

Implementation of corporate governance, deviations from Corporate Governance

Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons for the said deviations

Assessment Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
1. Does the Company stipulate and disclose best practice principles for corporate governance according to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	v		The Company has established the "Corporate Governance Best Practice Principles" and disclosed them on the Company's website.	No deviation
2. Shareholding structure & shareholders' rights				
(1) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to internal procedure?	v		(1) The Company has established a spokesperson and acting spokesperson system to ensure prompt disclosure of information that may affect shareholders' decision-making. The Company has also established a dedicated mailbox to process shareholders' suggestions or disputes.	No deviation
(2) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those of major shareholders?	v		(2) The Company reports changes in the number of shares held by insiders (Directors, managers, and major shareholders holding more than 10% of the shares) monthly in accordance with applicable laws.	No deviation
(3) Has the Company established and enforced risk control and firewall systems with its affiliated companies?	v		(3) The Company has established the Subsidiary Company Management Regulations to enforce risk control and firewall systems with affiliated companies.	No deviation
(4) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	v		(4) The Company has established the "Procedures for Handling Material Inside Information" as the basis for handling and disclosing the Company's material information. The Procedures have been disclosed on the company's website.	No deviation
3. Composition and responsibilities of the Board of Directors				
(1) Has a policy for diversity been established and implemented for the composition of the Board of Directors?	v		(1) The Company has established the "Corporate Governance Best Practice Principles" and the Procedures for Elections of Directors and Supervisors to take into consideration diversity of the board members. Diversity in basic qualifications and professional knowledge are established based on the Company's operations, business model, and development requirements. The Company considers Directors' professional background and diversity when appointing Directors. The Company has 9 Directors including 2 Independent Directors and 1 female Director. Both Independent Directors	No deviation

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			<p>have served terms for less than 3 years. The board members have professional backgrounds in business management, electrical engineering, finance, mathematics, and various professional skills and industry experience. The Company has fulfilled the requirements for diversity and complementary skill sets of board members established in the Company's "Corporate Governance Best Practice Principles". The Company values gender equality, and targets to have more than 10% of female Directors, and this target was achieved in this term of the Board of Directors. The implementation status of Board member diversity is provided below:</p> <table><tr><th rowspan="2">Name</th><th rowspan="2">Gender</th><th colspan="2">Industry knowledge and skills</th><th colspan="3">Age</th></tr><tr><th>Industry related</th><th>Business management, law, finance</th><th>55 and below</th><th>55-65</th><th>65 and above</th></tr><tr><td>En-Chou Lin</td><td>Male</td><td>v</td><td>v</td><td></td><td>v</td><td></td></tr><tr><td>En-Ping Lin</td><td>Male</td><td>v</td><td>v</td><td></td><td>v</td><td></td></tr><tr><td>Shih-Ching Chen</td><td>Male</td><td>v</td><td>v</td><td></td><td></td><td>v</td></tr><tr><td>Yao-Ying Lin</td><td>Male</td><td>v</td><td>v</td><td></td><td></td><td>v</td></tr><tr><td>Ming-Yuan Hsieh</td><td>Male</td><td></td><td>v</td><td>v</td><td></td><td></td></tr><tr><td>Po-Jen Liang</td><td>Male</td><td>v</td><td>v</td><td></td><td></td><td>v</td></tr><tr><td>Tsui-Ying Chiang</td><td>Female</td><td></td><td>v</td><td></td><td></td><td>v</td></tr><tr><td>Shan-Chieh Yen</td><td>Male</td><td>v</td><td></td><td></td><td>v</td><td></td></tr><tr><td>Ming-Hua Peng</td><td>Male</td><td>v</td><td></td><td></td><td>v</td><td></td></tr></table>	Name	Gender	Industry knowledge and skills		Age			Industry related	Business management, law, finance	55 and below	55-65	65 and above	En-Chou Lin	Male	v	v		v		En-Ping Lin	Male	v	v		v		Shih-Ching Chen	Male	v	v			v	Yao-Ying Lin	Male	v	v			v	Ming-Yuan Hsieh	Male		v	v			Po-Jen Liang	Male	v	v			v	Tsui-Ying Chiang	Female		v			v	Shan-Chieh Yen	Male	v			v		Ming-Hua Peng	Male	v			v		
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(2) In addition to the Remuneration Committee and Audit Committee established according to law, has the Company voluntarily established other functional committees?		v	(2) The Company has established the Compensation Committee and other corporate governance operations are assigned to other units based on their responsibilities. The Company shall establish other functional committees in accordance with regulations.	The Supervisors currently take on the duties of the Audit Committee																																																																											
(3) Has the Company established a performance evaluation method for		v	(3) The Company's Compensation Committee establishes and regularly	No deviation																																																																											

