

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) Does the Company establish and enforce 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) Does the Company establish and implement a policy for diversity 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 policy is established for basic qualifications and professional knowledge based on the Company's operations, business model, and development requirements. The Company considers Directors' diversity in professional background (including	No deviation

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(2) In addition to the Compensation Committee and Audit Committee established according to law, does the Company voluntarily establish other functional committees?			ability to make sound operational judgments, accounting and financial analysis capability, business management, crisis management, industry knowledge, understanding of international markets, and leadership ability) when appointing Directors. Of the 7 skills above, the Company targets for more than 70% of the board members to possess 4 skills or more. This target was achieved in this term of the Board of Directors. The implementation status of Board member diversity is provided below: <table><tr><th rowspan="2">Name</th><th colspan="7">Diversity in Capability</th></tr><tr><th>operational judgments</th><th>analysis capability Ability to make sound</th><th>Accounting &amp; financial</th><th>Business Management</th><th>Crisis management</th><th>Industry knowledge</th><th>international markets</th><th>Understanding of Leadership ability</th></tr><tr><td>En-Chou Lin</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>En-Ping Lin</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>Shih-Ching Chen</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>Yao-Ying Lin</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr><tr><td>Ming-Yuan Hsieh</td><td></td><td>v</td><td></td><td></td><td></td><td>v</td><td>v</td><td></td></tr><tr><td>Shan-Chieh Yen</td><td></td><td>v</td><td></td><td></td><td></td><td>v</td><td>v</td><td></td></tr><tr><td>Ming-Hua Peng</td><td></td><td>v</td><td></td><td></td><td></td><td>v</td><td>v</td><td></td></tr></table>	Name	Diversity in Capability							operational judgments	analysis capability Ability to make sound	Accounting & financial	Business Management	Crisis management	Industry knowledge	international markets	Understanding of Leadership ability	En-Chou Lin	v	v	v	v	v	v	v	v	En-Ping Lin	v	v	v	v	v	v	v	v	Shih-Ching Chen	v	v	v	v	v	v	v	v	Yao-Ying Lin	v	v	v	v	v	v	v	v	Ming-Yuan Hsieh		v				v	v		Shan-Chieh Yen		v				v	v		Ming-Hua Peng		v				v	v		
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(3) Does the company establish standards and methods for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the compensation and nomination of individual			(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 an audit committee and other functional committees in accordance with regulations.  (3) On October 28, 2019, the Board of Directors passed the "Rules for Board of Directors Performance Assessments", and established that the Company must conduct internal evaluations at least once a year, and submit the evaluation results to the Board, and use the results as a basis	The Supervisors currently take on the duties of the Audit Committee  No deviation																																																																															

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directors?			<p>for determining the compensation and nomination of directors.</p> <p>1. Internal performance evaluations: Annual internal performance evaluations of the Board of Directors and the Compensation Committee are conducted by the Board members, the Functional Committee members and the relevant department. The scope of assessment for the Board of Directors include five aspects: level of participation in Company operations, improvement of the quality of the Board's decision making, composition and structure of the Board, nomination and continuing education of the directors as well as internal control. The scope of assessment for the Board members include five aspects: alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, and internal control.</p> <p>The scope of assessment for the functional committee will also include five aspects: participation in the operation of the company, awareness of the duties of the functional committee, improvement of quality of decisions, makeup of the functional committee and election of its members and internal control.</p> <p>The annual performance evaluations were completed and reported to the Board on February, 22, 2021. The results were as follows:</p> <p>(1) The evaluations for the Board of the Directors and Board members were 100% completed in 2020, and the results were "Good". Overall, the performance of the Board of Directors and its members are effective.</p> <p>(2) The evaluations for the Compensation Committee were 100% completed in 2020, and the results were "Good". Overall, the performance of the Compensation Committee is effective.</p> <p>2. The Company's Compensation Committee establishes and regularly reviews Director and manager performance as well as compensation policies, systems, standards, and structures. It also submits recommendations to the Board of Directors for discussion.</p> <p>(4) The Company's Board of Directors periodically evaluates the independence and competency of CPAs and obtain the CPAs' Statement of</p>	
(4) Does the Company regularly assess on the independence of CPAs?	v			No deviation

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			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 22, 2021.	
4. Does the Company have a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors and supervisors with regulatory compliance, handling matters related to Board meetings and shareholders' meetings, and preparing proceedings for Board meetings and shareholders' meetings)?	v		The Board has approved the appointment of a dedicated corporate governance supervisor, whose qualifications meet the regulations of Paragraph 1 of Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. The main duties of the corporate governance supervisor include providing information required by Directors and Supervisors, assisting Directors in complying with regulations, to convene Board meetings and shareholders' meetings in compliance with the law, and to assist Directors in their continuing education. Key corporate governance implementations include the following: 1. Four Boards meetings held in 2020. 2. One Annual General Meeting held in 2020. 3. Liability insurance filed for its Directors and the insurance renewal reported to the Board of Directors. 4. Assisted the Independent Directors in completing 6 hours of continuing education. 5. The corporate governance supervisor completed 18 hours of training in 2020, and the information disclosed on the Market Observation Post System. For the complete course information, please refer to Note 2.	No deviation
5. Does the Company set up channels of communication for stakeholders, dedicate a section of the Company's website for stakeholder affairs and adequately respond 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. Does the Company commission 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
7. Information disclosure (1) Does the Company establish a website to disclose information on financial operations and corporate governance?	v		(1) The Company has established a website in Chinese and English and regularly updates the financial, business, and corporate governance information.	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
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly sales results, before the prescribed time limit?	v		(3) The Company has announced 2020 consolidated and parent financial statements on February 23, 2021. 2020 Q1, Q2, and Q3 financial statements, as well as monthly sales results have all been announced before the prescribed time limit.	No deviation
8. Does the Company disclose 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"> <li>1. The Company has established various benefit measures and formed an Employee Welfare Committee which provides benefits, allowances, and emergency relief funds for employees.</li> <li>2. The Company provides the Directors and Supervisors with necessary legal information at all times.</li> <li>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.</li> <li>4. The Company takes out liability insurance for the Directors and Supervisors each year.</li> <li>5. The Company has set up an Investor Relations section and regularly updates related information for investors' reference.</li> <li>6. The Company has a spokesperson, website, and established multiple channels to communicate and provide the Company's latest information.</li> </ol>	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 established a corporate governance supervisor, and disclosed the main duties and key implementations of the supervisor in the Annual Report and the Company's website. The Company's financial reports have been disclosed within one day of the approval by the Board of Directors. Further improvements will be made if necessary, currently no material weaknesses have been noted.	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

Note 2:

Date	Course Name	Hours	Organizer
2020/11/6	Analysis of the Practical Operation and Latest Interpretation and Implementation of the Company Act	6	The Institute of Internal Auditors-Taiwan
2020/10/29	The Legal Risks of Business Management and the Role of Internal Auditors	6	The Institute of Internal Auditors-Taiwan
2020/8/12	Analysis of the Latest Corporate Governance Trends and Implementation of the Control Environment	6	The Institute of Internal Auditors-Taiwan