

Review Report on Annual Reports, Financial Statements, and Sustainability Reports

of TWSE/TPEX Listed Companies
to Shareholders 2022



Organized by



Taiwan Stock Exchange
臺灣證券交易所



證券櫃檯買賣中心
Taipei Exchange

Supervised by



金融監督管理委員會
Financial Supervisory Commission

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I. Foreword



Enterprises are established with capital invested by shareholders and entrusted to managers (agents) to manage operations. However, due to information asymmetry, agents may not always act in the best interests of the principals when allocating resources, thus giving rise to agency problems. Information disclosure is one of the essential components in corporate governance practice. It can enhance information transparency and effectively reduce the risk of information asymmetry. It also enables the market to effectively monitor public companies, which in turn lowers the probability of corporate malpractice and protects investors' rights. To bolster 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.

Considering the significance of environmental issues and the growing international spotlight on climate-related information, the Financial Supervisory Commission (the FSC) amended the "Regulations Governing Information to be Published in Annual Reports of Public Companies" on November 25, 2022 to enhance climate-related information disclosure. In line with the "Sustainability Roadmap for TWSE/TPEX Listed Companies," companies meeting certain criteria will be required to disclose climate-related information starting January 1, 2024, allowing a one-year grace period for information gathering and

greenhouse gas (GHG) inventory capacity building.

The Taiwan Stock Exchange Corporation (the TWSE) and the Taipei Exchange (the TPEX) annually review the annual reports of public companies in accordance with the “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 notifies the company and provides the necessary guidance needed to correct the annual report. TWSE/TPEX listed companies are notified in writing annually of the results for the review of their annual reports, and the review results are uploaded onto the official TWSE/TPEX websites, with the aim 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: “Taiwan Stock Exchange Corporation Procedures for Review of Financial Reports of Listed Companies,” “Taiwan Stock Exchange Corporation Procedures for Routine Regulation and Regulation by Exception Over Financial and Business Affairs of Listed Companies,” “Taiwan Stock Exchange Corporation Rules for Regulating TWSE Primary Listed Companies and Taiwan Innovation Board Primary Listed Companies After Listing,” “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 notify the company in writing of the need to correct its financial statements or reports the company to the competent authority for further action in serious cases.

Furthermore, common deficiencies found in the review of financial statements are regularly compiled before being published on the official TWSE/TPEX websites and the TWSE/TPEX listed companies are notified of these deficiencies in writing each year, in order to elevate the quality and transparency of information disclosure in their financial statements.

Additionally, in accordance with the “Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies” and “Taiwan Depository & Clearing Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TPEX Listed Companies,” TWSE/TPEX listed companies meeting certain criteria are required to prepare sustainability reports. Starting from the 2023 reporting year, sustainability reports are to be reviewed on a random basis for compliance and disclosure recommendations provided for reference to enhance disclosure quality.

II. Review of Annual Reports to Shareholders for 2022

A. Review Objective

B. Review Items and Results

C. Conclusions and Recommendations



A. Review Objective



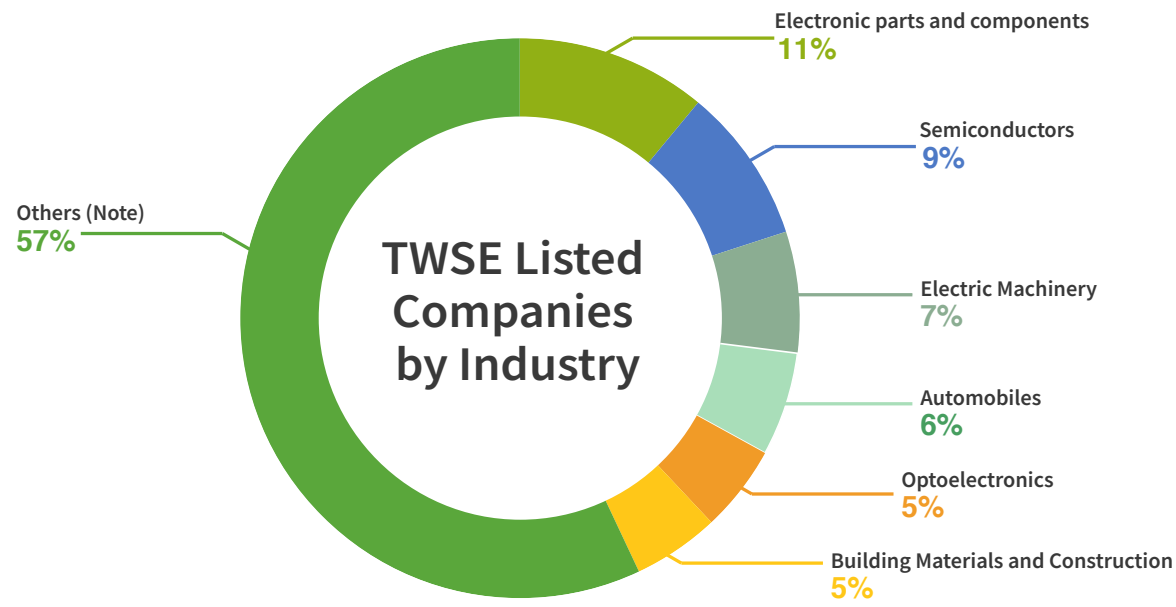
The Regulations govern the key financial operations, matters that have a material impact on shareholder equity, and financial statements for the most recent fiscal year to be published in the annual reports of public companies. To promote the "Corporate Governance 3.0 Sustainable Development Blueprint" and adhere to international standards, the scope of this year's review was expanded to strengthen the review of sustainability governance implementation and information security risk management disclosure.

The review adopted a general review and focused review approach, which incorporated key content related to annual report disclosure criteria and supervisory matters into the focused review items. Among the 979 TWSE and 812 TPEX listed companies on record as of June 30, 2023, a total of 440 (253 TWSE and 187 TPEX) were screened for general review on a random basis. Among the companies sampled for general review, a total of 89 TWSE/TPEX listed companies (51 TWSE and 38 TPEX) were then screened for focused review. The distribution of the TWSE/TPEX listed companies screened by industry, capital, and market capitalization are illustrated in the following figures (Figure 1 to Figure 6).

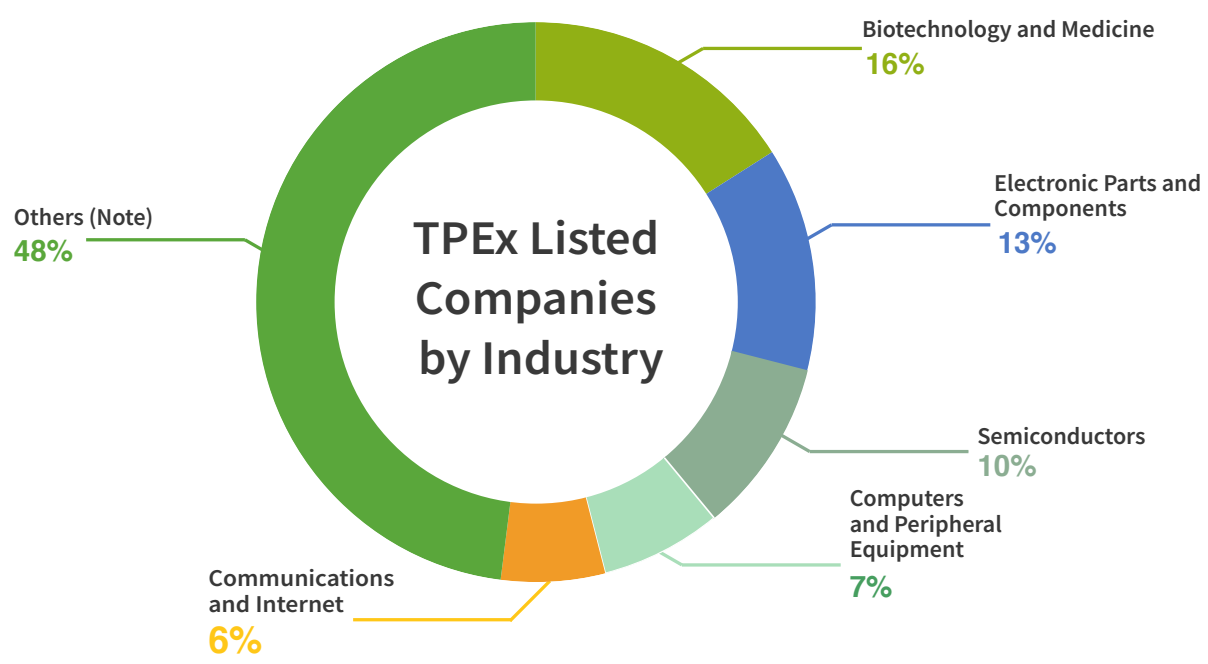
1. General Review Objective

The 253 TWSE listed companies screened for general review represent 25.84% of all the 979 TWSE listed companies, covering 31 industries broken down by the number of companies and percentage. These include electronic parts and components 28 (11%), semiconductors 23 (9%), electrical machinery 17 (7%), automobiles 15 (6%), optoelectronics as well as building materials and construction 13 (5%) each. The 187 TPEX listed companies sampled represent 23.03% of all the 812 TPEX listed companies, covering 23 industries. These are biotechnology and medicine 30 (16%), electronic parts and components 24 (13%), semiconductors 18 (10%), computers and peripheral equipment 14 (7%), communications and interne 11 (6%).

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



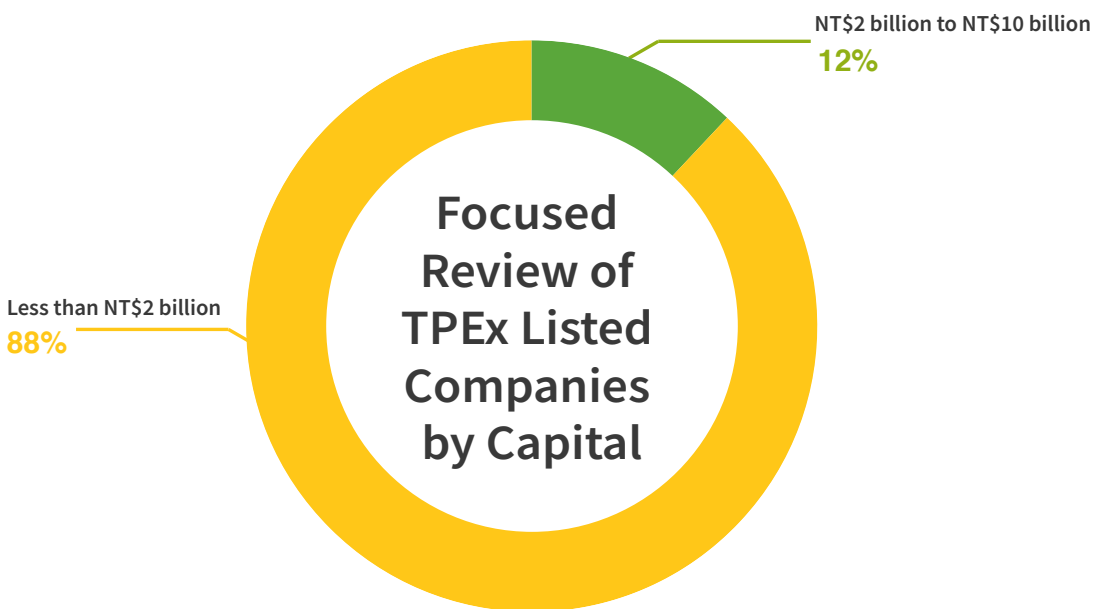
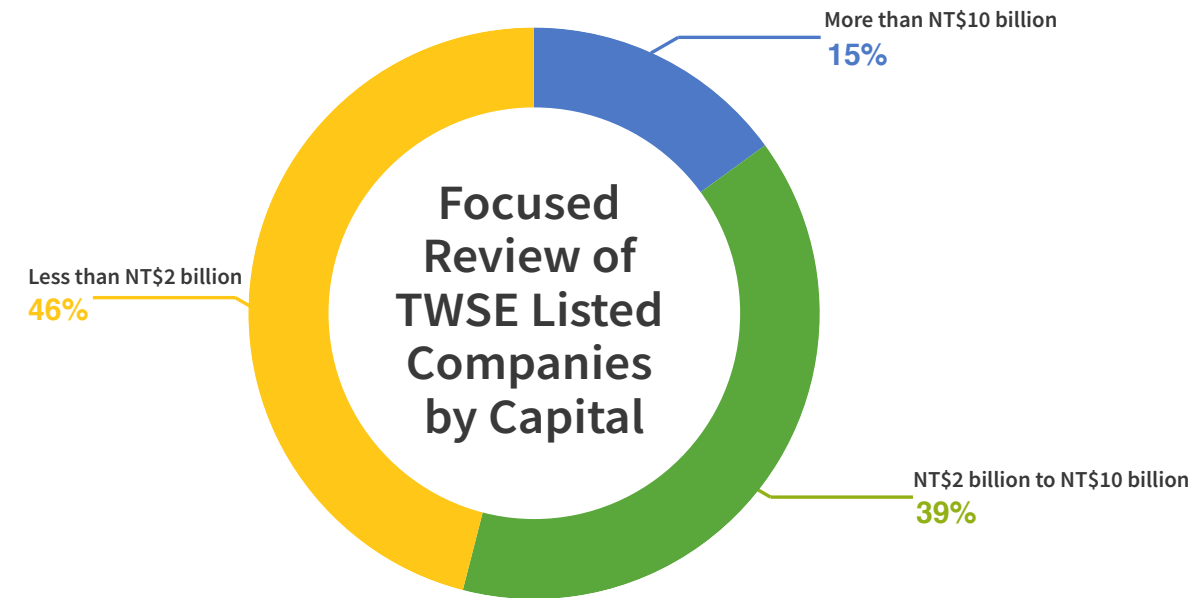
Note: Others include 25 industries, namely textiles, biotechnology and medicine, communications and internet, computers and peripheral equipment, iron and steel, plastics, trading and consumer goods, chemicals, other electronics, food, electronic products distribution, home life, tourism, sports and leisure, rubber, cement, finance and insurance, shipping and transportation, paper production, green energy, oil, gas, and electricity, information services, electrical and cable, digital cloud, as well as others.



Note: Others include 18 industries, namely building materials and construction, electric machinery, tourism, optoelectronics, information services, electronic products distribution, other electronics, home life, green energy, iron and steel, textiles, digital cloud, chemicals, cultural and creative, oil, gas, and electricity, agricultural technology, sports and leisure, as well as others.

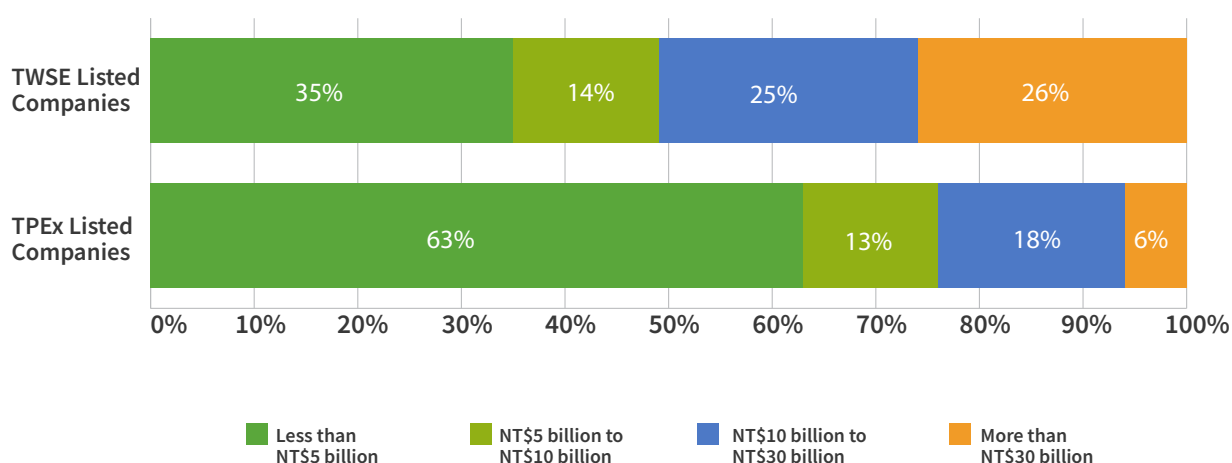
According to the capital analysis of the listed companies screened for general review, there were 39 TWSE listed companies (15%) with a capital of more than NT\$10 billion, 99 (39%) with a capital of NT\$2 billion to NT\$10 billion and 115 (46%) with a capital of less than NT\$2 billion as of June 2023. There were 22 TPEX listed companies (12%) with a capital of NT\$2 billion to NT\$10 billion, and 165 (88%) with a capital of less than NT\$2 billion as of June 2023.

