

Corporate Governance Operating Status

Evaluation Item	Operation Status			Deviations from “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” and reasons
	Yes	No	Summary Statement	
1.Does the Company establish and disclose the Corporate Governance Practice Principals in accordance with the Corporate Governance Best Practice Principles for the TWSE/GTSM Listed Companies?	V		In the 10 th meeting of the 10 th term board of directors, the establishment of the Corporate Governance Practice Principals was decided on Jul. 24, 2006, which had been modified in accordance with the regulations and real practice in these years. The latest revision was made in the 15 th meeting of the 13 th term board of directors on Aug. 5, 2016 and was published in the Market Observatory Post System (MOPS) and CTCI’s website.	None.
2.Ownership structure and shareholder’s equity (1)Does the Company set up the internal standard operation procedure to handle issues such as shareholder’s advices, questions, disputes and accusations for implementation accordingly?	V		(1) The Company has set up spokesman as the liaison channel to handle issues like the shareholders’ advices or disputes.	None.
(2)Does the Company have control over the major shareholders, who control the Company and have the name list of the major shareholders who have the ultimate control over the Company?	V		(2)The Company has been submitting monthly report to the Market Observatory Post System, assigned by the Securities and Futures Bureau about the change of the shareholding of the insiders (directors, managers and shareholders who have more than 10% of the total shares) in accordance with the 25 th article of the Securities and Exchange Act.	None.

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(3) Does the Company set up and implement the risk control and firewall mechanism with the subsidiaries and affiliates?	V		(3) In addition to establishing the “Supervision and Management of Subsidiaries” based on the “Regulations Governing Establishment of Internal Control System by Public Companies” set by the Financial Supervisory Committee, the Company also stipulated the internal basic principles for cooperation of CTCL Group like “Group Authorization Regulations”, “Group Project Cooperation Regulations”, etc., which are inspected by departments like the Audit Department and Quality Management Department to ensure the thorough implementation of the system and good mechanism of the risk-control for the subsidiaries and affiliates.	None.
(4) Does the Company stipulate internal regulation, prohibiting the insiders of the Company to make use of the unpublished information for the trading of securities?	V		(4) The Company has set up the “Measures to Prevent Insider Trading” and “CTCL Group Code of Ethics Conduct”, prohibiting use of the unpublished information for the trading of securities.	None.
3. Composition and Responsibilities of Board of Directors				
(1) Is there establishment of the diversity policy, specific management goals and thorough implementation about the composition of board of	V		(1) A. The diversity policy of the board of directors, specific management goals and executive implementation, please refer to 3.2.1 Board \ B. The diversity and independence of the Board of Directors \ (1) Diversity.	None.

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directors?			B. The implementation about diversity policy of Board members has disclosed on the Company website (www.ctci.com) and the Market Observation Post System.	
(2)In addition to the establishment of the Remuneration Committee and Audit Committee, does the Company have other functional committees?	V		<p>(2) In addition to the establishment of the Remuneration Committee and Audit Committee regulated by law, the Company newly established the ESG Committee in 2020 (renamed “ESG & Net Zero Committee on December 15,2021) . The major jobs of ESG & Net Zero Committee include Formulating the sustainability & net zero policy; setting sustainability governance, ethical management, environmental and social aspect, strategies, and execution plans; reviewing, tracking, and modifying progress and results of sustainability & net zero emissions activities, reporting regularly to the board of directors; following issues of interest to stakeholders and overseeing communications programs, etc.</p> <p>The committee is composed of 1 independent director and 2 directors and has held 1 meetings during the most recent fiscal year and current fiscal year up to the date of publication of the annual report.</p> <p>Moreover, the Company established the Nominating Committee on Dec. 13, 2016. The 3rd term Nominating Committee is composed of 3 independent directors and 1 director, whose major jobs include the programming of the composition of board of directors/ functional committees, the qualification assessment</p>	None.

