve the R&D capacity and experience value. - Proactively trained the professional capabilities of the R&D colleagues through the e-system.	Continued to develop various products with new specifications. The relevant products have been sampled.
Complaint Handling Timeliness	- As customers complained about delays, we have replaced the contact person and analyst. - Established a regional customer service response contact person to provide immediate technical support and response time to customers. - Thoroughly managed analysis schedules and updated progress to customers at all times.	The overall improvement has enhanced customer satisfaction regarding customer complaint handling timeliness.
Outsourcing Improvement (CIP)	- For outsourcing vendors with more abnormalities, personnel have been assigned to be stationed in the factories to regularly review the production status on a weekly basis. - For key items, we requested the outsourcing vendors to form a CIP team for improvement. - Periodically monitored and controlled various key data of the production lines of the outsourcing vendors. - Performed regular and unscheduled production line audits and inspections.	Continued to promote quality improvements of outsourcing vendors to improve outsourcing quality and reduce the occurrence of abnormalities.

3.2 Supply Chain Management



Completed goal

Short Term (2022~2023)

Medium to Long Term (2024~)



Goals

- Local Procurement > 65%
- 100% of the suppliers comply with conflict-free procurement
- Implementation of Sustainable Assessment in Supplier Evaluation Process
- 100% of the new suppliers implement RBA SAQ; implemented when the agreement with existing suppliers is renewed.
- 100% of the new suppliers sign the Sustainability Commitment signed when the agreement with existing suppliers is renewed.

- Local Procurement > 65%
- 100% of the suppliers comply with conflict-free procurement
- Publish Fitipower's Supplier Code of Conduct.
- 100% of the suppliers implement RBA SAQ, with results included in procurement considerations.



KPIs

- Local procurement percentage
- Supplier compliance with responsible mineral sourcing ratio
- Supplier sustainability assessment



Major Stakeholders



Supplier



Responsibility

- Purchase unit
- Production management unit
- Quality engineering unit



Communication Mechanism

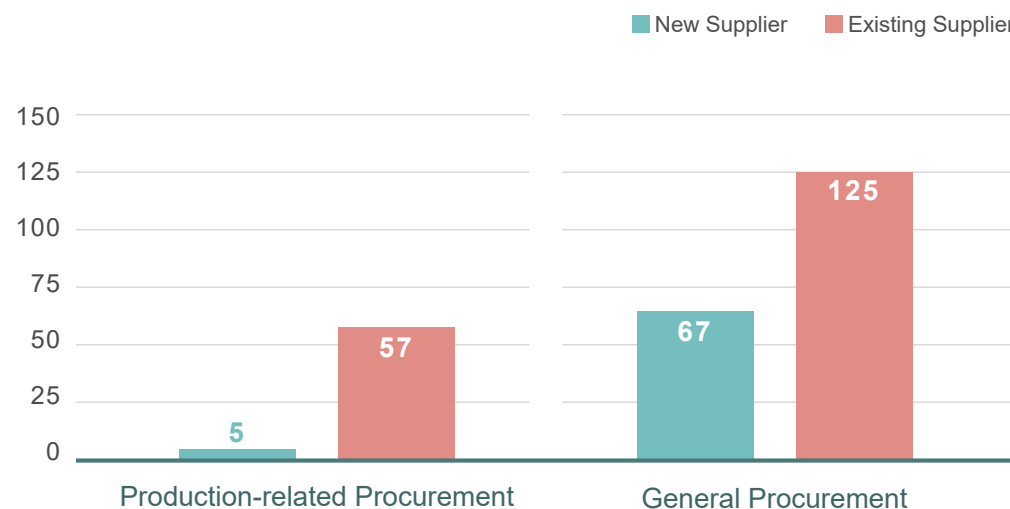
- Corresponding to the major stakeholders; refer to the ["Communication with Major Stakeholders"](#)

We are a fabless IC design company and play an important role in the upstream of the IC industry. An IC product is fabricated in the process of IC circuit design, mask production, wafer making, IC packaging, and IC testing. Compared to IC manufacturing and IC testing, Fabless IC design houses are characterized low capital investments with high output value. We mainly engage in specification setting, layout design, and sales and after-sales services, while rear-end processes including mask production, wafer making, wafer testing, IC packaging, and final testing are outsourced to professional contractors, such as mask manufacturers, specialized foundries, and packaging and testing service providers. Refer to [“Fitipower Product Value Chain”](#) for more information.