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



According to the market capitalization analysis of the listed companies screened for focused review, there were 65 TWSE listed companies (26%) with a market capitalization of more than NT\$30 billion, 64 (25%) with a market capitalization of NT\$10 billion to NT\$30 billion, 36 (14%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 88 (35%) with a market capitalization of less than NT\$5 billion as of June 2023; at the same time, there were 10 TPEX listed companies (6%) with a market capitalization of more than NT\$30 billion, 34 (18%) with a market capitalization of NT\$10 billion to NT\$30 billion, 25 (13%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 118 (63%) with a market capitalization of less than NT\$5 billion as of June 2023.

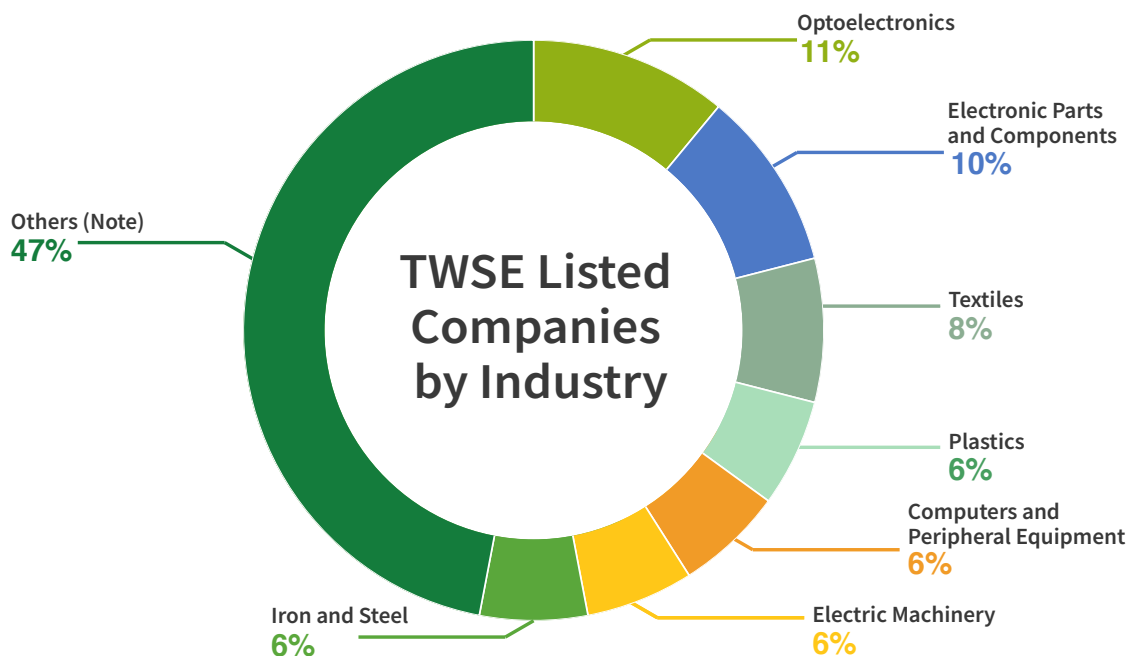
◆ Figure 3: TWSE/TPEX Listed Companies Screened for General Review by Market Capitalization



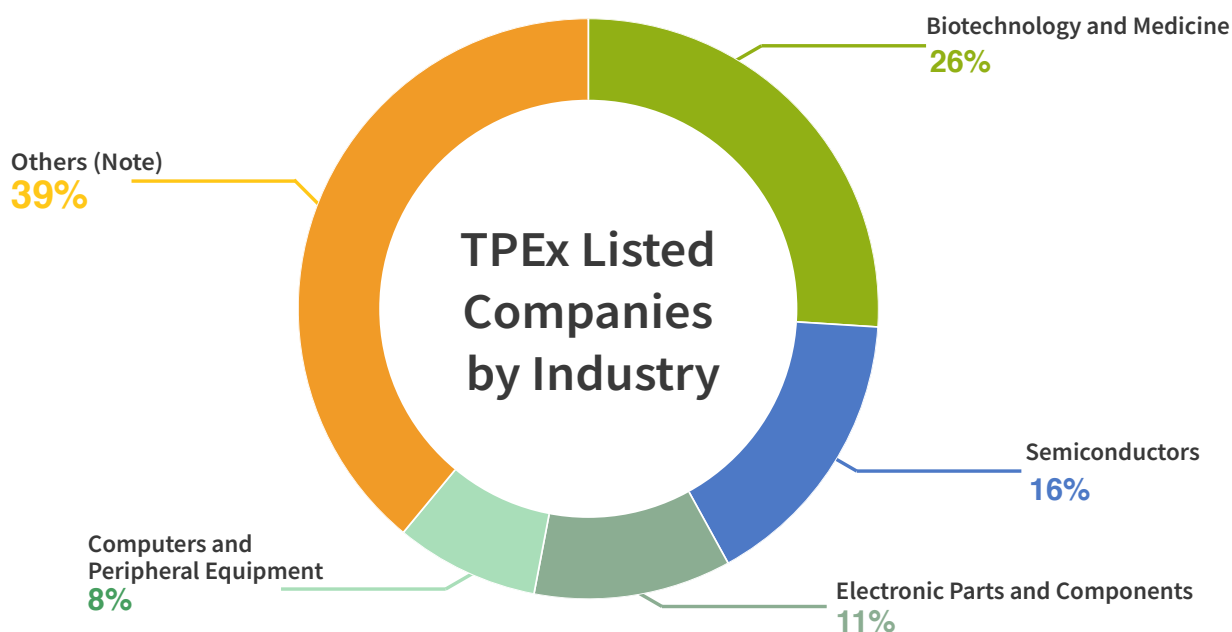
2. Focused Review Objective

The 51 TWSE listed companies screened for focused review represent 5.21% of all the 979 TWSE listed companies, covering 22 industries broken down by the number of companies and percentage. These include optoelectronics 6 (11%), electronic parts and components 5 (10%), textiles 4 (8%), plastics, computers and peripheral equipment, electric machinery, iron, and steel 3 (6%) each. The 38 TPEX listed companies sampled represent 4.68% of all the 812 TPEX listed companies, covering 12 industries. These are biotechnology and medicine 10 (26%), semiconductors 6 (16%), electronic parts and components 4 (11%), computers and peripheral equipment 3 (8%).

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



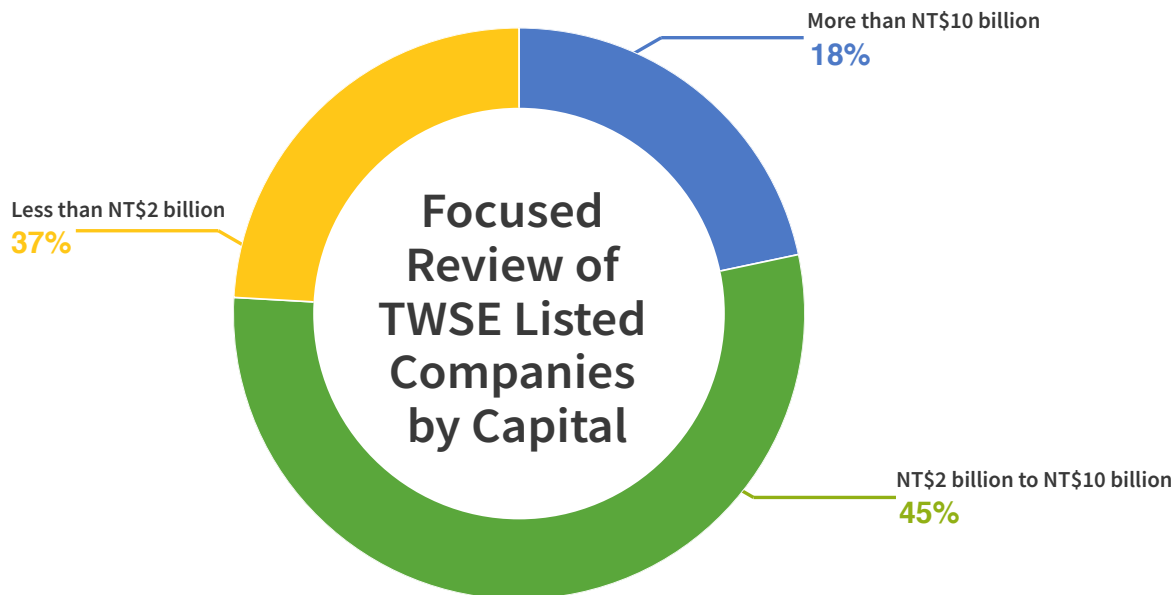
Note: Others include 15 industries, namely biotechnology and medicine, automobiles, food, communications and internet, trading and consumer goods, chemicals, cement, semiconductors, other electronics, building materials and construction, shipping and transportation, sports and leisure, electronic products distribution, tourism, as well as others.



Note: Others include eight industries, namely chemicals, optoelectronics, other electronics, building materials and construction, tourism, communications and internet, iron and steel, as well as others.

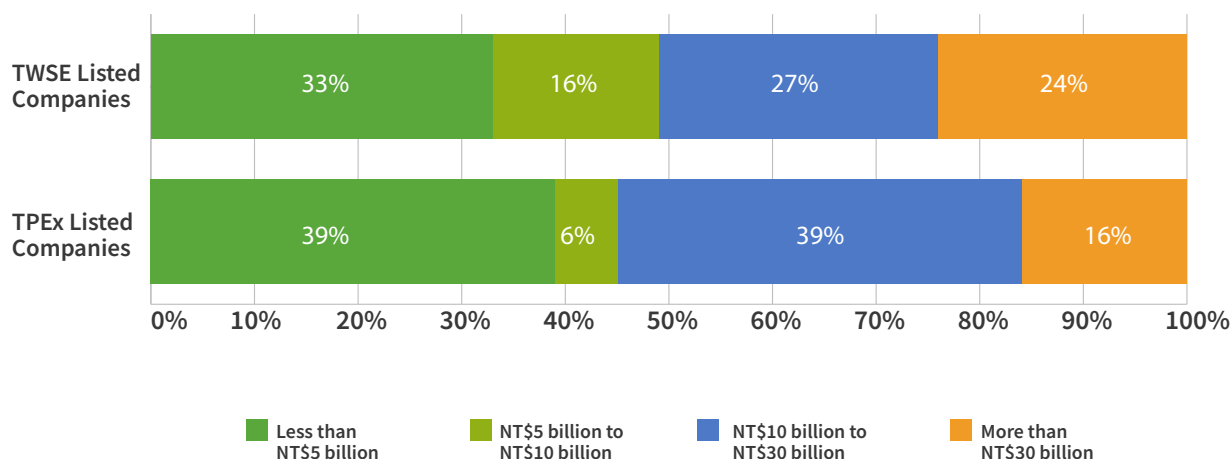
According to the capital analysis of the listed companies screened for focused review, there were 9 TWSE listed companies (18%) with a capital of more than NT\$10 billion, 23 (45%) with a capital of NT\$2 billion to NT\$10 billion, and 19 (37%) with a capital of less than NT\$2 billion as of June 2023; there were 21 TPEX companies (55%) with a capital of NT\$2 billion to NT\$10 billion, and 17 (45%) with a capital of less than NT\$2 billion as of June 2023.

◆ 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 12 TWSE listed companies (24%) with a market capitalization of more than NT\$30 billion, 14 (27%) with a market capitalization of NT\$10 billion to NT\$30 billion, 8 (16%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 17 (33%) with a market capitalization of less than NT\$5 billion as of June 2023; at the same time, there were 6 TPEX listed companies (16%) with a market capitalization of more than NT\$30 billion, 15 (39%) with a market capitalization of NT\$10 billion to NT\$30 billion, 2 (6%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 15 (39%) with a market capitalization of less than NT\$5 billion as of June 2023.

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



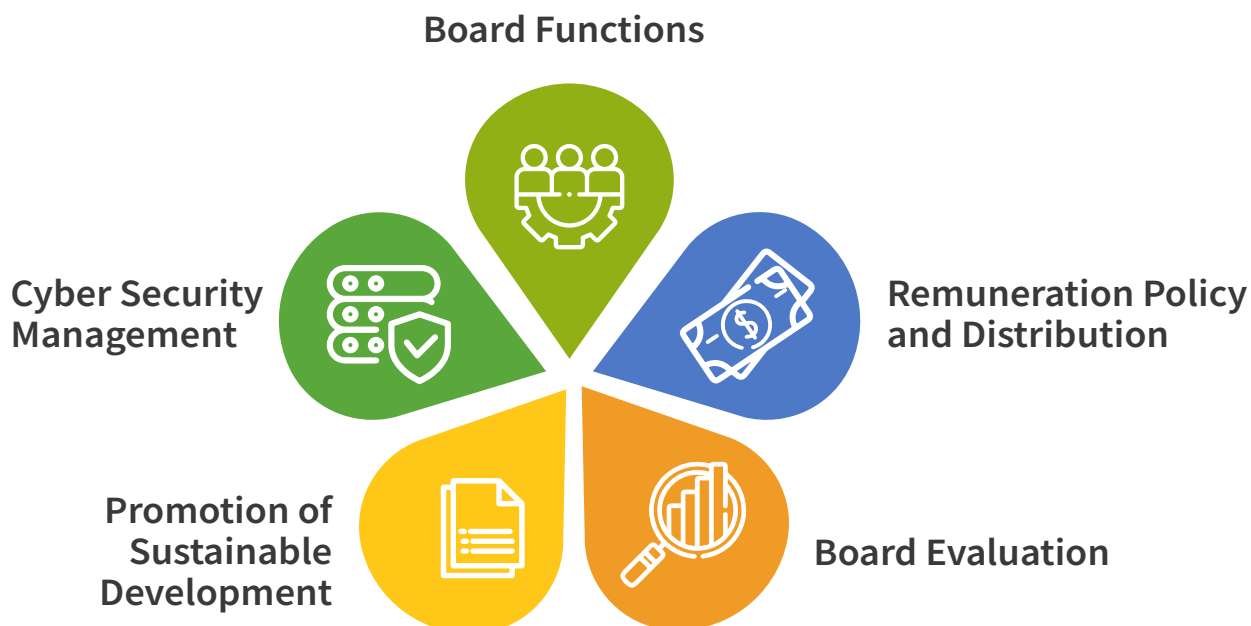
B. Review Items and Results



There were 440 TWSE/TPEX listed companies covering 31 TWSE industries and 23 TPEX industries, with varying paid-in capital and market capitalization, reviewed on a random basis. Companies were not concentrated in specific industries or types.

The review first examined the annual report filing timeline and compliance of the screened companies, followed by focused reviews of 89 sampled companies, out of 440. The key review topics included Board Functions, Remuneration Policies and Implementation, Board Evaluation, Sustainability Governance Implementation, and Information Security Management. The general and focused review results are explained below.

◆ Figure 7: Review Items and Results



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 related to the company. In order for investors to have a better knowledge 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, were disclosed in accordance with the Regulations. According to the review of annual reports of the 440 TWSE/TPEX listed companies screened, most of the listed companies were found to have disclosed their annual reports in accordance with the Regulations.

2. Focused Review Items and Results

a. 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 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 an appropriate diversity policy shall be taken into consideration when determining the composition of the board of directors and it 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.

