

Review Report on Annual Reports of TWSE/TPEX Listed Companies to Shareholders 2021

Organized by



Supervised by





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Foreword

I. Foreword



Information disclosure is one of the essential components in corporate governance practice. On the one hand, it can enhance information transparency and effectively reduce the risk of information asymmetry, but on the other hand it enables public companies to be placed under effective monitoring by the market, which in turn lowers the probability of corporate malpractices and protects investors' rights. With a view to bolstering the information disclosure system, Article 36 of the "Securities and Exchange Act" stipulates that public companies shall prepare an annual report and distribute it to all shareholders prior to or at the annual general meeting of shareholders. The annual report shall disclose the finances, operating results, and corporate governance practices of public companies for investors to assess and evaluate their past performances and prospects while using this information as a reference when making investment decisions.

The Taiwan Stock Exchange Corporation (hereinafter referred to as "TWSE") and the Taipei Exchange (hereinafter referred to as "TPEX") annually review the annual reports of public companies in accordance with the "Regulations Governing Information to be Published in Annual Reports of Public Companies" (hereinafter referred to as "Regulations"), the "Taiwan Stock Exchange Corporation Procedures for the Review of Annual Reports of Listed Companies," and the "Taipei Exchange Procedures for the Review of Annual Reports of Listed Companies." If a public company is found to have failed to prepare its annual report according to the Regulations, the TWSE or TPEX will provide the necessary guidance and notify the company of the need to correct its annual report within the given deadline. Each year, the TWSE and TPEX notify TWSE/TPEX listed companies in writing of the results for the review of their annual reports, and upload the review results onto the official websites of TWSE and TPEX, in hopes of enhancing information transparency and the sound operation of corporate governance.

Each year, the TWSE and TPEX also screen the financial statements attached to the annual reports of TWSE/TPEX listed companies for review in accordance with the following laws and regulations: the "Taiwan Stock Exchange Corporation Procedures for Review of Financial Reports of Listed Companies," the "Taiwan Stock Exchange Corporation Procedures for Routine Regulation and Regulation by Exception Over Financial and Business Affairs of Listed Companies," the "Taiwan Stock Exchange Corporation Rules for Regulating TWSE Primary Listed Companies and Taiwan Innovation Board Primary Listed Companies After Listing," the "Taipei Exchange Procedures for the Review of Financial Reports of TPEX Listed Companies," and the "Taipei Exchange Handling Procedures for Routine Regulation and Regulation by Exception of Financial and Business Affairs of TPEX Listed Companies." Should there be any omissions found or recommendation proposed in the review of the financial statements of a TWSE/TPEX listed company, the TWSE and TPEX will notify the company in writing of the need to correct its financial statements, or report the company to the competent authority for further action in serious cases. Furthermore, the TWSE and TPEX regularly compile common deficiencies found in the review of financial statements before publishing them on their official websites and notifying TWSE/TPEX listed companies of these deficiencies in writing each year, with a view to boosting the quality and transparency of information disclosure in the financial statements of TWSE/TPEX listed companies.

Chapter II

II. Review of Annual Reports to Shareholders for 2021

1. Objective of the Review
2. Review Items and Results
3. Conclusions and Recommendations



1. Objective of the Review



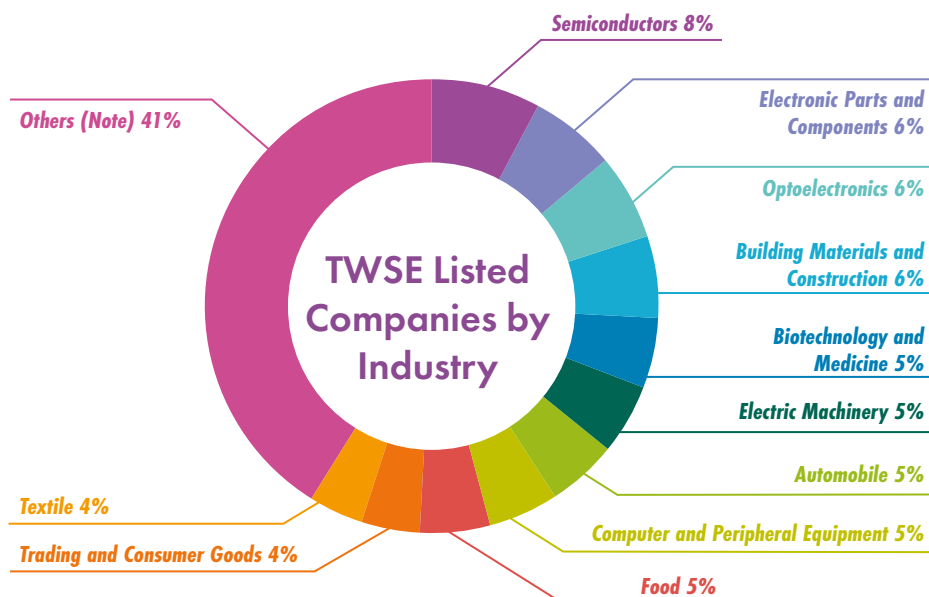
The Regulations govern the key financial operations, matters that have a material impact on shareholder equity, and financial statements for the most recent fiscal year to be published in the annual reports of public companies. In line with the rollout of the "Corporate Governance 3.0 - Sustainable Development Roadmap" while taking into account the recommendations provided in "CG Watch 2020" and conforming to international regulations and standards, the Financial Supervisory Commission (hereinafter referred to as "FSC") has amended the Regulations on November 30, 2021 to enhance the transparency of companies' information disclosures, including the promotion of sustainable development and cyber security risk management.

The review was carried out in the form of general review and focused review, with the aforesaid amendments to the Regulations and important supervisory matters included in the focused review items. The review was carried out in the form of general review and focused review, with the aforesaid amendments to the Regulations and important supervisory matters included in the focused review items. Among the 966 TWSE listed companies and 799 TPEX listed companies on record as of June 30, 2022, a total of 434 TWSE/TPEX listed companies, including 249 TWSE listed companies and 185 TPEX listed companies, were screened for general review. Among the companies screened for general review, a total of 111 TWSE/TPEX listed companies, including 64 TWSE listed companies and 47 TPEX listed companies were then screened for focused review. The distributions of the TWSE/TPEX listed companies screened by industry, capital, and market capitalization are illustrated in the following figures (Figure 1 to Figure 6).

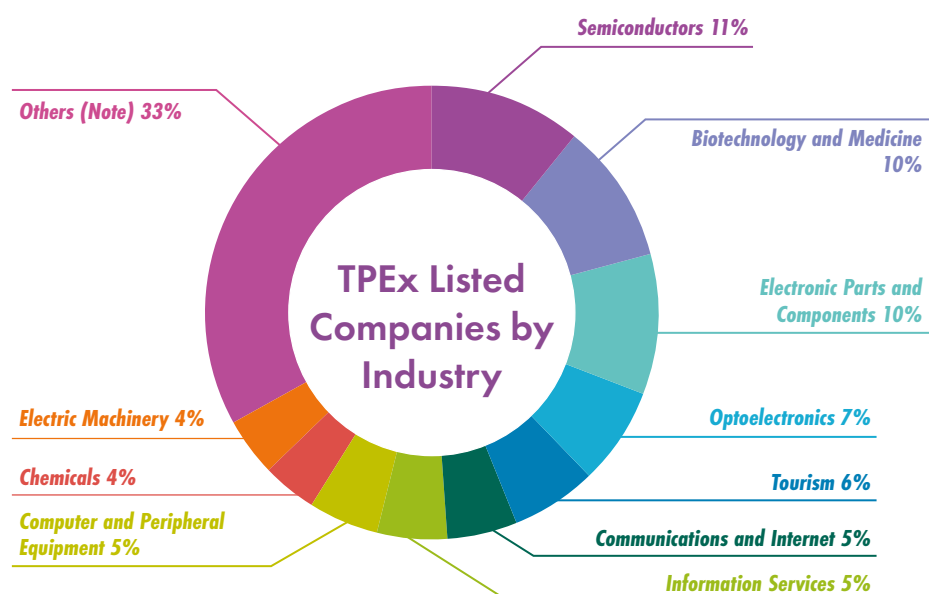
(1) Objective of General Review

The 249 TWSE listed companies screened for general review, or 25.8% of the 966 TWSE listed companies on record, came from 26 industries, including 19 (8%) in the semiconductor industry, 15 (6%) in the electronic parts and components industry, 15 (6%) in the optoelectronics industry, 14 (6%) in the building materials and construction industry, 13 (5%) in the Biotechnology and Medicine industry, 13 (5%) in the electric machinery industry, and 13 (5%) in the automobile industry. On the other hand, the 185 TPEX listed companies screened for general review, or 23.2% of the 799 TPEX listed companies on record, came from 25 industries, including 21 (11%) in the semiconductor industry, 19 (10%) in the biotechnology industry, 18 (10%) in the electronic parts and components industry, 12 (7%) in the optoelectronics industry, 11 (6%) in the tourism industry, nine (5%) in the information service industry, and nine (5%) in the computer and peripheral equipment industry.

◆ Figure 1: TWSE/TPEX Listed Companies Screened for General Review by Industry



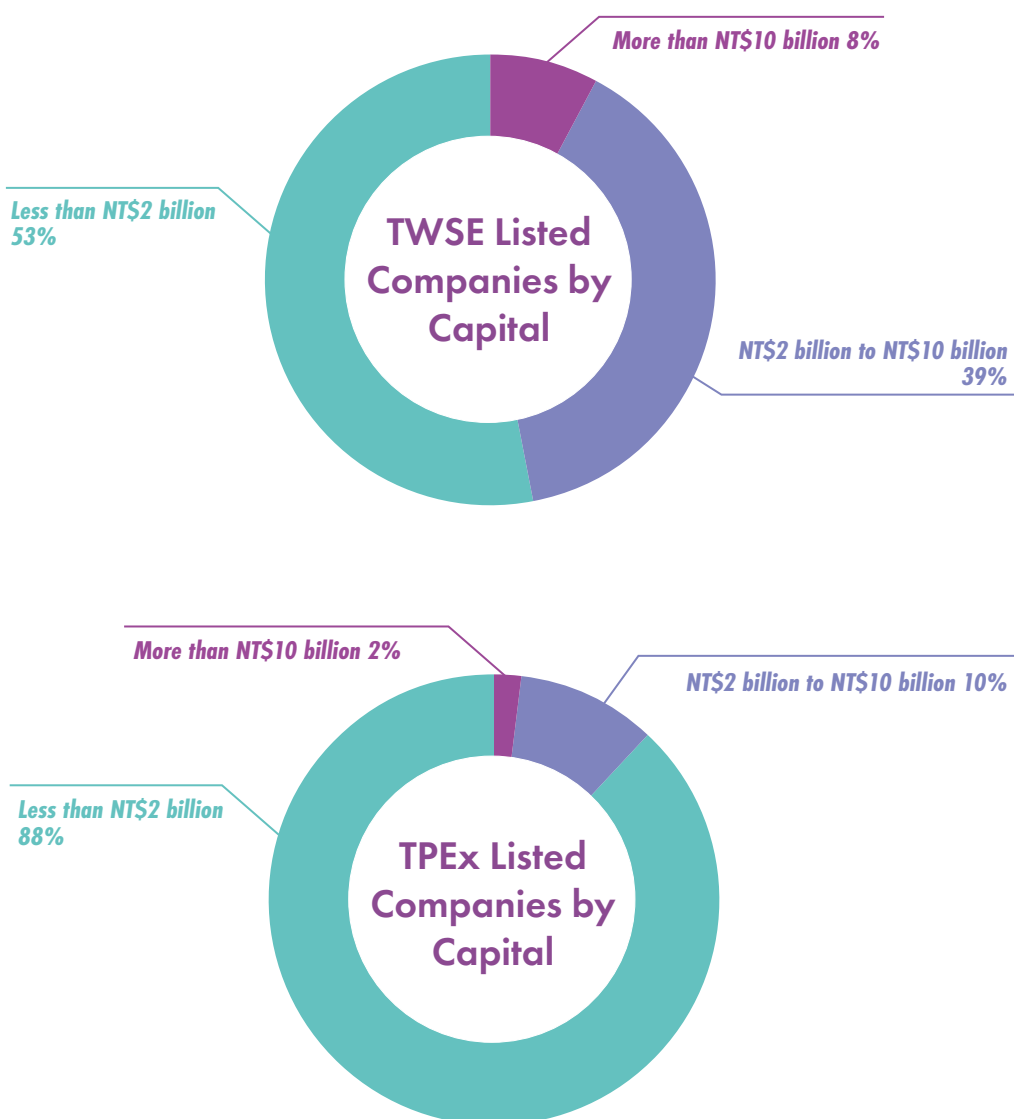
Note: Others include 15 industries, namely plastics, other electronics, communications and internet, shipping and transportation, chemicals, tourism, electrical and cable, iron and steel, electronic products distribution, information service, cement, rubber, gas and electricity, finance and insurance, and other industries.



Note: Others include 15 industries, namely other electronics, building materials and construction, finance, trading and consumer goods, food, cultural and creative industries, textile, electronic commerce, shipping and transportation, plastics, agricultural technology, electronic products distribution, electrical and cable, iron and steel, and other industries.

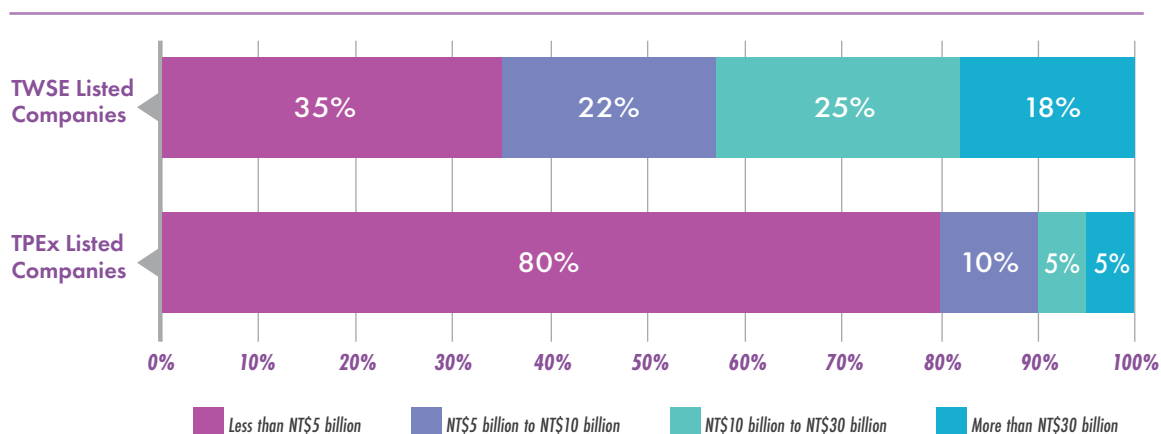
According to the capital analysis of the TWSE/TPEX listed companies screened for general review, there were 21 TWSE listed companies (8%) with a capital of more than NT\$10 billion, 96 (39%) with a capital of NT\$2 billion to NT\$10 billion, and 132 (53%) with a capital of less than NT\$2 billion as of June 2022; meanwhile, there were four TPEX listed companies (2%) with a capital of more than NT\$10 billion, 18 (10%) with a capital of NT\$2 billion to NT\$10 billion, and 163 (88%) with a capital of less than NT\$2 billion as of June 2022.