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			of the directors, the programming of the succession of the managing echelon, conducting performance evaluation of the board of directors, etc. The meeting was held 4 times during the most recent fiscal year and current fiscal year up to the date of publication of the annual report.	
(3) Is there performance appraisal of the board of directors, which is carried out annually, the performance evaluation results shall be reported to the board of directors and shall base its determination of an individual director's remuneration and nomination?	V		<p>(3) The Company has set up the “Regulations Governing the board Performance Evaluation” by the resolution of the Boards on Dec. 13, 2016 which has been revised successively according to law or actual situations. According to the revised version by the resolution of 11th meeting of the 14th term of the Boards on Nov. 2, 2018, the board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years. The latest version is revised by the resolution of the 17th meeting of the 14th term of the Boards on Nov. 1, 2019. According to the latest regulation, the board of directors of the Company shall perform the performance evaluation of the internal board of directors each year according to the evaluation procedures and the evaluation indexes of the regulations. The results of the internal and external performance evaluation of the board of directors should be completed before the end of the first quarter of the following year.</p> <p>The Company considers the Company's situation and needs to determine the performance evaluation of the board of directors,</p>	None.

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			<p>including the following aspects:</p> <ul style="list-style-type: none"> a. Participation in the operation of the Company; b. Improvement of the quality of the board of directors' decision making; c. Composition and structure of the board of directors; d. Election and continuing education of the directors; e. Internal control; and f. Others. <p>The criteria for performance evaluation of Board members include the following aspects:</p> <ul style="list-style-type: none"> a. Alignment of the goals and missions of the Company; b. Awareness of the duties of a director; c. Participation in the operation of the Company; d. Management of internal relationship and communication; e. The director's professionalism and continuing education; f. Internal control; and g. Others. <p>The criteria for evaluating the performance of functional committees include the following five aspects:</p> <ul style="list-style-type: none"> a. Participation in the operation of the Company; b. Awareness of the duties of the functional committee; c. Improvement of quality of decisions made by the functional committee; 	

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			<p>d. Makeup of the functional committee and election of its members;</p> <p>e. Internal control; and</p> <p>f. Others.</p> <p>The 2021 board performance evaluation is carried out by the Secretariat of the Board (STB) in early 2022. STB collect related information about activities of the Board of Directors and distribute “the Questionnaire of Self-Evaluation of Performance of the Board” to Board members for self-evaluation. The evaluation period is from Jan. 1 to Dec. 31, 2021, the evaluation scoop includes whole board of directors, individual board members, and 4 functional committees: Audit Committee, Remuneration Committee, Nominating Committee and ESG & Net Zero Committee. When nominating members of the board of directors, the Company will base its election on the evaluation results of individual Board member. The result has been reported to the 12th meeting of the 15th term Board of Directors on Mar. 8, 2022. The operation of CTCI’s Board of Directors is evaluated well base on the result of the 2021 board performance evaluation.</p> <p>The Company had commissioned the 2021 external board performance evaluation by Taiwan Corporate Governance Association, the evaluation period is from Apr. 1, 2020 to Mar. 31, 2021 and had reported to Nominating Committee and the Board of directors on Nov. 3, 2021. The report result has been disclosed</p>	

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			on official website.	
(4)Is there regular assessment of the independence of the certified public accountant every year?	V		<p>(4) To fulfill Corporate Governance, the Company has established “Evaluation of engaged Certified Public Accountant Regulation” in the 11th meeting of the 12th term board of director on Dec. 20, 2012. According to this regulation, the Company exams and evaluates CPA’s independence and capability annually, and submit a report to the Audit Committee and Board meeting. The report was acknowledged by the 10th meeting of the 3rd term Audit Committee on Mar. 8, 2022 and the 12th meeting of the 15th term Board of Directors on Mar. 8, 2022, the evaluation items please refer to the 【Note 1】 .</p> <p>After assessed, CPAs Shih-Jung Weng and Yi-Fan Lin from PricewaterhouseCoopers were qualified. Both CPAs do not have any direct or indirect interest relationship with either Board of Directors or the Company, and believed to have more than sufficient capabilities on auditing, taxation and time cost efficiency.</p>	None.
4.Does the Company set up an adequate number of personnel with appropriate qualifications and appoint a chief corporate governance officer who are responsible for matters related	V		The corporate governance of the Company is taken charge by 3 full-time colleagues of Secretariat of the Board (STB). The head of STB is Mr. Ming-Cheng Hsiao, the Executive Vice President of Executive Management Operations (EMO), who has been appointed as the chief corporate governance officer by the 13 th meeting of the 14 th term Board of Directors on Mar. 8, 2019. Mr. Ming-Cheng Hsiao has been in	None.