To enhance 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. These stipulate that

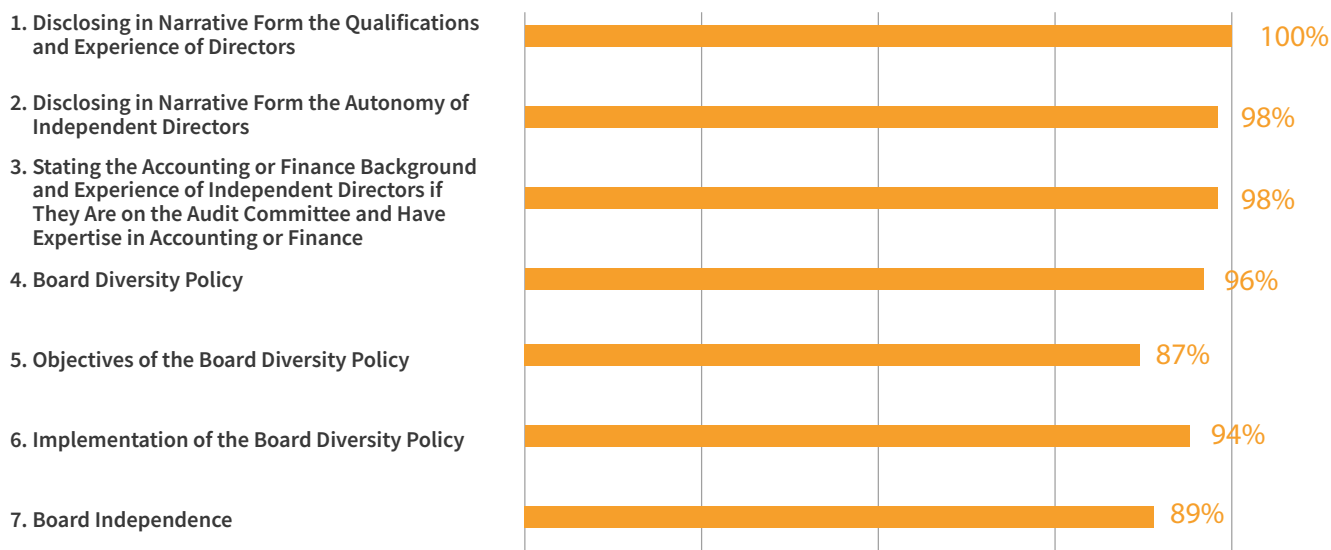
TWSE/TPEX listed companies shall specify in words, rather than tick off, the qualifications and experience of individual directors and the autonomy of independent directors, the board diversity policy and its specific management objectives and implementation, as well as the proportion of independent directors on the board and reasons explaining whether the board is independent were also specified.

In the review, the TWSE and TPEX not only intensified efforts to examine whether TWSE/TPEX listed companies fully disclosed the relevant information in their annual reports for 2022 according to the previously mentioned amendments to the Regulations, but also conducted a comparative analysis with related disclosures in their annual reports for 2021.

(1) Analysis of Review Results for 2022

The disclosure of each review item in the annual reports of the TWSE/TPEX listed companies screened for 2022 is detailed as follows.

◆ Figure 8: Disclosure of Board Functions



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

Out of the 89 TWSE/TPEX listed companies screened, all 89 that adopted the “narrative approach” to disclose directors' professional qualifications and experience, providing investors with clear and complete information.

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

Out of the 89 TWSE/TPEX listed companies screened, there were 87 (98%) that disclosed in narrative form the autonomy of independent directors. The remaining two companies, while having made disclosures, still needed to supplement certain information.

(iii) [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 89 TWSE/TPEX listed companies screened, there were 87 (98%) that disclosed the relevant background and experience of independent directors with a background and experience in finance and accounting. The remaining two companies, while having made disclosures, still needed to supplement certain information.

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

Out of the 89 TWSE/TPEX listed companies screened, there were 85 (96%) that described board diversity according to the amended Regulations, seventy-seven (87%) described concrete management goals, and eighty-four (94%) described policy implementation status. The remaining companies, while having made disclosures, still needed to supplement certain information.

(v) [Item 7] Disclosing Board Independence:

Out of the 89 TWSE/TPEX listed companies screened, there were 79 (89%) that disclosed this item according to the Regulations. The remaining companies, while having made disclosures, still needed to supplement certain information.

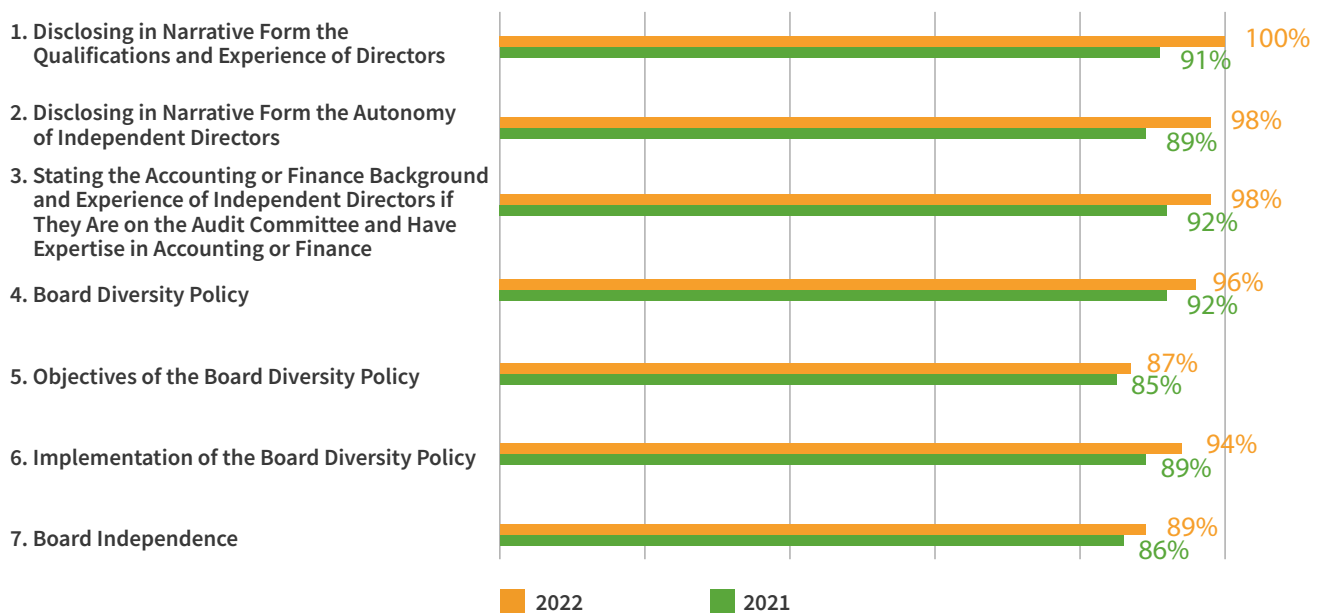
(vi) Correction of Deficiencies:

Out of the 89 TWSE/TPEX listed companies screened, there were 68 (76%) that disclosed information on board functions in compliance with the Regulations. The remaining companies have since completed corrections and refiled after guidance.

(2) Comparative Analysis of Related Disclosures between 2022 and 2021

A comparison of related disclosures in the annual reports of listed companies between 2022 and 2021 are detailed as follows.

◆ Figure 9: Board Function Disclosures – 2022 vs. 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. Comparisons of the review results of the annual reports of listed companies between 2022 and 2021 revealed that:

- (i) On the qualifications and experience of directors and supervisors and the autonomy of independent directors (Items 1 to 3), over 98% of the companies in 2022 disclosed the qualifications of directors (including financial and

professional background) and the autonomy of independent directors in accordance with the annual report guidelines, using a “narrative approach.” This represents significant enhancement compared to 90% in 2021, effectively augmenting the transparency of information disclosure in company annual reports.

- (ii) For board diversity policies, goals, implementation status, and board independence (Items 4–7), the 2022 disclosure rates ranged from 87–96%, higher than 85–92% in 2021, indicating further progress.

b. Remuneration Policy and Distribution

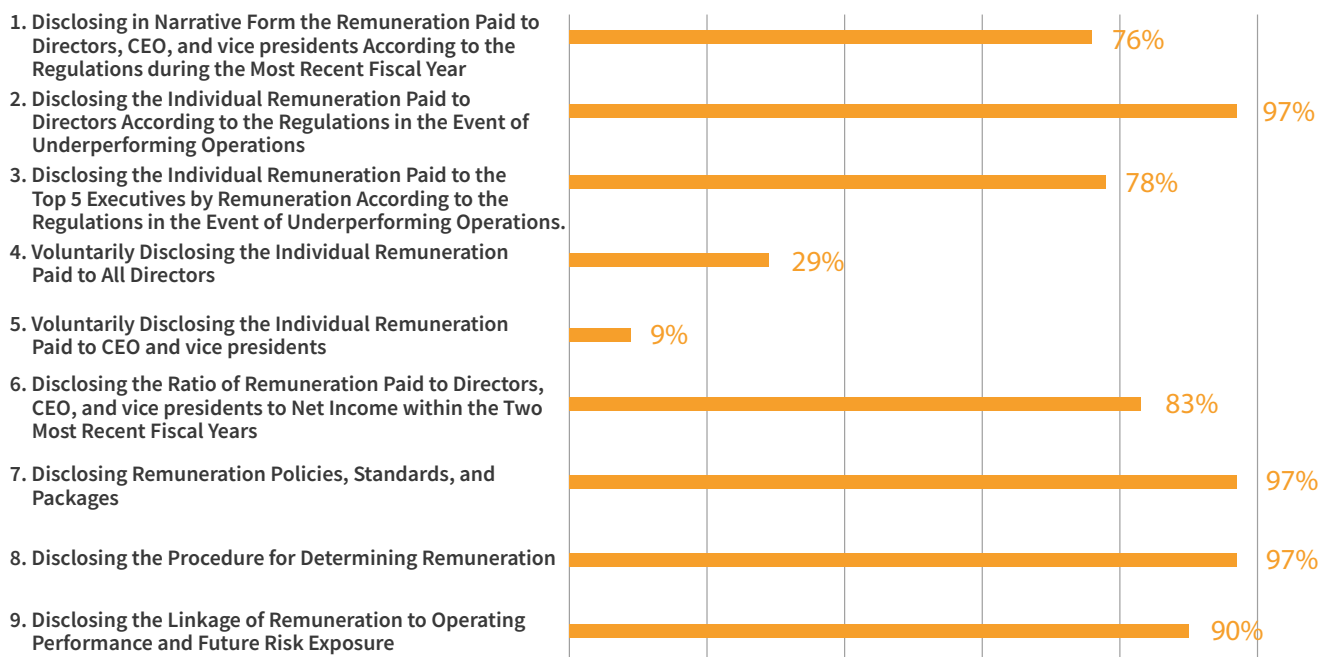
The disclosure of directors' remuneration has become an international trend. The FSC has been driving the disclosure of remunerations paid to directors and c-suite executives of TWSE/TPEX listed companies through the Corporate Governance Evaluation (the CGE) system and other means on an ongoing basis in order to enhance 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, or the six specific conditions) shall disclose the individual remuneration paid to directors or the individual remuneration paid to the top five executives by remuneration. Step-by-step measures are taken to elevate 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 fully disclosed the remuneration paid to directors and c-suite executives and their remuneration policies and procedures in their annual reports for 2022 according to the Regulations, but also conducted a comparative analysis with related disclosures in their annual reports for 2021.

(1) Analysis of Review Results for 2022

The disclosure of each review item in the annual reports of the TWSE/TPEX listed companies screened for 2022 is detailed as follows.

◆ Figure 10: Disclosure of Remuneration Policy and Distribution



[1] Out of 38 companies, which included 27 TWSE and 11 TPEX listed companies, subject to mandatory disclosure of individual director remuneration, efforts were made to enforce transparency in the reporting of such information.

- [2] Out of 36 companies, which included 26 TWSE and 10 TPEX listed companies, subject to mandatory disclosure of individual remuneration for the top five executives, efforts were made to enforce transparency in reporting such information.
- [3] Out of 51 companies, which included 24 TWSE and 27 TPEX listed companies, not subject to mandatory disclosure of individual directors and their remuneration, different disclosure requirements applied.
- [4] Out of 53 companies, which included 25 TWSE and 28 TPEX listed companies, not subject to mandatory disclosure of individual remuneration for the top five executives, disclosure requirements may be varied.

(i) [Item 1] Disclosing in Narrative Form the Remuneration Paid to Directors, CEO, and Vice Presidents According to the Regulations during the Most Recent Fiscal Year:

Companies may disclose aggregated remuneration in brackets by title, or individually by name and remuneration. Out of the 89 TWSE/TPEX listed companies screened, sixty-eight (76%) disclosed the remuneration paid to directors, CEO, and vice presidents during the most recent fiscal year according to Table 1–2 of the Regulations. The remaining companies, while having made disclosures, still needed to supplement certain information.

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

Out of the 89 TWSE/TPEX listed companies screened, there were 38 TWSE/TPEX listed companies required to disclose individual director remuneration; thirty-seven (97%) disclosed this item according to the Regulations. The remaining companies, while having made disclosures,

still needed to supplement certain information. There were 36 companies required to disclose individual remuneration of the top five highest paid managers (recent 3-year individual/separate financial statement losses and CGE bottom-tier), of which 28 (78%) disclosed as required. The remaining companies, while having made disclosures, still needed to supplement certain information.

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

1. To further enhance information transparency on the remuneration paid to directors and c-suite executives, the voluntary disclosure of information on the individual remuneration paid to directors and c-suite executives by TWSE/TPEX listed companies was included in CGE Indicators 3.13 and 3.21. Therefore, the voluntary disclosure of information on the remuneration paid to all directors, CEO, and vice presidents by TWSE/TPEX listed companies was reviewed in accordance with the previously mentioned evaluation indicators.
2. Fifteen of the 51 companies not mandated to disclose the individual remuneration paid to directors voluntarily disclosed such details. Five of the 53 companies that were not mandated to disclose the individual remuneration paid to the top five executives voluntarily disclosed such details.

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

Out of the 89 TWSE/TPEX listed companies screened, there were 74 (83%) that disclosed this item according to the Regulations; the remaining companies, while having made disclosures, still needed to supplement certain information.

(v) [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 89 TWSE/TPEX listed companies screened, there were 84 (94%) that disclosed their remuneration policies and procedures according to the Regulations. Moreover, there were 80 (90%) of them that disclosed the linkage of remuneration to operating performance and future risk exposure; the remaining companies, while having made disclosures, still needed to supplement certain information.

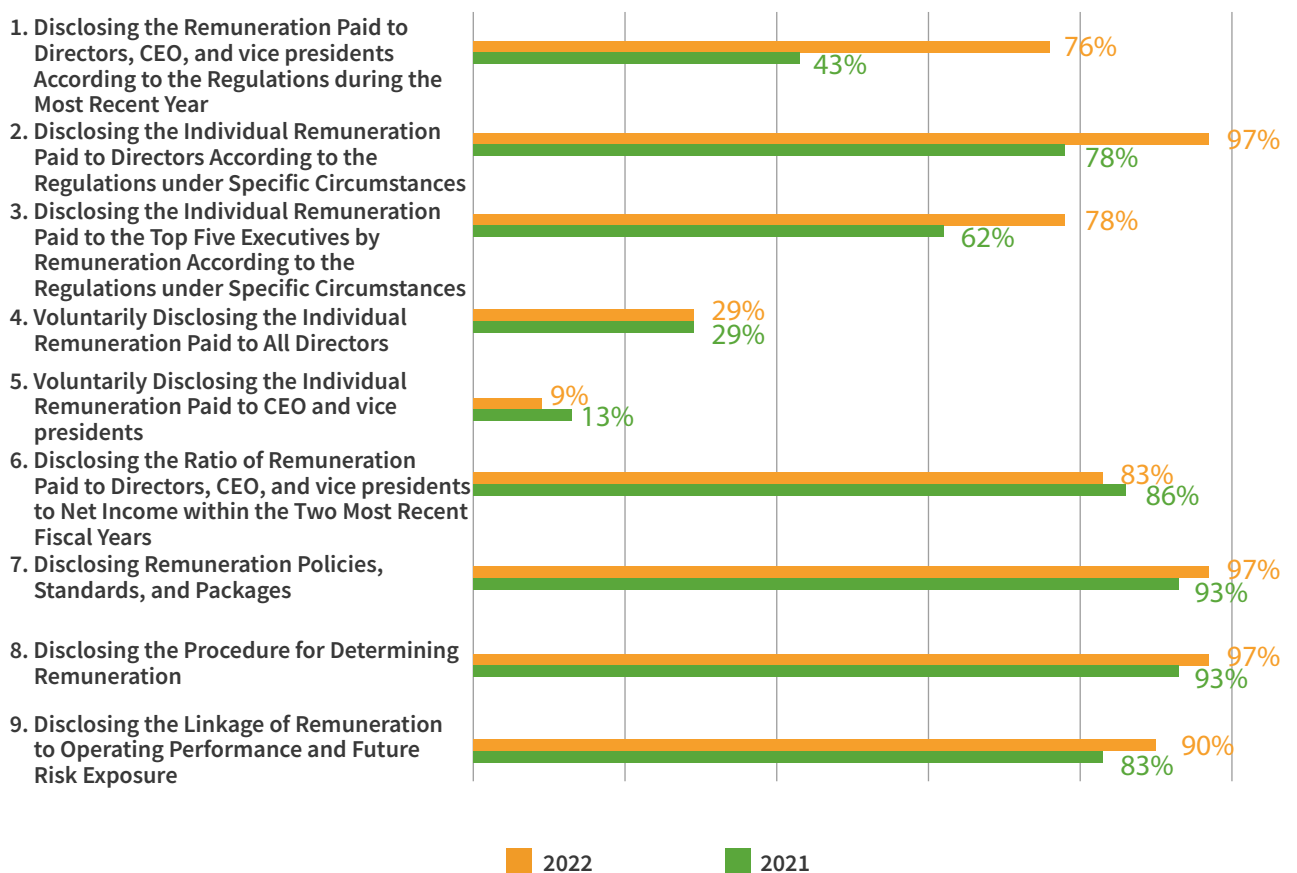
(iv) Correction of Deficiencies:

Regarding the remuneration review, there were 49 out of 89 (55%) sampled TWSE/TPEX listed companies that disclosed the required remuneration information (Items 1–3 and 6–8). The remaining companies have since completed corrections and refiled after guidance.

