

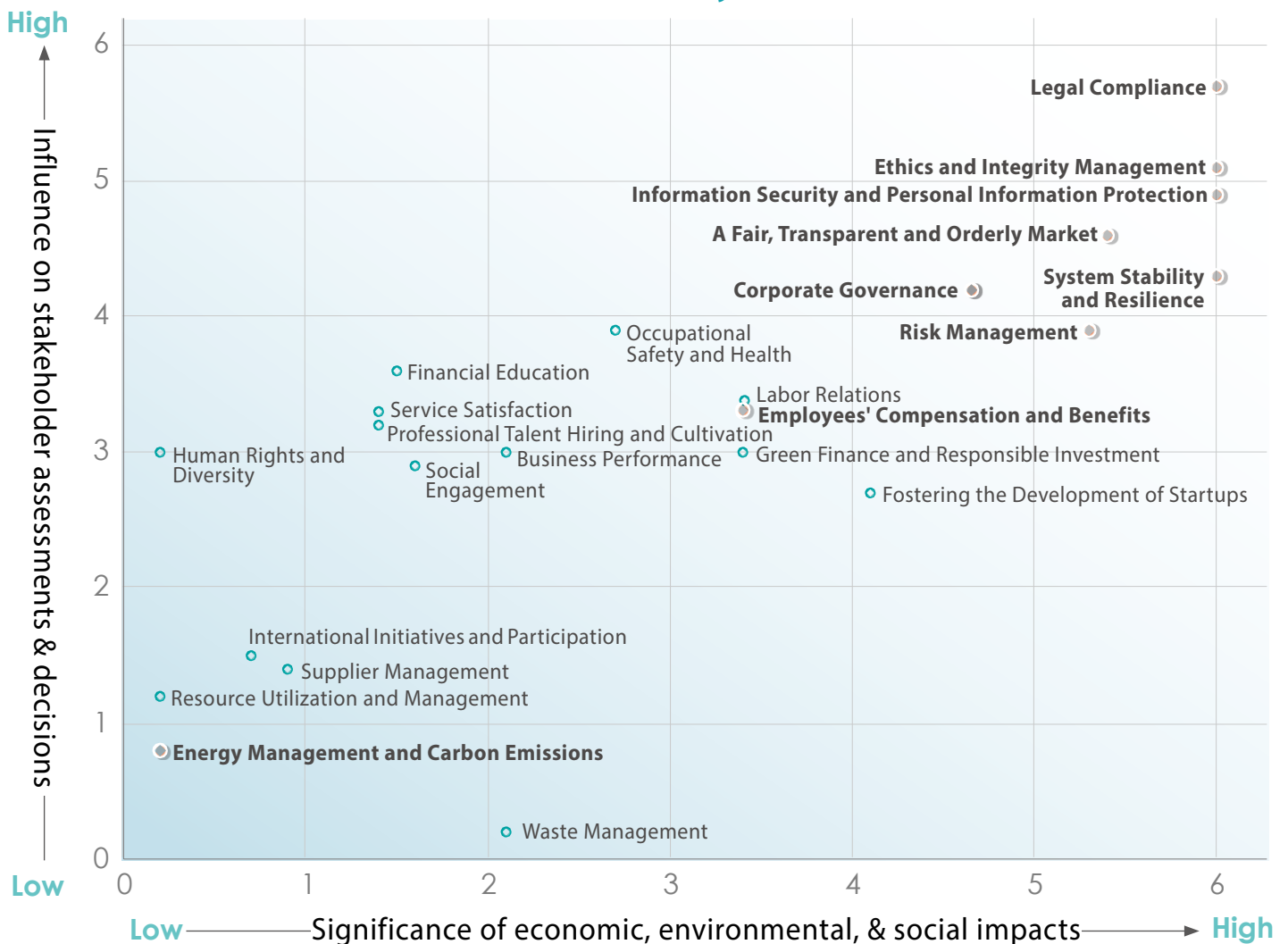
MATERIAL TOPICS MANAGEMENT

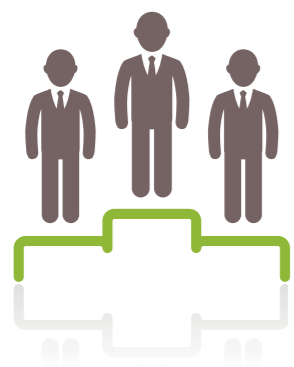
Identifying Material Issues

Considering the questionnaires on material sustainability issues of concern, TPEX focused on those summing up to 8 points or more, concluding with 7 material issues.

