

Status of corporate governance implementation and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons

Assessment items	Operational status			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Description	
I. Does the Company stipulate and disclose the corporate governance practice principles in accordance with the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has adopted corporate governance best practice principles approved by the Board of Directors, and disclosed on the company’s website.	No significant differences
II. The shareholding structure of the Company and shareholders’ rights and interests				No significant differences
(I) Does the company stipulate internal operating procedures to process matters in regard to the shareholders’ recommendations, doubts, disputes and litigation, and conduct implementation based on these procedures?	V		(I) The Company has a spokesperson who can handle the suggestions, questions and disputes of shareholders. If there are any dispute matters, the Company’s legal team will take over for handling.	
(II) Does the Company have a list of major shareholders who actually control the company and a list of shareholders who ultimately control these major shareholders?	V		(II) For a shareholding situation whereby there are directors, managers and main shareholders with over 10% shareholding, such information will be submitted and disclosed on the website of Market Observation Post System in a timely fashion according to legal requirements.	
(III) Does the Company create and	V		(III) The Company has formulated monitoring and governance procedures for subsidiaries, procedures for	

<p>implement risk control and firewall mechanisms with its affiliates?</p> <p>(IV) Does the Company stipulate internal regulations that prohibit insiders from buying and selling securities with the unpublished information on the market?</p>	V	<p>lending capital and endorsements/guarantees, asset acquisition and disposal procedures and so on related internal procedures, so as to establish appropriate risk management control and firewall. Audit personnel regularly monitor the implementation status.</p> <p>(IV) The Company has formulated Procedures for Handling Material Inside Information and policies to prevent insider trading.</p>									
<p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors stipulate and implement a diverse policy regarding the composition of the board members?</p> <p>(II) Other than the establishment of a Remuneration Committee and Audit Committee which</p>	V	<p>(I) The Company's board has seven members (including three independent directors), whose expertise covers technology industry, strategy and operation management, sales, finance, accounting, auditing, legal affairs, corporate governance, and sustainability. The Company has formulated a diversification policy for the composition of the board and has implemented accordingly, refer to Article 20 of the Company's Corporate Governance Code of Conduct for the diversification policy, which has been disclosed on the Company's website simultaneously.</p> <p>There are a total of seven members (including three independent directors) for the Company's 12th Boards of Directors members, expertise covering industrial and finance, accounting and business, fulfilling the diversification of Board members. Cheng-Hsiang Chen, Lidon Chen, Martin Chu, Chao-Yi Wu, all of whom are skilled in leadership, business judgment, management, crisis management, and have industry knowledge and international market perspectives; Wei-Chen Wang, a certified public accountant with extensive experience in industry, accounting and finance; Huan-Kuei Cheng, a former university professor and director and supervisor of the National Chung-Shan Institute of Science and Technology with experience in industry and academia; and Hui-Fen Chan is a practicing attorney in Taiwan and New York State of the US, and has worked in the semiconductor industry, and she also has extensive business, legal and industry experience.</p> <p>Specific management objectives of the diversification policy and the current status:</p> <table border="1" data-bbox="680 1031 1738 1329"> <thead> <tr> <th>Management objectives</th> <th>Achievement</th> </tr> </thead> <tbody> <tr> <td>There should be at least three independent directors, accounting no less than 1/5 of the board seats.</td> <td>Achieved</td> </tr> <tr> <td>The number of directors taking concurrent positions as the Company's managers shall not exceed 1/3 of the board seats.</td> <td>Achieved</td> </tr> <tr> <td>At least two seats of female directors.</td> <td>Achieved</td> </tr> </tbody> </table> <p>(II) Besides the establishment of a Remuneration Committee and Audit Committee, the Company will establish other functional committees in the future based on the considerations of the company's operational requirements.</p>	Management objectives	Achievement	There should be at least three independent directors, accounting no less than 1/5 of the board seats.	Achieved	The number of directors taking concurrent positions as the Company's managers shall not exceed 1/3 of the board seats.	Achieved	At least two seats of female directors.	Achieved	No significant differences
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<p>are required by law, does the Company plan to set up other functional committees?</p> <p>(III) Does the Company stipulate performance assessment regulations and assessment methods for the board of directors and conduct the performance assessment on a yearly basis, and was the result of performance assessment reported to the board of directors for the reference of individual directors' salary and nomination of reappointment?</p>	<p>V</p>	<p>(III) The Company had already on March 20, 2019 formulated procedures for Board of Directors performance evaluation, and at the end of each year, hold the Board of Directors performance evaluation for the current year based on the evaluation procedures and indicators as written in the rules. Assessment results shall be reported to the Board of Directors in Quarter 1 of the following year.</p> <p>The Company shall consider the company situation and requirements to formulate the measurement items of the board of directors performance evaluation, and shall cover the following five aspects:</p> <ul style="list-style-type: none"> I. Level of participation in business operations of the Company. II. Improve the decision-making quality of the board of directors. III. Composition and structure of the board of directors. IV. Election and continuing education of the directors. V. Internal control. <p>Measurement items of the directors' performance assessment to include six major aspects as below:</p> <ul style="list-style-type: none"> I. Understand the objectives and mission of the Company. II. Understanding of directors' job responsibilities. III. Level of participation in business operations of the Company. IV. Internal relationship management and communication. V. Professionalism and continuous education of directors. VI. Internal control. <p>At the end of each fiscal year, the executing unit shall collect related information for the board of directors, individual board members, and distribute the "Internal self evaluation survey for board of directors" and "Self evaluation survey for board member" to fill in. Lastly, after the executing unit collects the information, shall assign ratings based on the evaluation indicators, include the evaluation results in records and submit a report to the board of directors.</p> <p>The Company had completed 2022 Board of Directors performance evaluation at the beginning of 2023, and had reported the evaluation results to the Board meeting on March 3, 2023. The results will be used as a reference for individual director's remuneration and nomination/reappointment later.</p>	
<p>(IV) Does the company regularly evaluate its certified public accountant's independence?</p>	<p>V</p>	<p>(IV) The company regularly conducts a review of the CPA's independence based on Certified Public Accountant Act and The Norm of Professional Ethics for Certified Public Accountant.</p> <p>The Company conducts review of the CPA's independence and competency at least once a year against indicators for accounting firms, requesting CPAs and the firm that he/she works for to provide related information and declarations. The assessment is carried out by the Company's finance unit, assessment results for 2022 were reported to the Audit Committee on November 4, 2022, and submitted to the Board of Directors for deliberation on the same day.</p>	