(2) Comparative Analysis of Related Disclosures between 2022 and 2021

A comparative analysis of related disclosures in the annual reports of listed companies between 2022 and 2021 are detailed as follows.

◆ Figure 11: Comparison of the Disclosure of Remuneration Policy and Distribution between 2022 and 2021



(i) The disclosure rates for directors, CEO, vice presidents, and the top five managers' remuneration (Items 1–3) as required by the Regulations ranged from 76–97% in 2022, significantly higher than 43–78% in 2021, with growth across all items.

- (ii) Different samples were chosen for focused review in 2022 and 2021. Voluntary disclosure of individual remuneration for all directors, CEO, and vice presidents, and percentage of net income after tax (Items 4–6) showed flat or slight declines compared to 2021. While the importance of remuneration disclosure transparency continues to be emphasized, promoting voluntary disclosure remains necessary.
- (iii) For remuneration policies, composition and determination procedures, and correlation with business performance and future risks (Items 7–9), the 2022 disclosure rates ranged from 90–97%, significantly higher than 83–93% in 2021, with growth across all items.

c. Board Evaluation

Since the board of directors is the highest governing body of a company, its sound operation and effective functioning will have an impact on the company's business capabilities. The board evaluation system enables the board of directors and its members to have a better knowledge of the direction of progress and helps enhance the board efficacy. In an effort to assist the board learn about the effectiveness of its operations and perform its functions to strengthen the connection of directors' remuneration with their performance, 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 assess the performance of the board of directors and individual directors through self-assessment or peer-to-peer assessment on an annual basis. Furthermore,

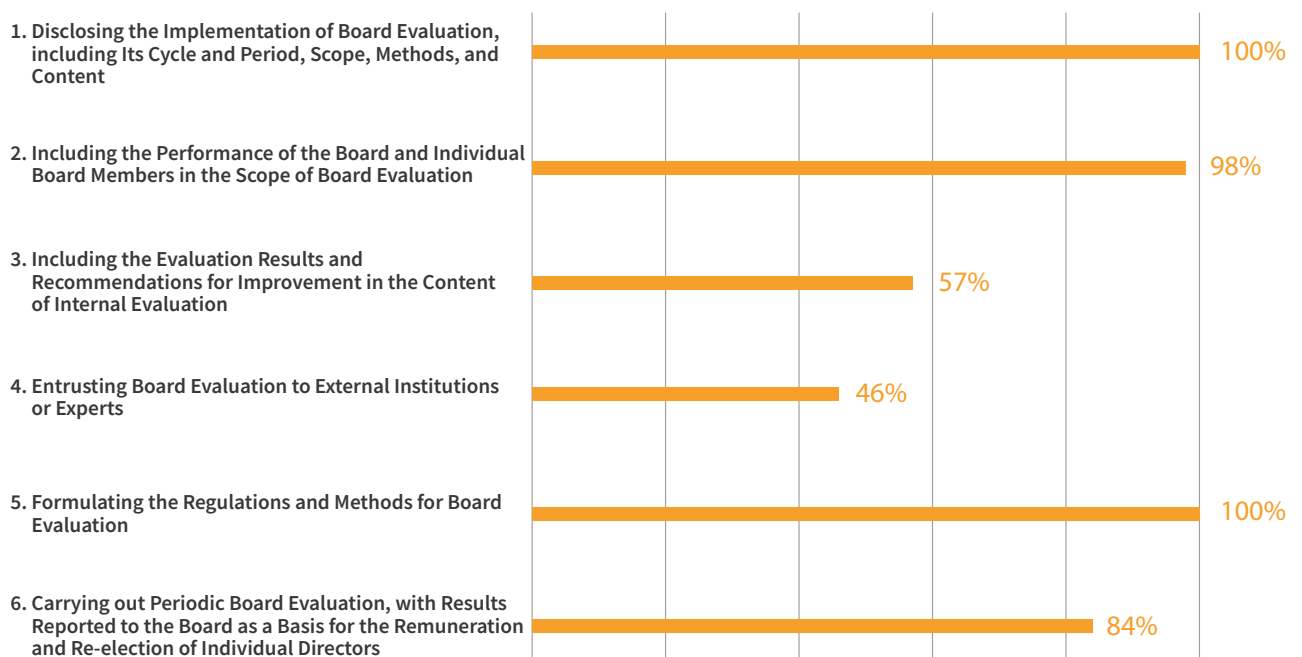
the TWSE and TPEX require listed companies to conduct board evaluation each year beginning in 2020. According to Table 2 in the Regulations, TWSE/TPEX listed companies shall disclose information on the self-assessments (or peer-to-peer assessments) conducted by the board of directors with regards to the status of board operations.

In the review, the TWSE and TPEX not only stepped-up efforts to examine whether TWSE/TPEX listed companies fully disclosed information on the implementation of board evaluation in their annual reports for 2022 according to the Regulations, but also conducted a comparative analysis with related disclosures in their annual reports for 2021.

(1) Analysis of Review Results for 2022

The disclosure of each review item in the annual reports of the TWSE/TPEX listed companies screened for 2022 is detailed as follows.

◆ Figure 12: Disclosure of Board Evaluation



(i) [Item 1]: Disclosing Implementation of Board Evaluation, including Evaluation Cycle/Period, Scope, Method, and Content:

Out of the 89 TWSE/TPEX listed companies screened, all of them disclosed the implementation details of board evaluation in accordance with the guidelines specified in Table 2 of the Regulations.

(ii) [Item 2] Including the Performance of the Board and Individual Board Members in the Scope of Board Evaluation:

Out of the 89 TWSE/TPEX listed companies screened, there were 87 (98%) that disclosed the inclusion of the performance of the board and individual board members in the scope of board evaluation according to Table 2 in the Regulations.

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

1. This item, which was formulated based on CGE 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 and future improvement plans or actions. Therefore, the TWSE and TPEX adopted the evaluation indicators above to review the disclosure of information on the internal board evaluation by TWSE/TPEX listed companies' boards other than that required by the Regulations.
2. Out of the 89 TWSE/TPEX listed companies screened, there were 51 (57%) that disclosed internal assessment results and improvement suggestions in their annual reports.

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

1. According to Article 37 of the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies,” it is recommended that these companies conduct board evaluation with the assistance 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 the 2023 CGE Indicator 2.23 also stipulate that TWSE/TPEX listed companies shall conduct an external board evaluation at least once every three years to refine the operation of the board of directors.
2. Out of the 89 TWSE/TPEX listed companies screened, there were 41 (46%) that entrusted their board evaluation to external institutions, whereas the remaining companies conducted self-evaluation internally.

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

Out of the 89 TWSE/TPEX listed companies screened, all of them 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.”

(vi) [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 89 TWSE/TPEX listed companies screened, there were 75 (84%) that 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.” The remaining companies, while having made disclosures, still needed to supplement information.

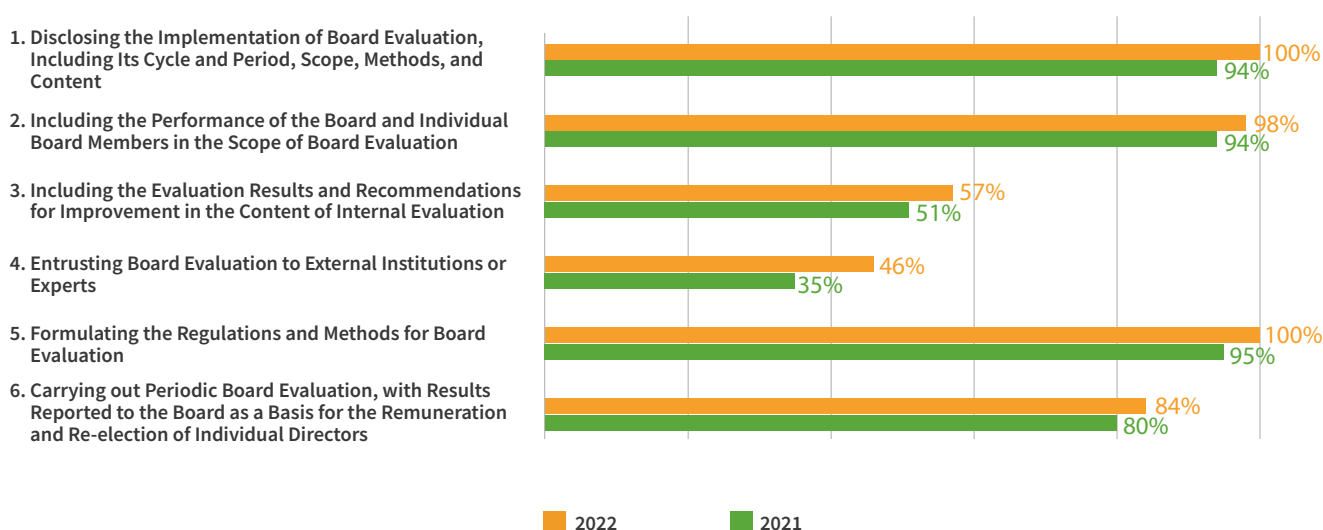
(vii) Correction of Deficiencies:

Regarding the board evaluation review, out of the 89 TWSE/TPEX listed companies screened, there were 75 (84%) that disclosed information on board evaluation (Items 1, 2, 5, and 6) according to the Regulations. The remaining companies have since completed corrections and refiled after guidance.

(2) Comparative Analysis of Related Disclosures between 2022 and 2021

A comparative analysis of related disclosures in the annual reports of listed companies between 2022 and 2021 are detailed as follows.

◆ Figure 13: Comparison of the Disclosure of Board Evaluation between 2022 and 2021



The disclosure rates for all board evaluation (Items 1–6) required by the Regulations were higher in 2022 than 2021, indicating ameliorated execution. As more companies engage external experts, board performance is further enhanced.

d. Promotion of Sustainable Development

To enhance 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 assessment of environmental, social, and corporate governance issues related to company operations and assessment 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.

(1) Analysis of Review Results for 2022

In the review, the TWSE and TPEX stepped up efforts to examine whether TWSE/TPEX listed companies fully disclosed information on the promotion of sustainable development in their annual reports for 2022 according to the Regulations.

The disclosure of each review item in the annual reports of the listed companies for 2022 is detailed as follows.

◆ Figure 14: Promotion of Sustainable Development



(i) [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 89 TWSE/TPEX listed companies screened, there were 50 (56%) that disclosed all the information on this item according to the disclosure guidelines provided in Table 2-2-2 in the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

(ii) [Item 2] Stating the Company's Risk Management Policies on Environmental, Social, and Corporate Governance Issues Related to Its Operations:

Out of the 89 TWSE/TPEX listed companies screened, there were 46 (52%) that disclosed all the information on this item according to the disclosure guidelines provided in Table 2-2-2 in the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

(iii) [Items 3-1 to 3-4] Environmental Issues

1. [Item 3-1] Stating the Company's Environmental Management System:

Out of the 89 TWSE/TPEX listed companies screened, there were 52 (58%) that disclosed all the information on this item according to the disclosure guidelines provided in Table 2-2-2 in the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

2. [Item 3–2] Stating the Company’s Policies on Energy Efficiency Enhancement and the Use of Recycled Materials:

Out of the 89 TWSE/TPEX listed companies screened, there were 42 (47%) that 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. The remaining companies, while having made disclosures, still needed to supplement information.

3. [Item 3–3] Stating the Company’s Climate Change Assessments and Response Measures:

Out of the 89 TWSE/TPEX listed companies screened, there were 61 (69%) that 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. The remaining companies, while having made disclosures, still needed to supplement information.

4. [Item 3–4] Stating the Company’s Information and Policies on GHG, Water Consumption, and Waste for the Past Two Years:

Out of the 89 TWSE/TPEX listed companies screened, there were 22 (25%) that disclosed all the information on GHG, water consumption, and waste according to the relevant disclosure guidelines provided in Table 2–2–2 in the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

(iv) [Items 4–1 to 4–6] Social Issues**1. [Item 4–1] Stating the Company’s Policies on Human Rights Protection:**

Out of the 89 TWSE/TPEX listed companies screened, there were 82 (92%) that 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. The remaining companies, while having made disclosures, still needed to supplement information.

2. [Item 4–2] Stating the Company’s Employee Welfare Measures:

Out of the 89 TWSE/TPEX listed companies screened, there were 55 (62%) that disclosed information on various employee welfare measures, including employee salary/compensation, workplace diversity and equality, leave, allowances, bonuses, 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. The remaining companies, while having made disclosures, still needed to supplement information.

3. [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 89 TWSE/TPEX listed companies screened, there were 34 (38%) that 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 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. The remaining companies, while having made disclosures, still needed to supplement information.

4. [Item 4-4] Stating the Company's Career Development Training Programs for Employees:

Out of the 89 TWSE/TPEX listed companies screened, there were 74 (83%) that disclosed the areas (e.g., newcomer training, continuing professional training, managerial training) 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. The remaining companies, while having made disclosures, still needed to supplement information.

5. [Item 4-5] Stating the Product or Customer-related Laws and Regulations or International Standards that the Company Observed:

Out of the 89 TWSE/TPEX listed companies screened, there were 67 (75%) that 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, that they observed, 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. The remaining companies, while having made disclosures, still needed to supplement information.

6. [Item 4–6] Stating the Company’s Supplier Management Policy and Its Implementation:

Out of the 89 TWSE/TPEX listed companies screened, there were 59 (66%) that 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. The remaining companies, while having made disclosures, still needed to supplement information.

(v) [Item 5] Stating the International Standards or Guidelines for the Preparation of Non–financial Reports:

Out of the 89 TWSE/TPEX listed companies screened, there were 54 (61%) that 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. The remaining companies, while having made disclosures, still needed to supplement information.

