

## Corporate Governance Implementation

Assessment Item	Implementation Status
1. Does Company follow “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” to establish and disclose its corporate governance principles?	The Regulations have been established upon approval of the board of directors on August 6, 2015. Please see the Relationship with Investor on the Company’s official website or M.O.P.S.
<p>2. Shareholding Structure &amp; Shareholders’ Rights</p> <p>(1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?</p> <p>(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?</p> <p>(3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?</p> <p>(4) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?</p>	<p>The related operations would be handled by the Spokesperson pursuant to the relevant laws and important regulations.</p> <p>The professional shareholder service agent would be responsible for handling it, and controlling the information about shares held by insiders according to the information about changes of insiders’ equity on a monthly basis.</p> <p>The responsibilities between the Company and its affiliates was defined clearly and definitely. The investment projects was handled in accordance with the regulations governing long-term and short-term investment and the internal control system and related laws and regulations to control the financial and operating information from time to time. Meanwhile, the motion for lifting the non-competition restrictions on directors and managers was submitted to the shareholders’ meeting and directors’ meeting for resolution.</p> <p>The Company established the operating procedure for prevention of insider trading. The subjects referred to therein include but are not limited to insiders, including their related parties, persons who forfeit the identity of insider for less than 6 months, and persons who access the information from said persons.</p>

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<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?</p> <p>(2) Other than the Remuneration Committee and the Audit Committee that are required by law, does the Company plan to set up other Board committees?</p> <p>(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?</p>	<p>See Page 18 of the annual report.</p> <p>The various functional committees' responsibilities were defined clearly and definitely, and the committees executed related motions pursuant to laws. The Company will establish other functional committees pursuant to laws, or if necessary.</p> <p>The Company has not yet established the regulations governing evaluation on performance of the board of directors. Notwithstanding, the Company had the corporate governance unit honestly evaluate and record the overall operations of the board of directors. Meanwhile, the evaluation on performance of the board of directors covered the following six major aspects for reference of composition of the board of directors:</p> <ol style="list-style-type: none"> <li>1. The directors' grasp of the Company's goals and missions.</li> <li>2. The directors' recognition of director's duties.</li> <li>3. The directors' degree of participation in the Company's operations.</li> <li>4. The directors' management of internal relationships and communication.</li> <li>5. The directors' professionalism and continuing professional education.</li> <li>6. Internal control</li> </ol> <p>Meanwhile, with respect to the Company's related annual policies, Remuneration Committee would periodically review the policies, systems, standards, and structures for performance evaluation and remuneration for directors and managerial officers. The employee performance evaluation system should be combined with corporate social responsibility policies. The remuneration to directors, presidents and insiders would be reviewed by the Committee periodically each year and submitted to the board of directors for discussion and resolution.</p>

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(4) Does the Company regularly evaluate its external auditors' independence?	<p>The motion for evaluation on the independence, eligibility, and contents of service and remuneration 2017 about appointment of Ya-Huei Cheng and Chih-Cheng Hsieh, CPAs conducted by the Company once a year was approved upon resolution of the Audit Committee and board of directors on August 8, 2017.</p> <p>The evaluation procedure for independence and eligibility is summarized as following:</p> <ol style="list-style-type: none"> <li>1. The CPA has no direct or indirect financial interest relationship with the Company.</li> <li>2. The CPA has no financing or guarantee relationship with the Company or the Company's directors.</li> <li>3. The CPA has no close business relationship and potential employment relationship with the Company.</li> <li>4. The CPA and its audit team members do not hold, or didn't hold in the most recent two years, the position as director or managerial officer of the Company or any position that has significant influence on the audit.</li> <li>5. The CPA doesn't provide any non-auditing services that might affect the audit directly.</li> <li>6. The CPA doesn't act as a broker of the stock or other securities issued by the Company.</li> <li>7. The CPA doesn't act as the Company's advocate, or settle the dispute between the Company and a third party on behalf of the Company.</li> <li>8. The CPA has no kinship relationship with any of the Company's directors or managerial officers, or any persons who hold the position that might affect the audit materially.</li> </ol> <p>The corporate governance unit would maintain the fair two-way communication with the team delegated by the CPA firm and related unit periodically. The CPA's audit/review also complies with the independence requirements defined in the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 to ensure reliability of the public financial information, communicate the auditors' work, and verify the Company's material risk and the management's approaches to mitigate risk.</p>