Auditor independence		Independence		Note
Item	Explanation	Yes	no	
1	The professional accountants should avoid and should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence.	V		
2	The audit or review of financial statements provides moderate but not absolute certainty to a wide range of potential users of statements. In addition to maintaining independence in fact, accountants' independence in appearance is more important. Therefore, members of the audit service team, other co-practicing accountants, firms, and firm-affiliated companies must maintain independence from audit clients.	V		
3	The accountants appointed by the Company has the following qualifications: (See 3.1~3.3 below)			
3.1	Integrity: A professional accountant should be straightforward and honest in all professional and business relationships.	V		
3.2	Objectivity: A professional accountant should not allow bias, conflict of interest or undue influence of others to override professional or business judgments.	V		
3.3	Independence: An accountant should maintain independence in appearance and fact when performing the audit or review of financial statements, and express opinions in a fair manner.	V		
4	The independence of accountants is related to integrity, impartiality, and objectivity. There is no lack or loss of independence of accountants at the time of appointment, which in turn affects the standpoint of integrity and objectivity and impartiality.	V		
5	The independence of accountants is not affected by self-interest, self-assessment, defense, familiarity and coercion.	V		
6	Independence being affected by self-interest means obtaining financial benefits through the Company, or conflicts of interest with the Company due to other interest relationships. No circumstances shown as follows: (6.1~6.6 below)			
6.1	Have a direct or significant indirect financial interest relationship with the Company.	V		
6.2	Have financing or guarantee activities with the Company or its directors and supervisors.	V		
6.3	Consider the possibility of losing the Company as a client.	V		
6.4	Have a close business relationship with the Company.	V		
6.5	There is a potential employment relationship with the Company.	V		
6.6	Contingent fees related to the Company's audit case.	V		
7	In terms of the independence being affected by self-assessment, reports or judgments made by accountants in non-audit service cases are used as an important basis for audit conclusions in the process of auditing or reviewing financial information; or that members of the audit service team have served as the Company's directors and supervisors, or may hold positions that directly and significantly influence the audit. No circumstances shown as follows: (7.1~7.2 below)			
7.1	Members of the audit service team are currently serving or have served in the last two years as the Company's directors, supervisors or managers, or the positions that directly and significantly influence the audit.	V		
7.2	The non-audit services provided to the Company directly affect the key matters of audit.	V		
8	Independence being affected by defense refers to that members of the audit service team become the defenders of the audit client's position or opinions, causing their objectivity to be questioned. No circumstances shown as follows: (8.1~8.2 below)			