◆ Figure 2: TWSE/TPEX Listed Companies Screened for General Review by Capital



According to the market capitalization analysis of the listed companies screened for general review, there were 46 TWSE listed companies (18%) with a market capitalization of more than NT\$30 billion, 62 (25%) with a market capitalization of NT\$10 billion to NT\$30 billion, 55 (22%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 86 (35%) with a market capitalization of less than NT\$5 billion as of June 2022; at the same time, there were 10 TPEX listed companies (5%) with a market capitalization of more than NT\$30 billion, 10 (5%) with a market capitalization of NT\$10 billion to NT\$30 billion, 18 (10%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 147 (80%) with a market capitalization of less than NT\$5 billion as of June 2022.

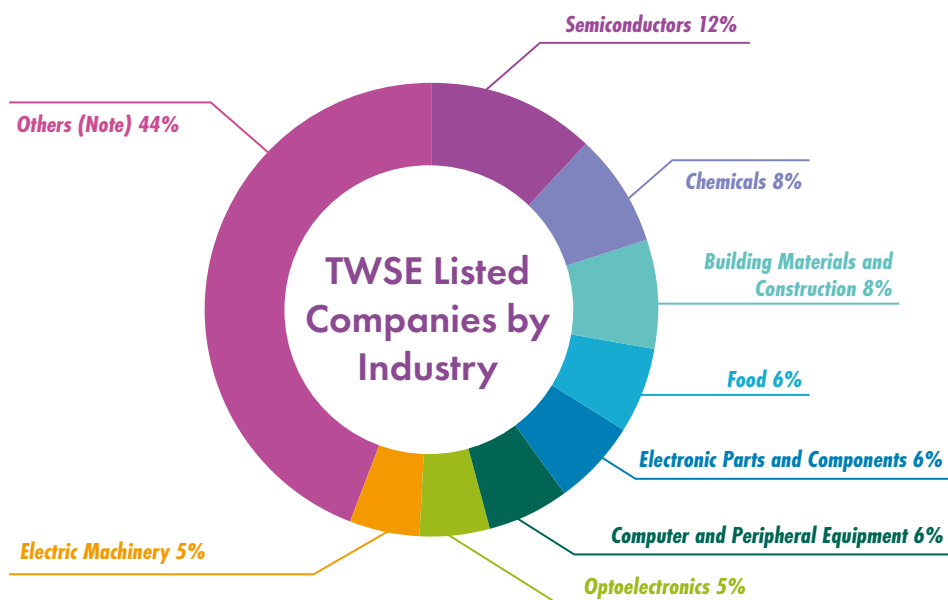
◆ Figure 3: TWSE/TPEX Listed Companies Screened for General Review by Market Capitalization



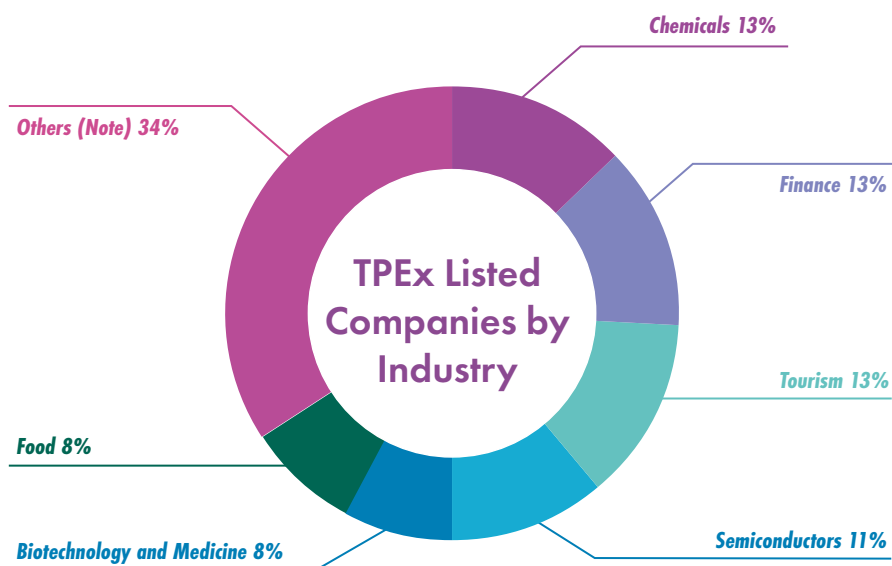
(2) Objective of Focused Review

The 64 TWSE listed companies screened for focused review, or 6.6% of the 966 TWSE listed companies on record, came from 23 industries, including eight (12%) in the semiconductor industry, five (8%) in the chemical industry, five (8%) in the building materials and construction industry, four (6%) in the food industry, four (6%) in the electronic parts and components industry, four (6%) in the computer and peripheral equipment industry, five (5%) in the optoelectronics industry, and five (5%) in the electric machinery industry. On the other hand, the 47 TPEX listed companies screened for focused review, or 5.9% of the 799 TPEX listed companies on record, came from 15 industries, including six (13%) in the chemical industry, six (13%) in the financial industry, six (13%) in the tourism industry, five (11%) in the semiconductor industry, four (8%) in the biotechnology and medicine industry, and four (8%) in the food industry.

◆ Figure 4: TWSE/TPEX Listed Companies Screened for Focused Review by Industry



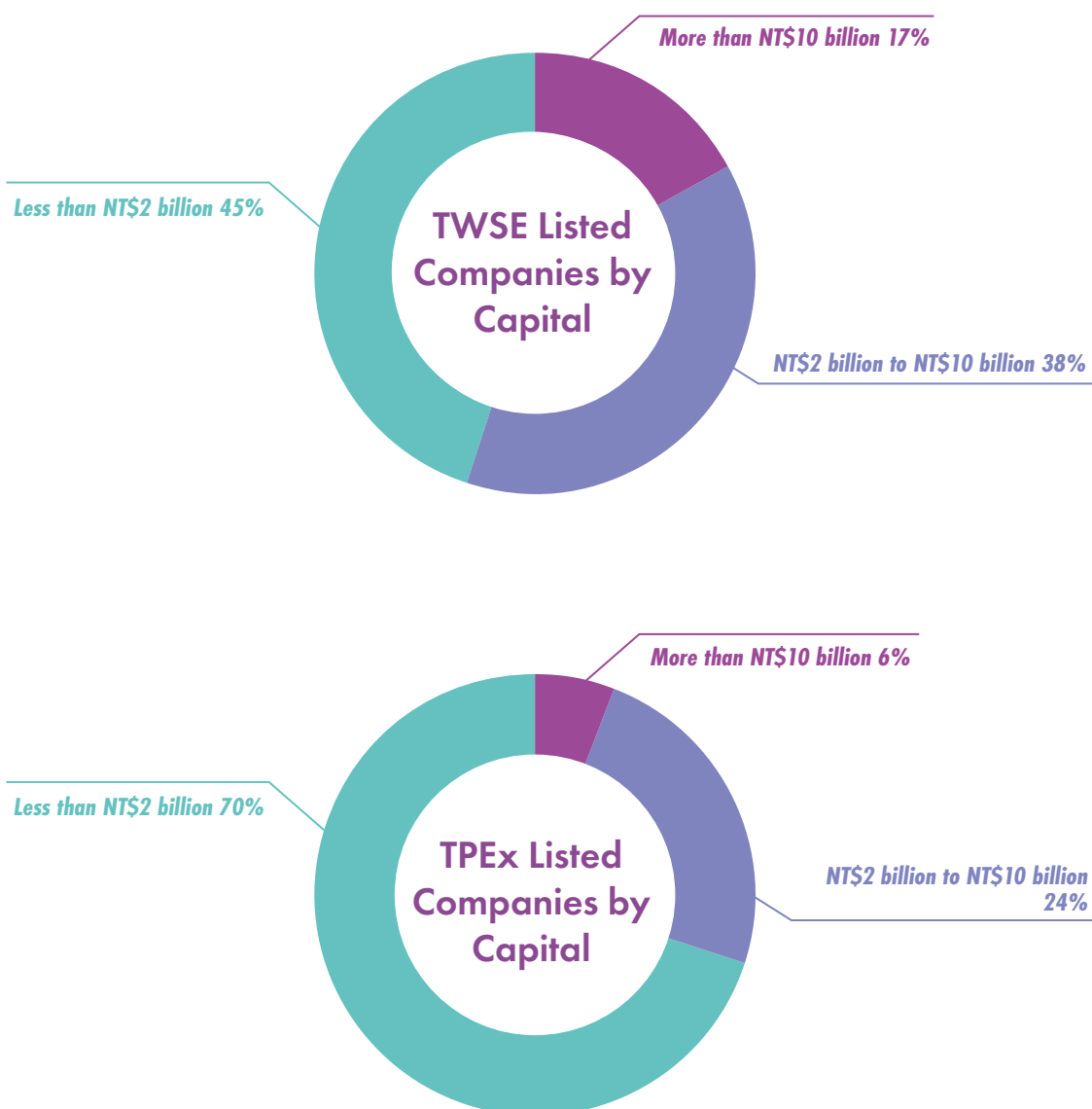
Note: Others include 15 industries, namely other electronics, textile, shipping and transportation, communications and internet, plastics, cement, biotechnology and medicine, automobile, gas and electricity, finance and insurance, electronic products distribution, electrical and cable, iron and steel, tourism, and other industries.



Note: Others include nine industries, namely communications and internet, trading and consumer goods, computer and peripheral equipment, optoelectronics, other electronics, building materials and construction, plastics, iron and steel, and other industries.

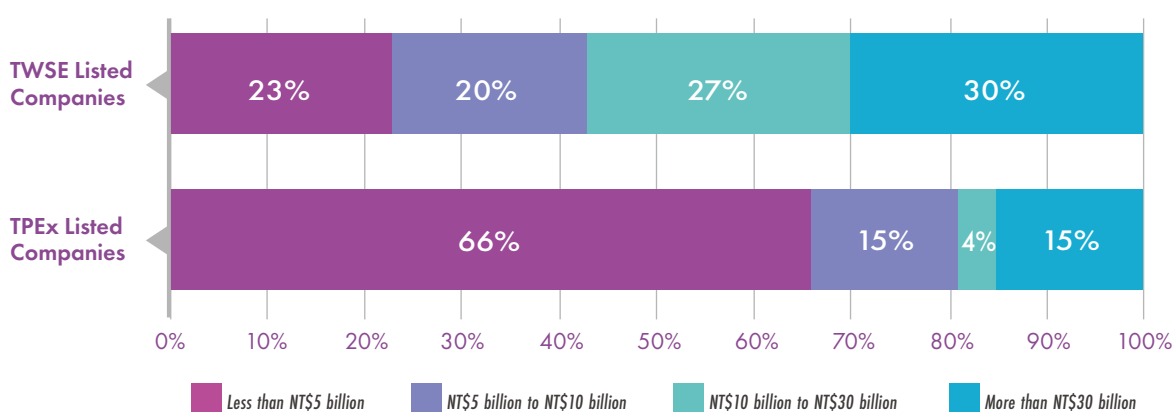
According to the capital analysis of the listed companies screened for focused review, there were 11 TWSE listed companies (17%) with a capital of more than NT\$10 billion, 24 (38%) with a capital of NT\$2 billion to NT\$10 billion, and 29 (45%) with a capital of less than NT\$2 billion as of June 2022; meanwhile, there were three TPEX listed companies (6%) with a capital of more than NT\$10 billion, 11 (24%) with a capital of NT\$2 billion to NT\$10 billion, and 33 (70%) with a capital of less than NT\$2 billion as of June 2022.

◆ Figure 5: TWSE/TPEX Listed Companies Screened for Focused Review by Capital



According to the market capitalization analysis of the listed companies screened for focused review, there were 19 TWSE listed companies (30%) with a market capitalization of more than NT\$30 billion, 17 (27%) with a market capitalization of NT\$10 billion to NT\$30 billion, 13 (20%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 15 (23%) with a market capitalization of less than NT\$5 billion as of June 2022; at the same time, there were seven TPEX listed companies (15%) with a market capitalization of more than NT\$30 billion, two (4%) with a market capitalization of NT\$10 billion to NT\$30 billion, seven (15%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 31 (66%) with a market capitalization of less than NT\$5 billion as of June 2022.

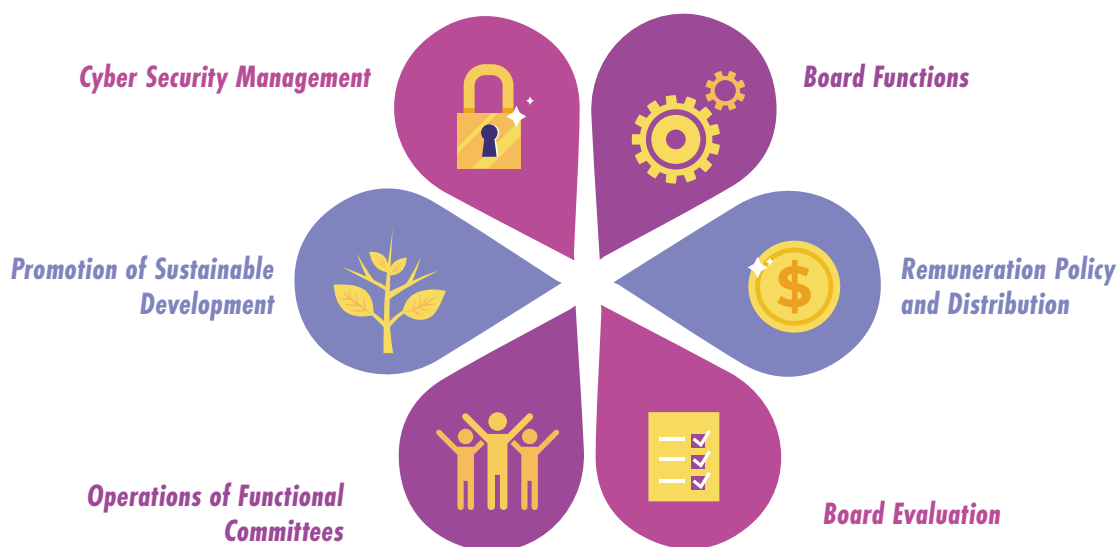
◆ Figure 6: TWSE/TPEX Listed Companies Screened for Focused Review by Market Capitalization



2. Review Items and Results

The TWSE and TPEX screened the annual reports of 434 TWSE/TPEX listed companies for review. The review did not center on specific industries or types of TWSE/TPEX listed companies as the TWSE and TPEX listed companies screened came from 26 industries and 25 industries, respectively, along with varying amounts of capital and market capitalization.

In the review, a general review of compliance with the annual report filing schedule and the information to be published in annual reports was first conducted among the TWSE/TPEX listed companies screened before a focused review was carried out on 111 of the 434 TWSE/TPEX listed companies screened for the purpose of enhancing the depth of the review. The key review items consisted of six items, including board functions, remuneration policy and distribution, board evaluation, the operations of functional committees, the promotion of sustainable development, and cyber security management. The results of both the general review and focused review are detailed in the following sections.



