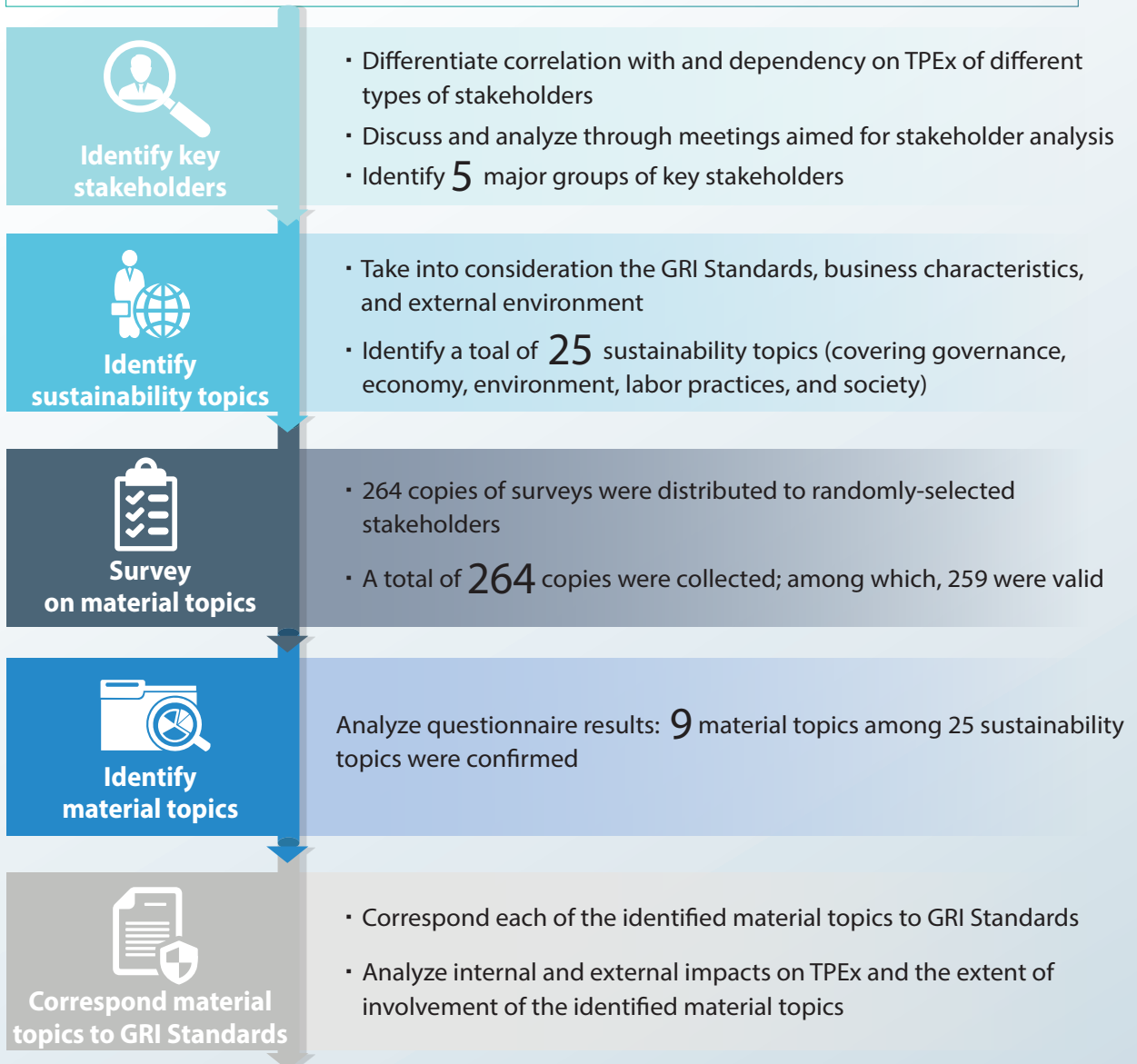


# APPENDIX 2

# MANAGEMENT OF MATERIAL TOPICS

In accordance with the GRI Standards, TPEX analyzes and manages the sustainability topics through the following steps.