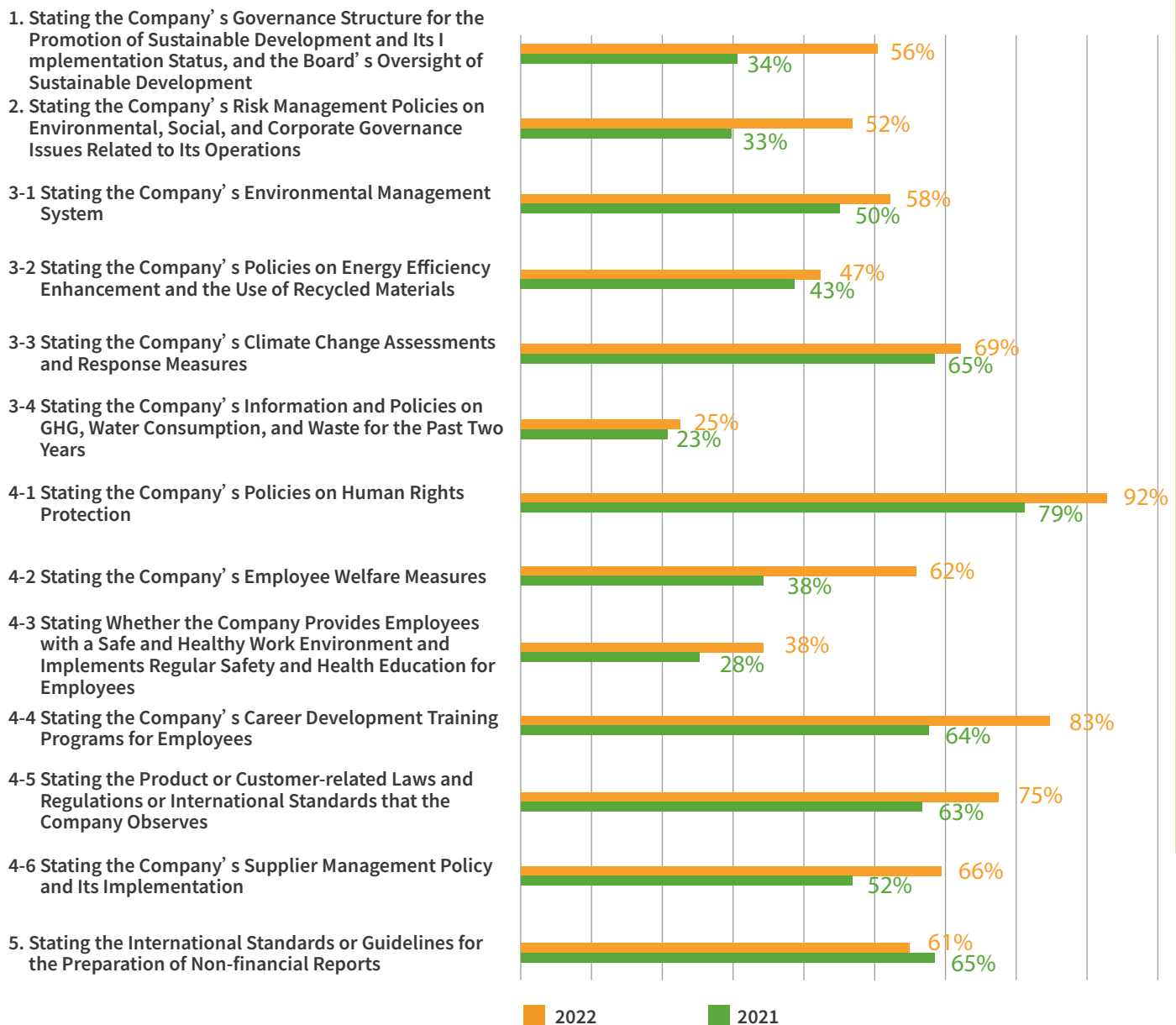
(vi) Correction of Deficiencies:

As sustainability disclosure covers extensive and complex areas, some companies have omitted details despite disclosure. The TWSE and TPEX enhanced their engagement to strive for greater completeness going forward.

(2) Comparative Analysis of Related Disclosures between 2022 and 2021

A comparative analysis of related disclosures in the annual reports of listed companies between 2022 and 2021 are detailed as follows.

◆ Figure 15: Promotion Sustainability Disclosures between 2022 vs. 2021



Out of the 13 sustainability items, only the disclosure rate for Item five was similar in 2022 and 2021. The rates for the remaining 12 items showed increases, indicating improvement from the 2022 execution.

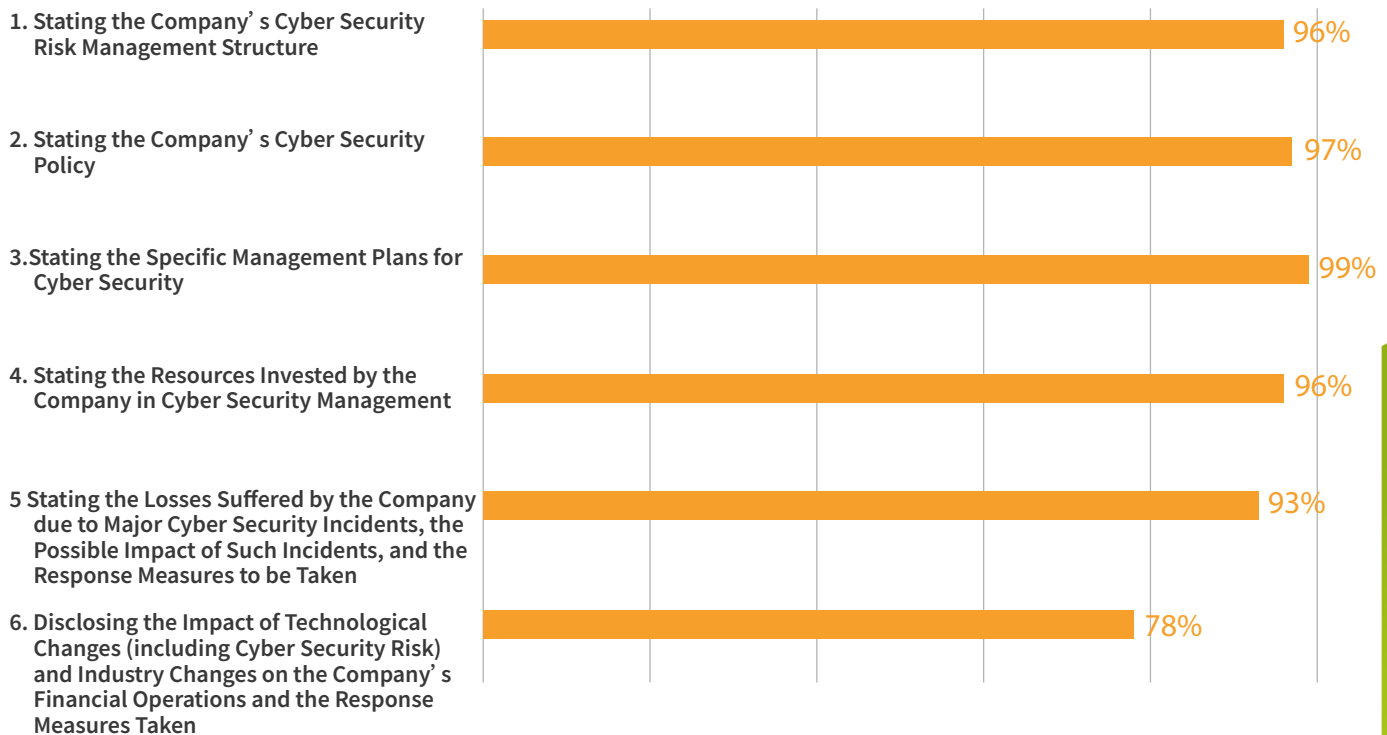
e. Cyber Security Management

To strengthen cyber security management and implement 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 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 taken in accordance with the amended Regulations.

(1) Analysis of Review Results for 2022

In the review, the TWSE and TPEX stepped up efforts to examine whether TWSE/TPEX listed companies fully disclosed information on the promotion of cyber security in their annual reports for 2022 according to the Regulations. The disclosure of each review item in the annual reports of the listed companies for 2022 is detailed as follows.

◆ Figure 16: Cyber Security Management Disclosures



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

Out of the 89 TWSE/TPEX listed companies screened, there were 85 (96%) that disclosed information on cyber security management according to the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

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

Out of the 89 TWSE/TPEX listed companies screened, there were 86 (97%) that disclosed their cyber security policies according to the Regulations, whereas 88 (99%) did not disclose the relevant information as required by the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

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

Out of the 89 TWSE/TPEX listed companies screened, there were 85 (96%) that disclosed information on cyber security management according to the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

(iv)[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 Taken:

Out of the 89 TWSE/TPEX listed companies screened, there were 83 (93%) that disclosed not only the impact of cyber security risk on their financial operations and the response measures taken, but also the losses they suffered due to major cyber security incidents, the possible impact of such incidents, and the response measures taken according to the Regulations. The remaining companies, while having made disclosures, still needed to supplement information. °

(v) [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 Taken:

Out of the 89 TWSE/TPEX listed companies screened, there were 69 (78%) that disclosed this item according to the Regulations. The remaining companies, while having made disclosures, still needed to supplement information.

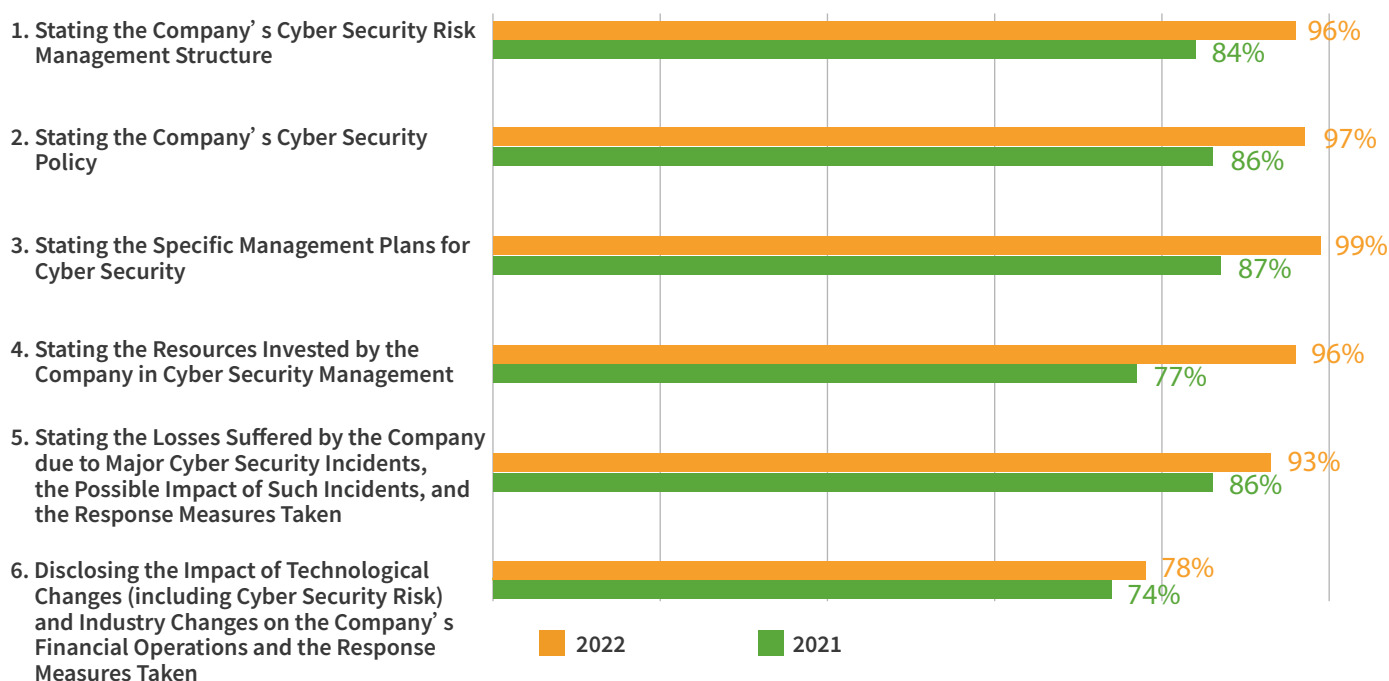
(vi) Correction of Deficiencies:

Regarding the information security review, out of the 89 TWSE/TPEX listed companies screened, there were 63 (71%) that disclosed information on cyber security management according to the Regulations. The remaining companies have completed corrections and refiled after guidance.

(2) Comparative Analysis of Related Disclosures between 2022 and 2021

A comparative analysis of related disclosures in the annual reports of listed companies between 2022 and 2021 is detailed as follows.

◆ Figure 17: Information Security Management Disclosures between 2022 and 2021



The 2022 disclosure rates for all information security (items 1–6) required by the Regulations ranged from 78–99%, higher than 74–87% in 2021, indicating progress.

C. Conclusions and Recommendations



1. Review Findings

a. 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 253 TWSE listed companies and 187 TPEX listed companies revealed that most of the TWSE/TPEX listed companies disclosed the relevant information in their annual reports according to the Regulations. Therefore, it is evident that all TWSE/TPEX listed companies realized the importance of information disclosure in annual reports. However, a small number of companies did not provide complete disclosure, due to a slight misunderstanding of the newly revised items in the annual reporting guidelines. It is recommended to continue promoting awareness of regulatory revisions to enhance compliance with annual reporting disclosure requirements.

b. Focused Review

(1) Board Functions

Board expertise and experience affects composition and function, while independence affects execution of responsibilities. Diversity enhances sustainability, oversight, and corporate understanding. Among the TWSE/TPEX

listed companies screened for focused review, over 98% of the reviewed TWSE/TPEX listed companies disclosed in narrative form the director expertise and independent director autonomy as per the amended Regulations, increasing from 90% in 2021. Approximately 92% of the reviewed TWSE/TPEX listed companies disclosed board diversity policies, goals, implementation status and independence as per the Regulations, increasing from 88% in 2021.

(2) Remuneration Policy and Distribution

Transparency of director and managerial remuneration is an international trend. To promote rational determination, the Regulations require individualized disclosure for companies meeting certain underperforming operating criteria. Approximately 95% of companies disclosed remuneration policies, determination procedures, and correlation with business performance and future risks as per the Regulations, increasing from 90% in 2021. Additionally, around 84% disclosed director, CEO, vice presidents, and the top five managerial remuneration as required, increasing from 61% in 2021.

(3) Board Evaluation

The board of directors is the highest governing body of a company and 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 have a better knowledge of the direction of progress and helps enhance board efficacy.

On the implementation of board evaluation, around 96% of companies disclosed board and member evaluations as per the Regulations, increasing from 91% in 2021. Furthermore, fifty-seven percent of these companies disclosed “Including the Evaluation Results and Recommendations for Improvement in the Content of Internal Evaluation.” Although not a mandatory disclosure item in the Regulations, it reached 57% in 2022, an increase from 51% in 2021.

(4) Promotion of Sustainable Development

The corporate environment, social responsibility, and corporate governance (ESG) have become essential pillars guiding global sustainable development at this stage. They also signify the operational risks and potential opportunities that companies need to discern in order to achieve sustainable development. In order to enhance the transparency of ESG information disclosure and provide a more diverse set of information to the market, the FSC has revised the annual report disclosure guidelines multiple times in recent years. These revisions aim to strengthen companies' disclosure of information related to sustainable development.

Disclosure rates for human rights policies, employee training programs, and laws/standards for products/services and customers were 92%, 83% and 75% respectively in 2022, significantly higher than 79%, 64% and 63% in 2021.

Compared to 2021, the disclosure percentages for the six items did not reach 50%. In the current assessment, only three items had a disclosure rate below 50%, namely "Policy to enhance energy efficiency and use of renewable

materials," "Provision of a safe and healthy working environment for employees, with regular safety and health education," and "Information and policies regarding GHG emissions, water usage, and waste over the past two years." However, the disclosure rates have increased compared to 2021.

It is worth noting that these items were newly revised disclosure requirements, and they covered a broad scope, involving a wide range of practices with intricate details. The complexity of these aspects may have led some companies to overlook certain details despite making disclosures. Continuous efforts are required to promote awareness and provide guidance to companies, gradually leading them to more comprehensive disclosure in these areas.

(5) **Cyber Security Management**

With increasing digitalization, information security has become a key issue. To urge TWSE/TPEX listed companies to take cyber security management seriously, the FSC not only continues to roll out related measures, but has 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.

In terms of content related to information and communication security management, which includes risk management framework, policies, specific management plans, resource allocation, losses incurred from significant information and communication security incidents, potential impacts, and

response measures, nearly 96% of the companies screened disclosed according to the annual report guidelines. This represents a significant development compared to the 84% disclosure rate in 2021. Moreover, the disclosure rate for the “Impact of technological changes and industry developments on the company's financial operations and coping measures” item is 78%, indicating growth compared to the 74% in the previous year.

2. Corrections of Deficiencies

The TWSE and TPEX substantively reviewed the 2022 financial statements of selected TWSE/TPEX listed companies, based on financial and non-financial indicators including mandatory review criteria, as explained in Figure 18 below. In order to ensure that TWSE/TPEX listed companies provided 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.” 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

To strengthen corporate governance and enhance the quality of information disclosure in addition to boosting the international competitiveness of Taiwan's capital markets, the TWSE and TPEX planned a series of specific measures to be taken as detailed below:

a. Continue 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) and new policies related to the sustainable development promoted by the FSC, 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.