(1) General Review Items and Results

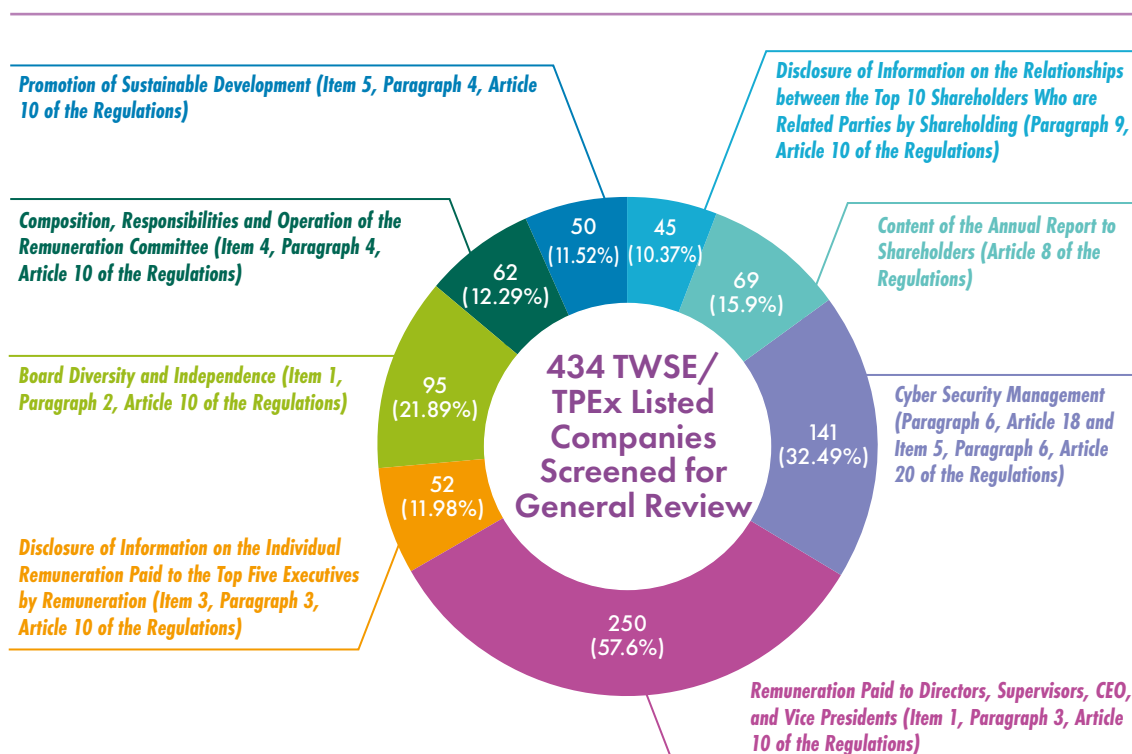
The main purpose of the annual report of a listed company is to enable investors to learn about the operations of the company and obtain real-time information of the company. In order for investors to have an understanding of the operations, financial position, and business results of the company through publicly available information prior to the convening of a shareholders' meeting, Article 23 of the Regulations stipulates that a TWSE/TPEX listed company shall upload its annual report onto the Market Observation Post System (MOPS) prior to the convening of a

shareholders' meeting. Therefore, the TWSE and TPEx reviewed listed companies' compliance with the annual report filing schedule, and whether the content of various items, including the publication of the front, inside, and back covers of the annual report, as well as matters to be included in the preparation of annual reports, are disclosed in accordance with the Regulations.

According to the review of annual reports of the 434 TWSE/TPEx listed companies screened, 80% of the listed companies were found to have disclosed their annual reports in accordance with the Regulations; however, some companies have yet to disclose a number of items in their annual reports, including the remunerations paid to directors, supervisors, and executives (250 companies or 57.6%), cyber security management (141 companies or 32.49%), and board diversity and independence (95 companies or 21.89%). The aforesaid items were likely to have been omitted by the listed companies screened from their annual reports due to the fact that these items were amendments to the Regulations made on November 30, 2021. After the TWSE and TPEx contacted the listed companies screened about the need to make the necessary corrections, most of these companies have taken corrective actions to disclose these items and filed their annual reports again, whereas three companies that have yet to do so were being tracked by the TWSE and TPEx on an ongoing basis until the required corrections have been made by them.

The results of general review with regards to the items not disclosed in accordance with the Regulations are detailed as follows:

◆ **Figure 7: Types of Items Not Disclosed According to the Regulations
Based on the General Review Results**



(2) Focused Review Items and Results

1. Board Functions

The composition and functions of the board of directors hinge on the qualifications and experience of board members, while the independence of board members is closely related to the fulfillment of directors' responsibilities. In addition, board diversity contributes to the sustainability of a company since having diverse members enables the board of directors to not only avoid the "groupthink" phenomenon, but also bolster its supervisory capabilities and enhance its understanding of the company. Article 20 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies stipulates that the composition of the board of directors shall be determined by taking diversity into consideration, and an appropriate diversity policy on diversity shall be based on the company's business operations, operating dynamics, and development needs formulation. At the same time, board diversity was also incorporated into the FSC's major action plans for the Corporate Governance 3.0 - Sustainable Development Roadmap on August 25, 2020.

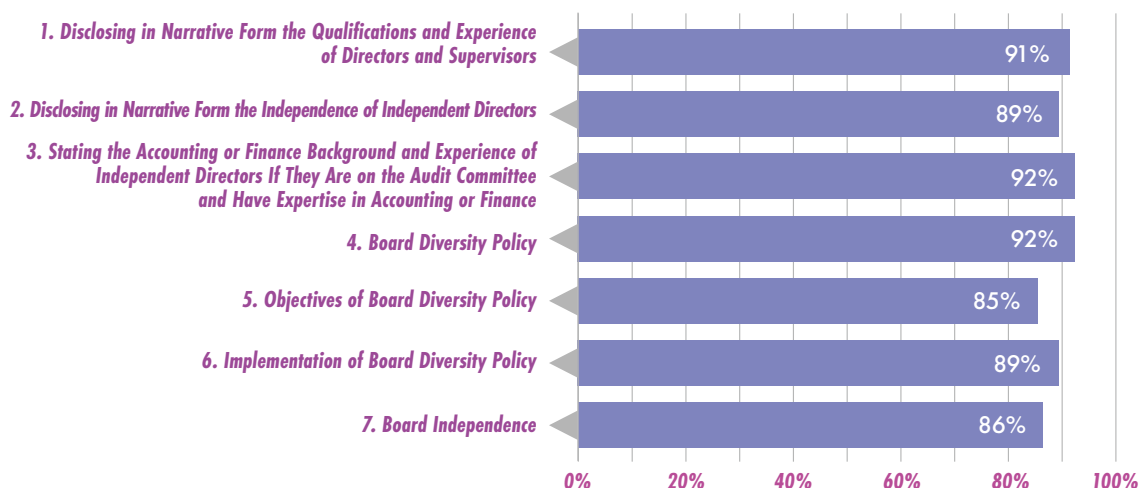
With a view to enhancing corporate governance and the sound development of board composition and structure, the FSC made amendments to Article 10 of the Regulations and the tables attached thereto on November 30, 2021, which stipulated that TWSE/TPEX listed companies shall specify in words, rather than tick off, the qualifications and experience of individual directors and supervisors, and the independence of independent directors; the board diversity policy and its specific management objectives and implementation; as well as the proportion of independent directors on the board of directors and the reasons for board independence.

In the review, the TWSE and TPEX not only stepped up efforts to examine whether TWSE/TPEX listed companies have fully disclosed the relevant information in their annual reports for 2021 according to the aforesaid amendments to the Regulations, but also conducted a comparative analysis with related disclosures in their annual reports for 2020.

I. Analysis of Review Results for 2021

The disclosure of each review item in the annual reports of the TWSE/TPEX listed companies screened for 2021 is detailed as follows.

◆ Figure 8: Disclosure of Board Functions



(1) [Item 1] Disclosing in Narrative Form the Qualifications and Experience of Individual Directors and Supervisors:

Out of the 111 TWSE/TPEX listed companies screened, 101 (91%) have disclosed in narrative form the qualifications and experience of directors and supervisors, whereas 10 (9%) continued to tick off this item in the relevant table in their annual reports.

(2) [Item 2] Disclosing in Narrative Form the Independence of Independent Directors:

Out of the 111 TWSE/TPEX listed companies screened, 99 (89%) disclosed in narrative form the independence of independent directors, whereas 12 (11%) continued to tick off this item in the relevant table in their annual reports.

(3) [Item 3] Stating the Accounting or Finance Background and Experience of Independent Directors If They Are on the Audit Committee and Have Expertise in Accounting or Finance:

Out of the 111 TWSE/TPEX listed companies screened, 102 (92%) have disclosed the relevant background and experience of independent directors with a background and experience in finance and accounting, whereas nine (9%) did not disclose whether their independent directors have accounting or finance qualifications.

(4) [Items 4 to 6] Disclosing Board Diversity Policy and Its Objectives and Implementation:

Out of the 111 TWSE/TPEX listed companies screened, 102 (92%) have disclosed their board diversity policies according to the amended Regulations; 94 (85%) have disclosed the specific management objectives of their board diversity policies; and 99 (89%) have disclosed information on the implementation of their board diversity policies.

(5) [Item 7] Disclosing Board Independence:

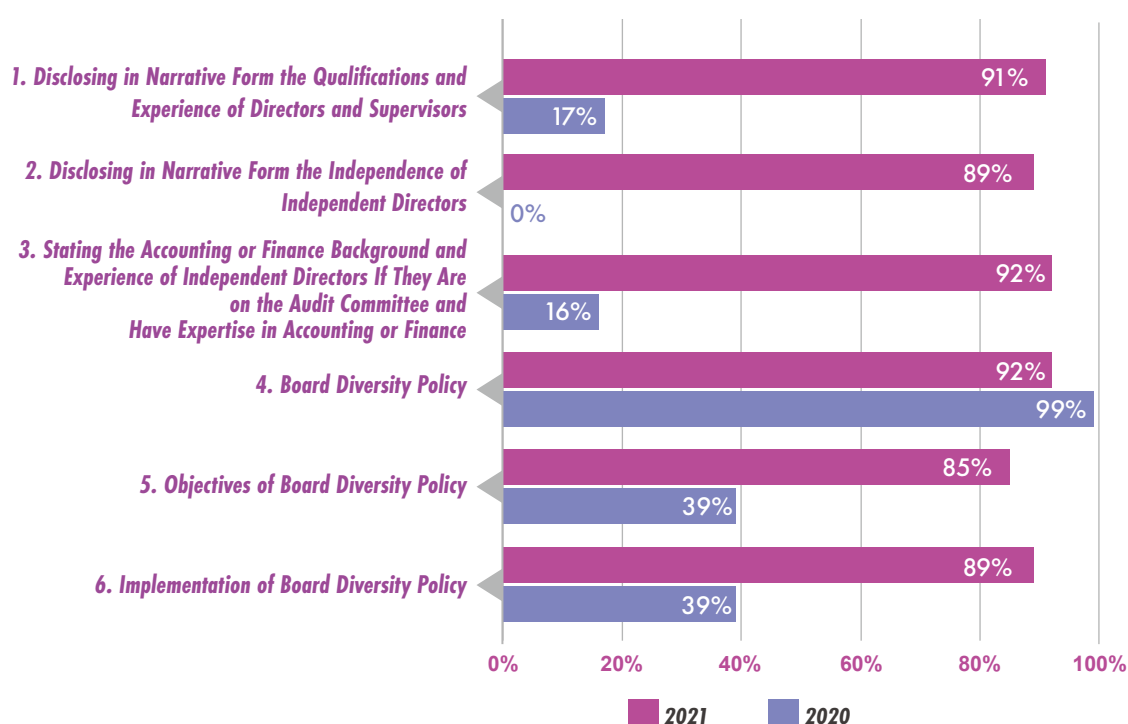
Out of the 111 TWSE/TPEX listed companies screened, 95 (86%) have stated the independence of their board of directors according to the amended Regulations, whereas 16 (14%) did not state either the proportion of independent directors on their board or the reasons for board independence as required by the Regulations.

(6) Correction of Deficiencies: Out of the 111 TWSE/TPEX listed companies screened, 82 (74%) have disclosed information on board functions in compliance with the amended Regulations, whereas 29 (26%) did not disclose such information as required by the Regulations; however, the aforesaid companies have taken corrective actions to disclose these items and filed their annual reports again.

II. Comparative Analysis of Related Disclosures between 2021 and 2020

Except for [Item 7] Board Independence, which was a new item added during the amendment of the Regulations on November 30, 2021 but was not included in the review report on the annual reports of listed companies for 2020, a comparative analysis of the disclosure of the remaining items, i.e., Items 1 to 6, between 2020 and 2021 was carried out, with the relevant results detailed as follows.

◆ Figure 9: Comparison of the Disclosure of Board Functions between 2020 and 2021



In the review of annual reports, the TWSE/TPEX listed companies were not reviewed one by one, but rather screened for review on a random basis. As different companies are screened for review each year, the comparison of review results may vary from one year to another. The requirement for the disclosure of board functions as stipulated in the amended Regulations was applicable to the annual reports of TWSE/TPEX listed companies for the first time in 2021. Comparisons of the review results of the annual reports of listed companies between 2021 and 2020 reveal that:

- (1) On the qualifications and experience of directors and supervisors and the independence of independent directors (Items 1 to 3), more than 90% of the TWSE/TPEX listed companies screened disclosed in narrative form the qualifications and experience (including accounting or finance background and experience) of directors and supervisors and the independence of independent directors in 2021, which has effectively enhanced the transparency of information disclosure in their annual reports in comparison with the method of ticking off these items in their annual reports for 2020.
- (2) On board diversity policy and its objectives and implementation, the amended Regulations stipulate that a TWSE/TPEX listed company shall disclose information on individual directors and supervisors (Table 1-2 in the Regulations), in addition to [Item 4] Board Diversity Policy in the implementation of corporate governance (Table 2-2 in the Regulations). However, some of these companies did not disclose this item according to the amended Regulations in 2021, which in turn led to a slight decline in the number of TWSE/TPEX listed companies that have disclosed this item in 2021 compared to 2020. As for [Items 5 and 6] Objectives and Implementation of Board Diversity Policy, more than 80% of the listed companies screened have stated the relevant information according to the amended Regulations in 2021, which was a significant increase from 40% in 2020.

2. Remuneration Policy and Distribution

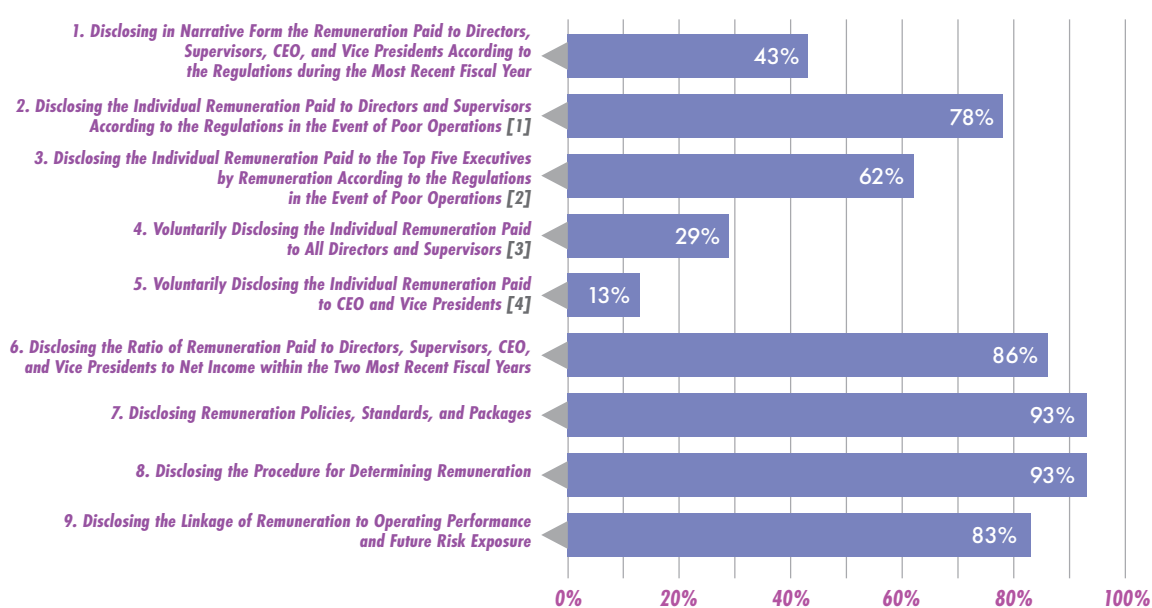
The disclosure of directors' remuneration has become an international trend. The FSC has been promoting the disclosure of remunerations paid to directors, supervisors, and c-suite executives of TWSE/TPEX listed companies through the Corporate Governance Evaluation system and other means on an ongoing basis in order to improve the transparency and reasonableness of such remunerations. According to the Regulations, TWSE/TPEX listed companies involved in certain circumstances (e.g., having posted after-tax deficits in the parent company only financial statements or individual financial statements within the three most recent fiscal years, demonstrating poor corporate governance, etc.) shall disclose the individual remuneration paid to directors and supervisors or the individual remuneration paid to the top five executives by remuneration. Step-by-step measures have been taken to improve the disclosure of information on the remuneration paid to board members or executives by TWSE/TPEX listed companies.