## Concerns of Stakeholders

According to the feedback of the stakeholders questionnaire, the top 5 concerns among the sustainability topics for the stakeholders are summarized as below.

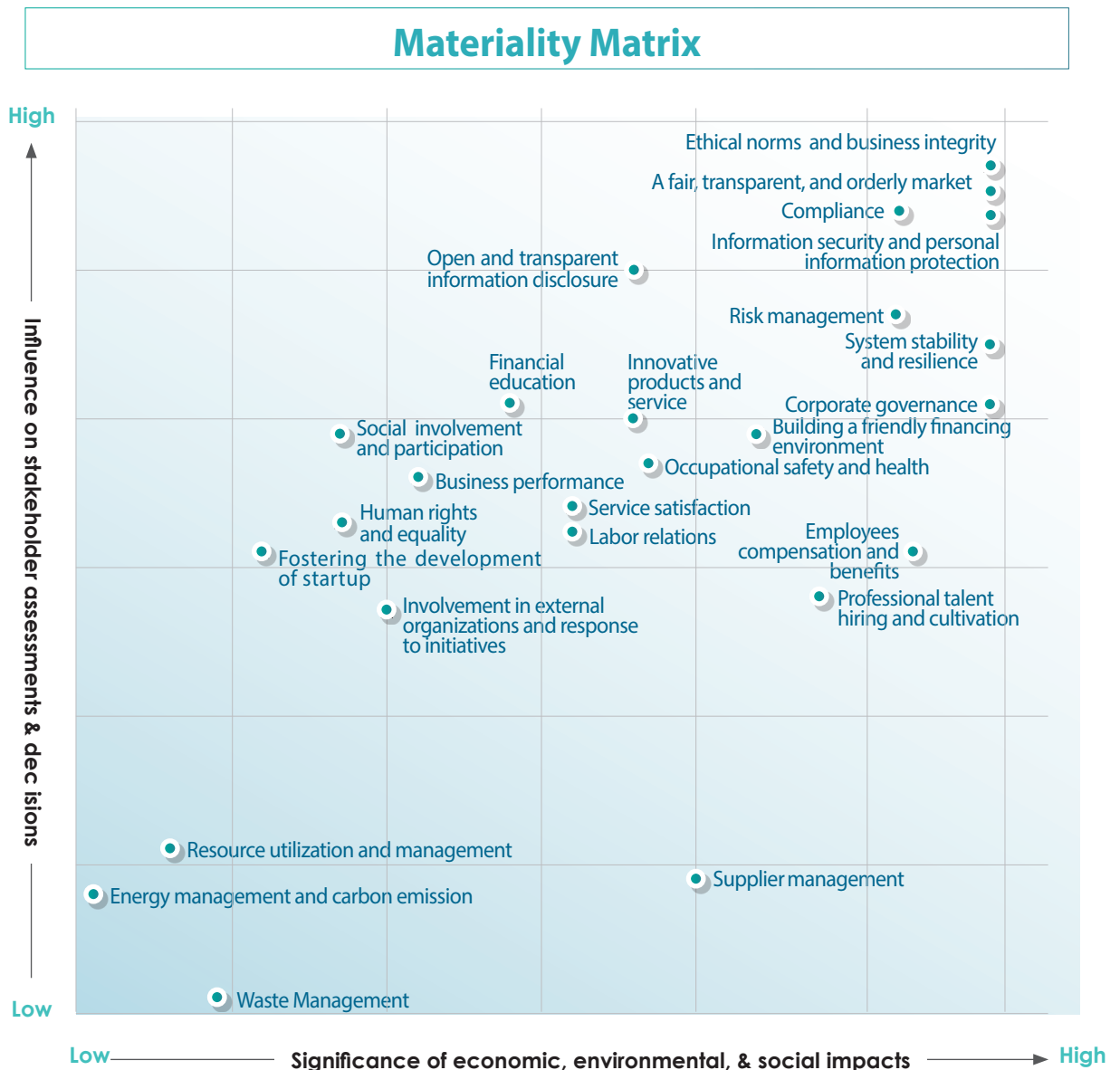
Stakeholder Groups	Top 5 Stakeholders' Concern	Corresponding section
<b>Governments</b>	<ul style="list-style-type: none"> <li>• A fair, transparent, and orderly market</li> <li>• Ethical norms and business integrity</li> <li>• Financial education</li> <li>• Risk management</li> <li>• Compliance</li> </ul>	1-2 Robust Development 2-1 Internal Operations 4-2 Financial Literacy 2-1 Internal Operations 2-1 Internal Operations
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee compensation and benefits</li> <li>• Workplace health and safety</li> <li>• Compliance</li> <li>• Information security and personal information protection</li> <li>• System stability and resilience</li> </ul>	4-1 Care for Staff 4-1 Care for Staff 2-1 Internal Operations 2-1 Internal Operations 2-1 Internal Operations
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Information security and personal information protection</li> <li>• Moral regulations and integrity-based management</li> <li>• A fair, transparent, and orderly market</li> <li>• Risk management</li> </ul>	2-1 Internal Operations 2-1 Internal Operations 2-1 Internal Operations 1-2 Robust Development 2-1 Internal Operations
<b>Intermediaries</b>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Ethical norms and business integrity</li> <li>• Information security and personal information protection</li> <li>• Compliance</li> <li>• A fair, transparent, and orderly market</li> </ul>	2-1 Internal Operations, 2-2 Corporate Governance 2-1 Internal Operations 2-1 Internal Operations 2-1 Internal Operations 1-2 Robust Development
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Open and transparent information disclosure</li> <li>• A fair, transparent, and orderly market</li> <li>• Ethical norms and business integrity</li> <li>• Business performance</li> <li>• Risk management</li> </ul>	2-1 Internal Operations 1-2 Robust Development 2-1 Internal Operations 2-1 Internal Operations 2-1 Internal Operations