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corporate governance? (including but not limited to providing the business-required information to the directors and supervisor, furnishing information required for business execution by directors and supervisors, handling the matters related to the meetings of the Board and the shareholders' meeting and producing the minutes of the Board and the shareholders' meeting)			<p>a managerial position for at least three years in a public company in handling stock affairs (STB) and corporate governance affairs.</p> <p>The major job of chief corporate governance officer includes as following:</p> <p>Handling matters relating to board meetings and shareholders' meetings according to laws; Producing minutes of board meetings and shareholders' meetings; Assisting in onboarding and continuous development of directors and supervisors; Furnishing information required for business execution by directors and supervisors; Assisting directors and supervisors with legal compliance.</p> <p>The business developments in 2021 are as following:</p> <p>A. Handling matters relating to board meetings and shareholders' meetings according to laws, producing minutes of board meetings and shareholders' meetings and assisting directors with legal compliance.</p> <p>(a) Draw up the meeting schedule for functional committees' meetings and Board meetings; consolidate proposals from related divisions and provide the notice, agenda and related information to each director no later than 7 days prior to the scheduled meeting date; convene the said meetings and provide meeting materials; remind directors who have conflicts of interest of recusing themselves; and complete</p>	

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			<p>meeting minutes within 20 days after the functional committees’ meetings and board meetings.</p> <p>(b) Draw up and have prior booking for the date of Shareholders’ meeting; process the stock affairs; prepare meeting notice, handbook, annual report and minutes within statutory period; and report to MOPS and apply the certificate from Ministry of Economic Affairs after shareholders’ meeting.</p> <p>(c) Ensuring directors’ affair and the process of board resolution are in compliance with regulations.</p> <p>(d) Inspecting material information about major resolutions of Shareholders’ meeting and the board of the directors; making sure lawfulness and correctness in order to have information asymmetry with investors.</p> <p>B. Assist directors to carry out their duties, provide related information in need and arrange training program for them.</p> <p>(a) Plan the 3 hours of on-site course for directors of CTCL group’s listed company in May and August respectively and assist new Director join public training course. Moreover, the Group plans the training course for the directors, supervisors and management officers of the non-public company on an irregular basis.</p> <p>(b) The Company held “Case analysis of changes in management right in two recent year” for Group’s Directors, Supervisors and management officers on Dec. 29, 2021. This is helpful</p>	

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			<p>about realizing the importance of management right and fulfilling corporate governance.</p> <p>(c) Inform the related information of laws or announcements to insiders on irregular basis.</p> <p>C. Renew the Directors’ and Officers’ Liability Insurance in September, and report the insured amount, coverage, premium rate, and other major contents of the liability insurance at the board meeting in November.</p> <p>D. Prepare the Self-evaluation of Corporate Governance Evaluation and assist related divisions to follow up Corporate Governance Evaluation Indicators and related regulations by the Competent Authority published.</p> <p>E. The training program of the chief corporate governance officer, Mr. Ming-Cheng Hsiao, from last year to the report printed date is as 【Note 2】 .</p>	
5.Does the Company establish communication channel for stakeholders which including but not limited to shareholders, employees, customers and suppliers, set up a dedicated section in its corporate website for stakeholders, and properly respond	V		The Company establishes "Sustainable Management" and "Investor Relations" sections in its corporate website to explain to stakeholders the conducts for fulfilling sustainability development & net zero emission may be contacted via its corporate website when needed. The Company will give proper feedback to any reasonable concerns raised by the stakeholders.	None.