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

A dedicated section for the best practice templates for annual reports was set up on the website of the TWSE Corporate Governance Center at the end of 2021. The best practice templates for annual reports are 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.

c. Continuously promoting the Corporate Governance Evaluation (CGE) 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 synergize market dynamics, the TWSE and TPEX have conducted the CGE since 2014, with the goal of not only assisting investors and TWSE/TPEX listed companies in gaining awareness 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 elevating 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 CGE items. A company's CGE scores and ranking will be affected if the company fails to disclose the previously mentioned 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 CGE Indicators 2.2 and 2.24. The CGE also includes some items as advanced bonus questions to encourage disclosure of related information. For instance, CGE Indicator 3.13 on the voluntary disclosure of the individual remuneration paid to directors and supervisors was 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. Hence, companies must pay serious attention to the completeness of information disclosure in annual reports if they want to perform well in the CGE.

Additionally, all the CGE indicators 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 feedback. 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 adhere to international standards, so that companies implement corporate governance and bolster sustainable development. Therefore, the continued promotion of the CGE 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.

d. Assistance for TWSE/TPEX listed companies to align with IFRS Sustainability Disclosure Standards

As stakeholder expectations grow, sustainability reporting is moving from voluntary to mandatory. In line with FSC plans to amend annual report preparation rules, the TWSE and TPEX will identify potential practical issues, understand company needs/feedback, provide examples, guidance, and FAQs, as well as conduct training to facilitate alignment with mandatory IFRS sustainability disclosures in annual reports.

III. Review of Financial Statements for 2022

A. Review Objective

B. Key Review Items

C. Results and Recommendations



A. Review Objective



The TWSE and TPEX reviewed the financial statements of TWSE/TPEX listed companies for 2022 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 18.

◆ Figure 18: Description of Financial and Non-financial Indicators

Financial Indicators	Non-financial Indicators
<ul style="list-style-type: none">• High ratio of cash equivalents to capital• Reduced or negative cash flow ratio• High ratio of accounts receivable and inventories to equity• High profit or loss of associated enterprises accounted for using the equity method• High proportion of related party transactions• High amount of loans or endorsements/guarantees for others•	<ul style="list-style-type: none">• Resignation of Key Executives or Directors• Significant Changes in Directors' and Supervisors' Shareholdings• Unreasonable Director and Supervisor Remuneration• Higher pledge of shares by directors and CEO• Significant Changes in Management Control or Substantial Alterations in Business Scope• Overdue for Routine Management, Exceptional Management, and Financial Statement Audits• Announcement on the disposal of securities•

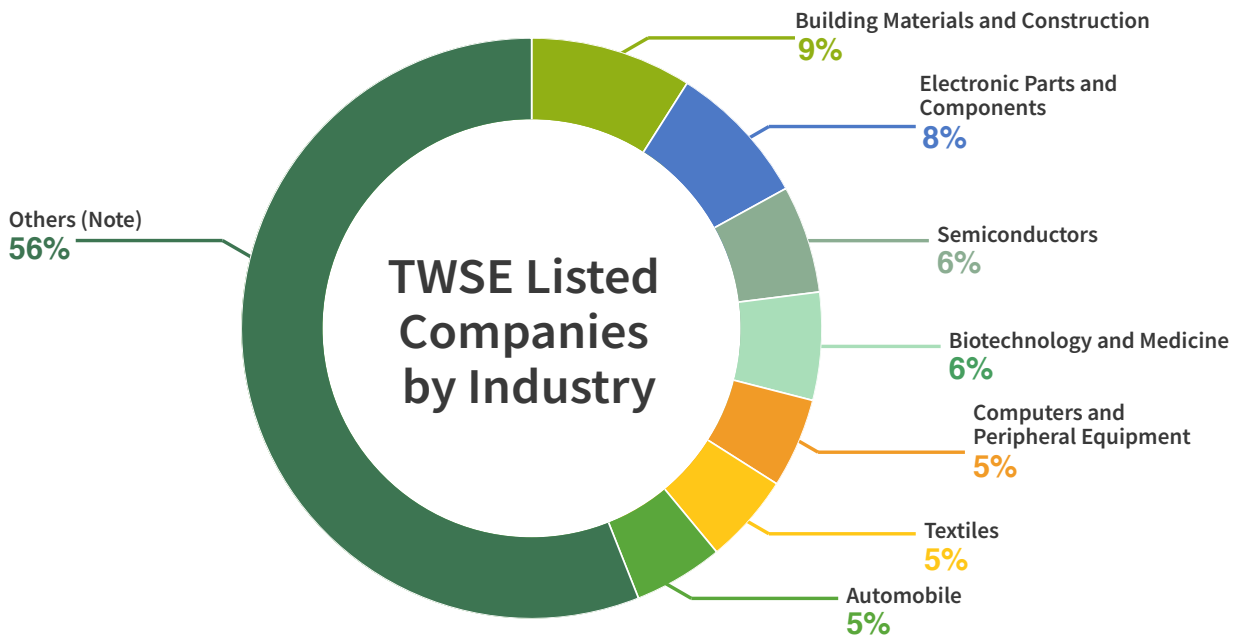
A total of 202 TWSE/TPEX listed companies were screened in the 2022 review (114 TWSE and 88 TPEX). As attributes vary among them, Figure 19 presents the distribution of the companies screened by industry.

A total of 114 TWSE listed companies, or 12% of the 944¹ TWSE listed companies (excluding those in the financial industry), were reviewed, including 87 domestic TWSE listed companies and 27 TWSE primary listed companies covering 25 industries broken down by the number of companies and percentage. These include building materials and construction 10 (9%), electronic parts and components 9 (8%), semiconductors along with biotechnology and medicine 7 (6%) each, computers and peripheral equipment, textiles, and automobiles 6 (5%) each. As for TPEX, a total of 88 or 11% of the 802² TPEX listed companies (excluding those in the financial industry), were reviewed, including 77 domestic TPEX listed companies and 11 TPEX primary listed companies, covering 22 industries. These are semiconductors, electronic parts and components, along with biotechnology and medicine 8 (9%) each, communications and internet 7 (8%), as well as building materials and construction 6 (7%).

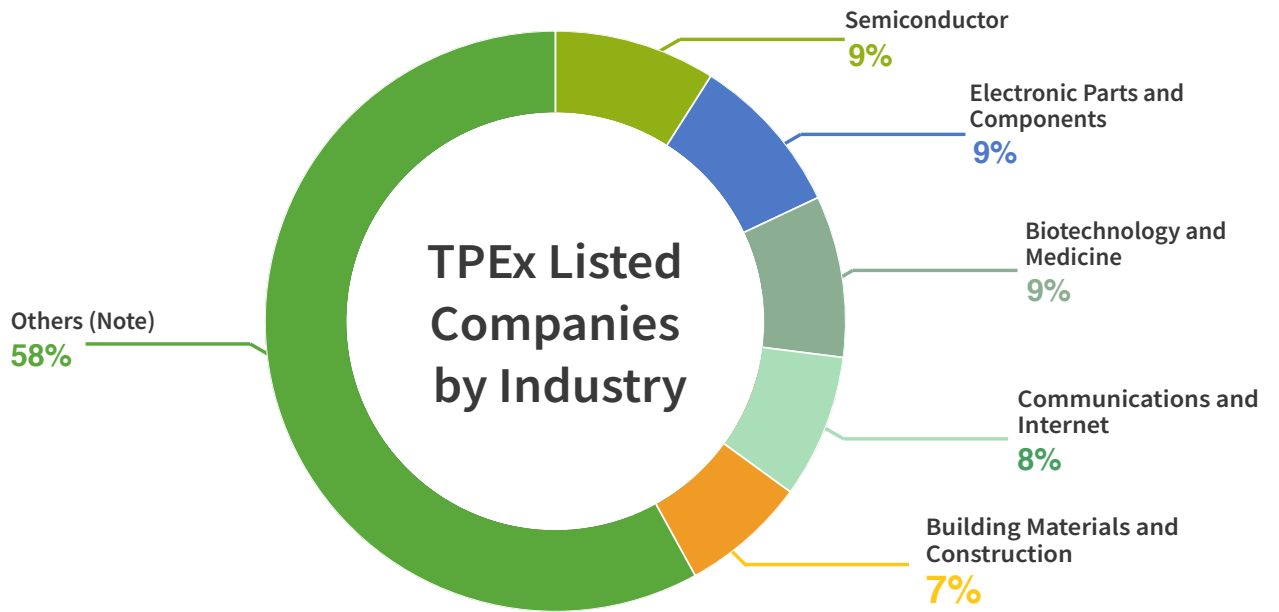
Note 1: The total number of TWSE listed companies (excluding those in the financial industry) as of March 31, 2023.

Note 2: The total number of TPEX listed companies (excluding those in the financial industry) as of March 31, 2023.

◆ Figure 19: Distribution of the TWSE/TPEX Listed Companies Screened by Industry in 2022:



Note: Others include 18 industries, namely electric machinery, iron and steel, optoelectronics, plastics, other electronics, food, tourism, consumer goods and trading, chemicals, information services, oil, gas, and electricity, sports and leisure, communication and internet, home life, shipping and transportation, glass, green energy, as well as others.



Note: Others include 17 industries, namely optoelectronics, cultural and creative, electric machinery, other electronics, home life, tourism, electronic products distribution, information services, green energy, computers and peripheral equipment, digital cloud, plastics, textiles, chemicals, iron and steel, food, as well as others.

B. 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 the 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 2022 based on five items, namely accounts receivable and revenue, 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 were 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 its 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 review findings of financial statements for 2022 are detailed as follows:

- a. Some companies failed to execute their sales and collection operations in compliance with internal controls for sales and collections.
- b. Since it was 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 was also not appropriate to regard these companies as principals that recognized revenue on a gross basis, but rather as principals that recognized revenue on a net basis according to IFRS 15.
- c. Some companies entered into non-recourse factoring agreements with banks regarding accounts receivable, but there were inaccuracies in the disclosed amounts in the financial statements.

2. 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:

- a. Examined the content of the transactions and their reasonableness and necessity, and whether there was any significant anomaly between these transactions and general transactions in terms of price and conditions.

- b. Examined whether the transactions (including the evaluation and decision-making processes) were carried out in compliance with the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” and the internal control system were also disclosed according to the relevant regulations.
- c. Confirmed whether the accounting methods adopted, and the presentation and disclosure of financial statements complied with IAS 24 Related Party Disclosures and Article 18 of the “Regulations Governing the Preparation of Financial Statements by Securities Issuers.”
- d. Examined the recoverability of considerable receivables from and advance payments to related parties, and whether such receivables and advance payments were disguised financing in nature if they had not been recovered after the average collection period.

The review findings of financial statements for 2022 are detailed as follows:

- Some companies failed to establish internal control systems that properly distributed decision-making authority based on functions for transactions with related parties; alternatively, several failed to execute transactions in accordance with their internal control regulations, such as those related to the procurement and payment cycle, as well as the sales and collection cycle.

3. 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 were related parties, whether the counterparties to their collection and payment transactions were actual counterparties to the corresponding transactions, and the reasonableness of related transaction prices; whether the transaction process of these companies complied with their internal control procedures (e.g., whether the transactions were approved by the board of directors, whether expert opinions on price reasonableness were obtained according to the relevant regulations, whether information were disclosed according to the relevant regulations); and whether these companies properly disclosed material asset transactions in their financial statements.

The review findings of financial statements for 2022 are detailed as follows:

- a. 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.
- b. Some companies acquired real estate from related parties without prior audit committee and board approval.
- c. Some companies had incomplete internal compliance and material information disclosure for equity transfers.

4. Board Operations

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

The review findings of financial statements for 2022 are detailed as follows:

- a. 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.
- b. At some of these companies, board meetings were not convened in compliance with the “Regulations Governing Procedures for the 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, specify the purpose of the meeting, provide a

detailed record of director attendance and meeting times, invite the Chief Auditor to sit in on the board meeting and provide a report, and implement recusal of board members when deliberating on proposals in which specific board members had an interest.

- c. 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.”

5. Loans and Endorsements/Guarantees for Others

Regarding loans and endorsements/guarantees for others, the TWSE and TPEX reviewed whether the TWSE/TPEX listed companies screened disclosed information on the entities to which they provided loans or endorsements/guarantees as well as the amount and duration of the loans or endorsements/guarantees provided. This also included the 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 such information being made 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 review findings of financial statements for 2022 are detailed as follows:

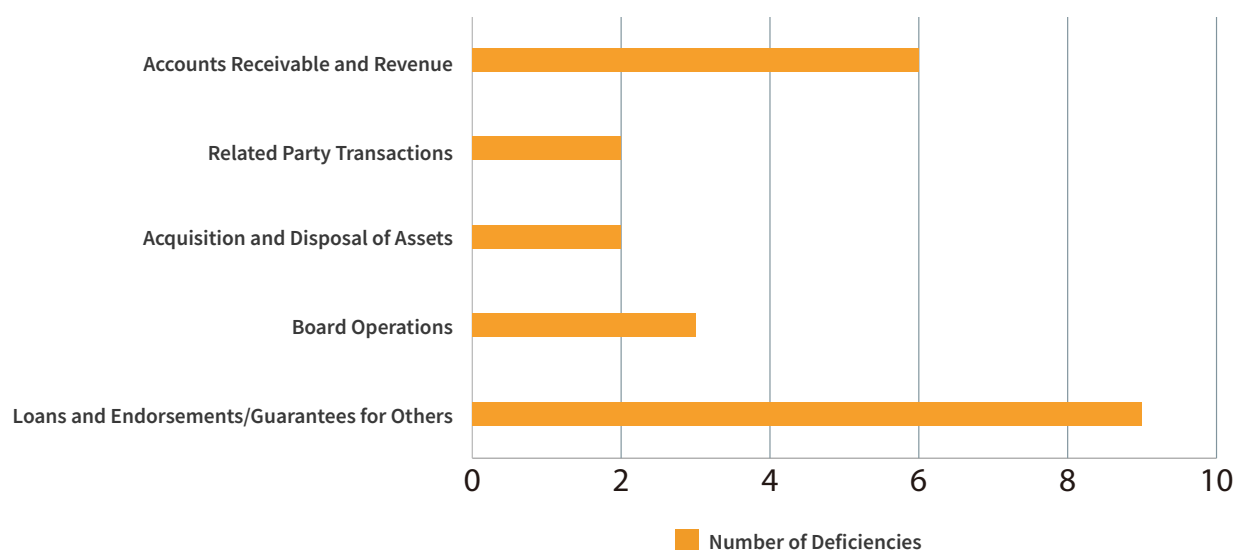
- a. While most of the TWSE/TPEX listed companies screened provided loans or endorsements/guarantees to others, these companies also disclosed related information in the supplemental tables attached to their financial statements. Yet, a few of these companies omitted such information in their financial statements.
- b. Non-compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” (e.g., determining terms for fund loans that can be extended beyond the specified period).
- c. Some of these companies did not provide loans and endorsements/guarantees to others in compliance with the previously mentioned 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 inaccuracies in the disclosure of reporting endorsements/ guarantees, loans that failed to be approved by the board of directors in advance, and significant receivables outstanding for more than three months beyond the normal credit period without recovery, requiring the board of directors to decide whether they fall under the nature of fund loans).



1. Review Results Summary

Among the 114 TWSE listed companies and 88 TPEX listed companies screened, the TWSE and TPEX found deficiencies or recommendations for improvement in 19 (17%) of the TWSE listed companies screened and 6 (7%) for those in TPEX. Out of the TWSE/TPEX listed companies screened, 6 demonstrated deficiencies in accounts receivable and revenue, 2 in related party transactions, 2 in the acquisition and disposal of assets, 3 in board operations, and 9 in loans and endorsements/guarantees for others (see Figure 20).

◆ Figure 20: Types of Deficiencies



In the review of financial statements for 2022, the TWSE and TPEX found deficiencies or recommendations for improvement

in 25 TWSE/TPEX listed companies and took 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. Two companies already requested the regulatory authority to contact them for financial statement reclassification or correction.

Common deficiencies or recommendations from the 2022 financial statement review:

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. Financial statement that contained erroneous disclosures regarding accounts receivable.
Related Party Transactions	Lack of comprehensive internal controls or non-compliance with internal controls over related party transactions.
Acquisition and Disposal of Assets	<ol style="list-style-type: none"> 1. Lack of prior audit committee and board approval before signing agreements. 2. Incomplete internal compliance and material information disclosure for equity transfers.
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 review findings, more deficiencies in accounts receivable and revenue, board operations as well as loans and endorsements/guarantees were observed among TWSE/TPEX listed companies. These findings suggest that these 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 advancing compliance with laws and regulations through an organized series of seminars. Furthermore, the TWSE and TPEX 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 the financial statements they prepared through guidance for optimization.