To balance between all aspects and consider industry peers' practices, TPEX voluntarily disclosed on two additional issues of "Employees' Compensation and Benefits" and "Energy Management and Carbon Emissions." The Sustainability Reporting Task Force then submitted 9 material issues for 2020 to the Chair of the Sustainability Committee to be approved. Compared with 2019, "Energy Management and Carbon Emissions" was included, while "Open and Transparent Information Disclosure" was not included in 2020.

Materiality Matrix





7

Sustainability Issues of Concern

- Legal Compliance
- Ethics and Integrity Management
- Information Security and Personal Information Protection
- System Stability and Resilience
- A Fair, Transparent and Orderly Market
- Risk Management
- Corporate Governance



+2

Voluntarily Disclosed

- Employees' Compensation and Benefits
- Energy Management and Carbon Emissions



=9

Material Issues



Corresponding Material Topics

TPEX corresponded the 9 material issues identified with the GRI Standards by reviewing their internal and external impacts, thereby validating the boundaries of this Report's disclosures.

Material Issues	Importance to TPEX	GRI Material Topic/ Self-designated Topics	Corresponding Chapters
Legal Compliance	TPEX upholds the spirit of integrity, legal compliance, transparency, and responsibility to protect every stakeholders' rights and interests, facilitate market development, and reinforce the foundation of sustainable economic prosperity.	Environmental Compliance; Socioeconomic Compliance; Marketing and Labeling	• Chapter 2 Reinforcing Good Governance • Chapter 3 Facilitating Environmental Sustainability
Ethics and Integrity Management	TPEX has established a moral atmosphere and organizational culture of impartiality, equality, and anti-corruption, and implements the integrity management policy to create a fair and orderly market.	Anti-Corruption	• Chapter 2 Reinforcing Good Governance
Information Security and Personal Information Protection	TPEX implements comprehensive information security management and personal data protection to ensure the privacy and security of customers' and stakeholders' information, and maintain market stability.	Customer Privacy	• Chapter 2 Reinforcing Good Governance
System Stability and Resilience	TPEX maintains the stability of the financial market trading system to ensure the ability to respond to disasters or crises and secure the trust of capital market participants.	System Stability and Resilience	• Chapter 1 Building a Robust Market • Chapter 2 Reinforcing Good Governance
A Fair, Transparent, and Orderly Market	TPEX ensures market order, fairness, and transparency by strengthening market supervision to activate market transactions and promote sustainable development.	A Fair, Transparent, and Orderly Market	• Chapter 1 Building a Robust Market
Risk Management	TPEX has established a proper risk management and control mechanism to stably carry out TPEX's businesses and promote the sustainable development of the capital market.	Risk Management (General Disclosure)	• Chapter 2 Reinforcing Good Governance
Corporate Governance	By improving internal governance and shaping a good corporate culture, TPEX ensures that businesses remain in compliance with the competent authority's requirements as well as laws and regulations, and safeguards the interested parties' rights and interests.	Corporate Governance (General Disclosure)	• Chapter 2 Reinforcing Good Governance
Employees' Compensation and Benefits	TPEX provides employees with proper care through a comprehensive compensation and benefits program, and utilizes education and training programs to retain talents so that employees can actively seek development and growth with TPEX.	Market Presence; Employment; Diversity and Equal Opportunity	• Chapter 4 Prospering with Community
Energy Management and Carbon Emissions	The risk of climate change is a subject of global attention. In addition to managing TPEX's own energy usage, it also supports environmental protection and green industries, and assists companies in establishing management mechanisms.	Energy; Emissions	• Chapter 3 Facilitating Environmental Sustainability