In the review, the TWSE and TPEX not only intensified efforts to examine whether TWSE/TPEX listed companies have fully disclosed the remuneration paid to directors, supervisors, and c-suite executives and their remuneration policies and procedures in their annual reports for 2021 according to the Regulations, but also conducted a comparative analysis with related disclosures in their annual reports for 2020.

I. Analysis of Review Results for 2021

The disclosure of each review item in the annual reports of the TWSE/TPEX listed companies screened for 2021 is detailed as follows.

◆ Figure: 10 Disclosure of Remuneration Policy and Distribution



[1] Obtained using 41 TWSE/TPEX listed companies (i.e., 23 TWSE listed companies and 18 TPEX listed companies) that were mandatorily required to disclose the individual remuneration paid to directors and supervisors as the denominator.

[2] Obtained using 26 TWSE/TPEX listed companies (i.e., 13 TWSE listed companies and 13 TPEX listed companies) that were mandatorily required to disclose the individual remuneration paid to the top five executives by remuneration as the denominator.

[3] Obtained using 70 TWSE/TPEX listed companies (i.e., 41 TWSE listed companies and 29 TPEX listed companies) that were not mandatorily required to disclose the individual remuneration paid to directors and supervisors as the denominator.

[4] Obtained using 85 TWSE/TPEX listed companies (i.e., 51 TWSE listed companies and 34 TPEX listed companies) that were not mandatorily required to disclose the individual remuneration paid to the top five executives by remuneration as the denominator.

(1) [Item 1] Disclosing in Narrative Form the Remuneration Paid to Directors, Supervisors, CEO, and Vice Presidents According to the Regulations during the Most Recent Fiscal Year: Out of the 111 TWSE/TPEX listed companies screened, 48 (43%) have disclosed the remuneration paid to directors, supervisors, CEO, and Vice Presidents during the most recent fiscal year according to Table 1-2 in the Regulations, whereas 63 (57%) did not disclose this item as required by the Regulations mainly because they did not disclose information on "total remuneration."

(2) [Items 2 and 3] Disclosing the Individual Remuneration Paid to Directors, Supervisors, and the Top Five Executives by Remuneration According to the Regulations in the Event of Poor Operations:

Out of the 111 TWSE/TPEX listed companies screened, 41 were mandatorily required to disclose the individual remuneration paid to directors and supervisors as they were involved in certain circumstances (i.e., six types of circumstances, such as having posted

after-tax deficits in the parent company only financial statements or individual financial statements within the three most recent fiscal years). Among these 41 TWSE/TPEX listed companies, 31 (76%) of them have disclosed this item according to the Regulations, whereas 10 (24%) did not disclose this item as required by the Regulations. On the other hand, 26 out of the 111 TWSE/TPEX listed companies screened were mandatorily required to disclose the individual remuneration paid to the top five executives by remuneration as they were involved in certain circumstances (i.e., two types of circumstances, including having posted after-tax deficits in the parent company only financial statements or individual financial statements within the three most recent fiscal years or having ranked in the lowest tier in the Corporate Governance Evaluation). Among these 26 TWSE/TPEX listed companies, 10 (38%) of them have disclosed this item according to the Regulations, whereas 16 (62%) did not disclose this item as required by the Regulations.

(3) [Items 4 and 5] Voluntarily Disclosing the Individual Remuneration Paid to All Directors, Supervisors, CEO, and Vice Presidents:

- A. With a view to further enhancing the transparency of information on the remuneration paid to directors, supervisors, and c-suite executives, the voluntary disclosure of information on the individual remuneration paid to directors, supervisors, and c-suite executives by TWSE/TPEX listed companies has been included in Corporate Governance Evaluation Indicators 3.13 and 3.21. Therefore, the voluntary disclosure of information on the remuneration paid to all directors, supervisors, CEO, and Vice Presidents by TWSE/TPEX listed companies were reviewed in accordance with the aforesaid evaluation indicators.
- B. Out of the 111 TWSE/TPEX listed companies screened, 20 (i.e., 29% of the 70 companies that were not mandatorily required to disclose the individual remuneration paid to directors) have voluntarily disclosed the individual remuneration paid to directors and supervisors, whereas 11 (i.e., 13% of the 85 companies that were not mandatorily required to disclose the individual remuneration paid to the top five executives by remuneration) have voluntarily disclosed the individual remuneration paid to CEO and Vice Presidents.

(4) [Item 6] Disclosing the Ratio of Remuneration Paid to Directors, Supervisors, CEO, and Vice Presidents to Net Income within the Two Most Recent Fiscal Years:

Out of the 111 TWSE/TPEX listed companies screened, 96 (86%) have disclosed this item according to the Regulations, whereas 15 (14%) did not provide related disclosure as required by the Regulations.

(5) [Item 7 to Item 9] Disclosing Remuneration Policies, Standards and Packages, the Procedure for Determining Remuneration, and the Linkage of Remuneration to Operating Performance and Future Risk Exposure:

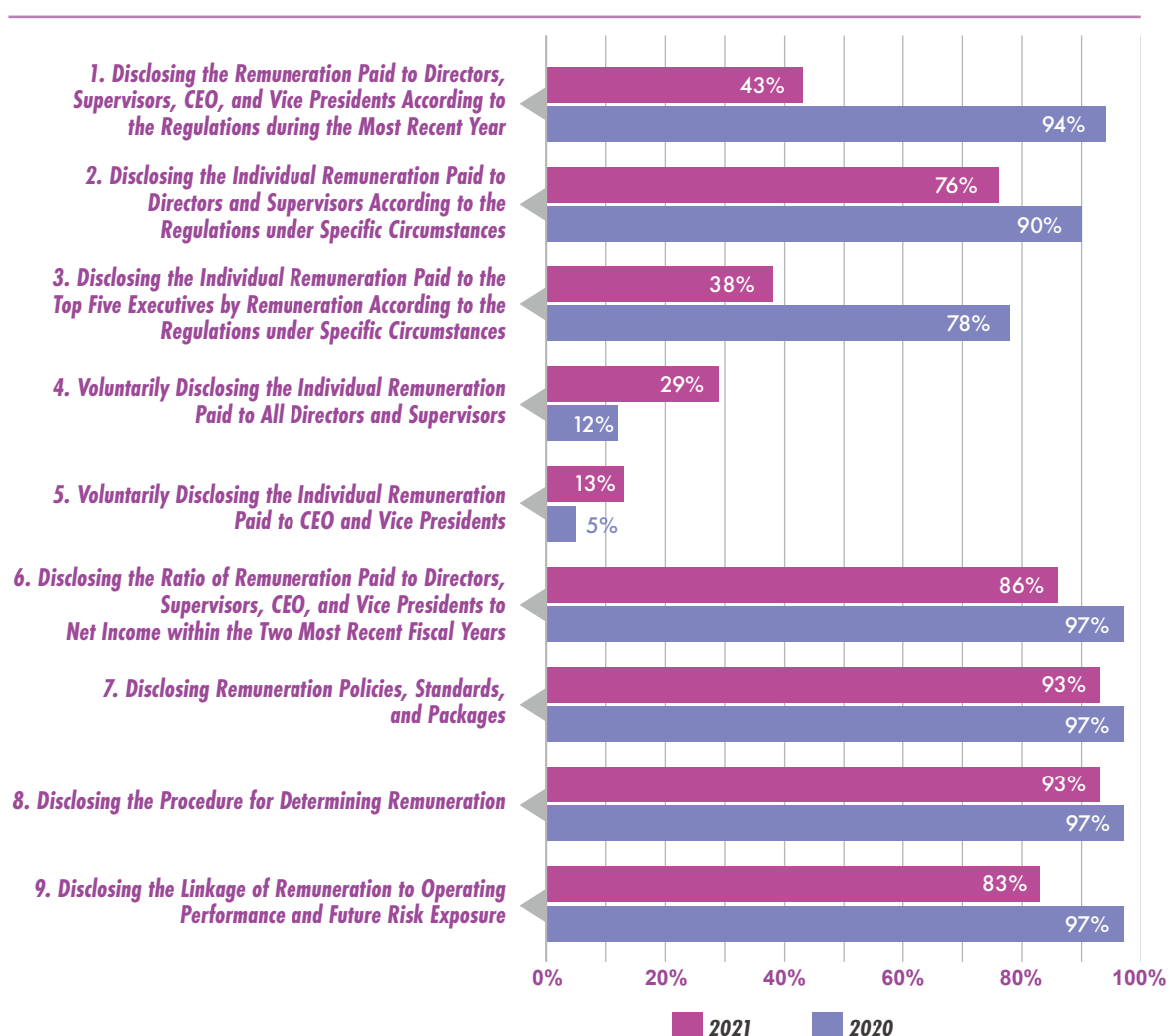
Out of the 111 TWSE/TPEX listed companies screened, 103 (93%) have disclosed their remuneration policies and procedures according to the Regulations, whereas eight (7%) did not disclose such information as required by the Regulations. On the other hand, 92 (83%) of them have disclosed the linkage of remuneration to operating performance and future risk exposure, whereas 19 (17%) did not disclose such information as required by the Regulations.

(6) Correction of Deficiencies: Out of the 111 TWSE/TPEX listed companies screened, 40 (36%) have disclosed the remuneration paid to directors, supervisors, and c-suite executives according to the Regulations (Items 1 to 3 and Items 6 to 8). However, 71 (64%) of them did not disclose the aforesaid items as required by the Regulations. Among these 71 companies, 69 of them have taken corrective actions to disclose these items and filed their annual reports again, while the remaining companies that have yet to do so were being tracked by the TWSE and TPEX on an ongoing basis until the required corrections have been made by them.

II. Comparative Analysis of Related Disclosures between 2021 and 2020

A comparative analysis of related disclosures in the annual reports of listed companies between 2021 and 2020 are detailed as follows.

◆ Figure 11: Comparison of the Disclosure of Remuneration Policy and Distribution between 2020 and 2021



- (1) Prior to the amendment of the Regulations, Table 1-2 in the Regulations stipulated that TWSE/TPEX listed companies shall only need to disclose the ratio of total remuneration to net income in their annual reports. However, the amended Regulations require TWSE/TPEX listed companies to disclose information on “total remuneration” in a new row added to the relevant table, with the intention of ensuring that readers can easily understand such information and the disclosure of remuneration becomes more complete. According to the review results for both 2020 and 2021, most of the TWSE/TPEX listed companies screened overlooked the disclosure of information on “total remuneration” in their annual reports for 2021, which in turn led to a decline in the disclosure rate for Items 1 to 3 compared to 2020.
- (2) There was a decline in the disclosure performance of TWSE/TPEX listed companies with regards to Items 6 to 9 compared to 2020 because the sample and number of TWSE/TPEX listed companies screened for focused review were different from those in 2020. Yet, more than 80% of the TWSE/TPEX listed companies screened have disclosed these items according to the Regulations in both 2020 and 2021. As for [Items 4 and 5] Voluntarily Disclosing the Individual Remuneration Paid to All Directors, Supervisors, CEO, and Vice Presidents, there was an increase in the number of TWSE/TPEX listed companies that have disclosed both items in 2021 compared to 2020, indicating that a growing number of TWSE/TPEX listed companies are attaching importance to the disclosure of information on remuneration and enhancing the transparency of the disclosure of information on the remuneration paid to directors, supervisors, CEO, and Vice Presidents on an ongoing basis. However, the overall number of TWSE/TPEX listed companies that have voluntarily disclosed these items remains low, which suggests that there is still great room for improvement.

3. Board Evaluation

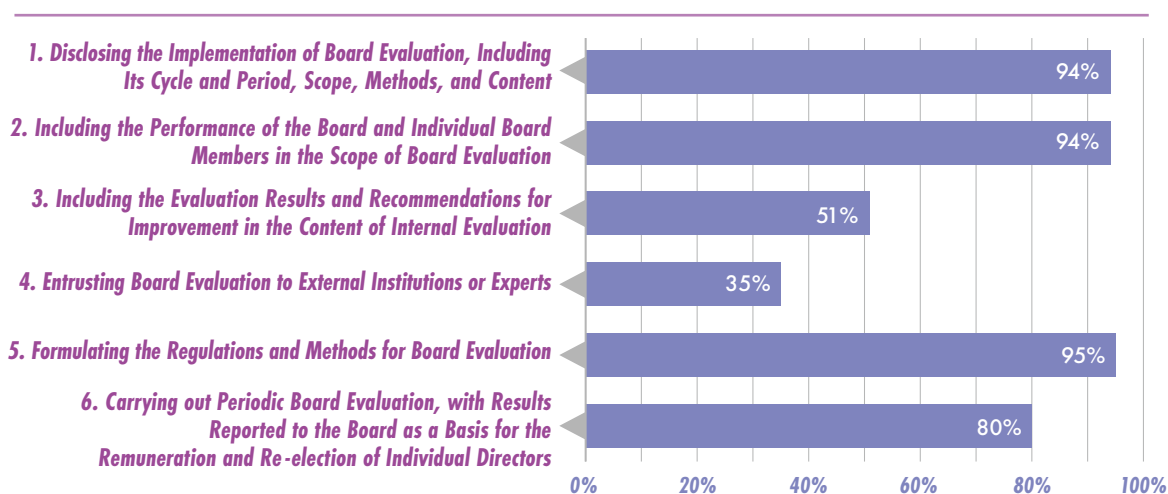
Since the board of directors is the highest governing body of a company, the sound operation and effective functioning of the board of directors will have an impact on the company’s business capabilities. The board evaluation system enables the board of directors and its members to understand the direction of progress, and helps enhance the effectiveness of the board of directors. In an effort to help the board of directors learn about the effectiveness of its operations and perform its functions to strengthen the connection of directors’ remuneration with their performances, Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies stipulates that a TWSE/TPEX listed company is advised to formulate rules and procedures for board evaluation, and evaluate the performance the board of directors and individual directors through self-assessments or peer-to-peer assessments on an annual basis. Furthermore, the TWSE and TPEX require TWSE/TPEX listed companies to conduct board evaluation each year starting in 2020. According to Table 2 in the Regulations, TWSE/TPEX listed companies shall disclose information on the self-assessments (or peer-to-peer assessments) conducted by the board of directors with regards to the status of board operations.

In the review, the TWSE and TPEX not only stepped up efforts to examine whether TWSE/TPEX listed companies have fully disclosed information on the implementation of board evaluation in their annual reports for 2021 according to the Regulations, but also conducted a comparative analysis with related disclosures in their annual reports for 2020.

I. Analysis of Review Results for 2021

The disclosure of each review item in the annual reports of the TWSE/TPEX listed companies screened for 2021 is detailed as follows.

◆ Figure 12: Disclosure of Board Evaluation



(1) [Item 1] Disclosing the Implementation of Board Evaluation, Including Its Cycle and Period, Scope, Methods, and Content: Out of the 111 TWSE/TPEX listed companies screened, 104 (94%) have disclosed the implementation of board evaluation according to Table 2-2 in the Regulations, whereas seven (6%) did not disclose this item as required by the Regulations.