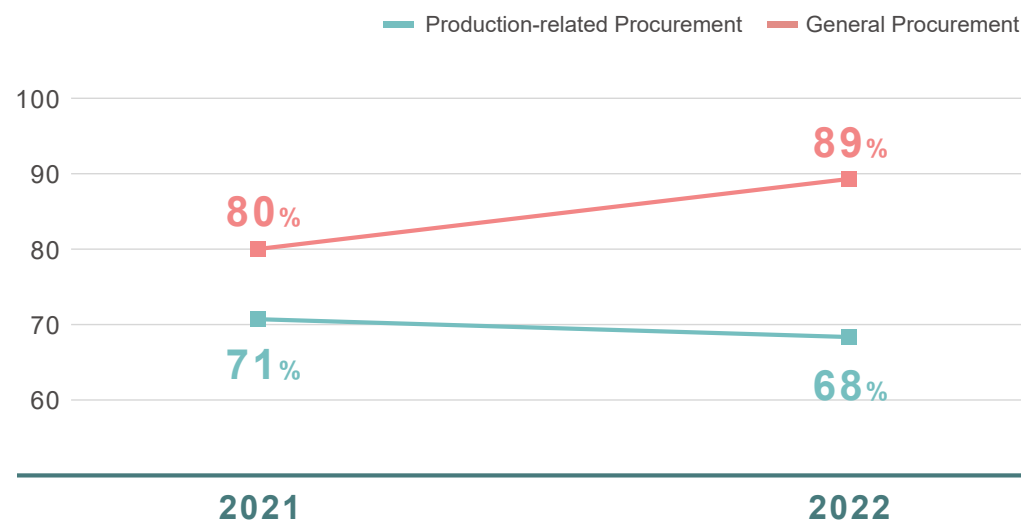
Procurement Practices

Our key suppliers are foundries and packaging and testing service providers. For the management of materials, refer to the [“Responsible Minerals Sourcing”](#) and [“Green Materials”](#) section. To reduce supply risk, we select the best suppliers based on the determination made in consideration of the specification, quantity, delivery date, transport conditions, payment terms, product quality, lead time, and other elements rather than purely the “lowest unit price” during the negotiation stage. In addition to maintaining stable relations with existing suppliers, we proactively develop new outstanding suppliers that have the awareness of sustainable development to avoid the risk of exclusive supply. (Refer to the [“Supplier Evaluation”](#) section.) Through regular weekly production and sales meetings and business discussions on future market conditions and changing demands, we addresses material shortages or limitations in wafer production capacity by timely transferring production and preparing materials. The Company establishes long-term cooperative agreements with wafer fabs, photomask manufacturers, and other suppliers to ensure production capacity and on-time delivery. Conversely, by accurately capturing customer feedback and market trends, we adjusts inventory levels promptly. Simultaneously, Fitipower is committed to enhancing supply and production efficiency through local sourcing, which reduces product carbon footprints and enhances local employment opportunities. In 2022, we worked with 254 suppliers, among which 72 were new suppliers. The total procurement amount was about NT\$8.3 billion, wherein \$5.8 billion were spent on local procurement, occupying 70% of the total amount.

Supplier Overview



Local Procurement



Note 1: General procurement includes instrument and equipment, hardware equipment and maintenance, parts and consumables, application software, testing service, etc.

Note 2: Production-related procurement includes wafer, IC packaging and testing, flexible tape

Note 3: Statistic analysis of local procurement is based on the location of the supplier's place of registration.

Responsible Minerals Sourcing

We respect the basic human rights of all stakeholders; therefore, we have established the “Human Rights and Diversified Inclusion Policy” and “Conflict-Free Minerals Policy”. We identify with and support the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area” published by the Organization for Economic Co-operation and Development (OECD) and Responsible Minerals Initiative (RMI) and published the “Statement of Conflict-Free Minerals” and “Conflict-Free Minerals Policy”. To understand the responsible sourcing status of the suppliers, we request them to accept the investigation using CMRT and due diligence^{Note} according to OCED to ensure the 3TG minerals (Au, Sn, Ta, W) procured came from the RMI-certified smelters. 47 suppliers were investigated in 2022. The collection rate was 100%. According to the result of the investigation, all of the suppliers used 3TG minerals from RMI-certified smelters. There were a total of 138 qualified smelters.

Note:Due diligence: Through all controls, we identify, verify, and assess supply chain risks to ensure no use of conflict minerals from conflict-affected and high-risk areas to avoid facilitating violation of human rights, money laundering, and financing of terrorism.



Statement of Conflict-Free Minerals

We are dedicated to detailed investigation to ensure that Au, Ta, W, Sn and other similar metals are not exploited from the conflict mines in the Democratic Republic of Congo through non-government army groups or other illegal groups or acquired through smuggling.