8.1	Promote or mediate the trading of stocks or other securities issued by the Company.	V		
8.2	The accountant has acted as counsel of the Company or represented the Company in coordinating matters relating to conflicts with a third party.	V		
9	Independence being affected by familiarity refers to the close relationship with the board of directors, supervisors, and managers of the Company, which makes accountants or audit service team members overly concerned with or sympathetic to the interests of audit clients. No circumstances shown as follows: (9.1~9.3 below)			
9.1	Have a family relationship with the Company's directors, supervisors, managers, or persons who have significant influence on the audit.	V		
9.2	A certified public accountant from the joint CPA firm, within one year after retirement, serves as the Company's director, supervisor, manager or position that has a significant influence on the audit.	V		
9.3	Accept valuable gifts or gratuity from the Company or its directors, supervisors, and managers.	V		
10	The impact of coercion on independence refers to that the members of the audit service team bear or feel intimidation from the Company that prevents them from maintaining objectivity and clarifying professional suspicions. No circumstances shown as follows: (10.1~10.2 below)			
10.1	Accountants are requested to accept improper choices made by the management in accounting policies or improper disclosures in financial statements.	V		
10.2	In order to lower audit expenses, pressure is applied on accountants to improperly reduce the audit work that should be performed.	V		
	Competence	Requirements of competence met		Note
Item	Explanation	Yes	no	
1	Whether they have accountant qualifications to perform accounting tasks.	V		
2	Whether there has been no punishment by the competent authority or the CPA association, or sanction in accordance with Paragraph 3, Article 37 of the Securities and Exchange Act. Article 37 of the Securities and Exchange Act (Regulation of CPA Auditing and Attestation) Paragraph 3. Depending upon the seriousness of mistake or omission committed by a certified public accountant in the attestation of the financial reports referred to in Paragraph 1, the Competent Authority may impose any of the following sanctions: (1). Warning. (2). Suspension from practicing any attestation under this Act for a period of two years. Voidance of his/her attestation permission.	V		
3	Knowledge of the industry relevant to the Company.	V		
4	Whether to perform the audit of financial statements in accordance with generally accepted auditing standards and the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant, and issue financial reports in accordance with the audit planning schedule.	V		
5	Whether taking advantage of an accountant's status to be an unfair competition in business.	V		
6	Whether the latest changes in accounting, auditing and other related laws and regulations are proactively provided to the management, and are fully discussed and communicated on major differences.	V		

Assessment result

Based on the various assessments for the independence and competency, the Company has found that both the CPAs, Ya-Hui Cheng Chien-Yu Liu from PricewaterhouseCoopers, Taiwan, meet the Company's criteria and are qualified to serve as the Company's attesting CPAs.