(2) [Item 2] Including the Performance of the Board and Individual Board Members in the Scope of Board Evaluation: Out of the 111 TWSE/TPEX listed companies screened, 104 (94%) have disclosed the inclusion of the performance of the board and individual board members in the scope of board evaluation according to Table 2-2 in the Regulations, whereas seven (6%) did not disclose this item as required by the Regulations.

(3) Item 3 Including the Evaluation Results and Recommendations for Improvement in the Content of Internal Evaluation

A. This item, which was formulated based on Corporate Governance Evaluation Indicator 2.23, stipulates that if a TWSE/TPEX listed company entrusts its board evaluation to external institutions or experts, the company shall provide a summary of the results of board evaluation, recommendations for improvement, and future improvement plans or actions. Therefore, the TWSE and TPEX adopted the evaluation indicator above to review the disclosure of information on the internal evaluation of the board of directors by TWSE/TPEX listed companies other than that required by the Regulations.

- B. Out of the 111 TWSE/TPEX listed companies screened, 57 (51%) provided an additional disclosure of internal evaluation results and recommendations for improvement in their annual reports, whereas 54 (49%) did not disclose such information.

(4) [Item 4] Entrusting Board Evaluation to External Institutions or Experts

- A. According to Article 37 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, it is recommended that TWSE/TPEX listed companies conduct board evaluation with the help of external institutions or by other appropriate means. At the same time, Article 3 of the Sample Template of Self-Evaluation or Peer Evaluation of the Board of Directors and Corporate Governance Evaluation Indicator 2.23 also stipulate that TWSE/TPEX listed companies shall conduct an external board evaluation at least once every three years to improve the operation of the board of directors.
- B. Out of the 111 TWSE/TPEX listed companies screened, 39 (35%) entrusted their board evaluation to external institutions, whereas 72 (65%) did not do so, but rather conducted self-evaluation internally.

(5) [Item 5] Formulating the Regulations and Methods for Board Evaluation

Out of the 111 TWSE/TPEX listed companies screened, 106 (95%) have disclosed this item according to Table 2-2 Corporate Governance Practice and Its Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason Thereof in the Regulations, whereas 5 (5%) did not disclose this item as required by the Regulations.

(6) [Item 6] Carrying out Periodic Board Evaluation, with Results Reported to the Board as a Basis for the Remuneration and Re-election of Individual Directors

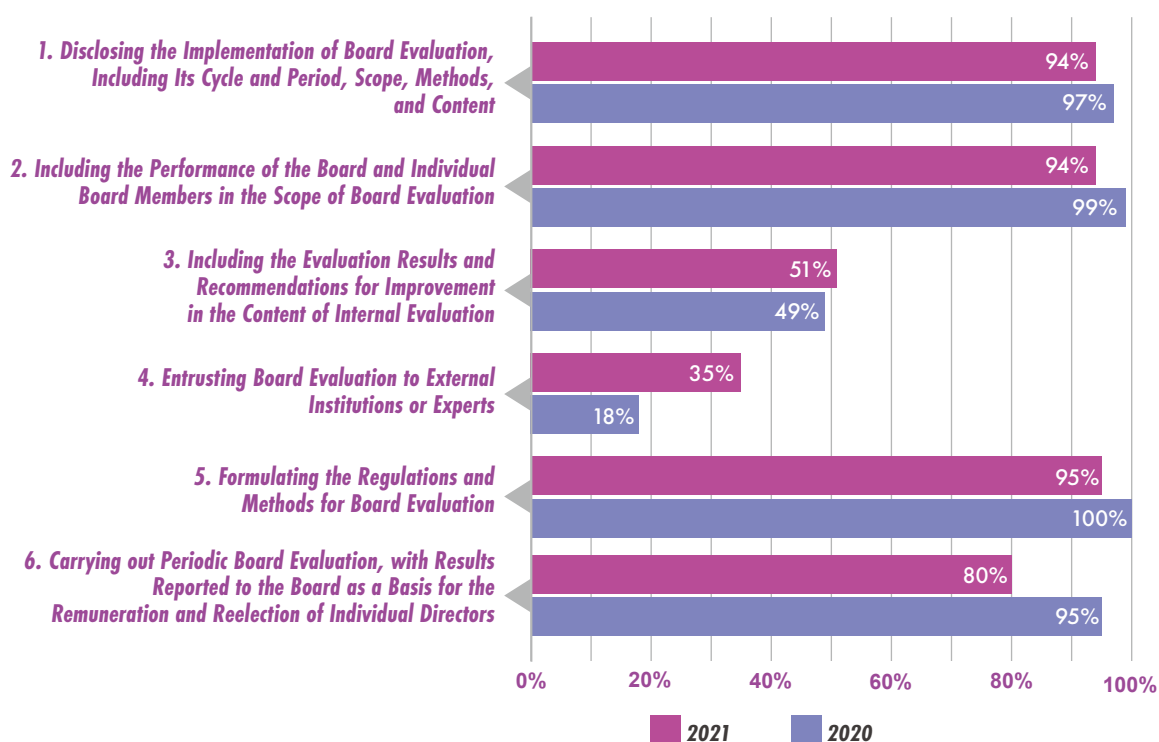
Out of the 111 TWSE/TPEX listed companies screened, 89 (80%) have disclosed this item according to Table 2-2 Corporate Governance Practice and Its Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reason Thereof in the Regulations, whereas 22 (20%) did not disclose this item as required by the Regulations.

- (7) Correction of Deficiencies:** Out of the 111 TWSE/TPEX listed companies screened, 80 (72%) have disclosed information on board evaluation (Items 1, 2, 5, and 6) according to the Regulations, whereas 31 (28%) of them did not disclose the aforesaid items as required by the Regulations; however, the aforesaid companies have taken corrective actions to disclose these items and filed their annual reports again.

II. Comparative Analysis of Related Disclosures between 2021 and 2020

A comparative analysis of related disclosures in the annual reports of listed companies between 2021 and 2020 are detailed as follows.

◆ Figure 13: Comparison of the Disclosure of Board Evaluation between 2020 and 2021



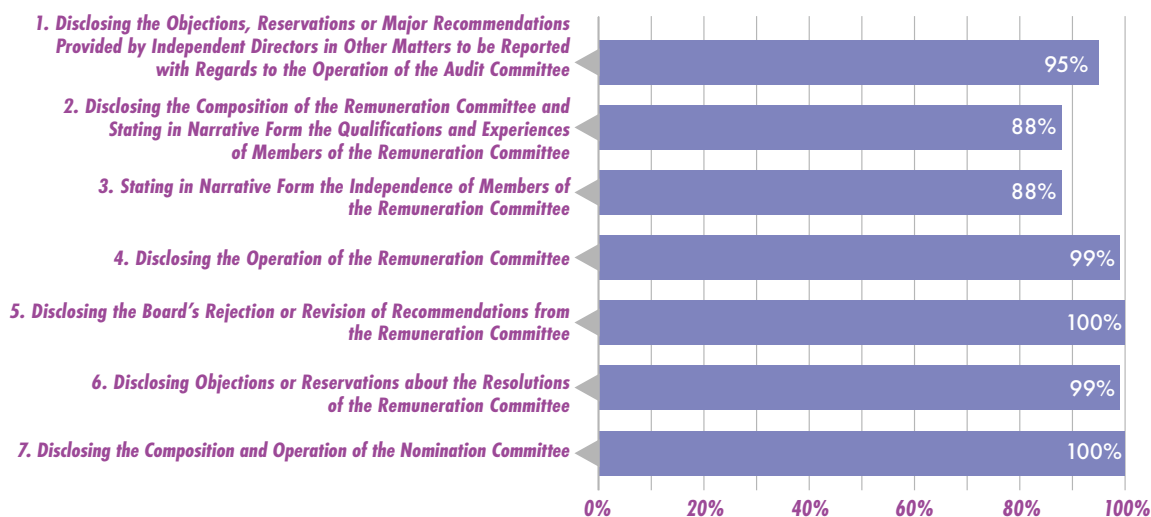
Since the sample and number of TWSE/TPEX listed companies screened for focused review were different from those in 2020, there were slight differences in the results for the disclosure of board evaluation between 2021 and 2020. On the implementation of board evaluation (Items 1, 2, 5, and 6), more than 80% of the TWSE/TPEX listed companies screened have disclosed these items according to the Regulations in both 2020 and 2021. As for Item 3 (Including the Performance of the Board and Individual Board Members in the Scope of Board Evaluation) and Item 4 (Entrusting the Board Evaluation to External Institutions or Experts), there was an increase in the number of TWSE/TPEX listed companies that have disclosed both items compared to 2020, suggesting that a growing number of TWSE/TPEX listed companies are entrusting their board evaluation to external experts. Hence, there should be a gradual improvement in the performance of board operations among TWSE/TPEX listed companies in the future.

4. Operations of Functional Committees

In an effort to enhance the transparency of information disclosure by independent directors and functional committees, including the Audit Committee and the Remuneration Committee, the amendments made by the FSC to the Regulations on November 30, 2021 stipulate that a TWSE/TPEX listed company shall disclose the objections, reservations or major recommendations provided by independent directors in other matters to be reported with regards to the operation of the Audit Committee, and that a TWSE/TPEX listed company shall state in narrative form the qualifications and independence of members of the Remuneration Committee. Moreover, the amended Regulations also specify that a TWSE/TPEX listed company shall disclose the composition and operation of the Nomination Committee if such a committee has been established by the company.

In the review, the TWSE and TPEX intensified efforts to examine whether TWSE/TPEX listed companies have fully disclosed information on the operations of functional committees in their annual reports for 2021 according to the Regulations. The disclosure of each review item in the annual reports of the listed companies for 2021 is detailed as follows.

◆ Figure 14: Disclosure of Information on the Operations of Functional Committees



(1) [Item 1] Disclosing the Objections, Reservations or Major Recommendations Provided by Independent Directors in Other Matters to be Reported with Regards to the Operation of the Audit Committee:

Out of the 111 TWSE/TPEX listed companies screened, 106 (95%) have disclosed this item according to the Regulations, whereas 5 (5%) did not disclose whether independent directors have any objections or reservations about the board's major resolutions.

(2) [Items 2 and 3] Disclosing the Composition of the Remuneration Committee and Stating in Narrative Form the Qualifications, Experiences, and Independence of Members of the Remuneration Committee:

Out of the 111 TWSE/TPEX listed companies screened, 98 (88%) have disclosed in narrative form the qualifications, experience, and independence of members of the Remuneration Committee according to the Regulations, whereas 13 (12%) did not disclose in narrative form these items according to the amended Regulations.

(3) [Item 4] Disclosing the Operation of the Remuneration Committee:

Out of the 111 TWSE/TPEX listed companies screened, 110 (99%) have disclosed information on the operation of the Remuneration Committee, including the number of committee members, their term of office, the number of meetings held during the year, and the attendance of the committee members, according to the Regulations, whereas one (1%) did not disclose this item as required by the Regulations.

(4) [Items 5 and 6] Disclosing the Board's Rejection or Revision of Recommendations from the Remuneration Committee and Disclosing Objections or Reservations about the Resolutions of the Remuneration Committee:

All the 111 TWSE/TPEX listed companies screened have disclosed information on the board's rejection or revision of recommendations from the Remuneration Committee according to the Regulations. Out of the 111 TWSE/TPEX listed companies screened, 110 (99%) have disclosed objectives or reservations about the resolutions of the Remuneration Committee according to the Regulations, whereas one (1%) did not disclose this item.

(5) [Item 7] Disclosing the Composition and Operation of the Nomination Committee:

- A. According to the Corporate Governance 3.0 - Sustainable Development Roadmap, TWSE/TPEX listed companies are encouraged to establish the Nomination Committee. Therefore, the Regulations also stipulate that a TWSE/TPEX listed company shall disclose information on the composition and operation of the Nomination Committee, including the number of committee members, their term of office, the number of meetings held during the year, and the attendance of the committee members, if the committee has been established by the company.
- B. Out of the 111 TWSE/TPEX listed companies screened, 10 (9%) have established the Nomination Committee, while all of them have disclosed the relevant information in their annual reports according to the Regulations.

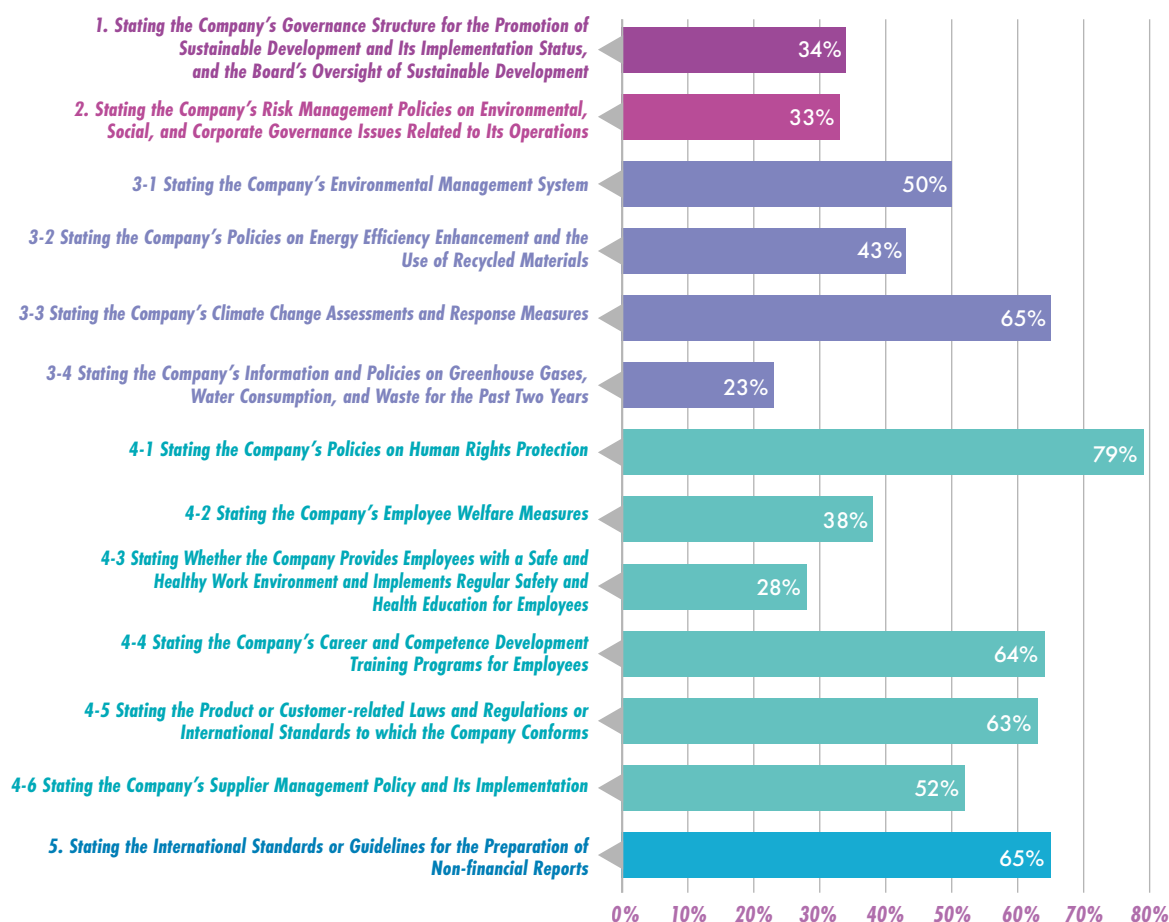
(6) Correction of Deficiencies: Out of the 111 TWSE/TPEX listed companies screened, 90 (81%) have disclosed information on the operations of functional committees according to the Regulations, whereas 21 (19%) did not disclose such information as required by the Regulations; however, the aforesaid companies have taken corrective actions to disclose these items and filed their annual reports again.