Impact of Material Topics

Material Issues	Corresponding Topics in GRI Standards	Internal		External			
		TPEX	Employees	Government Agencies	Customers	Investors	Intermediary Agencies
Legal Compliance	Environmental Compliance; Socioeconomic Compliance; Marketing and Labeling	●	●	○	○	○	○
Ethics and Integrity Management	Anti-Corruption	●	●	○	○	○	○
Information Security and Personal Information Protection	Customer Privacy	●	○	○	○	●	○
System Stability and Resilience	System Stability and Resilience	●	○	○	○	●	○
A Fair, Transparent, and Orderly Market	A Fair, Transparent, and Orderly Market	●	○	○	●	●	○
Risk management	Risk Management (General Disclosure)	●	●	○	○	○	○
Corporate Governance	Corporate Governance (General Disclosure)	●	●	●	○	●	
Employees' Compensation and Benefits	Market Presence; Employment; Diversity and Equal Opportunity	●	●	○			
Energy Management and Carbon Emissions	Energy; Emissions	●	○	○			

● indicates direct impact
○ indicates indirect impact

TPEX Sustainability Committee

TPEX has established an inter-departmental Sustainability Committee chaired by the Managing Director & CEO. With the Deputy CEO overseeing the Strategy & International Relations Department as the vice-chair, each department's head joins as the committee members. The Committee is further organized into five functional units to promote the sustainable development of TPEX.



**Committee Convener/
Chair: Managing Director & CEO**

Review and Approve ESG Value Proposition and Sustainability-related Plans
Review goals and progress



Vice Chair: Deputy CEO overseeing the Strategy & International Relations Department

Coordinate and Supervise TPEX's Sustainability-related Businesses



**Committee Members:
Department Heads**

Promote TPEX's Sustainability-related Businesses



Each unit comprises one member appointed by the department with the closest nature of business and one member from the Strategy & International Relations Department

Implement TPEX's Sustainability-related Businesses
Monitor TPEX's Sustainability Performance

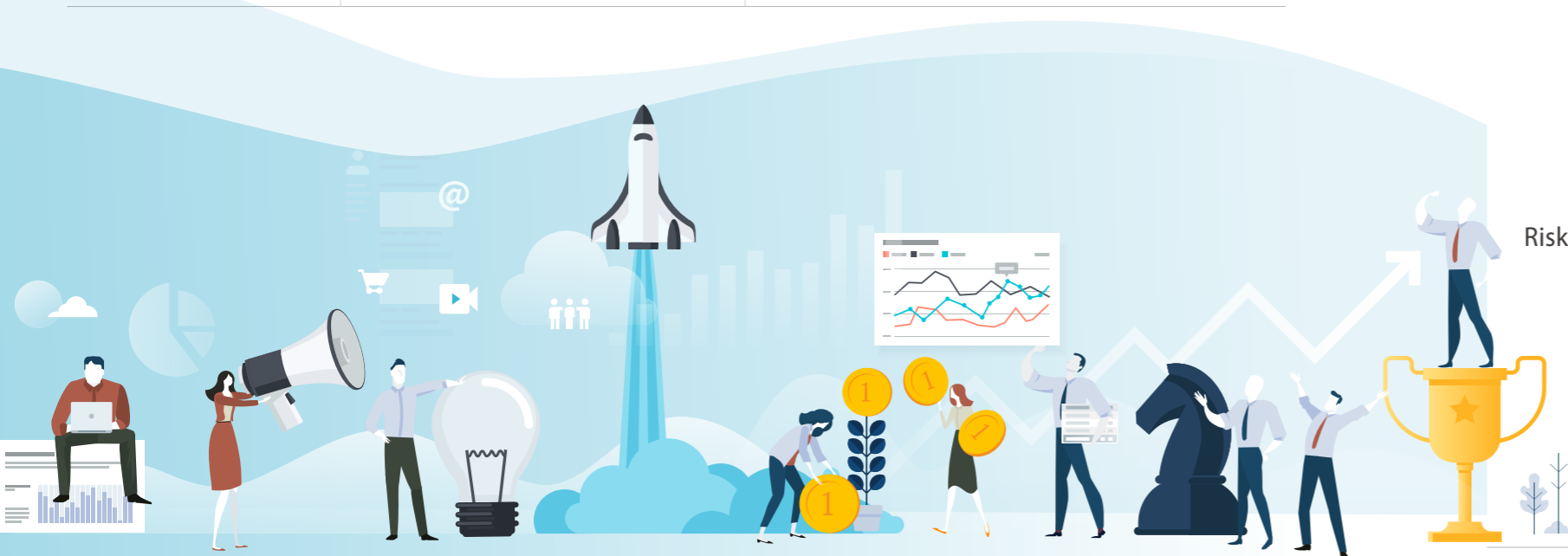
Management Approaches of Material Topics