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<p>4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and shareholders meetings, etc.</p>	<p>The Company has set up the regular unit or personnel to be in charge of the matters related to corporate governance, and appoint the executives (financial and accounting director Shih-Shieh Chang) for supervision. The matters of 2017 related to corporate governance including and follow the relevant regulations:</p> <ol style="list-style-type: none"> <li>1. Processing the company registration and amendment.</li> <li>2. Conducting the related matters of board meeting and shareholders meeting according to the law and conducting the company to comply with the law and regulation.</li> <li>3. Taking the meeting minutes of board meeting and shareholders meeting.</li> <li>4. Providing the directors and supervisors with the information relating to perform the duties, the latest regulation and helping the directors and supervisors to comply with the law and regulation.</li> <li>5. The matters relating to investors.</li> <li>6. Other matters listed in articles of incorporation or contracts.</li> <li>7. Provide irregular training information from time to time.</li> </ol> <p>To assist in reminding directors when they execute the business or approving a formal resolution during Board of Directors meeting, they should comply with the laws and regulations and related suggestions. Responsible for reviewing the important information releasing issues over vital resolutions of the board of directors meeting and ensure the lawfulness and correctness of the published contents in a timely manner after the board of directors meeting to protect investors' right on equivalence of transaction information.</p>
<p>5. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?</p>	<p>The Company's has set up the stakeholder section on its official website. The up-stream suppliers or contractors outside the organization may verify the laws and regulations related to products through procurement. Customers may verify the status of the Company and products via the customer service mailbox/hotline/sales representatives. The other stakeholders, such as investors/banks/government authorities, may follow up the Company's latest financial information or other information via the Company's official website, TV interview and media report.</p> <p>The stakeholders may contact the Company via the following website:  <a href="http://www.ir-cloud.com/taiwan/2448/irwebsite_c/communication.php">http://www.ir-cloud.com/taiwan/2448/irwebsite_c/communication.php</a></p>

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6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	The professional shareholder service agent, Horizon Securities, was appointed to handle the affairs related to shareholders' meetings on behalf of the Company. Shareholder Service Agency department of Horizon Securities is also commissioned to tally and verify the proxies on behalf of the Company.
<p>7. Information Disclosure</p> <p>(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?</p> <p>(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</p>	<p>The Company's homepage has set up the sections exclusive for investors' shareholder service and customer service. The related messages may be accessed in the news and CSR sections.</p> <ul style="list-style-type: none"> <li>● The Company has set up the English version of its homepage.</li> <li>● Dedicated personnel is designated to collect information and periodically update the homepage.</li> <li>● Contact information including the spokesman system rider@epistar.com.tw; robin_yu@epistar.com.tw</li> <li>● Search the information about investor conferences Visit the official website: Investor service/event news</li> </ul>
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	<ul style="list-style-type: none"> <li>● Employee's interest and right &amp; care for employees: Please see the section about management-labor relationship in the annual report (Pages 91~96).</li> <li>● The Company has established the Investor Relations department, and posted the contact information thereof on the Company's official website. The department is dedicated to processing shareholders' suggestions and answering investors' questions.</li> <li>● Suppliers and contractors are important partners for the company's sustainable development. Through a win-win and mutually-beneficial cooperation approach, the company pursues an environment for sustainable development and growth. Locally procurement by the company refers to the procurement proportion from manufacturers or contractors which is/are established pursuant to the decrees of Taiwan authority. According to product attributes, the proportion of locally procurement is non- mandatory. There are around 471 suppliers and contractors maintain a stable relationship with the company, by the procurement policy, the company</li> </ul>

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	<p>chooses local manufacturers to support the stability development of local economy. In 2017, the purchased amount from local raw material suppliers was approximately 71%; the procurement amount from local construction contractors was approximately 19%, the proportion of local purchasing gradually increased on yearly basis.</p> <ul style="list-style-type: none"><li>● The Company has established the stakeholder section. For the time being, the Company identifies 6 major stakeholders, including employees, shareholders/investors/bank, corporate accounts, contractors/suppliers, governmental authorities, Outsourcers, et al., who may keep in touch with the Company or submit any suggestions and complaints via various communication channels.</li><li>● For the status of directors’ continuing education, please see Pages 51～52 of the annual report.</li><li>● For the risk management policies, et al., please see Chapter 7. Review of Financial Conditions, Financial Performance, and Risk Management (Pages 109～110).</li><li>● With respect to health and safety of the product, marketing communication, customers’ satisfaction, compliance with laws and customers’ privacy, the customers may utilize questionnaire, customer service email box, customers’ satisfaction survey and the Company’s official website, et al. Meanwhile, the operating center’s staff may visit customers or attend related fairs from time to time to facilitate a better understanding of customers and the market development orientation.</li><li>● EPISTAR maintains D&amp;O Insurance for its directors and officers: The motion for the insured value, coverage, and premium of the renewed directors’/supervisors’ liability insurance was submitted to the board of directors on November 10, 2017.</li></ul> <table><tr><th>Objects</th><th>Company</th><th>Amount</th><th>Duration</th></tr><tr><td>All Directors</td><td>Insurance Company of North America, Taiwan Branch</td><td>US\$15,000,000</td><td>August 25, 2016 ~ August 25, 2017</td></tr><tr><td>All Directors</td><td>Insurance Company of North America, Taiwan Branch</td><td>US\$15,000,000</td><td>August 25, 2017 ~ August 25, 2018</td></tr></table>	Objects	Company	Amount	Duration	All Directors	Insurance Company of North America, Taiwan Branch	US\$15,000,000	August 25, 2016 ~ August 25, 2017	All Directors	Insurance Company of North America, Taiwan Branch	US\$15,000,000	August 25, 2017 ~ August 25, 2018
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	<ul style="list-style-type: none"> <li>● The other important information to facilitate a better understanding of the Company's corporate governance practices, please see Pages 51 ~ 53 of the annual report, or access the information in the following manner:  IR: rider@epistar.com.tw, robin_yu@epistar.com.tw  CSR: csr@epistar.com.tw  Customer service: sales@epistar.com.tw</li> </ul>