# Identification of Material Topics

By analyzing the questionnaires, TPEX determined the material topics among the 25 sustainability topics. It aimed to understand the stakeholders' level of concerns toward each topic and their expectations on TPEX's involvement as well.

264 copies of questionnaires were collected and among which 259 were valid (more than statistically expected 159 valid copies).

Besides, the senior management of TPEX evaluated each topic in terms of the respect impacts on the economy, environment, society and TPEX itself. The integrated results of analysis were displayed in the Materiality Matrix. In the matrix, those with the level of concern and the level of impact ranked "high and high", "medium and high", and "high and medium" respectively were identified as material topics in 2019, including (1) ethical norms and business integrity, (2) a fair, transparent, and orderly market, (3) information security and personal information protection, (4) compliance, (5) system stability and resilience, (6) risk management, (7) corporate governance, (8) open information and transparency, and (9) employee compensation and benefits.



## Corresponding of Material Topics

In order to confirm the boundaries of information disclosed in this report, TPEX corresponded these 9 identified material topics to the matching topics of GRI Standards, determined internal and external impacts of each material topic, and examined the extent of involvement with the impacts.

Material Topics	Importance	Corresponding GRI Standards/self-designated topics(*)	Corresponding Sections
<b>Ethical norms and business integrity</b>	Establishing a fair, equal, anti-corruption consensus and culture in the organization, and substantial practice of integrity-based management policies are fundamental to a harmonious workplace, a fairly-competitive environment and a sustainable market.	Anti-corruption	Chapter 2 Deepened Governance
<b>A fair, transparent, and orderly market</b>	Only through an reinforced supervisory mechanism and trading surveillance can the fairness and transparency on the market be ensured and trading on the market be vitalized.	A fair, transparent, and orderly market*	Chapter 1 Sustainable Market
<b>Information security and personal information protection</b>	Only through sound information security management and personal information protection can the trading market function fairly and orderly.	Customer Privacy	Chapter 2 Deepened Governance
<b>Compliance</b>	Integrity, compliance, transparency, and accountability are the bases for protecting employees' rights, improving market development, and facilitating sustainable prosperity.	<ul style="list-style-type: none"> <li>• Environmental compliance</li> <li>• Socioeconomic Compliance</li> </ul>	Chapter 2 Deepened Governance Chapter 3 Environment-Friendliness
<b>System stability and resilience</b>	Only when the system runs steadily can the financial market remain stable and capable of responding to urgent incidents promptly and smoothly, which will minimize the losses occurred.	System stability and resilience*	Chapter 1 Sustainable Market Chapter 2 Deepened Governance
<b>Risk management</b>	Through identifying operational risks and improving measures that are likely to affect regular operations, TPEX can explore potential business opportunities under risk-based management..	Risk management (General Disclosures)	Chapter 2 Deepened Governance
<b>Corporate governance</b>	The governance framework of TPEX can reinforce the internal control and audit system aligned with regulations, fulfill public interest under the instruction of the competent authority, and shape a sound governance culture.	Corporate governance (General Disclosures)	Chapter 2 Deepened Governance
<b>Open and transparent information disclosure</b>	In line with the Foundations Act, related information of TPEX should be spontaneously submitted to the competent authority and released to facilitate public supervision.	Open and transparent information disclosure*	Chapter 2 Deepened Governance
<b>Employees compensation and benefits</b>	TPEX provides appealing compensation, benefit, and systematic training program to retain and grow talent. Employees are constantly encouraged to advance their professional skills and balance life and work while pursuing career growths with TPEX.	<ul style="list-style-type: none"> <li>• Market Presence</li> <li>• Employment</li> <li>• Diversity and Equal Opportunity</li> </ul>	Chapter 4 Co-prospering Society