<p>IV. Does the listed or OTC company have qualified and suitable number of corporate governance personnel, and does the company appoint a corporate governance officer to be responsible for matters regarding corporate governance (including but not limited to providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and preparing meeting minutes for the board of directors meeting, shareholders meeting and so on)?</p>	<p>V</p>	<p>The Company currently has established internal units to handle meeting related matters for the Board of Directors and shareholder’s meetings, to process company registration and registration of alteration, prepare meeting minutes for Board of Directors’ and shareholders’ meetings.</p> <p>The Company’s CFO is concurrently responsible for corporate governance-related issues in order to protect shareholders’ rights and interests and strengthen the functions of the board. CFO Ms. Eve Yang has several years of experience in accounting and other managerial work in publicly traded and OTC companies, and she also adheres to the philosophy of corporate governance and continues to carry out tasks required for the position. The main duties of the Company’s corporate governance personnel consist of providing directors with information required for the implementation of business operations, assisting directors to comply with laws and regulations, and handling related matters for the board of directors meeting and shareholders meeting according to the laws and regulations, and so on.</p> <p>2022 Business implementation status:</p> <ol style="list-style-type: none"> 1. Assists independent directors and directors to implement business operations, provides necessary information and arranges continuous learning for directors: <ol style="list-style-type: none"> (1) Regularly notifies the Board members on the latest revisions to laws and regulations and its development relating to the company’s area of operations and corporate governance. (2) Monitors the confidential level of related information and provides the directors the required company information, maintaining communications among directors and every business head ensuring smooth exchanges. (3) Assists independent directors and directors to formulate annual continuing education plans and course arrangements according to the company’s industrial characteristics and the director’s experiences and background. 2. Assists in the procedures for meetings of Board of Directors and Shareholders and resolutions matters, in compliance to laws and regulations: <ol style="list-style-type: none"> (1) Reports to the Board of Directors, independent directors, Audit Committee on corporate governance implementation status, confirms whether the Shareholders meeting and Board of Directors meetings are convened according to the laws and regulations and the corporate governance best practice principles. (2) Assists in reminding directors the related laws and regulations for executing businesses or for making official resolutions to the Board of Directors. (3) Responsible for checking on matters relating to announcing material information of important resolutions by the Board of Directors to ensure the legality and accuracy of the material information in guaranteeing fairness on investors trading information. 3. Maintaining investor relationships: Make arrangements for directors and major shareholders, institutional investors or general shareholders for exchanges and communications when the need arises, to ensure investors obtain sufficient information to assess and decide the reasonableness of the corporate capital market value, so as to allow shareholders rights and interests are well maintained. 4. Informing directors of the formulated Board meeting agenda seven days prior to the meeting, convening board meetings and providing meeting information, providing reminders beforehand where recusal of directors due to conflicts of interests is required for any topic discussion, and to complete board meeting records within 20 days of the meeting. 	<p>No significant differences</p>
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<p>V. Has the Company established communication channels with stakeholders (including, but not limited to, shareholders, employees, customers and suppliers) and set up an area dedicated to stakeholders on the Company website and does the Company respond appropriately to sustainable development issues that stakeholders consider important?</p>	<p>V</p>	<p>The Company has created a website as a communications channel with the stakeholders, to provide contact methods and a designated section for stakeholders has been created, making appropriate responses to important sustainable development issues that are of concerns to the stakeholders.</p> <p>1. Types of stakeholders The Company’s definition of stakeholder is “Internal and external groups or individuals who can exert influences to TMC or are subject to influence by photomask companies.” Based on this definition, the stakeholders of the Company include shareholders, investors, employees, customers, suppliers, and governance agencies and so on.</p> <p>2. Topics of concerns by stakeholders After the identification of the stakeholders, various communications channels are set-up in accordance to their influences on the Company and their areas of concern. Through the well-established communications channels by the Company’s responsible units, corporate governance, economic, environment and social topics as concerned by the stakeholders are compiled. The key influences to the Company’s sustainable development as defined by the assessment of major topics of concern are “Business ethics and business integrity,” “Reducing operations impacts to the environment,” “Improving customer service satisfaction” and “Social welfare and caring.”