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to CSR-related issues concerned by stakeholders?				
6. Does the Company entrust the professional stock affair agency for the shareholder affairs?	V		The Company has entrusted the department of the stock affair agency of the KGI Securities Co. Ltd. to assist the Company in the stock affairs.	None.
7. Information Disclosure (1) Does the Company set up a website to disclose information regarding the Company’s finance, business and corporate governance status?	V		(1) A. The Company has set up a Chinese/English website (www.ctci.com) to disclose information regarding the Company’s finance and business status and update information regularly. B. The Company has disclosed information regarding the organization and function of Internal Audit Dept., “Rules Governing Procedure for Making of Endorsements or Guarantees”, “Rules Governing Acquisition and Disposal of Assets” and “Rules Governing Procedure for Loaning of Funds” on the Company website.	None.
(2) Is there any other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors	V		(2) A. The Company has set up a Chinese/English website and has appointed Sustainability and Brand Dept. to handle information collection and disclosure. B. The Company has appointed the President as the spokesperson, the Head of Executive Management Office as deputy spokesperson and they are responsible for speaking to the public. The Company will hold investors conference presentation	None.

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conference)?			<p>according to practical needs.</p> <p>C. The audio-visual record of investor conference has been posted on the Company website. The Company has disclosed finance and business information revealed in inventor conference on the Company website and the Market Observation Post System pursuant to regulations of Taiwan Stock Exchange.</p>	
(3)Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		(3) The Company announces annual financial statements, Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit.	None.
8. Is there other important information, which helps to understand the governance and operation of the Company, which includes but not limited to the rights and interest of the staff, cares for the employees, investor relations, relation with the suppliers, rights of the stakeholders, trainings received	V		Please refer to the 【Note 3】 .	None.

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by the directors and supervisors, the implementation of the risk management policy and risk assessment criteria, the liability insurance policies taken out for the directors and supervisors, etc.?				
9. According to the last Corporate Governance Evaluation by TWSE, please indicate the situation has been improved and the priority and measures for the non-improved ones.	V		<p>Improved status: all departments have implemented to announce material information in Chinese and English synchronously.</p> <p>Priority lists and steps:</p> <ol style="list-style-type: none"> 1. Audit committee should approve interim financial report of the Company and submit for discussion and resolution by the board of directors. 2. Upload the English ESG report of the Company in the Market Observatory Post System. 	None.

【Note 1】 Assessment of the CPA's independence

No.	Evaluation Item	Result	Qualify for Independence
1	The engaged auditors should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence.	Yes	Yes
2	An audit or review of financial statements delivers high or medium (but not absolute) assurance to potential users of financial statements. In addition to the maintenance of independence in appearance, the maintenance of independence in mind is more important for an independent auditor. Therefore, the members of audit engagement team, the partners of the accounting firm, and accounting firm and its affiliates must be independent to us.	Yes	Yes
3	<p>If the engaged auditor fulfills any of the below requirements:</p> <p>(1) Integrity: an independent auditor shall be straightforward and honest during his/her provision of professional services.</p> <p>(2) Objectivity: During his/her provision of professional services, an independent auditor shall be objective and avoid any conflict of interests to override his/her independence.</p> <p>(3) Independence: an independent auditor shall have independence in mind and in appearance on an audit or review of financial statements.</p>	Yes	Yes
4	Independence is related to the integrity and objectivity. During the engagement, if an independent auditor isn't in the lack/impairment of independence and thus affects his/her integrity and objectivity.	Yes	Yes
5	If the independence of an auditor isn't impaired by self-interest, self-review advocacy, familiarity, and intimidation.	Yes	Yes
6	<p>Self-interest could impair an auditor's independence. Self-interest means acquiring a financial interest in an audit client (i.e. CTCL Corporation) or having another conflict of interests created by other interests or relationships with us. If our engaged independent auditor isn't in any of the below situations:</p> <p>(1) Having a direct or material indirect financial interest from us.</p> <p>(2) Having financing or guarantee relationship with us or our directors.</p> <p>(3) Concerned about the possibility of losing CTCL Corporation as a client.</p> <p>(4) Having a significant and close business relationship with us.</p> <p>(5) Entering into a potential employment negotiations with us.</p>	Yes	Yes