## Extent of Impact and Involvement of Material Topics

Material Topics	Corresponding Topics in GRI Standards	Internal		External			
			Employees	Government	Customers	Investor	Intermediaries
Ethical norms and business integrity	Anti-corruption	●	●	○	○	○	○
A fair, transparent, and orderly market	A fair, transparent, and orderly market	●	○	○	●	●	○
Information security and personal information protection	Customer Privacy	●	○	○	○	●	○
Compliance	Environmental compliance; Socioeconomic Compliance	●	●	○	○	○	○
System stability and resilience	System stability and resilience	●	○	○	○	●	○
Risk management	Risk management (General disclosures)	●	●	○	○	○	○
Corporate governance	Corporate governance (General disclosures)	●	●	●	○	●	
Open and transparent information disclosure	Open and transparent information disclosure	●	○	○		○	
Employees compensation and benefits	Market Presence; Employment; Diversity and Equal Opportunity	●	●	○			

● Direct Impact

○ Indirect Impact

# Material Topics Management Approach

GRI Standards Material Topics	Management approach and complaint mechanisms	Evaluation mechanisms and management accomplishments
Anti-corruption	<p><b>Policies/Promises/Objectives:</b></p> <ul style="list-style-type: none"> <li>To build a fair, equal, anti-corruption consensus and organizational culture</li> <li>To prevent conflict of interest and eradicate corruption and violation of laws</li> </ul> <p><b>Complaint mechanisms</b></p> <ul style="list-style-type: none"> <li>The Whistleblowing System Implementation Guidelines, with whistleblower channel: Taipei Exchange Contact Window for Whistleblowers</li> <li>Direct line: 02-2366-6084</li> <li>Email: ethics@tpex.org.tw</li> </ul>	<p><b>Evaluation mechanisms:</b></p> <p>Integrity-based self-disciplinary regulations, such as the employee moral practice and code of conducts, employee confidentiality agreement, and disciplinary regulations for supervisors of securities</p> <p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>No violation of regulations throughout the year</li> <li>Results of the satisfaction survey among securities underwriters did not show improper conduct. The overall satisfaction was around 90% high.</li> </ul>
A fair, transparent, and orderly market	<p><b>Policies/Promises/Objectives:</b></p> <ul style="list-style-type: none"> <li>To enforce market surveillance and supervision so that the confidence of the investors can be enhanced.</li> <li>To take efforts in shaping a much more transparent, fair, efficient, and safe trading environment with liquidity.</li> </ul> <p><b>Complaint mechanisms</b></p> <ul style="list-style-type: none"> <li>Investor hotline and investor mailbox</li> <li>Face-to-face communication with the issuers</li> <li>Workshops for the intermediaries to exchange opinions</li> <li>Upon deficiencies found during inspection processes, securities firms and the employees are given the opportunity to provide explanations. Securities firms are granted with 30 days to file appeal since receiving the penalties</li> </ul>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>Securities firms examination</li> <li>Education and briefing sessions for listed companies and the intermediaries</li> <li>Under hierarchical management approach, conduct routine and exceptional inspections for listed companies and ESB companies</li> <li>MOPS (Market Observation Post System)</li> <li>online and offline surveillance</li> </ul> <p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>Throughout the year, a total of 389 inspection projects conducted over the securities firms, varied from routine check, exceptional inspection, risk reviews, to anti-money laundering.</li> <li>Five briefing sessions on continuous requirements for Main board listed companies and ESB companies; five workshops on insiders issues were held.</li> <li>Auditing or reviewing of financial statements and internal control system of Main board listed companies and ESB companies were 100% completed.</li> <li>Inspections on material information disclosure were conducted on 434 Main board listed companies and 46 ESB companies.</li> <li>For the Main board, notice of attention of 340 securities announced (accumulated for 1,491 times) and notice of disposition of 69 securities announced (accumulated for 105 times). As for emerging stock board, notice of attention of 14 stocks announced (accumulated for 21 times).</li> </ul>



