

Corporate Governance Implementation Status and Deviations
from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies"

By M31 2023 Annual Report

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Explanation	
1. Does the Company establish and disclose the Corporate Governance Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	√		The Company has formulated its "Corporate Governance Best Practice Principles" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies". The relevant content has been disclosed on the Company's website and in the Market Observation Post System after being approved by the board of directors.	No major difference
2. Equity structure and shareholders' equity				
(1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly?	√		(1) The Company had formulated a "Corporate Governance Best-Practice Principles" with a spokesperson system and delegated specific person to take charge of shareholder services and handle the proposals submitted by shareholders, and further employed the legal counsel to assist replying and handling the legal inquiries from the shareholders.	No major difference
(2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders?	√		(2) The Company appoints a professional stock agent to update the register of shareholders and the list of substantial shareholders on a regular basis, so as to fully grasp the list of substantial shareholders who actually control the Company and the ultimate controllers of the substantial shareholders.	

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(3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	✓		(3) The business and financial transactions between the Company and its affiliates are governed by the relevant regulations of the competent authorities and are governed by written regulations.	
(4) Has the Company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market?	✓		<p>(4) The Company has established the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" and formulated written regulations in accordance with the relevant regulations of the competent authorities to effectively prohibit insiders from using undisclosed information in the market to trade securities.</p> <p>※ The Company's Board of Directors' Meeting on December 21, 2023 reported on the ethical management of the Company for 2023, including the education and training of employees on ethical management and insider trading.</p> <p>※ The Company's Board of Directors reported the insider trading announcement to the directors on November 2, 2023 and reminded the directors and managerial officers by email not to trade in the Company's shares for 30 days/ 15 days prior to the annual/quarterly financial report announcement.</p>	

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<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Board established a diversity policy for the composition and specific management goals of its members and implemented it accordingly?</p>	√		<p>(1) The 7 board members of the Company have professional backgrounds including 5 in the industry, one in academia and one in accounting, with expertise in management, leadership, industry knowledge, academia, accounting and finance, etc. The percentage of directors who are employees is 14.29% and the percentage of independent directors is 42.86%.</p> <p>The Company pays attention to the gender distribution of its board members and aims to have at least one female director, of which there are currently two female director, accounting for 28.57%. In terms of age distribution, the target is to have at least one young adult director, and the Company currently has two young adult directors, accounting for 28.57% of the total, Please refer to "Diversity of the Board of Directors" on page 21 to 22 of this annual report.</p>	No major difference
<p>(2) Further to the establishment of the Compensation Committee and the Auditing Committee, has the Company voluntarily established other functional committees?</p>	√		<p>(2) The Company set up a nomination committee on July 6, 2021 to increase the functions of corporate governance.</p>	

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(3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination?	√		(3) The Company has formulated the Board of Directors' performance evaluation method and its evaluation method. The performance evaluation of the Board of Directors and the members of the Board of Directors in 2023 was evaluated as "exceeded the standard", which is the result of "effective operation" and were reported to the Board of Directors and used as reference for individual directors' remuneration and nomination for reappointment. In 2023, the Taiwan Investor Relations Institute (TIRI) was commissioned to conduct an external evaluation of the Board of Directors, please refer to "Board of Directors Evaluation" on page 28 of this Annual Report.	
(4) Has the Company evaluated the independence of the commissioned CPA regularly?	√		(4) The Company's 2023 and 2024 evaluations and the appointment of CPA were approved by the Audit Committee and the Board of Directors on February 23, 2023 and February 27, 2024, respectively. The information related to the Audit Quality Indicators (AQIs) issued by CPAs is in accordance with the Company's evaluation criteria - AQIs Indicators, please refer to Note 1.	

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4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders' meeting related matters; and preparing the minutes for board meetings and shareholders' meeting in accordance with the law, etc.)?	√		<p>The Company has an interdepartmental corporate governance working group responsible for corporate governance related matters. On May 4, 2021, Ms. Grace Liu, Vice President, was appointed as the Officer of Corporate Governance to coordinate corporate governance related matters, including.</p> <p>A. Handling matters related to the board of directors, each committee (composed of directors) and shareholders' meetings in accordance with the law</p> <p>B. Preparing minutes of board meetings and shareholders' meetings</p> <p>C. Assisting directors in their appointment and continuing education</p> <p>D. Providing information necessary for directors to perform their duties</p> <p>E. Assisting directors in complying with laws and regulations</p> <p>In 2023, the officer of corporate governance performed business as follows:</p> <p>A. Conducted 7 Board meetings, 6 Audit Committee meetings, 4 Salary and Compensation Committee meetings, 4 Nominating Committee meetings and the 2023 Annual General Shareholders' Meeting in accordance with the Chairman and committee conveners.</p> <p>B. Matters relating to the election of the fifth term directors.</p> <p>C. Provided directors with information on continuing education.</p>	No major difference

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			D. Provided directors with information necessary for the execution of their duties. E. Provided directors with information on compliance with laws and regulations. F. Promptly handled requests from directors. Please refer to Table 2 for further continuing education details.	
5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with?	√		The Company has a spokesperson and a proxy spokesperson to handle related matters, and has set up an ESG section on the corporate website with management objectives, identification, issues of concern, communication and contact information for stakeholders (including, customers, employees, suppliers, community groups, investor and government agencies) so that the Company can better understand the issues of concern to stakeholders and respond appropriately.	No major difference
6. Has the Company appointed a professional shareholder services agent to deal with shareholder affairs?	√		The Company has delegated a professional stockbroker, the "Brokerage Registry and Transfer Services Department of SinoPac Securities" to handle shareholder meetings and stock-related matters.	No major difference