No.	Evaluation Item	Result	Qualify for Independence
	(6) Entering into a contingent fee arrangement relating to our audit engagement.		
7	<p>Independence influenced by self-review means an independent auditor uses a report or judgment resulting from a non-audit service as an important factor to conclude the result in an audit or review of financial information, or a member of the audit engagement team is our former director, or is in our key position with significant influence over the subject matter of the audit engagement. If the engaged auditor isn't in any of the below situations:</p> <p>(1) A member of the audit engagement team is/was our director, supervisor, manager, or employed by us in a position with significant influence over the subject matter of the audit engagement within last two years.</p> <p>(2) The accounting firm of the audit engagement team provides us non-audit services which would directly affect a material item of the audit engagement.</p>	Yes	Yes
8	<p>Independence influenced by advocacy means that a member of the audit team acting as an advocate of our position so the objectivity of the independent auditor could be challenged. If the engaged auditor isn't in any of the below situations:</p> <p>(1) Promoting or brokering shares or other securities issued by us.</p> <p>(2) Acting as an advocate on behalf of us in litigation or disputes with third parties.</p>	Yes	Yes
9	<p>The effects of familiarity to independence means a close relationship with our directors, supervisors, and/or managers will cause an independent auditor to excessively concern or sympathize about our interest. If the engaged auditor isn't in any of the below situations:</p> <p>(1) Having a family relationship with our directors, supervisors, managers, or employees in a position with significant influence over the subject matter of the audit engagement.</p> <p>(2) A former partner, who was disassociated with the engaged accounting firm within a year, joins us as a director, supervisor, manager, or employee in a key position with significant influence over the subject matter of the audit engagement.</p> <p>(3) Accepting gifts or preferential treatment from our directors, managers, or us.</p>	Yes	Yes
10	Independence influenced by intimidation means an independent auditor is deterred from being objective due to actual or perceived pressures, including the attempts to exercise undue influences. if engaged auditor isn't in any	Yes	Yes

No.	Evaluation Item	Result	Qualify for Independence
	of the below situations: (1) Requesting an independent auditor to agree with our inappropriate accounting treatments and disclosures. (2) Compelling an independent auditor to reduce the extent of work performed in order to lower the audit fee.		

【Note 2】

Training program of Corporate Governance Officer

Date	Sponsoring Organization	Course	Hours
2021/05/05	Taiwan Institute for Sustainable Energy	Improve organizational resilience and move towards carbon neutral	3
2021/08/03	Taiwan Corporate Governance Association	Overall activities of the enterprises' digital resilience - talk about emergency responses and recoveries from ransomware	3
2021/09/01	Financial Supervisory Commission	The 13 th Taipei Corporate Governance Forum	3
2021/09/15	Securities and Futures Institute	Study the remuneration of employees and directors – talk from amended Article 14 of Securities and Exchange Act	3