Aside from compiling common deficiencies found in the review of financial statements on a regular basis, the TWSE and TPEX also makes them available on their official websites and notifies TWSE/TPEX listed companies in writing of these deficiencies. At the same time, the TWSE and TPEX organized seminars on IFRSs 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 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 auditors' review capabilities and sensitivity in auditing, certified public accountants from accounting firms were 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. Throughout the review, the focus was on preparing financial statements according to the relevant laws and regulations by 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.

IV. Review of Sustainability Reports for 2022

A. Review Objective

B. Key Review Items

C. Results and Recommendations



A. Review Objective

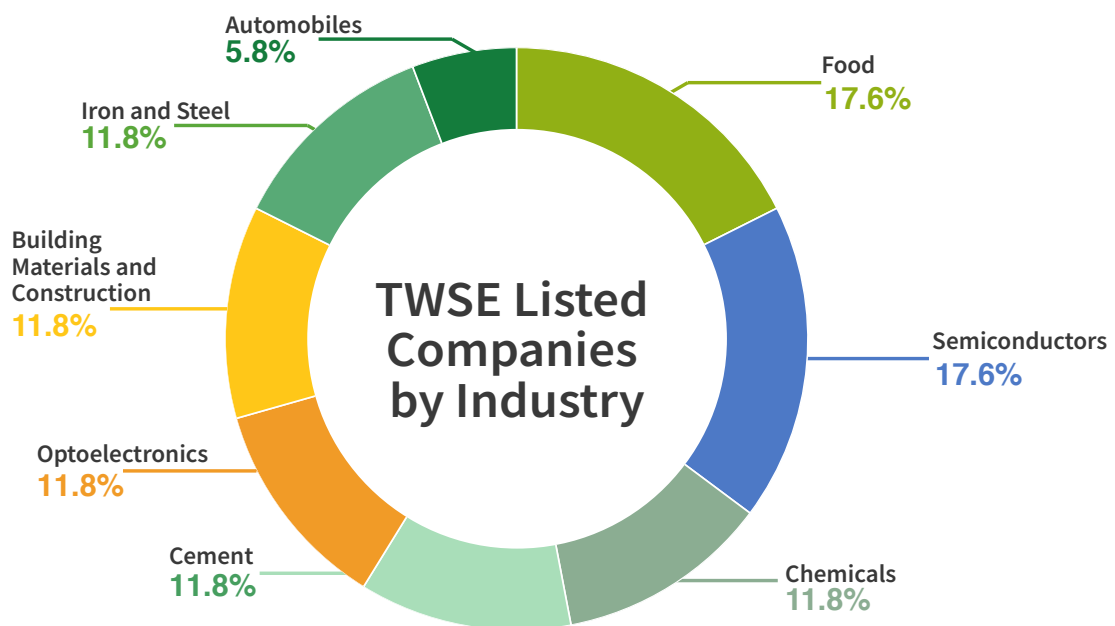


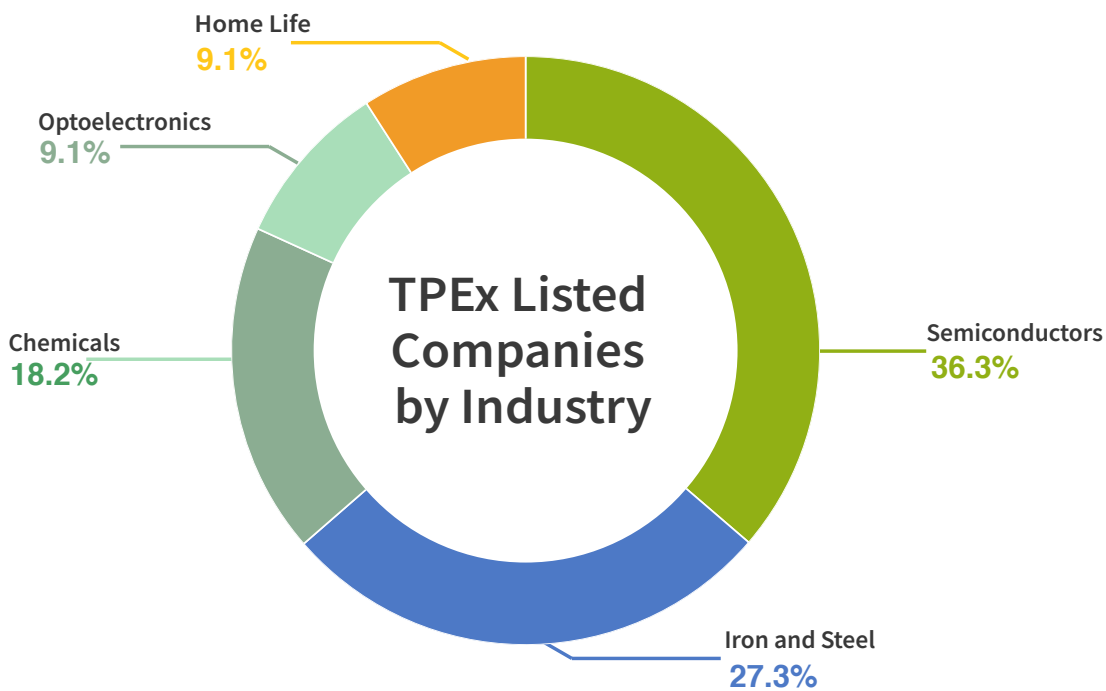
To optimize the completeness, comparability, and consistency of sustainability information disclosures, the TWSE and TPEX reviewed whether the 2022 sustainability reports of TWSE/TPEX listed companies complied with the relevant “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE/TPEX Listed Companies” (the Operating Procedures) and provided disclosure recommendations.

The 2022 annual sustainability report review was conducted by randomly selecting companies for examination, with the sampling size set at 5% of the total number of reviewed companies in the annual reports. In the first stage, industries requiring sustainability indicators and obtaining auditors' opinions (such as those with food and beverage revenue accounting for over 50% of total revenue, chemical industry, and financial insurance industry) were prioritized. Industries subject to the first stage GHG investigation included the iron and steel industry, cement industry, and those with a paid-in capital of over NT\$10 billion – semiconductors and optoelectronic industries were also prioritized. Additionally, specific attention was given to cases of external interest. In total, there were 28 TWSE/TPEX listed companies reviewed, comprising 17 from the TWSE and 11 from the TPEX. The distribution was screened by industry, capital, and market capitalization are illustrated in the following figures (Figure 21 to Figure 23).

The seventeen reviewed TWSE listed companies represented around 4% of TWSE listed companies required to prepare sustainability reports, covering eight industries broken down by number of companies and percentage. These include food and semiconductors 3 (17.6%), chemicals, cement, optoelectronics, construction materials, along with iron and steel 2 (11.8%), and automobiles 1 (5.8%). The 11 reviewed TPEX listed companies represented around 11% of TPEX listed companies required to prepare reports, covering 5 industries. These are semiconductors 4 (36.3%), iron and steel 3 (27.3%), chemicals 2 (18.2%), optoelectronics and home life 1 company (9.1%), respectively.

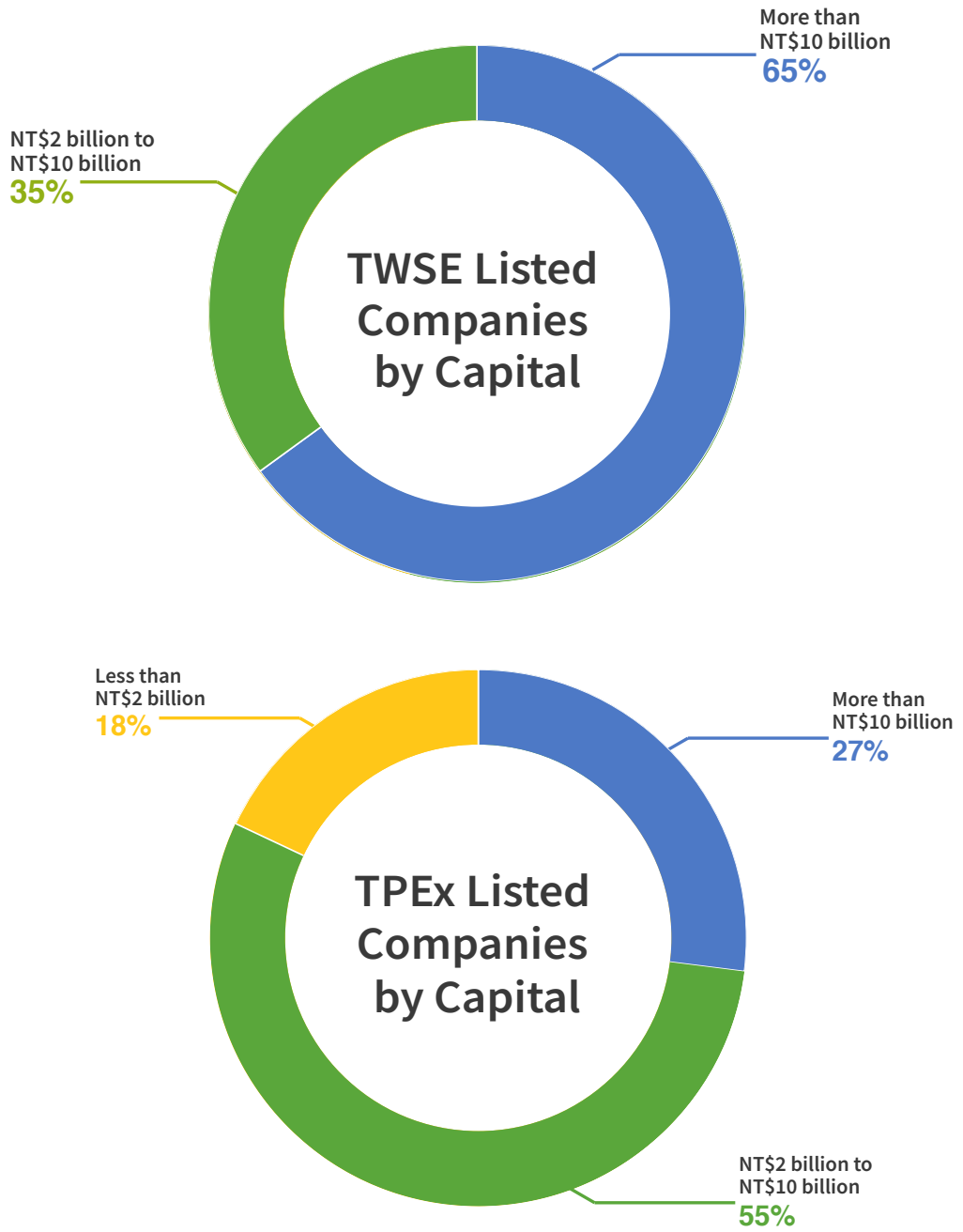
◆ Figure 21: Distribution of Sustainability Reports Screened by Industry





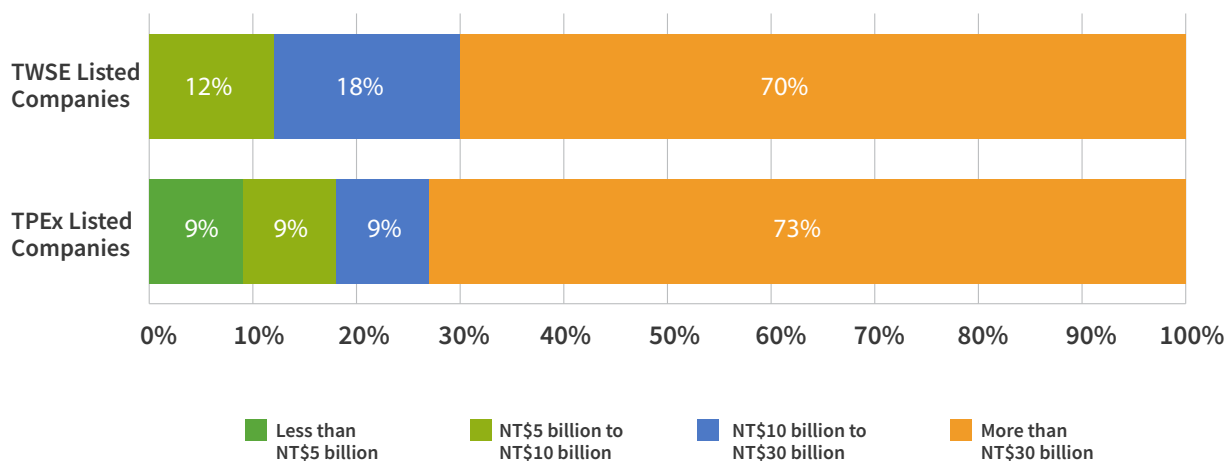
According to the capital analysis of the listed companies screened for sustainability report review, there were 11 TWSE listed companies (65%) with a capital of more than NT\$10 billion, 6 (35%) with a capital of NT\$2 billion to NT\$10 billion as of June 2023; meanwhile, there were 3 TPEX listed companies (27%) with a capital of more than NT\$10 billion, 6 (55%) with a capital of NT\$2 billion to NT\$10 billion, and 2 (18%) with a capital of less than NT\$2 billion as of June 2023.

◆ Figure 22: TWSE/TPEX Listed Companies Screened for Sustainability Report Review by Capital



According to the market capitalization analysis of the listed companies screened for sustainability report review, there were 12 TWSE listed companies (70%) with a market capitalization of more than NT\$30 billion, 3 (18%) with a market capitalization of NT\$10 billion to NT\$30 billion, and 2 (12%) with a market capitalization of NT\$5 billion to NT\$10 billion as of June 2023; meanwhile, there were 8 TPEX listed companies (73%) with a market capitalization of more than NT\$30 billion, 1 (9%) with a market capitalization of NT\$10 billion to NT\$30 billion, 1 (9%) with a market capitalization of NT\$5 billion to NT\$10 billion, and 1 (9%) with a market capitalization below NT\$5 billion as of June 2023.

◆ Figure 23: TWSE/TPEX Listed Companies Screened for Sustainability Report Review by Market Capitalization



B. Key Review Items



During the review of sustainability reports for the year 2022 conducted by the TWSE and TPEX, the key focus areas included adherence to the Global Reporting Initiative (GRI) standards, identification of significant themes, disclosure of information related to climate and GHG, and industry-specific sustainability indicators for the food, chemical, cement, iron and steel, semiconductor, and optoelectronics industries. These were the four major themes emphasized during the review process.

1. GRI Standards Compliance

On compliance with GRI standards, the key focus area included whether the company disclosed the index table of GRI standards and the corresponding contents of the sustainability report, stated that the report was prepared with reference to GRI standards, disclosed all the subsidiaries included in the sustainability report and the differences between the list of subsidiaries and the list of subsidiaries included in the consolidated financial statements, stated whether third-party confirmations were obtained, whether the links to the reports or statements of the external confirmations were disclosed, whether external confirmations were obtained, and whether the information was disclosed.

The review findings of sustainability reports for 2022 are detailed as follows:

- a. Some companies failed to adhere to the provisions of Article 3, Section 1 of the Operating Procedures, which require the explicit mention in the sustainability report that was

- prepared with reference to the GRI standards (2021 edition).
- b. Some companies failed to adhere to the provisions of Article 3, Section 3 of the Operating Procedures, which require the use of the latest version (2021 edition) of the GRI standards Content Index format. Additionally, the provisions mandate the inclusion in the report specifying whether each disclosure item obtained third-party assurance or certification.
 - c. Some companies failed to list the entirety of disclosed content of significant themes in the sustainability report in the GRI standards Content Index. Additionally, for some companies, there were instances where significant themes listed in the GRI standards Content Index were not disclosed in the sustainability report.
 - d. Some companies failed to disclose the significant themes identified, as required by Article 3 of the Operating Procedures and the provisions of the GRI standards:
 - (1) Information on hazard identification, risk assessment, and incident investigation were not disclosed in accordance with the provisions of GRI 403 “Occupational Health and Safety.”
 - (2) Operational activities subject to local community consultations, impact assessments, and development plans, as required by GRI 413 “Local Communities,” were not disclosed. The same applies to operational activities with significant actual or potential negative impact on the local community as they were also not disclosed.
 - (3) The percentage of new suppliers screened using social standards and negative social impacts in the supply chain, along with the actions taken, were not disclosed as required by GRI 414 “Supplier Social Assessment.”