5. Promotion of Sustainable Development

With a view to enhancing the quality of information disclosure in relation to the promotion of sustainable development, the FSC amended the Regulations on January 22, 2020 to revise the items to be disclosed with regards to the fulfillment of corporate social responsibility, including risk assessments of environmental, social, and corporate governance issues related to company operations and assessments of climate change-related issues. On November 30, 2021, the FSC revised part of the Regulations and added relevant disclosure guidelines to the Regulations, aimed at guiding companies to further enhance the quality of ESG disclosure and provide comparable information and data, so that companies are able to provide specific, clear, and quantitative disclosures of environmental and social issues.

In the review, the TWSE and TPEX stepped up efforts to examine whether TWSE/TPEX listed companies have fully disclosed information on the promotion of sustainable development in their annual reports for 2021 according to the Regulations. The disclosure of each review item in the annual reports of the listed companies for 2021 is detailed as follows.

◆ Figure 15: Disclosure of Information on the Promotion of Sustainable Development



(1) [Item 1] Stating the Company's Governance Structure for the Promotion of Sustainable Development and Its Implementation Status, and the Board's Oversight of Sustainable Development: Out of the 111 TWSE/TPEX listed companies screened, 38 (34%) have disclosed all the information on this item according to the disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 73 (66%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

(2) [Item 2] Stating the Company's Risk Management Policies on Environmental, Social, and Corporate Governance Issues Related to Its Operations: Out of the 111 TWSE/TPEX listed companies screened, 37 (33%) have disclosed all the information on this item according to the disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 74 (67%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

(3) Items 3-1 to 3-4: Environmental Issues

I. [Item 3-1] Stating the Company's Environmental Management System: Out of the 111 TWSE/TPEX listed companies screened, 55 (50%) have disclosed all the information on this item according to the disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 56 (50%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

II. [Item 3-2] Stating the Company's Policies on Energy Efficiency Enhancement and the Use of Recycled Materials: Out of the 111 TWSE/TPEX listed companies screened, 48 (43%) have disclosed their policies for enhancing energy efficiency and promoting the use of recycled materials according to the disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 63 (57%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

III. [Item 3-3] Stating the Company's Climate Change Assessments and Response Measures: Out of the 111 TWSE/TPEX listed companies screened, 72 (65%) have disclosed information on climate change assessments, including potential risks and opportunities for the company at present and in the future, the results of related assessments, and the response measures to be taken, according to the relevant disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 39 (35%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

IV. [Item 3-4] Stating the Company's Information and Policies on Greenhouse Gases, Water Consumption, and Waste for the Past Two Years:

Out of the 111 TWSE/TPEX listed companies screened, 26 (23%) have disclosed all the information on greenhouse gases, water consumption, and waste according to the relevant disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 85 (77%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

(4) Items 4-1 to 4-6: Social Issues

- I. **[Item 4-1] Stating the Company's Policies on Human Rights Protection:** Out of the 111 TWSE/TPEX listed companies screened, 88 (79%) have disclosed their policies and specific management plans for human rights protection, as well as the relevant laws and regulations and international human rights conventions used as the basis for such policies and plans according to the disclosure guidelines provided in Table 2-2-2 in the Regulations, whereas 23 (21%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.
- II. **[Item 4-2] Stating the Company's Employee Welfare Measures:** Out of the 111 TWSE/TPEX listed companies screened, 42 (86%) have disclosed information on various employee welfare measures, including employee salary/compensation, workplace diversity and equality, leave, allowances, money gifts, and subsidies, and stated how business performance or results were appropriately reflected in employee salary/compensation and its implementation according to the disclosure guidelines provided in Table 2-2-2 in the Regulations; whereas 69 (62%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.
- III. **[Item 4-3] Stating Whether the Company Provides Employees with a Safe and Healthy Work Environment and Implements Regular Safety and Health Education for Employees:** Out of the 111 TWSE/TPEX listed companies screened, 31 (28%) have not only stated the measures for providing employees with a safe and healthy work environment as well as their employee education policies and the implementation of these policies, but also disclosed the number of workplace accidents, the ratio of the number of employees involved in workplace accidents to the total number of employees, and the relevant improvement measures according to the disclosure guidelines provided in Table 2-2-2 in the Regulations; whereas 80 (72%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.
- IV. **[Item 4-4] Stating the Company's Career Development Training Programs for Employees:** Out of the 111 TWSE/TPEX listed companies screened, 71 (64%) have disclosed the areas (e.g., newcomer training, continuing professional training, managerial training, etc.) and job grades involved in their employee training programs and the implementation of these programs according to the disclosure guidelines provided in Table 2-2-2 in the Regulations; whereas 40 (36%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

V. [Item 4-5] Stating the Product or Customer-related Laws and Regulations or International Standards that the Company Observes: Out of the 111 TWSE/TPEX listed companies screened, 70 (63%) have not only disclosed the law and regulations or international standards related to various product and service issues, such as customer health and safety, customer privacy, marketing and labeling, etc., that they observe, but also specified the name or content of consumer or customer rights protection policies and the complaint procedures according to the disclosure guidelines provided in Table 2-2-2 in the Regulations; whereas 41 (37%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

VI. [Item 4-6] Stating the Company's Supplier Management Policy and Its Implementation: Out of the 111 TWSE/TPEX listed companies screened, 58 (52%) have disclosed their supplier management policies, related regulations, and the implementation of these policies and regulations according to the disclosure guidelines provided in Table 2-2-2 in the Regulations; whereas 53 (48%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

(5) [Item 5] Stating the International Standards or Guidelines for the Preparation of Non-financial Reports: Out of the 111 TWSE/TPEX listed companies screened, 72 (65%) have disclosed their non-financial reports and stated the international standards or guidelines adopted for the preparation of these reports according to the disclosure guidelines provided in Table 2-2-2 in the Regulations; whereas 39 (35%) did not disclose the relevant information according to the guidelines provided in the aforesaid table.

(6) Correction of Deficiencies: Out of the 111 TWSE/TPEX listed companies screened, six (5%) have disclosed information on the promotion of sustainable development in their annual reports according to the disclosure guidelines provided in Table 2-2-2 in the Regulations. However, 105 (95%) of them did not disclose such information as required by the Regulations; hence, the TWSE and TPEX have intensified efforts to walk these companies through the aforesaid deficiencies so as to ensure that related disclosures become more complete in the future.

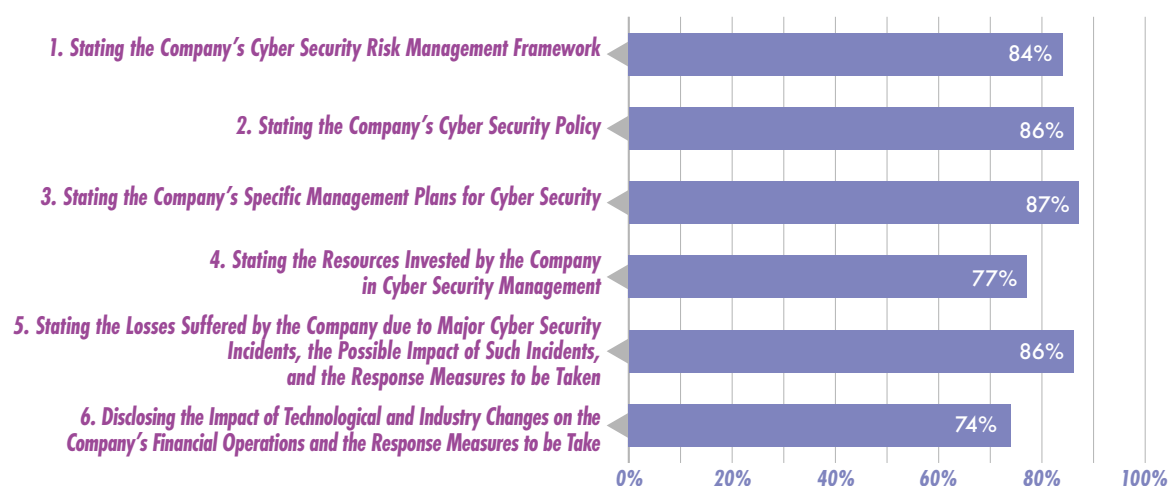
6. Cyber Security Management

With a view to strengthening cyber security management and implementing the disclosure of cyber security risks among companies, the amendments made by the FSC to the Regulations on November 30, 2021 stipulate that a TWSE/TPEX listed company shall disclose its cyber security risk management framework, cyber security policies, and specific management plans, as well as the resources devoted to cyber security management in its annual report, and that should any major cyber security incident occur during the year, the company shall disclose the losses it has suffered, the possible impact of such an incident, and the response measures to be taken. Moreover, TWSE/TPEX listed companies are also required to disclose the impact of cyber security

risks on their financial operations and the response measures to be taken in accordance with the amended Regulations.v

In the review, the TWSE and TPEX stepped up efforts to examine whether TWSE/TPEX listed companies have fully disclosed cyber security-related information in their annual reports for 2021 according to the Regulations. Upon review, approximately 80% of the listed companies were found to have disclosed the relevant information according to the Regulations. The disclosure of each review item in the annual reports of the listed companies for 2021 is detailed as follows.

◆ Figure 16: Disclosure of Cyber Security Management



(1) [Item 1] Stating the Company's Cyber Security Risk Management Framework:

Out of the 111 TWSE/TPEX listed companies screened, 93 (84%) have disclosed their cyber security risk management framework according to the Regulations, whereas 18 (16%) have yet to specify the manpower arrangements related to the coordination and planning of cyber security affairs and the allocation of related equipment.

(2) [Items 2 and 3] Stating the Company's Cyber Security Policy and Specific Management Plans for Cyber Security:

Out of the 111 TWSE/TPEX listed companies screened, 95 (86%) have disclosed their cyber security policies according to the Regulations, whereas 16 (14%) did not disclose the relevant information as required by the Regulations. On the other hand, 97 (87%) of the TWSE/TPEX listed companies screened have disclosed their specific management plans for cyber security, whereas 14 (13%) of them did not specify management-related matters or specific measures to achieve their cyber security policies and objectives.

(3) [Item 4] Stating the Resources Invested by the Company in Cyber Security Management:

Out of the 111 TWSE/TPEX listed companies screened, 85 (77%) have disclosed information on the resources they have invested in cyber security management, such as the total number of designated personnel, the number of related meetings convened or the purchase of related insurance, according to the Regulations; whereas 26 (23%) did not specify the resources they have invested or the measures they have taken to implement cyber security management.

(4) [Item 5] Stating the Losses Suffered by the Company due to Major Cyber Security Incidents, the Possible Impact of Such Incidents, and the Response Measures to be Taken:

Out of the 111 TWSE/TPEX listed companies screened, 96 (86%) have disclosed not only the impact of cyber security risk on their financial operations and the response measures to be taken, but also the losses they have suffered due to major cyber security incidents, the possible impact of such incidents, and the response measures to be taken according to the Regulations; whereas 15 (14%) did not disclose this item in their annual reports because they did not encounter any major cyber security incident in the most recent fiscal year as of the publication date of their annual reports.

(5) [Item 6] Disclosing the Impact of Technological Changes (including Cyber Security Risk) and Industry Changes on the Company's Financial Operations and the Response Measures to be Taken:

Out of the 111 TWSE/TPEX listed companies screened, 82 (74%) have disclosed this item according to the Regulations, whereas 29 (16%) did not disclose the relevant information as required by the Regulations.

(6) Correction of Deficiencies: Out of the 111 TWSE/TPEX listed companies screened, 66 (59%) have disclosed information on cyber security management according to the Regulations, whereas 45 (41%) did not disclose such information as required by the Regulations. Out of these 45 listed companies, 44 have taken corrective actions to disclose these items and filed their annual reports again, while the remaining company that has yet to do so was being tracked by the TWSE and TPEX on an ongoing basis until the required corrections have been made by the company.

3. Conclusions and Recommendations

(1) Findings of the Review

1. General Review

On the schedule for filing the annual reports of TWSE/TPEX listed companies and the information to be published in annual reports, the findings obtained from the review of the annual reports published by 249 TWSE listed local and foreign companies and 185 TPEX listed local and foreign companies reveal that most of the TWSE/TPEX listed companies have disclosed the relevant information in their annual reports according to the Regulations. Therefore, it is evident that the majority of TWSE/TPEX listed companies have understood the importance of information disclosure in annual reports. However, amended items in the Regulations are prone to inadequate disclosure, which also indicates that companies lack understanding of the new regulations. Hence, it is advisable that efforts should be stepped up to raise awareness of amendments to the relevant regulations, aimed at improving the accuracy of information disclosure in annual reports.

2. Focused Review

(1) Board Functions

Among the TWSE/TPEX listed companies screened for focused review, about 90% of them have not only stated in narrative form the qualifications of board members and the independence of independent directors according to the amended Regulations, but also disclosed information on board diversity policy, its objectives and implementation, and board independence according to the Regulations. However, the remaining few companies failed to comply with the Regulations as they continued to disclose the relevant information by ticking off these items in their annual reports.

In 2020, the Regulations only required TWSE/TPEX listed companies to disclose the qualifications of board members and the independence of independent directors by ticking off these items in the form of a table, and did not specify the need for TWSE/TPEX listed companies to disclose information on their board diversity objectives and the implementation of these objectives. According to the review results for 2020, only a handful of the TWSE/TPEX listed companies screened disclosed in words the qualifications and experience of individual directors and independent directors, but none of these companies disclosed in words the independence of independent directors. Furthermore, only 39% of the TWSE/TPEX listed companies screened have formulated their board diversity objectives and disclosed the implementation of these objectives.

The amendments made to the Regulations in 2021 have led to a significant increase in the number of TWSE/TPEX listed companies that have disclosed the aforesaid items. As a result, investors are able to carry out comprehensive evaluation of board operations at TWSE/TPEX listed companies and determine their management of growth directions and potential.

(2) Remuneration Policy and Distribution

In an effort to ensure that readers can easily understand such information and the disclosure of remuneration becomes more complete, the amended Regulations require TWSE/TPEX listed companies to disclose information on “total remuneration” in a new row added to the relevant table. Yet, some of the TWSE/TPEX listed companies screened overlooked this item and thus failed to disclose information on “total remuneration” in their annual reports for 2021, which in turn led to a decline in the number of TWSE/TPEX listed companies that have disclosed the remuneration paid to directors, supervisors, and c-suite executives (Items 1 to 3) compared to 2020.

As for the disclosure of information on the individual remuneration paid to directors, supervisors, CEO, and Vice Presidents, there has been a significant increase in the number of TWSE/TPEX listed companies that have voluntarily disclosed the relevant information in 2021 compared to 2020. These findings suggest that a growing number of TWSE/TPEX listed companies are attaching importance to the disclosure of information on remuneration. Yet, there is still great room for improvement in this respect on the whole.

(3) Board Evaluation

According to the findings of the review, most of the TWSE/TPEX listed companies screened for focused review have disclosed information on the implementation of board evaluation and the inclusion of the performance of the board of directors and individual directors in the scope of board evaluation according to the Regulations. However, only 51% and 35% of these companies have disclosed two items, namely “Including the Evaluation Results and Recommendations for Improvement in the Content of Internal Evaluation” and “Entrusting Board Evaluation to External Institutions or Experts,” which are not mandatory disclosure items in the Regulations, respectively. Based on comparisons of review results between 2021 and 2020, around 90% of the TWSE/TPEX listed companies screened have disclosed most of the items in this respect in both years. There has also been an increase in the number of TWSE/TPEX listed companies that have disclosed the aforesaid two non-mandatory disclosure items in the Regulations from 49% and 18% in 2020, respectively.