GRI Material Topic/ Self-designated Topics	Management Approaches and Grievance Mechanisms	Evaluation Mechanisms and 2020 Accomplishments
Legal Compliance	Policies/Commitments/ Objectives: <ul style="list-style-type: none"> Ensure that all business execution complies with laws and regulations. 	Evaluation Mechanisms: <ul style="list-style-type: none"> Every six months, each department performs a self-assessment of compliance with laws and regulations. Every year, the Internal Audit office performs inspections of compliance on all departments.
	Grievance Mechanisms: <ul style="list-style-type: none"> Official correspondence Investor mailbox, Investor hotline, Chief's mailbox. 	2020 Accomplishments: <ul style="list-style-type: none"> No abnormalities were found in the self-assessments of legal and regulatory compliance and the internal audits' results. No violations of environmental, social, and economic regulations. No non-compliance concerning product and service information and labeling, and non-compliance concerning marketing communications.
Ethics and Integrity Management	Policies/Commitments/ Objectives: <ul style="list-style-type: none"> Establish an organizational culture of impartiality, equality, and anti-corruption. Prevent conflicts of interests and eliminate dereliction of duty. TPEX formulates several self-discipline standards for integrity management. 	Evaluation Mechanisms: <ul style="list-style-type: none"> All employees are required every year to participate in integrity courses. TPEX audits employees' trading of Main Board, ESB, and GISA securities every quarter according to the annual audit plan. The Internal Audit office then forwards the results to the supervisors for review by the end of the following month, and reports to the Joint Meeting of Directors and Supervisors on a quarterly basis.
	Grievance Mechanisms: <ul style="list-style-type: none"> TPEX Whistleblowing Channels Reporting hotline: 02-2366-6084 Reporting email: ethics@tpex.org.tw 	2020 Accomplishments: <ul style="list-style-type: none"> No reports of crimes, fraud, or violations of laws and regulations by employees were received. The completion rate of employees participating in integrity courses reached 94%. The results of the questionnaire survey on the satisfaction of securities underwriters showed that the examiners exhibited no improper conduct, and overall satisfaction reached 100%.

GRI Material Topic/ Self-designated Topics	Management Approaches and Grievance Mechanisms	Evaluation Mechanisms and 2020 Accomplishments
Information Security and Personal Information Protection	Policies/Commitments/ Objectives: <ul style="list-style-type: none"> TPEX protects the confidentiality, integrity, and availability of information assets, thereby ensuring safe and stable information services. TPEX ensures that the collection, processing, and use of personal data comply with legal requirements and reduce the risk of improper disclosure of personal data. TPEX ensures no leakage of confidential information to create a reliable and trustworthy financial environment. 	Evaluation Mechanism: <ul style="list-style-type: none"> Formulate information security policies, personal data protection manuals, and related procedures, and perform external and internal audits every six months. The information security specialists receive external information security professional education and training every year. Convene Information Security Management Review meetings and Personal Data Management Review meetings. All employees receive information security and personal information education and training every year.
	Grievance Mechanisms: <ul style="list-style-type: none"> Information Security Management Review meetings, Personal Data Management Review meetings, Investor hotline, Investor mailbox. 	2020 Accomplishments: <ul style="list-style-type: none"> Continuous and effective certification of ISO 9001, ISO 27001, ISO 20000, and BS10012 issued by BSI Taiwan. 15 hours of professional information security training for information security supervisors and personnel. 2 Information Security Management Review meetings and Personal Data Management Review meetings, respectively. No instances of hacking, tampering, or leakage of personal data in 2020. The completion rate of all employees participating in information security and personal information protection courses reached 99%.
System Stability and Resilience	Policies/Commitments/ Objectives: <p>TPEX commits to ensuring the security of information systems, and maintaining good system quality, testing quality, monitoring quality, backup mechanism, and operating procedures.</p>	Evaluation Mechanisms: <ul style="list-style-type: none"> Perform external and internal audits every six months. Convene regular Information Security Management Review meetings. Test the backup system regularly with an over 96% success rate. Transactions shall not be affected by programming errors. Service shall not be interrupted by capacity factors.