</p> <p>3. Communication channels with stakeholders</p> <table border="1" data-bbox="622 954 1429 1457"> <thead> <tr> <th>Contact channels</th> <th>Contact method</th> </tr> </thead> <tbody> <tr> <td>Relationship of shareholder and investor</td> <td>Company Spokesperson: CFO Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw</td> </tr> <tr> <td>Dedicated Customer Service Section</td> <td>Customer information contact - Senior Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw</td> </tr> <tr> <td>Supplier service section</td> <td>Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email – mike_tsai@tmcnet.com.tw</td> </tr> <tr> <td>Employee</td> <td>Employee relationship contact - Division Head Ya-</td> </tr> </tbody> </table>	Contact channels	Contact method	Relationship of shareholder and investor	Company Spokesperson: CFO Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw	Dedicated Customer Service Section	Customer information contact - Senior Manager I-Sheng Huang Telephone – (03)5634370 ext 349 Email – jamesH@tmcnet.com.tw	Supplier service section	Supplier information contact - Deputy Manager Cheng-Hung Tsai Telephone – (03)5634370 ext 412 Email – mike_tsai@tmcnet.com.tw	Employee	Employee relationship contact - Division Head Ya-	<p>No significant differences</p>
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Relationship of shareholder and investor	Company Spokesperson: CFO Eve Yang Contact Telephone No. – (03)5634370 Ext 612 Email – eve_yang@tmcnet.com.tw Company Acting Spokesperson - Director LC Lin Telephone – (03)5634370 ext 135 Email – lelin@tmcnet.com.tw												
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			relationship	Hui Huang Telephone – (03)5634370 ext 333 Email – where@tmcnet.com.tw	
VI. Does the Company entrust a professional shareholder services agency to conduct matters regarding the shareholders meeting?	V		The Company has appointed Grand Fortune Securities to handle the Company’s shareholders meeting matters.		No significant differences
VII. Information disclosure (I) Does the Company create a website to disclose information regarding its finance, business operations and corporate governance? (II) Does the Company adopt other methodology of information disclosure (such as creating an English website, appointing a dedicated person to be responsible for the collection and disclosure of the Company’s information, implementing the spokesperson system, and uploading videos of the investor conferences on the company’s website)? (III) Has the Company published and reported its annual financial report within two months after the end of a fiscal year and published and reported its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V V V		(I) The Company’s website has a dedicated page to disclose information regarding its finance, business operations and corporate governance. (II) The Company has designated a personnel responsible for disclosing related information on the Market Observation Post System website on a regular basis and from time to time, has continued to monitor various outside reports and information and established the spokesperson system, all of the above based on the regulations of the Taiwan Stock Exchange. The company website is updated based on the investor conference processes. (III) The Company has announced and filed its annual financial report within 75 days after the end of the year. The first, second, and third quarter financial reports and monthly operating status have been announced earlier than the deadline.		There are no significant differences with the other matters except this part where the company has not yet published and reported its annual financial report within two months after the end of the fiscal year at this moment.
VIII. Does the Company have other important information	V		(I) Status of employee rights and caring for employees: Please refer to the annual report section on “Labor relations information.”		No significant differences

that can help people to understand the operations of corporate governance (including but not limited to the employees' rights, employee care, Investor relations, supplier relation, rights of interested parties, training status of directors and supervisors, implementation status of risk management policies and standards of risk measurement, the implementation of customer policies, the purchase of liability insurance for directors and supervisors by the Company and so on)?

- (II) Status of rights and interests of the relationships with the investors, suppliers and stakeholders: Please refer to this annual report for the section on "Fulfillment of sustainable development" and the Company's website on the "page dedicated to the stakeholders."
- (III) Status of continuing education for directors: Please refer to this annual report section on "Continuing education of the directors and managers."
- (IV) Status of risk management policy and risk measurement standards: Please refer to this annual report section on "Analysis and assessment of risks."
- (V) The Company purchases liability insurance for all directors every year, and has reported the latest status on insurance to the board of directors on March 3, 2023.

IX. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved:
 The Company has undergone corporate governance evaluation in accordance with the regulations of the competent authorities. In the latest (8th) Taiwan Stock Exchange governance evaluation, the Company placed in the first 66%-80% of companies and has followed and gradually improved the corporate governance indicators issued by the Corporate Governance Center. It will review and prepare improvement plans for the items that have not yet met corporate governance standards.