GRI Standards Material Topics	Management approach and complaint mechanisms	Evaluation mechanisms and management accomplishments
Customer Privacy	<p><b>Policies/Promises/Objectives:</b></p> <ul style="list-style-type: none"> <li>• To protect the confidentiality, integrity, and usability of information assets for the safety and stability of information provided.</li> <li>• To ensure that the collection, processing, and utilization of personal data meets the regulatory requirements in order to reduce the risk of personal privacy violation.</li> <li>• Unauthorized disclosure of confidential information is prohibited.</li> </ul>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Information and Communication Security Policy and the Personal Data Protection Handbook are prepared and implemented. The internal and external auditing on the implementation are conducted semi-annually.</li> <li>• Information and Communication Security Management Review Meeting is held periodically.</li> <li>• Personal Information Management Review Meeting is held periodically.</li> </ul>
	<p><b>Complaint mechanisms</b></p> <p>Information and Communication Security Management Review Meeting, Personal Information Management Review Meeting, investor hotline, and investor mailbox</p>	<p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>• Persistent valid BSI ISO 9001, ISO 27001, ISO 20000, and BS10012 certifications</li> <li>• Two Information and Communication Security Management Review Meetings and Personal Information Management Review Meetings were held, respectively.</li> <li>• No disclosure of confidential information and violation upon personal information throughout the year.</li> </ul>
Compliance with laws concerning environmental protection, compliance with socioeconomic laws and regulations	<p><b>Policies/Promises/Objectives:</b></p> <p>To ensure that business is carried out in compliance with regulatory requirements.</p>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Semi-annual self-assessment on the compliance at every department.</li> <li>• Annual internal auditing on the compliance of each department.</li> <li>• Periodic training sessions on the compliance for employees.</li> </ul>
	<p><b>Complaint mechanisms</b></p> <p>Official correspondence, investor mailbox, investor service hotline, Chairman mailbox.</p>	<p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>• No significant deficiencies found during self-assessments and internal auditing.</li> <li>• No violation of environmental protection, social and economic issues, nor non-compliance with product and service information labeling, and applicable marketing and communication laws and regulations occurred.</li> <li>• Three training sessions on compliance were held in the year.</li> </ul>