GRI Material Topic/ Self-designated Topics	Management Approaches and Grievance Mechanisms	Evaluation Mechanisms and 2020 Accomplishments
System Stability and Resilience	Grievance Mechanism: Business contact persons.	2020 Accomplishments: <ul style="list-style-type: none"> Continuous and effective certification of ISO 9001, ISO 27001, and ISO 20000 issued by BSI Taiwan. Certification of ISO 22301 Operation Continuity Management System (2019 Edition) obtained in December 2020. No transactions were affected by programming errors; no service interruptions were caused by capacity factors. Two same-site and two different-site system backup test drills, information security incident notification drills, and distributed denial of service (DDoS) attack drills. In response to the pandemic, the TPEX information personnels were diverted to work in 4 locations.
A Fair, Transparent, and Orderly Market	Policies/Commitments/ Objectives: To ensure the fairness, impartiality, and openness of securities market operations, TPEX is committed to implementing securities firm audits, delivering education and training, performing supervision, and strengthening information disclosure.	Evaluation Mechanisms: <ul style="list-style-type: none"> Cooperate with the competent authority to promote new trading systems. Conduct securities firm audits and deliver education and training. Supervise abnormal transactions. Implement tiered management of internal control audits on companies. Disseminate promotional information to companies as well as intermediary agencies. Manage the information reporting and material information release in the TPEX market.

GRI Material Topic/ Self-designated Topics	Management Approaches and Grievance Mechanisms	Evaluation Mechanisms and 2020 Accomplishments
A Fair, Transparent, and Orderly Market	Grievance Mechanisms: <ul style="list-style-type: none"> Investor hotline and investor mailbox, Dedicated service windows for each issuing company as well as online and offline communication channels. Seminars and communications with intermediary agencies. Appeal and review mechanism for securities firms that are discovered with deficiencies in audits. 	2020 Accomplishments: <ul style="list-style-type: none"> Launch of Continuous Trading and Intraday Odd Lot Trading. A total of 165 audits performed on securities firms, including routine and special audits, risk assessments, and prevention of money laundering. 18 seminars on the newly amended Standards for the Internal Control Systems of Securities Firms were co-organized with the TWSE, with 1,600 participants. Announcement of Attention Main Board Securities has been announced 3,277 times among 465 securities; Announcement of Disposition Main Board Securities has been announced 404 times among 205 securities; Announcement of Attention Emerging Stock Market Securities has been announced 77 times among 45 securities. All securities firms completed the audits on financial report and internal control implementation. 1 online "Seminar on Main Board and ESB Companies' Obligations," 5 "Insider Ownership Seminar for Main Board and ESB Companies," and 6 seminars on preventing illegal transactions by securities firm practitioners. 413 Main Board companies and 42 ESB companies received audits on material information disclosure. The "Key Financials Section" was maintained and updated.
	Policies/Commitments/ Objectives: TPEX improves the quality of risk management, integrates risk management into the decision-making process to effectively identify, measure, supervise, prevent, and control various risks during work planning and business promotion.	Evaluation Mechanisms: <ul style="list-style-type: none"> Perform regular departmental risk assessments. Convene Risk Management Committee meetings to review risk items. Conduct situational simulation drills from time to time. Revise the internal control system and report to the Board of Directors in accordance with regulatory changes
	Grievance Mechanisms: <ul style="list-style-type: none"> Risk Management Committee, Business Continuity Committee, Internal Audit office. 	2020 Accomplishments: <ul style="list-style-type: none"> A total of 47 risk items were identified by all TPEX departments. A risk management committee meeting was convened to confirm risk items. A Business Continuity Committee meeting was convened to review relevant plans for further drills. The internal control system was revised twice to ensure the effectiveness of risk management.