(4) Operations of Functional Committees

The FSC has been promoting the establishment of the Audit Committee and the Remuneration Committee among TWSE/TPEX listed companies for years. According to the findings of the focused review, more than 90% of the TWSE/TPEX listed companies screened have disclosed information on the Audit Committee and the Remuneration Committee as well

as their operations according to the Regulations. According to Paragraph 1, Article 27 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the board of directors of a TWSE/TPEX listed company may set up the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee or other functional committees in consideration of the company's size and nature of business and the number of board members. In addition, Article 28-2 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies stipulates that a TWSE/TPEX listed company is advised to establish the Nomination Committee, where this provision has also been listed as one of the items in the Corporate Governance Evaluation. However, it is not common for TWSE/TPEX listed companies to establish the Nomination Committee. Out of the 111 TWSE/TPEX listed companies screened, only 10 (9%) have established the Nomination Committee, and all of these companies have disclosed information on the operation of the Nomination Committee in their annual reports.

(5) Promotion of Sustainable Development

With the rise of the environment, society, and corporate governance (ESG) as an indispensably essential support for sustainable development among companies around the world, companies have to identify business risks and potential opportunities to achieve sustainable development. In an effort to enhance the transparency of ESG disclosure and provide the market with a diverse range of information, the FSC has amended the Regulations on numerous occasions over the years to bolster the disclosure of information on sustainable development among companies.

In the review of the annual reports of TWSE/TPEX listed companies, a total of 13 review items were related to sustainable development. According to the findings of the review, the proportion of TWSE/TPEX listed companies that have disclosed each of these items according to the disclosure guidelines provided in Table 2-2-2 in the Regulations ranged from 23% to 79%, where the disclosure of six items was provided by less than 50% of the TWSE/TPEX listed companies screened (see Figure 15). These findings show that improvements have to be made by TWSE/TPEX listed companies with regards to the disclosure of sustainable development. Out of the 111 TWSE/TPEX listed companies screened, only 26 (23%) have disclosed the item "Stating the Company's Information and Policies on Greenhouse Gases, Water Consumption, and Waste for the Past Two Years," which was also the item with the lowest disclosure percentage among the review items related to sustainable development, according to the relevant guidelines provided in the Regulations. Incomplete disclosures of the remaining items, including "Stating the Company's Governance Structure for the Promotion of Sustainable Development and Its Implementation Status, and the Board's Oversight of Sustainable Development," "Stating the Company's Risk Management Policies on Environmental, Social, and Corporate Governance Issues Related to Its Operations," "Stating the Company's Policies on Energy Efficiency Enhancement and the Use of Recycled Materials," "Stating the Company's Employee Welfare Measures," and "Stating Whether the Company Provides Employees with a Safe and Healthy Work Envi-

ronment and Implements Regular Safety and Health Education for Employees,” were also observed among the TWSE/TPEX listed companies screened. As these items were newly added disclosure items in the regulations and included more sub-items, some companies were unable to disclose them according to the provided guidelines. Therefore, efforts need to be made to guide TWSE/TPEX listed companies through the disclosure of these items.

(6) Cyber Security Management

In the Information Age, cyber security management has become a critical issue in the operations of a company. With the intention of urging TWSE/TPEX listed companies to take cyber security management seriously, the FSC not only continues to roll out related measures, but have also made amendments to the Regulations, stipulating that a TWSE/TPEX listed company shall disclose information on its cyber security risk management framework, cyber security policy and specific management plans, and the resources it has invested in cyber security management.

According to the findings of the review, around 80% of the listed companies have fully disclosed information on cyber security. Out of the 111 TWSE/TPEX listed companies screened, 97 (87%) have disclosed the item “Stating the Company’s Specific Management Plans for Cyber Security,” which was also the item related to cyber security management with the highest disclosure percentage. These results show that TWSE/TPEX listed companies attach great importance to cyber security. However, the disclosure of the item “Disclosing the Impact of Technological and Industry Changes on the Company’s Financial Operations and the Response Measures to be Taken” has been slightly lacking among the TWSE/TPEX listed companies screened as only 82 (74%) of them have disclosed this item according to the Regulations.

(2) Correction of Deficiencies

In the review, the TWSE and TPEX have contacted the TWSE/TPEX listed companies that did not provide the relevant disclosures as required by the Regulations and required them to correct their disclosures and provide the relevant information as required. While most of these companies have made the required corrections and filed their annual reports again, a handful of them that have yet to do so were being tracked by the TWSE and TPEX on an ongoing basis until the required corrections have been made by them. In order to ensure that TWSE/TPEX listed companies provide complete disclosure on sustainable development, the disclosure guidelines in Table 2-2-2 of the Regulations were used as review criteria for the focused review items related to “Promotion of Sustainable Development.” At the same time, the TWSE and TPEX have also intensified efforts to raise awareness of the disclosure of related information among companies that did not follow the disclosure guidelines in the Regulations, so that companies are able to provide specific, clear, and quantitative disclosures of such information in the future.

(3) Specific Measures Taken

With a view to further strengthening corporate governance and enhancing the quality of information disclosure in addition to boosting the international competitiveness of Taiwan's capital markets, the TWSE and TPEX have planned a series of specific measures to be taken as detailed below:

1. Organizing seminars to raise awareness of new regulations and policies:

The TWSE and TPEX regularly organize seminars on recently amended laws and regulations (e.g., amendments to the Regulations) as well as the policies promoted by the FSC (e.g., items related to corporate governance and cyber security), with the aim of raising awareness of new regulations and policies among TWSE/TPEX listed companies to enhance the accuracy of information disclosure in annual reports.

2. Providing the best practice templates as guidelines for companies to enhance the quality of information disclosure:

A dedicated section has been set up for the best practice templates for annual reports on the website of the TWSE Corporate Governance Center at the end of 2021. The best practice templates for annual reports will also be updated on an ongoing basis in line with the latest amendments to the Regulations, so as to assist TWSE/TPEX listed companies in enhancing the quality of information disclosure in annual reports.

3. Continuously promoting the Corporate Governance Evaluation system to enhance the transparency of information disclosure:

In an effort to speed up the promotion of corporate governance among TWSE/TPEX listed companies while helping them with their sound development and build confidence in the market, the TWSE and TPEX have conducted the Corporate Governance Evaluation since 2014, with hopes of not only assisting investors and TWSE/TPEX listed companies in learning about the effectiveness of corporate governance through comparison of corporate governance outcomes in the overall market, but also guiding companies to engage in healthy competition among themselves and enhance their corporate governance levels, thereby shaping the culture of proactively improving corporate governance among companies.

After examining the review items for annual reports, it was found that some of these items were closely related to several items in the Corporate Governance Evaluation. A company's scores and ranking in the Corporate Governance Evaluation will be affected if the company fails to disclose the aforesaid items in its annual report. For example, a company that fails to disclose the following focused review items, namely "Board Diversity Policy and Its Objectives and Implementation" and "Cyber Security Risk Management Framework, Cyber Security Policy, Specific Management Plans, and Resources Invested in Cyber Security Management," may not be able

to obtain scores for Corporate Governance Evaluation Indicators 2.2 and 2.24. The Corporate Governance Evaluation also includes some items as advanced bonus questions to encourage disclosure of related information. For instance, Corporate Governance Evaluation Indicator 3.13 on the voluntary disclosure of the individual remuneration paid to directors and supervisors has been converted from a general question to an extra credit indicator (where total score = points awarded in each category plus one additional point) for the purpose of encouraging TWSE/TPEX listed companies to voluntarily disclose the individual remuneration paid to directors and supervisors. Hence, companies must pay serious attention to the completeness of information disclosure in annual reports if they want to perform well in the Corporate Governance Evaluation.

Additionally, all the indicators in the Corporate Governance Evaluation will be reviewed each year, with new indicators to be added and existing indicators to be revised in line with newly amended laws and regulations, key points of policy promotion, international development trends, and external recommendations and advice. Some indicators require companies to disclose related information in their annual reports, which in turn guides them to enhance the transparency of information disclosure in their annual reports and conform to international standards, so that companies implement corporate governance and bolster sustainable development. Therefore, the continued promotion of the Corporate Governance Evaluation system will encourage TWSE/TPEX listed companies to attach greater importance to the quality of information disclosure in annual reports and enhance the transparency of information disclosure in annual reports.



Chapter III

III. Review of Financial Statements for 2021

1. Objective of the Review
2. Key Review Items
3. Results and Recommendations

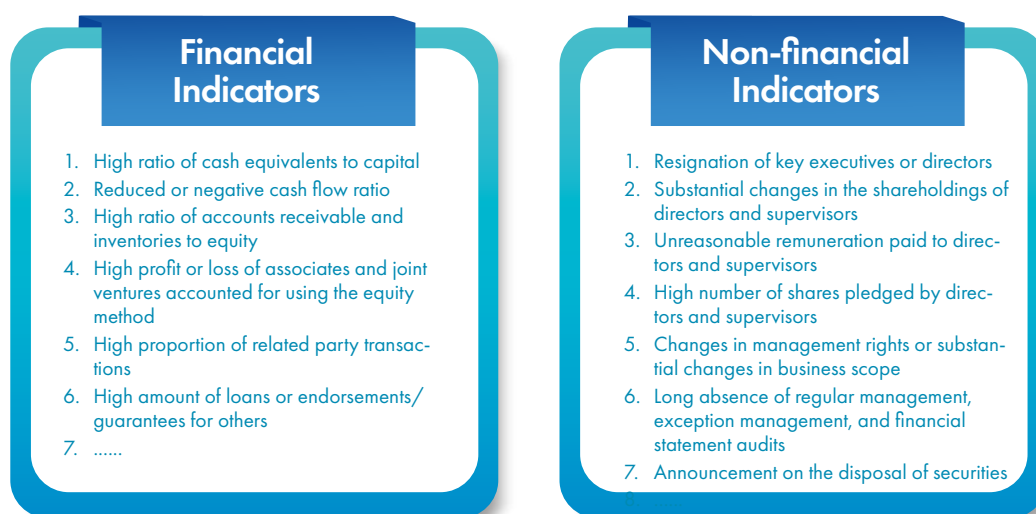


1. Objective of the Review



The TWSE and TPEX reviewed the financial statements of TWSE/TPEX listed companies for 2021 in accordance with the relevant laws and regulations after screening TWSE/TPEX listed companies (excluding those in the financial industry) using a series of indicators comprising financial and non-financial indicators (including mandatory indicators) as shown in Figure 17.

◆ Figure 17: Description of Financial and Non-financial Indicators



A total of 203 TWSE/TPEX listed companies were screened in the review, including 115 TWSE listed companies and 88 TPEX listed companies. As attributes vary among TWSE/TPEX listed companies, Figure 18 presents the distribution of the TWSE/TPEX listed companies screened by industry.

A total of 115 TWSE listed companies, or 12% of the 929¹ TWSE listed companies (excluding those in the financial industry), were reviewed, including 87 domestic TWSE listed companies and 28 TWSE primary listed companies. These TWSE listed companies came from 22 industries, including 10 (9%) of them in the semiconductor industry, nine (8%) in the electric machinery industry, eight (7%) in the optoelectronics industry, eight (7%) in the building materials and construction industry, seven (6%) in the electronic parts and components industry, and seven (6%) in the trading and consumer goods industry. On the other hand, a total of 88 TPEX listed companies, or 11% of the 785² TPEX listed companies (excluding those in the financial industry), were reviewed, including 76 domestic TPEX listed companies and 12 TPEX primary listed companies. These TPEX listed companies came from 22 industries, including nine (10%) of them in the electronic parts and components industry, eight (9%) in the optoelectronics industry, eight (9%) in the computer and peripheral equipment industry, eight (9%) in the biotechnology and medicine industry, five (6%) in the semiconductor industry, five (6%) in the electric machinery industry, five (6%) in the building materials and construction industry, and five (6%) in other electronics industry.

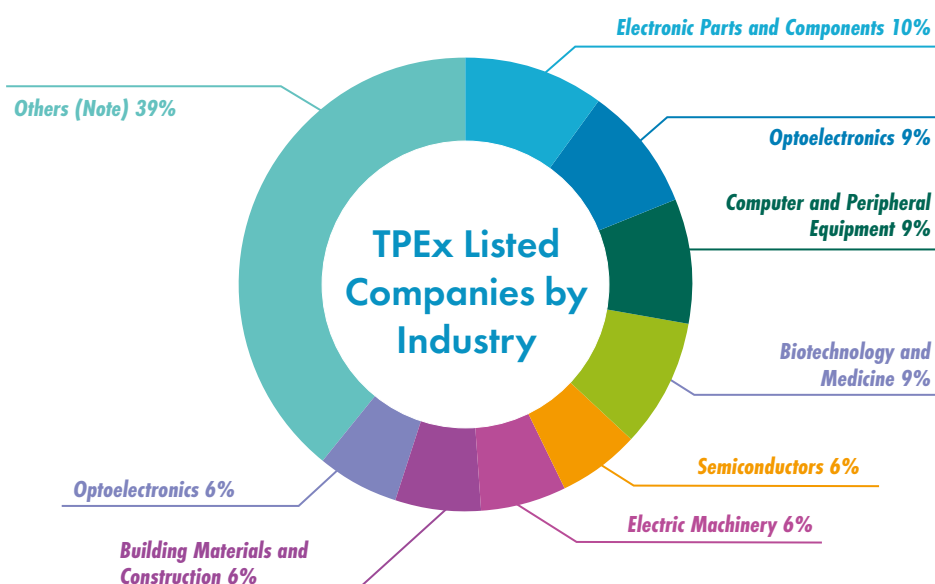
¹ The total number of TWSE listed companies (excluding those in the financial industry) as of March 31, 2022

² The total number of TPEX listed companies (excluding those in the financial industry) as of March 31, 2022

◆ Figure 18: Distribution of the TWSE/TPEX Listed Companies Screened by Industry



Note: Others include 18 industries, namely computer and peripheral equipment, biotechnology and medicine, plastics, automobile, other electronics, communications and Internet, electrical and cable, tourism, chemicals, textile, steel and iron, food, information services, electronic products distribution, rubber, cement, shipping and transportation, and other industries.



Note: Others include 14 industries, namely communications and internet, information services, tourism, cultural and creative industries, plastics, chemicals, electronic products distribution, electrical and cable, steel and iron, food, rubber, agricultural technology, electronic commerce, and other industries.

2. Key Review Items

Considering the major operating activities and financial operations of TWSE/TPEX listed companies, the impact of material deficiencies or fraudulent events among TWSE/TPEX listed companies and industrial environment or economic events (such as COVID-19) on asset impairment, and common deficiencies found in the review of financial statements in previous years, the TWSE and TPEX reviewed the annual reports of TWSE/TPEX listed companies for 2021 based on six items, namely accounts receivable and revenue, asset valuation and impairment, related party transactions, acquisition and disposal of assets, board operations, and loans and endorsements/guarantees for others. However, the review items and procedures could vary depending on the financial operations of the TWSE/TPEX listed companies screened.

(1) Accounts Receivable and Revenue

As far as accounts receivable are concerned, the TWSE and TPEX reviewed the reasons and reasonableness of changes in accounts receivable, the collection of accounts receivable, the appropriateness of credit and loss allowance policies, compliance with IFRS 9 Financial Instruments in the measurement of expected credit losses, and the adequacy of provision for credit losses among the TWSE/TPEX listed companies screened.