GRI Standards Material Topics	Management approach and complaint mechanisms	Evaluation mechanisms and management accomplishments
System stability and resilience	<p><b>Policies/Promises/Objectives:</b> To devote to the protection of the information system security and to ensure system stability with optimal quality of equipment, testing, monitoring, backup, and operating procedures.</p>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Semi-annual external and internal audits.</li> <li>• Information and Communication Security Management Review Meeting is held periodically.</li> <li>• Periodic backup system testing, with a target success rate of 96% or above.</li> <li>• Aiming at no transactions were affected due to program errors of the information system throughout the year.</li> <li>• Aiming at no service disruption caused by inadequate of system capacity.</li> </ul>
	<p><b>Complaint mechanisms</b> Contact window for the maintenance and management of the systems.</p>	<p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>• Persistent valid BSI ISO 9001, ISO 27001, and ISO 20000 certifications were obtained.</li> <li>• No transactions were affected due to program errors nor service interruption caused by inadequate of system capacity.</li> <li>• Two in-place and two remote system backup testing, one information security event reporting rehearsal, and one DDoS attack simulation were organized and completed successfully.</li> </ul>
Risk management (General disclosure)	<p><b>Policies/Promises/Objectives:</b> To include risk management as part of the decision-making process and effectively identify and control risks in action plans</p>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Risk assessment performed at each department periodically</li> <li>• Periodic Risk Management Committee meetings to confirm risk items based on the assessment results at every department</li> <li>• Internal control system revised and approved by Board of Directors in response to changes in practice and regulatory trends</li> </ul>
	<p><b>Complaint mechanisms</b> The internal audit group and Risk Management Committee</p>	<p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>• One Risk Management Committee meeting held to confirm risk items.</li> <li>• Two round revision of internal control procedures to ensure the validity of risk management.</li> </ul>
Corporate governance (General disclosure)	<p><b>Policies/Promises/Objectives:</b> To create a proper governance framework that is compliant with law, as a role model to the companies in advancing corporate governance</p>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Periodic board of directors and supervisors meeting.</li> <li>• Internal audit group, under the board of directors, periodically submits inspection reports and follow-ups to the supervisors for review and reports in the board meetings.</li> </ul>
	<p><b>Complaint mechanisms</b> Official correspondence, board of directors and supervisors meeting, and investor mailbox</p>	<p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>• The board of directors and supervisors meetings were held on a monthly basis with attendance rate of 95% on average.</li> <li>• 10 suggested items brought forth by the internal audit group along with follow-ups results were submitted to the supervisors for review and reported in the board meetings.</li> </ul>



GRI Standards Material Topics	Management approach and complaint mechanisms	Evaluation mechanisms and management accomplishments
<p>Open and transparent information disclosure</p>	<p><b>Policies/Promises/Objectives:</b>  <b>To disclose information in such ways:</b></p> <ul style="list-style-type: none"> <li>• Work plans and budget statements for the coming year: approved by the board of directors and submitted to the competent authority for record respectively by the time of three months and two months before the beginning of said year.</li> <li>• Business reports, financial statements and property lists for the current year: approved by the board of directors and submitted to the supervisors for review, and then submitted with the supervisor’s reports to the competent authority for record within three months after said year’s end.</li> <li>• Financial reports: audited by a CPA and included into the Annual Reports.</li> <li>• The information and document mentioned above are available on the TPEX website for public review.</li> </ul>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• “About TPEX - Information Disclosure” on the official website</li> <li>• Publications, such as Annual Report</li> </ul>
	<p><b>Complaint mechanisms</b>            Official correspondence, email, investor hotline, and whistleblowing channel.</p>	<p><b>2019 management accomplishments:</b>            The work plans, budget statement, business report, audited financial report, supervisory report and annual report are all available at “About TPEX - Information Disclosure” on the official website.</p>
<p>Market presence, employment, diversity and equal opportunity</p>	<p><b>Policies/Promises/Objectives:</b>            To establish a comprehensive personnel management and reward system to create a better workplace, including employee’s performance evaluation and promotion mechanisms, job rotation rules, incentive programs, welfare and subsidy application guidelines, etc.</p>	<p><b>Evaluation mechanisms:</b></p> <ul style="list-style-type: none"> <li>• Annual performance evaluation and promotion.</li> <li>• Training programs.</li> <li>• Multiple employee welfares and benefits other than those specified in the Labor Standards Act.</li> <li>• Periodic free health consultation for employees</li> </ul>
	<p><b>Complaint mechanisms</b>            Employee complaint-filing channel, labor-management meeting, and personnel evaluation meeting.</p>	<p><b>2019 management accomplishments:</b></p> <ul style="list-style-type: none"> <li>• 100% completion of annual review of the employees who are officially employed for at least 6 months.</li> <li>• No complaints were received from employees throughout the year.</li> <li>• The average training hours per employee was 35.69 hours.</li> <li>• The resumption rate of those on parental leave was 75% and the retention rate of the said employees was 100% after a year</li> <li>• The on-site health care services by registered nurses were arranged 3 times a month; During the whole year, the on-site health consultation services by physicians were arranged 3 times.</li> </ul>