Risk Management

GRI Material Topic/ Self-designated Topics	Management Approaches and Grievance Mechanisms	Evaluation Mechanisms and 2020 Accomplishments
Corporate Governance	<p>Policies/Commitments/ Objectives:</p> <p>TPEX establishes a comprehensive corporate governance structure and leads by example to guide listed companies toward improving the quality of corporate governance.</p>	<p>Evaluation Mechanisms:</p> <ul style="list-style-type: none"> · Convene Joint Meetings of Directors and Supervisors every month. · The Internal Audit office regularly reports to supervisors, tracks improvements, and reports to the Joint Meeting of Directors and Supervisors every quarter.
	<p>Grievance Mechanisms:</p> <ul style="list-style-type: none"> · Formal correspondence, · Reports to Joint Meetings of Directors and Supervisors, · Investor mailbox. 	<p>2020 Accomplishments:</p> <ul style="list-style-type: none"> · TPEX convened 12 Joint Meetings of Directors and Supervisors, with a 97% average attendance rate of directors and supervisors. · The Internal Audit office proposed 11 items for improvement. All proposals have been sent to the supervisors for monthly review, and reported to the Joint Meetings of Directors and Supervisors on a quarterly basis. Except for one improvement completed on March 11, 2021, all others items were rectified in 2020. · Taiwan's corporate governance scores improved in the Asian Corporate Governance Association's "CG WATCH" assessment, and Taiwan ranks 4th among 12 Asian countries in "CG WATCH 2020", achieving the best results over the years.
Employees' Compensation and Benefits	<p>Policies/Commitments/ Objectives:</p> <p>TPEX implements comprehensive personnel management as well as compensation, reward, and welfare program to help employees pursuing their careers and promote their physical and mental well-being.</p>	<p>Evaluation Mechanisms:</p> <ul style="list-style-type: none"> · Formulate guidelines on personnel management, annual performance appraisal, promotion and evaluation, rotation, incentives, welfare subsidies, and the education subsidies for employees' children. · Convene regular Labor-Management Meetings. · Perform annual performance and promotion appraisals. · Organize various employee education and training sessions. · Provide benefits including life care, personal growth, and work-life balance superior to the measures stipulated by the Labor Standards Act. · Organize regular health consulting services for employees.

GRI Material Topic/ Self-designated Topics	Management Approaches and Grievance Mechanisms	Evaluation Mechanisms and 2020 Accomplishments
Employees' Compensation and Benefits	<p>Grievance Mechanisms:</p> <ul style="list-style-type: none"> · Employee complaint channels, · Labor-Management Meetings, · Personnel Review Committee meetings. 	<p>2020 Accomplishments:</p> <ul style="list-style-type: none"> · Personnel management 100% handled 100% in accordance with the guidelines. · Four Labor-Management meetings were held in 2020. · All employees who have served for six months or more completed their performance appraisals. · No employee complaints were received throughout the year. · The average hours of education and training employees received throughout the year reached 30.17 hours. · All employees reinstated in 2019 remained employed one year after their reinstatements. · On-site health education services are held three times a month with registered nurses, and health education/consultation services are held three times a year with contract physicians.
Energy Management and Carbon Emissions	<p>Policies/Commitments/ Objectives:</p> <p>Internally, TPEX actively promotes various energy-saving, carbon- and waste-reducing policies; externally, TPEX supports companies related to environmental protection, and urges all companies to fulfill corporate social responsibilities and manage climate-related matters.</p>	<p>Evaluation Mechanisms:</p> <ul style="list-style-type: none"> · Monitor the energy and resource usage, with monthly data on energy and resource usage compiled and circulated via the intranet. · Enable the green energy technology and renewable energy industries to enter the capital market and develop green financial products.
	<p>Grievance Mechanisms:</p> <ul style="list-style-type: none"> · Formal correspondence, · Communications through business contact persons. 	<p>2020 Accomplishments:</p> <ul style="list-style-type: none"> · Green bonds issuance amount reached NT\$56.6 billion. · Three green energy companies and one renewable energy company were issued on the TPEX market. · In January 2020, TPEX announced the amendments to the "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TPEX Listed Companies," · In October 2020, TPEX officially became a signatory to the TCFD. · Paper use reduced by 7.4% compared to 2019 due to the promotion of electronic operations.