- e. Some companies failed to adhere to the provisions of GRI 2–2 “Entities Included in the Organization's Consolidated Financial Statements,” failing to specify whether the sustainability report included all subsidiaries and neglected to disclose any differences in the list between the sustainability report and the subsidiaries included in the consolidated financial statements.
- f. Some companies failed to adhere to the provisions of GRI 2–5 “External Assurance/Verification,” failing to provide links or references to external assurance reports or statements.
- g. Some companies failed to adhere to the provisions of GRI 2–27 “Compliance with Laws and Regulations,” failing to disclose instances, including violations or non-compliance with applicable laws and regulations concerning the organization.

2. Materiality Assessment

On the identification of significant themes, the main focus of the review was to verify whether the sustainability report disclosed information about consultations with stakeholders, outlined the process for determining significant themes, disclosed the identified economic, environmental, and social significant themes, and revealed the scope of impacts of these significant themes.

The review findings of sustainability reports for 2022 are detailed as follows:

- Although some companies identified significant sustainability themes, they failed to adhere to the content of GRI 3–3

“Management Approach to Significant Topics.” The impact scope of each significant theme, including actual and potential, both negative and positive impacts on the economy, environment, and society were not disclosed.

3. Climate and Greenhouse Gas (GHG) Disclosures

On climate and GHG related information, the intention of the review was to confirm whether the following items were disclosed:

- a. Board and management oversight of climate-related risks and opportunities.
- b. Impacts of identified climate-related risks and opportunities on business strategy- short medium- and long-term finances.
- c. Financial impacts of extreme weather events and transition actions.
- d. Integration of climate risk identification, assessment, management into overall risk management structure.
- e. Details used in scenario analysis: assessments, scenarios, parameters, assumptions, analytical choices, key financial impacts.
- f. Transition plan details and metrics/targets for identifying and managing physical and transition risks, if any.
- g. Pricing basis if internal carbon pricing tools were used.
- h. Details if climate-related targets were set – activities covered, GHG scopes, time limits, annual progress; credits/renewable energy certificates (RECs) used to meet targets.
- i. GHG inventory and assurance status (Scope 1 and Scope 2, as per the Sustainability Roadmap timeline).

During the 2022 sustainability report review, the following cases of non-disclosure in accordance with Article 4, Section 1, Appendix 1-1 of the Code of Conduct were disclosed:

- a. Some companies failed to describe board and management oversight of climate-related risks and opportunities as required.
- b. Some companies failed to describe climate impacts on business strategy as well as short, medium, and long-term finances.
- c. Some companies failed to describe the financial impacts of extreme weather events and transition actions.
- d. Some companies failed to describe integration of climate risks into overall risk management structure.
- e. Although some companies disclosed scenario analysis, they failed to provide details on scenarios, parameters, assumptions, analytical choices, key financial impacts.
- f. Although some companies disclosed using internal carbon pricing, they failed to disclose the pricing basis.
- g. Although some companies disclosed Scope 1 and 2 emissions, they failed to describe the GHG inventory methodology as required in Appendix 2-1-1.
- h. Some companies disclosed consolidated GHG data, rather than disclosing separate parent company and subsidiary data methodology as required in Appendix 2-1-1.
- i. Some companies failed to use the required units for GHG emissions and intensity as required in Appendix 2-1-1 (e.g., the unit for total emissions is disclosed in million tons instead of metric tons, and the unit for intensity is disclosed in metric tons/NT\$ thousand instead of metric tons/NT\$ million or million tons/m²).

4. Industry Sustainability KPIs

a. Industry-specific Sustainability Indicators – Companies with revenue from the food industry and catering accounting for more than 50% of total revenue.

On industry-specific sustainability indicators for the food industry, the main focus of the review was to verify whether an opinion letter was obtained from an accountant in accordance with the standards issued by the Foundation of Accounting Research and Development, R.O.C. Additionally, it aimed to confirm whether the disclosure of industry-specific sustainability indicators complied with the provisions of Article 4, Section 1, Appendix 1-1 of the Operating Procedures.

The review findings of sustainability reports for 2022 are detailed as follows:

- (1) Some companies failed to adhere to the provisions of Article 4, Section 1, Appendix 1-1 of the Operating Procedures, which require the disclosure of the situation and test results regarding the establishment of food safety laboratories as required by regulations or voluntarily.
- (2) Some companies failed to adhere to the provisions of Article 4, Section 1, Appendix 1-1 of the Operating Procedures, which require the disclosure of the percentage of overall procurement that involves products meeting internationally recognized product responsibility standards.

b. Industry Sustainability KPIs – Chemicals

On industry-specific sustainability indicators for the chemical industry, the key focus of the review was to verify whether an opinion letter was obtained from an accountant in accordance with the standards issued by the Foundation of Accounting Research and Development, R.O.C. Additionally, it aimed to confirm whether the disclosure of industry-specific sustainability indicators complied with the provisions of Article 4, Section 1, Appendix 1–2 of the Operating Procedures.

The review findings of sustainability reports for 2022 are detailed as follows:

- Some companies incorrectly reported their total energy in the unit of GL. The correct unit should be GJ (gigajoules).

c. Industry Sustainability KPIs – Cement

On industry-specific sustainability indicators for the cement industry, the key focus of the review was to verify whether the disclosure of industry-specific sustainability indicators complied with the provisions of Article 4, Section 3, Appendix 1–4 of the Operating Procedures.

No abnormalities were found in the current sampled review of the cement industry.

d. Industry Sustainability KPIs – Iron and Steel

On industry-specific sustainability indicators for the iron and steel industry, the key focus of the review was to verify whether the disclosure of industry-specific sustainability indicators complied with the provisions of Article 4, Section 3,

Appendix 1–6 of the Operating Procedures.

The review findings of sustainability reports for 2022 are detailed as follows:

- Some companies failed to disclose metrics including purchased electricity percentage, renewable energy usage rates, self-generated energy totals, percentage of coal, natural gas, renewable fuels as required in Article 4, Section 3, Appendix 1–6 of the Operating Procedures.

e. Industry Sustainability KPIs – Semiconductor and Optoelectronics

On industry-specific sustainability indicators for the semiconductor industry and the optoelectronics industry, the key focus of the review was to verify whether the disclosure of industry-specific sustainability indicators complied with the provisions of Article 4, Section 3, Appendix 1–8, and Appendix 1–10 of the Operating Procedures.

No abnormalities were identified in the current sampled review of the semiconductor and optoelectronics industries.

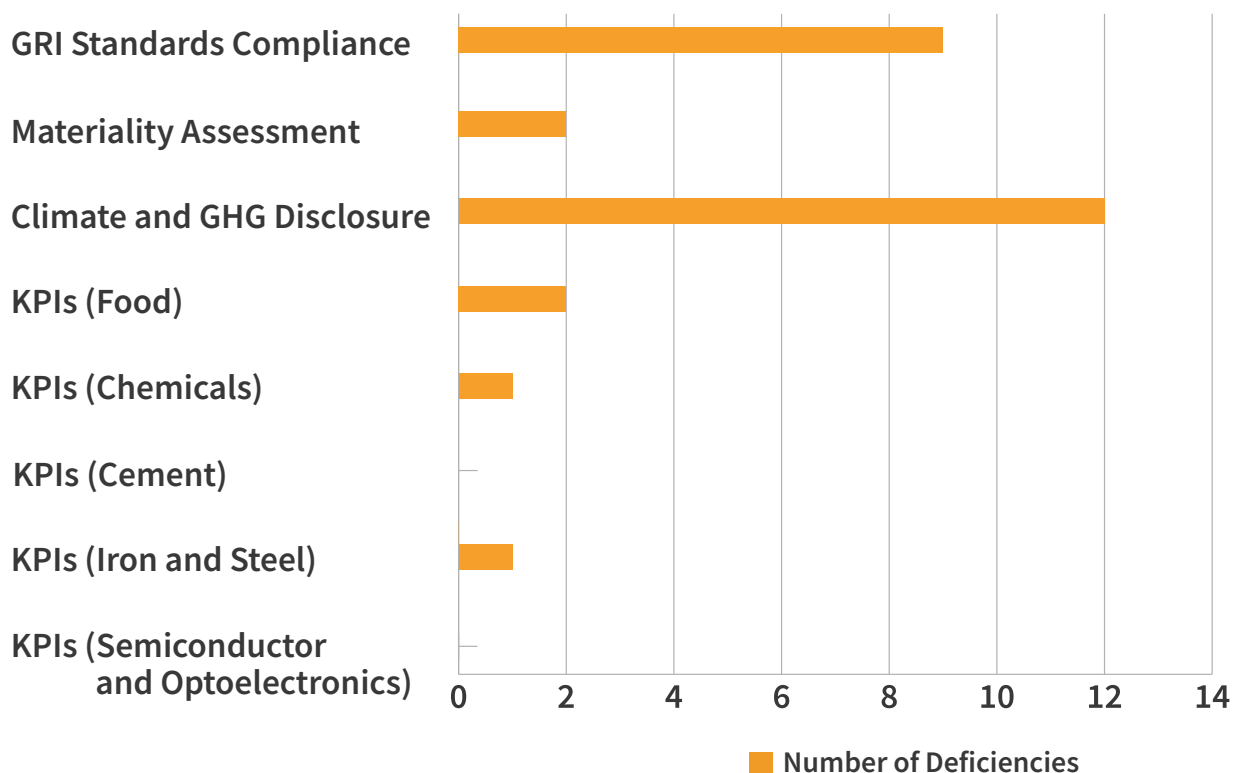




1. Review Results Summary

Among the 17 TWSE and 11 TPEX listed companies screened, the TWSE and TPEX found deficiencies or recommendations for improvement in 11 TWSE and 8 TPEX listed companies. Nine companies demonstrated deficiencies in GRI standard adherence, 2 in significant theme identification, 12 in climate and GHG-related information disclosure, 2 in industry-specific sustainability indicator disclosure in the food industry, 1 in industry-specific sustainability indicator disclosure in the chemical industry, and 1 in industry-specific sustainability indicator disclosure in the steel industry (see Figure 24).

◆ Figure 24: Deficiencies by Type



Common deficiencies or recommendations from the 2022 sustainability report review:

Review item	Deficiencies/Recommendations
<p>GRI Standards Compliance</p>	<ol style="list-style-type: none"> 1. Failure to disclose that the sustainability report was prepared in accordance with the GRI standards (2021 version). 2. Failure to use the latest version (2021 edition) of the GRI standards Content Index format, and it was not indicated in the report whether each disclosure item obtained third-party assurance or certification. 3. Failure to completely list the content of significant themes disclosed in the sustainability report in the GRI standards Content Index. Additionally, there were instances where significant themes listed in the GRI standards Content Index were not disclosed in the sustainability report. 4. Some of the significant themes identified by the Company were not disclosed in accordance with Article 3 of the Code of Conduct and the GRI Standards: <ol style="list-style-type: none"> a. Information on hazard identification, risk assessment, and incident investigation was not disclosed in accordance with the provisions of GRI 403 “Occupational Health and Safety.” b. Operational activities subject to local community consultations, impact assessments, and development plans, as required by GRI 413 “Local Communities,” were not disclosed. Additionally, operational activities with significant actual or potential negative impacts on the local community were not disclosed. c. The percentage of new suppliers screened using social standards and negative social impact in the supply chain, along with the actions taken, were not disclosed as required by GRI 414 “Supplier Social Assessment.” 5. The sustainability report did not specify whether it included all subsidiaries, and it did not outline the differences in the list of subsidiaries between the sustainability report and those included in the consolidated financial statements. 6. No link or reference material was provided for external assurance reports or statements. 7. The disclosure failed to adhere to the provisions of GRI 2–27 “Compliance with Laws and Regulations,” which requires the disclosure of instances, including violations or non-compliance with applicable laws and regulations concerning the organization.
<p>Materiality Assessment</p>	<p>The disclosure did not comply with the content of GRI 3–3 “Management Approach to Significant Topics,” which requires the disclosure of the impact scope of each significant theme, including the actual and potential, both negative and positive impacts on the economy, environment, and society.</p>

Common deficiencies or recommendations from the 2022 sustainability report review:

Review item	Deficiencies/Recommendations
Climate and GHG Disclosures	<ol style="list-style-type: none"> 1. Failure to disclose information regarding the supervision and governance by the board of directors and management concerning climate-related risks and opportunities. 2. There is no explanation of how the identified climate risks and opportunities impacted the business, strategy, and finances of the company in the short, medium, and long term. 3. Failure to disclose the fiscal impact of extreme weather events and transition actions. 4. Failure to disclose the process of identifying, assessing, and managing climate risks is integrated into the overall risk management system. 5. The scenario analysis assessment did not provide details on the scenarios used, parameters, assumptions, analysis factors, and the main financial impacts. 6. Failure to disclose the use of internal carbon pricing as a planning tool with reference to the pricing basis. 7. Failed to disclose the standard used for GHG inventory. 8. There was no separate disclosure of GHG inventory information for the parent company and its subsidiaries. 9. Fail to disclose relevant data in accordance with the unit specified in Appendix 2-1-1 of the Operating Procedures.
Disclosure of Industry Sustainability KPIs – Food	<ol style="list-style-type: none"> 1. Failure to disclose the situation and test results of setting up a food safety laboratory, voluntarily, or as required by regulations. 2. Failure to disclose the percentage of overall procurement that involved products meeting internationally recognized product responsibility standards.
Disclosure of Industry Sustainability KPIs – Chemicals	Incorrectly reported the unit of total energy, or there is an error in the reported unit for total energy.
Disclosure of Industry Sustainability KPIs – Iron and Steel	The sustainability indicators, such as the percentage of externally purchased electricity, the utilization rate of renewable energy, the total amount of self-generated and self-used energy, the percentage of coal, the percentage of natural gas, and the percentage of renewable fuels, were not disclosed as required.

2. Improvements to Be Made

The review found that deficiencies were mostly related to GRI standard adherence and disclosure of climate and GHG related information among TWSE/TPEX listed companies. The TWSE and TPEX notified the reviewed companies individually of the deficiencies and requested corrections. They announced the deficiencies and recommendations for improvement on the Corporate Governance Center of the TWSE (<https://cgc.twse.com.tw/responsibilityRef/listCh>) and on the TPEX official website/the Domestic Service Portal/Issuer ESG/Sustainability Report section (https://dsp.tpex.org.tw/web/csr/info_list.php) for public reference. Furthermore, during various business promotion events, the TWSE and TPEX enhanced their education and guidance for listed companies on the disclosure of sustainability reports, aiming to reduce the occurrence of similar oversights.

In line with the “Sustainability Action Plan for TWSE/TPEX Listed Companies” announced in March 2023, companies with paid-in capital under NT\$2 billion are required to prepare sustainability reports beginning from 2025. To reduce compliance burdens on small-and-medium-sized enterprises, as well as enhance comparability, the TWSE and TPEX developed an ESG database and sustainability report digital platform with report preparation features. Furthermore, the regulatory authority will revise the “Regulations Governing Establishment of Internal Control

Systems” and the “Criteria for Establishing Internal Control System Effectiveness.” The TWSE and TPEX will collaborate to amend the examples of “Criteria for Judging the Effectiveness of Internal Control Systems” and promote the establishment of internal control systems for sustainable information management by TWSE/TPEX listed companies. Moving forward, sustainability report reviews will continue to be carried out to enhance the quality of sustainability information disclosure among TWSE/TPEX listed companies.

Moreover, the FSC amended the internal control guidelines and the "Assessment of Internal Control Systems Effectiveness." In coordination, the TWSE and TPEX also revised the "Assessment of Internal Control Systems Effectiveness," thus promoting the establishment of internal control systems for sustainable information management by listed companies.

V. 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, the FSC also made the key review items and common types of deficiencies found in financial statements for 2022 available to TWSE/TPEX listed companies in order to generate more comprehensive financial statement disclosures. Furthermore, in response to the growing external emphasis on sustainable information disclosure, sustainability report reviews were conducted on a random basis. Recommendations for disclosure are proposed for the reference of TWSE/TPEX listed companies. 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.