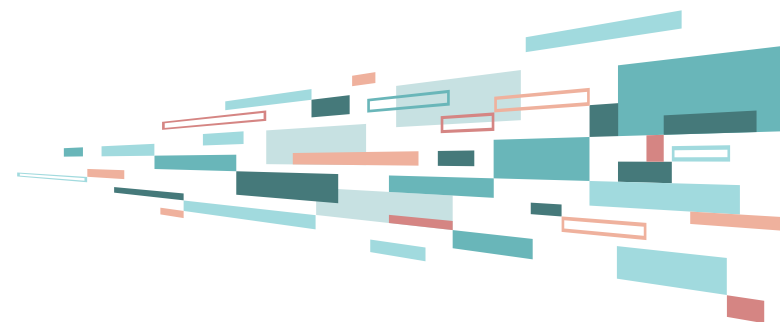


Conflict-Free Minerals Policy

- Avoid purchasing conflict minerals from conflict areas.
- Request suppliers to refuse using conflict minerals from conflict-affected areas.
- Request suppliers to ensure that their upstream and downstream suppliers comply with the conflict-free minerals request.
- Ensure no conflict minerals from conflict-affected areas through the strictest controls at the source.

Qualified Smelters as a Source of Materials to Suppliers

■ Qualified ■ Certification in progress ■ Unqualified



Supplier Evaluation

In order to enhance sustainable SCM, Fitipower has formulated the “Supplier Management Procedure” for suppliers. Based on this framework, regular and ad hoc audits are conducted on suppliers and contractors annually. An evaluation team composed of representatives from the Quality and Production Management Department performs online or on-site audits. The audit items encompass 11 major aspects including management systems, document control, supplier management, process control, material control, environmental control, equipment control, corrective actions, training, customer service, and green products. For new suppliers, a cooperative assessment requires successful trial production and passing the aforementioned evaluation before being qualified as an approved vendor.

Through onsite visits and communication with suppliers/contractors, we can understand the status of their legal compliance to ensure the relevant laws and regulations are unfailingly implemented. In addition to the routine annual evaluation, we also implement audits of qualified suppliers from time to time with respect to the production. Based on their significance to our business operations, we adjust the weight of audit items^{Note 1} and rate them into A, B, C, and D grades according to the evaluation score. Grade D suppliers are unqualified^{Note 2} and will be requested to make improvement by a time limit. (Corrective actions should be proposed within 14 days after the audit.) We will terminate cooperation with suppliers failing to make corrections. With COVID-19 restrictions relaxed and retired, the corresponding written audits adopted during COVID-19 have been replaced by the original on-site and online audits. In 2022, we had planned for 24 suppliers to be included in the annual audit plan, with an actual achievement rate of 100%. For complaints made by PMIC suppliers due to product quality abnormalities in 2022, internal quality units have strengthened management with improvement completed. Therefore, audit results showed no significant deficiencies or risks of our vendors (all 24 suppliers were graded “A”).

Note 1: The audit items in supplier evaluation and their weights are as follows: quality assurance 50%, delivery stability 20%, and price 30%.

Note 2: Actions taken by grade: A—increase purchase or reward; B—no reward; C—reduce purchase; D—failed, reduce purchase and request for corrections by a time limit.

▼ Supplier Auditing Status in Recent Years (Number of Suppliers)

Audit Method	2020		2021		2022	
	DDIC	PMIC	DDIC	PMIC	DDIC	PMIC
Documentary Audit	12	3	6	0	0	0
Onsite Audit	3	7	0	7	2	12
Online Audit	0	0	8	2	10	0
Result	Grade A	14	10	13	1	12
	Grade B	1	0	1	8	0

Note 1: DDIC is display driver IC and PMIC is power management IC.

Note 2: There were no suppliers having material defects or high risk (no suppliers rated to Grade C or D)

Based on international trends and social concerns, we make rolling adjustments to SCM policies and actively diversify supply channels. We conducted supplier risk investigation to understand the economic, social and environmental condition of suppliers and their sustainable development status. This information will also be a consideration for prioritizing purchases from new suppliers. In the future, we are planning to incorporate relevant ESG certifications into our evaluation for new suppliers. In addition, the RBA requirements were originally planned to be incorporated into the new supplier evaluation in 2022 to identify suppliers with high risk and conduct counseling and improvement plans. Due to market demand and internal organizational adjustment in the second half of the year, the schedule for completion has been adjusted to 2023.

▼ ESG Certificate Acquisition Status of Suppliers

Facet	Evaluation Standard	New Supplier (%)	Existing Supplier (%)
 Economic Facet	Quality Management System (ISO 9001)	100%	96%
	Other quality certification standards (IATF 16949, ISO 26262, ANSI/ESD S20.20)		
 Environmental Facet	Environmental Management System (ISO 14001)	100%	87%
	Other green certification standards (Sony GP, QC080000, ISO 14064)		
 Social Facet	Occupational Safety and Health Management System (ISO 45001)	100%	81%
	Other social certification standards (SA 8000, RBA)		

Note 1: With any single system certification in each facet is included in the statistics

Note 2: The statistical scope is the suppliers of production-related procurement in 2022, excluding manufacturers and distributors with non-direct orders