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<p>the Board of Directors and conducted performance evaluation accordingly on an annual basis?</p> <p>(4) Does the Company regularly assess on the independence of CPAs?</p>	v		<p>reviews Director and manager performance as well as compensation policies, systems, standards, and structures. It also submits recommendations to the Board of Directors for discussions.</p> <p>(4) The Company's Board of Directors periodically evaluates the independence and competency of CPAs and obtain the CPAs' Statement of Independence. The Company verifies that the contents include compliance of all CPA personnel with the independence policy and prohibits any personnel from conducting insider trading and disseminating internal information. The evaluation standards are provided in Note 1 and was reported to the Board of Directors on February 25, 2019.</p>	No deviation
4. Does the TWSE/TPEX-listed company have a dedicated (part-time) unit/personnel in charge of the company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry and producing meeting minutes of board/shareholder meetings)?	v		The Company's part-time governance unit is the Administrative Department which regularly reviews updates to the Annual Report and related information on the Company's website.	No deviation
5. Has the Company set up channels of communication for stakeholders, dedicated a section of the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	v		The Company has established a spokesperson system and a dedicated Stakeholders Section on the Company's website to provide the Company's latest information and important corporate social responsibility issues.	No deviation
6. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	v		The Company has appointed the Shareholder Service Department of Taishin International Bank as the Company's stock affair agency to manage affairs related to shareholders' meetings.	No deviation
<p>7. Information disclosure</p> <p>(1) Has the Company established a website to disclose information on financial operations and corporate governance?</p>	v		<p>(1) The Company has established a website in Chinese and English and regularly updates the financial, business, and corporate governance information.</p>	No deviation

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(2) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	v		(2) The Company has assigned dedicated personnel to serve as the contact window for investors. Investors can download financial information from previous years and audio recordings of investor conferences from the website. The Company's website also discloses company information through links to the Market Observation Post System.	No deviation
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance (including but not limited to employee's rights, employee care, investor relations, supplier relations, stakeholders' rights, further studies of directors and supervisors, implementation of risk management policies and measurement standards, implementation of customer policies and purchase of liability insurance for the directors and supervisors of the Company)?	v		<ol style="list-style-type: none"> 1. The Company has established various benefit measures and formed an Employee Welfare Committee which provides benefits, allowances, and emergency relief funds for employees 2. The Company provides the Directors and Supervisors with necessary legal information at all times. 3. The attendance of the Directors and Supervisors at the Company's Board of Directors meetings is satisfactory and they provide opinions on business operations when required. 4. The Company takes out liability insurance for the Directors and Supervisors each year. 5. The Company has set up an Investor Relations section and regularly updates related information for investors' reference. 6. The Company has a spokesperson, website, and established multiple channels to communicate and provide the Company's latest information. 	No deviation
9. Improvements made in the most recent fiscal year in response to the results of corporate governance evaluation conducted by the Corporate Governance Center of the Taiwan Stock Exchange Corporation, and improvement measures and plans for items yet to be improved.	v		The Company has fully disclosed the execution of resolutions adopted in the General Shareholders' Meeting in the previous year and the implementation status of various employee welfare and pension programs. The Company has also established Independent Directors who complete their continuing education requirements in accordance with regulations each year.	Executed in accordance with related regulations of the competent authority

Note 1:

Evaluation item for the independence of CPAs	Evaluation results	Meet independence criteria
1. Direct or indirect material financial interests between the CPAs and the Company?	No	Yes
2. Financing or endorsements with the Company 's Directors?	No	Yes
3. Close business relations with the Company?	No	Yes
4. Provide Non-audit services that may directly impact auditing tasks?	No	Yes
5. Serve as the Company's defense counsel or represent the Company in mediating conflicts with third parties?	No	Yes
6. Are family members or relatives of the Company's Directors, Supervisors, or other individuals in positions that could seriously impact the audit?	No	Yes
7. Employed by the Company or the Company's affiliated companies?	No	Yes