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<p>7. Disclosures</p> <p>(1) Has the Company established a website for the disclosure of Company's financial and business, and corporate governance?</p> <p>(2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the investor conference on record posted on the website)?</p> <p>(3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has a corporate website to disclose both financial standings and the status of corporate governance.</p> <p>(2) The Company has established a spokesperson system and will disclose information about the Company's corporate presentation on the Company's corporate website and the "Market Observation Post System" in accordance with the regulations.</p> <p>(3) The financial statements for the year 2023 were announced and reported in February 2024, and the financial reports for the first, second and third quarters and the operations for each month were announced and reported by the prescribed deadline.</p>	No major difference

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8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices(including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)?	✓		<p>A. In addition to the Employee Welfare Committee and the pension system, the Company also plans employee group insurance and arranges regular health checks for employees, and actively encourages employees to participate in various training courses.</p> <p>B. The Company has established various internal rules and regulations in accordance with the law to carry out various risk management and evaluation.</p> <p>C. The Company has purchased liability insurance for the directors.</p> <p>D. The directors' continuing education status is detailed in Table 1.</p> <p>E. The Company's corporate website has an ESG section, an investor section and a corporate governance section to provide important information.</p>	No major difference
9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures: None.				

Note 1 : The following is a list of the indicators of the accountants evaluated in accordance with the AQIs for 2023, and the results of the evaluations were in line with the expectations.

<p>Aspect 1: Professionalism</p> <p>Indicator 1-1: Auditing Experience</p> <p>Indicator 1-2: Training Hours</p> <p>Indicator 1-3: Turnover Rate</p> <p>Indicator 1-4: Professional Support</p>	<p>Aspect 2: Quality control</p> <p>Indicator 2-1: Accountant's responsibility</p> <p>Indicator 2-2: Audit input</p> <p>Indicator 2-3: Engagement Quality Control Review (EQCR) status</p> <p>Indicator 2-4: Quality control support capability</p>	<p>Aspect 3: Independence</p> <p>Indicator 3-1: Non-audit services</p> <p>Indicator 3-2: Customer familiarity</p>	<p>Aspect 4: Supervision</p> <p>Indicator 4-1: External inspection deficiencies and disciplinary actions</p> <p>Indicator 4-2: Improvement letters from regulatory authorities</p>	<p>Aspect 5: Innovation</p> <p>Indicator 5-1: Innovative planning or initiatives</p>
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Table 1: Directors' Training Status in 2023

Title	Name	Date	Organizer	Course Name	Training Hours
Chairman	Huey-Ling Chen	04/27/2023	Taipei Exchange	Listed Companies Sustainability Action Plan Advocacy Seminar	3
Chairman	Huey-Ling Chen	05/26/2023	Ministry of Environment	Green Chemistry Joint Sustainability Seminar and Symposium	3
Director	Yuan-Hsun Chang	12/12/2023	Taiwan Corporate Governance Association	Corporate Governance Summit- Creating New Sphere of Governance for the Elevating Value of Enterprises	6
Director	Li-Kuo Liu	03/17/2023	Taiwan Corporate Governance Association	Board Meetings: Common Board Meeting Mistakes for Listed Companies	3
Director	Li-Kuo Liu	10/04/2023	Taiwan Corporate Governance Association	How the Board of Directors Formulate ESG Sustainability Governance Strategies	3
Director	Chun-Hao Lai	07/31/2023	Taiwan Academy of Banking and Finance	Corporate Governance Forum	3
Director	Chun-Hao Lai	09/08/2023	Taiwan Corporate Governance Association	Legacy Project Launched - Employee reward plan and equity inheritance	3
Independent Director	Jun-Ji Lin	04/14/2023	Taiwan Corporate Governance Association	Legal Risks and Responses to Enterprise Investment and Financing - From the Viewpoint of Corporate Directors' Responsibilities	3
Independent Director	Jun-Ji Lin	05/12/2023	Taiwan Corporate Governance Association	Introduction of Global and Taiwan Tax Reform and How to Improve Corporate Tax Governance Under ESG Trends and Post Covid Environment	3
Independent Director	Shih-Ying Huang	04/27/2023	Taipei Exchange	TWSE/TPEX Sustainability Action Plan Advocacy Seminar	3
Independent Director	Shih-Ying Huang	05/26/2023	Ministry of Environment	Green Chemistry Joint Sustainability Seminar and Symposium	3
Independent Director	Cheng-Wen Wu	07/18/2023	Taiwan Corporate Governance Association	Practice of "Sustainability Report" under Corporate Governance 3.0 Policy	3
Independent Director	Cheng-Wen Wu	08/11/2023	Taiwan Corporate Governance Association	Roles and Responsibilities of the Board of Directors/Senior Management in ESG Governance	3

Table 2: Corporate Governance Officer Training Status in 2023

Title	Name	Date	Organizer	Course Name	Training Hours
Corporate Governance Officer	Grace Liu	08/21/2023	Taipei Exchange	Briefing session for insiders on stock ownership, Hsinchu	3
Corporate Governance Officer	Grace Liu	09/28/2023	Securities & Futures Institute	Opportunities and Challenges of Taiwan's Industrial Transformation under Geopolitics - PIM / NMI Exclusive Analysis	3
Corporate Governance Officer	Grace Liu	11/21/2023	TPMA Organization	Big Data Analysis and Corporate Governance	3
Corporate Governance Officer	Grace Liu	12/06/2023	Corporate Operating and Sustainable Development Association	M&A Strategies for Taiwan Businesses from the Perspective of Global Political and Economic Situation	3