On the subject of revenue, the TWSE and TPEX reviewed counterparties to sales of goods and other related transactions, the reasons and reasonableness of transaction changes, random screening of transaction vouchers if necessary, and compliance with IFRS 15 Revenue from Contracts with Customers in revenue recognition among the TWSE/TPEX listed companies screened.

The findings of the review of financial statements for 2021 are detailed as follows:

1. While this item remains one of the review items in which deficiencies are found more often among the TWSE/TPEX listed companies screened based on the review of financial statements for both 2020 and 2021, there has been a decline in the number of TWSE/TPEX listed companies with deficiencies in this item from six companies in 2020 to three in 2021.
2. A few of these companies failed to execute their sales and collection operations in compliance with internal controls for sales and collections.
3. Since it is difficult to acknowledge some of these companies as having the ability to meet their obligations to provide specific goods or services and assume inventory risks based on their revenue, it is also not appropriate to regard these companies as principals that recognize revenue on a gross basis, but rather as principals that recognize revenue on a net basis according to IFRS 15.
4. Despite a gradual increase in overdue payments from customers from one period to another and the high proportion of overdue payments from customers to accounts receivable, a number of these companies continued to determine the probability of accounts receivable

recovery using past transaction experience, and only recognized the full amount of overdue payments from customers as significant expected credit losses when customers' default risks increased. As a result, these companies failed to measure expected credit losses in compliance with IFRS 9 Financial Instruments.

(2) Asset Valuation and Impairment

On the issue of asset impairment, the TWSE and TPEX reviewed whether the TWSE/TPEX listed companies screened have reasonably assessed the impairment of main balance sheet items and handled such impairments according to IAS 36; whether these companies have assessed the reasons for significant impairment losses, the reasonableness of the time of recognition, and the adequacy of impairment losses; whether they have analyzed the reasonableness of reversal of impairment loss; whether they have performed valuation of inventory on an item-by-item basis using the lower of cost or net realizable value; and whether the accountants have carried out the relevant procedures stipulated in Statement of Auditing Standards No. 71 Using the Work of an Auditor's Expert, if appraisal or expert reports are used, and carefully assessed the reasonableness and appropriateness of the information, assumptions, methods, and conclusions used in expert reports.

The findings of the review of financial statements for 2021 are detailed as follows:

1. Some of the TWSE/TPEX listed companies screened failed to carry out impairment assessments of concessions-related assets and liabilities in compliance with the provisions of IFRS 9.
2. A number of these companies failed to disclose the circumstances or events that led to the reversal of a write-down of inventories when carrying out valuation of inventories and impairment assessments.
3. A few of these companies failed to recover proceeds from the sale of equity, causing other receivables to be overdue.

(3) Related Party Transactions

In addition to reviewing the reasonableness of the procedures for identifying related parties, the TWSE and TPEX took the following measures to review major related party transactions:

1. Examine the content of the transactions and their reasonableness and necessity, and whether there is any significant anomaly between these transactions and general transactions in terms of price and conditions.
2. Examine whether the transactions (including the evaluation and decision-making processes) have been carried out in compliance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the internal control system, and also disclosed according to the relevant regulations.

3. Confirm whether the accounting methods adopted and the presentation and disclosure of financial statements comply with IAS 24 Related Party Disclosures and Article 18 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Examine the recoverability of considerable receivables from and advance payments to related parties, and whether such receivables and advance payments are disguised financing in nature if they have not been recovered after the average collection period.

The findings of the review of financial statements for 2021 are detailed as follows:

1. While this item remains one of the review items in which deficiencies are found more often among the TWSE/TPEX listed companies screened based on the review of financial statements for both 2020 and 2021, there has been a decline in the number of TWSE/TPEX listed companies with deficiencies in this item from six companies in 2020 to three in 2021.
2. When determining whether a counterparty is a related party, some of these companies failed to take into account substantive relationships (e.g., the counterparty serves as a director of the company through a subsidiary) or publish and file information on related party transactions on a monthly basis according to the relevant regulations. A few of these companies also failed to submit material receivables from related parties that remain unrecovered after the average collection period (i.e., three months) to the board of directors for a resolution on whether these receivables are loans in nature.

(4) Acquisition and Disposal of Assets

On the acquisition and disposal of assets, the TWSE and TPEX reviewed whether the counterparties to transactions among the TWSE/TPEX listed companies screened are related parties, whether the counterparties to their collection and payment transactions are actual counterparties to the corresponding transactions, and the reasonableness of related transaction prices; whether the transaction process of these companies complies with their internal control procedures (e.g., whether the transactions have been approved by the board of directors, whether expert opinions on price reasonableness have been obtained according to the relevant regulations, whether information has been disclosed according to the relevant regulations, etc.); and whether these companies have properly disclosed material asset transactions in their financial statements.

The findings of the review of financial statements for 2021 are detailed as follows:

1. Most of the TWSE/TPEX listed companies screened not only acquired or disposed of assets according to the relevant regulations, but also released announcements and filed information on such transactions in a timely manner.
2. Some of these companies delayed the release of announcements on the acquisition of real property.
3. A number of these companies not only failed to file information on the acquisition of right-of-use assets from related parties and publish announcements on such transactions according to the relevant regulations, but also did not perform monthly filing of information on related party transactions.

(5) Board Operations

With regards to board operations, the TSWE and TPEx reviewed whether the board meeting minutes of the TWSE/TPEx listed companies screened contain information on any events with a material impact on their financial operations that have not properly disclosed in their financial statements or that involve anomalies; whether decisions on major asset transactions have been approved by their board of directors; and whether the information to be published in their annual reports has been recorded in detail in their board meeting minutes.

The findings of the review of financial statements for 2021 are detailed as follows:

1. Most of the TWSE/TPEx listed companies screened were able to disclose information on material financial events approved by their board of directors either in their financial statements or on MOPS. However, a few of these companies overlooked or delayed the disclosure of such information.
2. At some of these companies, board meetings were not convened in compliance with the Regulations Governing Procedure for Board of Directors' Meetings of Public Companies. Examples of such non-compliance included failure to send a meeting notice seven days prior to a board meeting, provide a detail record of absent directors, invite the Chief Auditor to sit in on the board meeting, and implement recusal of board members when deliberating on proposals in which specific board members have an interest.
3. A number of these companies failed to formulate the rules of procedure for board meetings in accordance with the Regulations Governing Procedure for Board of Directors' Meetings of Public Companies.

(6) Loans and Endorsements/Guarantees for Others

As regards loans and endorsements/guarantees for others, the TWSE and TPEx reviewed whether the TWSE/TPEx listed companies screened have disclosed information on the entities to which they provide loans or endorsements/guarantees, the amount and duration of the loans or endorsements/guarantees provided, as well as compliance of the relevant evaluation and approval procedures with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies and their internal control systems in their financial statements and made such information available to the public according to the relevant regulations. The TWSE and TPEx also reviewed the adequacy of security for loans and endorsements/guarantees for others and the reasonableness of accrual of loss contingencies when necessary.

The findings of the review of financial statements for 2021 are detailed as follows:

1. While most of the TWSE/TPEx listed companies screened provided loans or endorsements/guarantees to others, these companies have also disclosed related information in the supplemental tables attached to their financial statements. Yet, a few of these companies omitted such information in their financial statements.
2. Non-compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (e.g., failure to determine the aggregate amount

of endorsements/guarantees and the amount of endorsements/guarantees for any single entity that the parent company and its subsidiaries as a whole are permitted to provide) was also observed in the internal controls for loans and endorsements/guarantees at a number of these companies.

3. Some of these companies did not provide loans and endorsements/guarantees to others in compliance with the aforesaid regulations and their internal control systems (e.g., providing loans to others beyond the loan period or amount prescribed in the relevant regulations, failure to file information on loans or endorsements/guarantees for others or publish the correct information on loans or endorsements/guarantees for others, and reporting endorsements/guarantees for others to the board of directors without obtaining the board's approval or having them ratified by the board of directors).

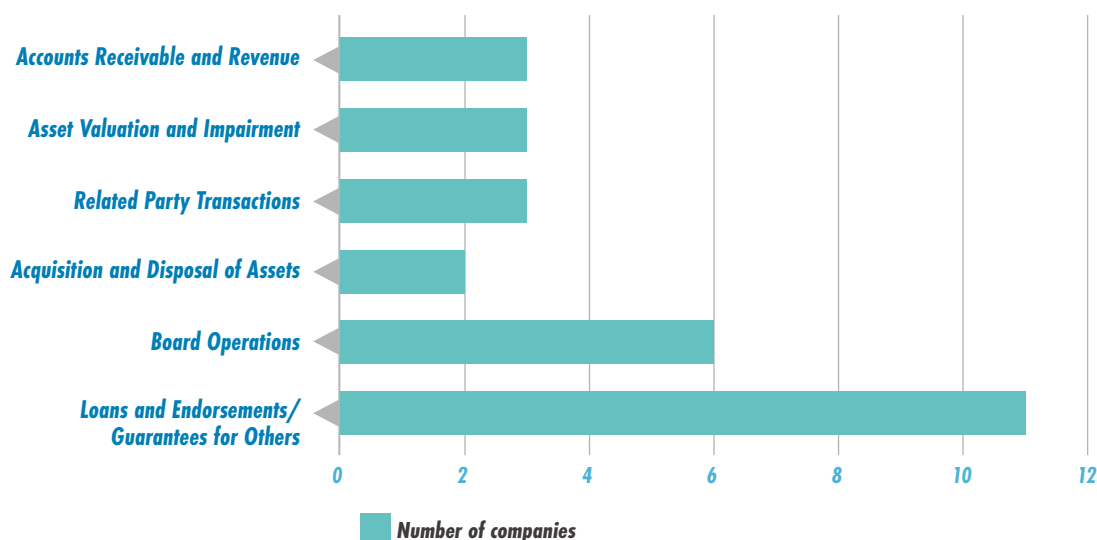
3. Results and Recommendations



(1) Summary of Review Results

Among the 115 TWSE listed companies and 88 TPEX listed companies screened, the TWSE and TPEX found deficiencies or recommendations for improvement in 27 (23%) of the TWSE listed companies screened and 10 (11%) of the TPEX listed companies screened. Out of the TWSE/TPEX listed companies screened, three demonstrated deficiencies in accounts receivable and revenue, three in asset valuation and impairment, three in related party transactions, two in the acquisition and disposal of assets, six in board operations, and 11 in loans and endorsements/guarantees for others (see Figure 19).

◆ Figure 19: Types of Deficiencies



In the review of financial statements for 2021, the TWSE and TPEX found deficiencies or recommendations for improvement in 37 TWSE/TPEX listed companies, and have taken corresponding measures based on the impact of these deficiencies on financial statements, including notifying these companies in writing of the need to correct their financial statements or take heed of these deficiencies and correct them. Specifically, serious deficiencies were found in three of these companies, whereas one of them was notified in writing of the need for the company and its accountants to re-assess its expected credit losses on accounts receivable for each period and determine whether it is necessary to restate its financial statements for each period. In addition, two of them were referred to the competent authority, and eventually asked to restate or correct their financial statements.

The deficiencies found or recommendations provided in the review of financial statements for 2021 are summarized as follows:

Review item	Deficiencies/Recommendations
Accounts Receivable and Revenue	<ol style="list-style-type: none"> 1. Failure to comply with internal controls for sales and collection cycles. 2. Failure to recognize revenue according to IFRS 15 Revenue from Contracts with Customers. 3. Failure to make provisions for expected credit losses on accounts receivable according to the provisions of IFRS 9 Financial Instruments on the measurement of expected credit losses.
Asset Valuation and Impairment	<ol style="list-style-type: none"> 1. Failure to conduct impairment assessments on concessions-related assets and liabilities according to IFRS 9 and other regulations. 2. Failure to disclose events that led to the reversal of a write-down of inventories according to Paragraph 36 of IAS 2 Inventories. 3. The adequacy of allowance for expected credit losses should be carefully assessed when other receivables are overdue.
Related Party Transactions	<ol style="list-style-type: none"> 1. Failure to take into account substantive relationships when determining whether the counterparty to a transaction is a related party. 2. Failure to publish and file information on related party transactions according to the relevant regulations. 3. Failure to submit material receivables from related parties that remain unrecovered after the average collection period (i.e., three months) to the board of directors for a resolution on whether these receivables are loans in nature.
Acquisition and Disposal of Assets	Failure to publish information on such transactions, or delay the release of announcements on such transactions.
Board Operations	<ol style="list-style-type: none"> 1. Failure to publish and file information on the proposals approved by the board of directors according to the relevant regulations. 2. Failure to convene board meetings in compliance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies. 3. Failure to formulate the rules of procedure for board meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
Loans and Endorsements/ Guarantees for Others	<ol style="list-style-type: none"> 1. Failure to establish complete internal controls for loans and endorsements/ guarantees for others. 2. Failure to provide loans and endorsements/ guarantees to others according to the relevant regulations.

(2) Improvements to Be Made

According to the findings of the review, more deficiencies in board operations as well as loans and endorsements/guarantees were observed among TWSE/TPEX listed companies. These findings suggest that TWSE/TPEX listed companies still demonstrate not only a lack of familiarity with the relevant regulations and accounting standards, but also shortcomings related to compliance with internal control systems and the formulation of internal controls. Hence, the TWSE and TPEX will continue to assist TWSE/TPEX listed companies in improving compliance with laws and regulations through a series of seminars organized for TWSE/TPEX listed companies. Furthermore, the TWSE and TPEX have rolled out a program to review the ability of TWSE/TPEX listed companies to prepare financial statements in line with the schedule and provisions of Corporate Governance 3.0, so as to bolster the completeness and accuracy of financial statements prepared by TWSE/TPEX listed companies through guidance for improvement.

Aside from compiling common deficiencies found in the review of financial statements on a regularly basis, the TWSE and TPEX also make them available on their official websites and notify TWSE/TPEX listed companies in writing of these deficiencies. At the same time, the TWSE and TPEX organize seminars on IFRSs for TWSE/TPEX listed companies, aimed at not only raising awareness of the common types of deficiencies found in financial statements among finance and accounting personnel at TWSE/TPEX listed companies to reduce the occurrence of similar deficiencies, but also previewing the IFRSs to be introduced in the near future so that finance and accounting personnel can prepare for new systems in advance.

The TWSE and TPEX continue to make timely adjustments to the financial indicators and key review items for financial statements according to the latest IFRSs and new amendments to laws and regulation, along with emerging business models or transactions and major deficiencies or fraud cases in practice among TWSE/TPEX listed companies, so that the focus of the review is more aligned to vital information of concern to the market. With a view to enhancing auditor's review capabilities and sensitivity in auditing, certified public accountants from accounting firms are invited to conduct training programs and share the common deficiencies and issues found in practice when auditing and reviewing the financial statements of TWSE/TPEX listed companies. The TWSE and TPEX also assist TWSE/TPEX listed companies in preparing financial statements according to the relevant laws and regulations and providing stakeholders with complete and correct financial information, thereby boosting the competitiveness of Taiwan's securities market and facilitating the sound development of capital markets.

Chapter IV

IV. Conclusion



The sound development of the securities market hinges on companies' timely and accurate disclosure of their financial operations for investors' reference. The quality of information disclosure in annual reports is of paramount importance because such disclosures encompass a company's key financial operations and corporate governance, as well as matters that have a material impact on shareholder equity. In addition to amending the Regulations to enhance the depth and breadth of information disclosure in annual reports on November 30, 2021, the FSC has also made the key review items and common types of deficiencies found in financial statements for 2021 available to TWSE/TPEX listed companies, with a view to ensuring that information disclosure in financial statements becomes more complete. In the future, the TWSE and TPEX will continue to glean any concerns about shareholder equity and carefully plan the review items so as to facilitate the FSC's rolling review of the relevant mechanisms.





