

3.4.3 Corporate governance Implementation status and deviation from “ the Corporate overnance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		Our company adopted its "Corporate Governance Best Practice Principles" by resolution of the board meeting on March 20, 2015, and revised it by resolution of the board meeting on March 26, 2021. The Principles are disclosed on the information reporting website designated by the competent authority.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		(1) Our company has set up a spokesperson and deputy spokesperson system and an "Stakeholder Area " on the corporate website to properly handle shareholder suggestions, doubts and disputes. (Company Website\Corporate Sustainability\Interested Party Area\Opinion Survey and Complaint)
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		(2) Our company has entrusted a professional stock affairs agency to be responsible for, and cooperate with our company's financial department to manage related matters.

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(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓	(3) Our company has formulated the management and control mechanism of "Related Party Transaction Procedures" and "Operation Risk Management Procedures" to protect investors and safeguard the rights and interests of our company.	None
	✓	(4) Our company has formulated the management system of "Management Regulations for Preventing Insider Trading" to protect investors and safeguard the rights and interests of our company.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	✓	(1) The directors of our company have diverse backgrounds and rich experience. Each director has detailed academic experience on page 19 of this annual report. The current members include 7 directors and 3 independent directors.	None
	✓	(2) Our company set up its Compensation Committee on December 23, 2011, and the Audit Committee on June 24, 2019. Currently, there are no other functional committees.	None

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(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓	(3) Our company formulated its “Performance Evaluation Measures for the Board of Directors” on January 10, 2020, and started conducting performance evaluation for the board of directors since 2020. The evaluation results have been submitted to the board meeting on March 26, 2021 for approval, and reported to the Stock Exchange on March 29.	None
(4) Does the company regularly evaluate the independence of CPAs?	✓	(4) Our company regularly reports the independent assessment results of the independent auditor to the board meeting in March each year.	None
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓	(1) On May 7, 2021, the company set up the position of Corporate Governance Director which was assumed by the Vice President of the Finance Department. Two corporate governance staff were also assigned to be jointly responsible for affairs related to corporate governance. (2) Our company has a "Board Secretary Office" in its organizational structure. Meanwhile, the "Corporate Governance Office" is set up in the organizational structure under the board of directors and	None None

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		parallel to the Audit Office to strengthen corporate governance. In addition, the Finance Department assists the directors in performing their duties and complying with relevant laws and regulations. For the responsibilities of the units above, please refer to page 9 of the annual report.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓	Our company has built an "Stakeholder Area" on its corporate website (Company Website\Corporate Sustainability\Interested Party Area\Opinion Survey and Complaint) for employees, investors, creditors, customers, suppliers, contractors, subsidiaries, peers, residents and government agencies to inquire and express their opinions, in order to provide a proper response mechanism.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓	Our company has appointed the stock affairs agency department of Capital Securities Co., Ltd. for the work.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓	(1) Our company's website www.zigsheng.com has "Corporate Governance" and "Investor Zone" under "Stakeholders" to update financial, business and corporate governance information on a regular basis.	None

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(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) Our company has a spokesperson and deputy spokesperson system, which publishes company-related financial and business information externally, and places the information on briefings to legal persons on our company website.
	✓		(3) At present, the company only publishes its quarterly financial reports and monthly revenue before the specified deadlines in accordance with relevant laws and regulations. There has been no early announcement and declaration, but this item has been listed by the company as a goal for reinforcement.
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		(1) Our company has formulated various personnel regulations in accordance with relevant laws and regulations to protect the rights and interests of employees, and implemented various environmental protection policies to enhance the awareness of environmental protection and social responsibility of all employees, and ensure that our company’s products comply with environmental protection regulations.
			None

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	✓	(2) A "Corporate Governance Area" is built on the corporate website to provide stakeholder with an understanding of our company's various internal control systems and management practices.	None
	✓	(3) For details of directors' further training related to corporate governance, see page 37~38.	None
	✓	(4) For details of managers' further training related to corporate governance, see page 38.	None
	✓	(5) Our company maintains a smooth communication channel with customers, and the execution status is good.	None
	✓	(6) Our company has purchased liability insurance for its directors, supervisors and important staff since 2016 for their liabilities with their business performance scope; the insured amount is US\$3 million, and the latest insurance period is from July 1, 2020 to July 1, 2021.	None
	✓	(7) Our company abides by the law and attaches importance to labor-management relations to provide employment opportunities to fulfill its social responsibility and social welfare obligation.	None

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<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures :</p> <p>(1) Our company has participated in various corporate governance evaluations in accordance with the regulations of the competent authority since 2014. The main improvements of the 2020 corporate governance evaluation results are as follows :</p> <p>In 2020, our company disclosed on its corporate website the identity of identified stakeholder, issues of concern, communication channels and response methods.</p> <p>(2) The priority items for improvement planned for 2021 are as follows :</p> <p>Conducting ethical corporate management training and promotion, and strengthening the company's website and information disclosure, so as to improve the corporate governance evaluation score in the hope of being promoted from the fifth level to the top.</p>	Abstract Illustration		

3.4.3.1 “For details of directors’ further training related to corporate governance in 2020” :

Title	Name	Date of study	Organizer	Course title	Training hours
Chairman	YEH, SOU-TSUN	July 22, 2020	Taiwan Academy of Banking and Finance	Shaping A Corporate Governance Culture	3
		August 6, 2020	Accounting Research and Development Foundation of the Republic of China	Seminar on Board Operation Practice and Corporate Governance	3
		November 5, 2020	Accounting Research and Development Foundation of the Republic of China	Economic Espionage Crime and Legal Liability and Case Analysis of Trade Secrets Act.	3
		December 9, 2020	Taiwan Academy of Banking and Finance	Board of Directors and Supervisors Operation Practice and Corporate Governance	3
Director	SU, PAT-HUANG	August 5, 2020	Securities and Futures Institute	Discussion on Intellectual Property Rights – Starting with Business Secrets	3
		September 15, 2020	Securities and Futures Institute	Analysis and Practice of International Taxation Trends under the New Version of Corporate Governance Blueprint	3