【Note 3】

1. The system about employee rights and interests and the care for the employees adopted by the Company is implemented in accordance with the related regulations and specified clearly in the working regulations of the employee manual, which include the gender equality at work, sexual harassment prevention and treatment, the compensation and pension for the disaster, injury and disease, subsidy principals the for weddings /funerals, etc. The labor management meeting is held as well to communicate with each other for issues concerned by the labor regularly each quarter. There are other measurements like the mail box for the employee opinion and special line against the sexual harassment to give trust to the employees thoroughly and to carry out the self- governance of the employee.
2. The first principle for the sound corporate administration is to protect the shareholder rights and interests and to treat all shareholders fairly. To encourage the investors to participate in the corporate governance and to implement the shareholder activism, the Company has not only published the minutes of the shareholder meeting on the Taiwan Stock Exchange and the Company's website, but also takes the initiative to release material information in a timely manner when events that have a significant impact on shareholders' rights and interests occur in the Company; Moreover, the Company holds the investor conference regularly and uploads the video of the conference to the Taiwan Stock Exchange and the Company's website to enhance investors' understanding of the Company's status and further implement the protection of shareholders' rights and interests accordingly. All public information is released simultaneously in Chinese and English, in order to ensure the fairness of the information disclosure and take into account the rights and interests of domestic and foreign investors.
3. The Company offers the relevant laws and regulations requiring attention and seminar information for further study to directors and make presentation about the business regularly in the meeting of board of directors. (For detailed information, please refer to 3.4.8 - The important information concerning the corporate governance and operation.)
4. All directors will attend the meeting of board of directors except for special situation and their attendance of the meeting will be reported in the Market Observatory Post System.
5. The Directors of the Company will recuse themselves to avoid conflicts of interests in the Board Meeting.
6. The Company purchased D&O insurance for its directors and supervisors.
7. CTCL has always been committed to sustainable business development, and we expect suppliers to share these values. Therefore, we have established the CTCL Vendor Code of Conduct. We not only require all vendors (including new suppliers) to follow the aforementioned Code, but also encourage our suppliers to ask their own suppliers to follow the same standards. We look forward to enhancing the sustainability of the overall industry chain through these successive influence.

We strictly conduct supplier management. Only those qualified and registered in the CTCI Group PSSCM (Project Service Supply Chain Management) System have the chance for quote and to be contracted for plant construction. Issues regarding the scope of the integration work, the work regulation, the project schedule, the quality inspection, QHSE Management are well- explained to the contractors during the inquiry and quote for them to understand completely the content of work, responsibilities and obligations in the contract. The total amount of the contract, the payment term, the responsibilities, obligations and penalties for the mutual parties are specified in the contract as base for the implementation of the contract of the corporative contractor.

Upon the delivered equipment, materials or services, project team will evaluate vendor performance, including quality, HSE and schedule. The performance evaluation will be referred to future vendor selection for inquiry.

In case of any inappropriate-issue caused by vendor during on-going contraction, project team also could propose the request to negotiate with the vendor by official hierarchy.

With the sound finance of the Company, all contractors get paid in due course and according to the payment term. Besides, the function to check the payment is established for the contractors to know the review procedure of the invoice. The Company treats all contracted contractors fairly and honestly and negotiates with them for cooperation, mutual harmony and prosperity.

8. "Implementation of risk management policies and risk measuring criteria"

Risk management policies:

Declarations: All kinds of risks will affect the achievement of objective of the Company. The understanding and management of risk can assist the Company to prepare countermeasure and improve performance, so as to achieve stable growth and pursue the sustainable operation.

Descriptions: Through constructing proper risk management procedure, the risk management of the Company will integrate into the daily operating activities to manage the operating risks effectively. For this purpose, the Company will:

- Establish enterprise risk management system consistent with company strategy;
- Define the roles and responsibilities of all employees in enterprise risk management, and communicate with all employees;
- Prepare systematized enterprise risk assessment method to ensure that risks significantly affecting the Company can be identified effectively;
- Ensure that information related to enterprise risk can be passed through explicit and effective channel;
- Integrate enterprise risk management mechanism into daily operating activities.

Enterprise risk management is a continuous activity; all employees of the Company are responsible for understanding and carrying out risk management system of the Company. All colleagues shall properly perform the duty of risk management; each management level shall also comply with relevant requirements of this risk management system.

CTCI follows the “Risk Management Regulations” which defines the risk management process and risk measuring criteria to perform the risk management tasks. Each risk management unit regularly performs risk identification and risk evaluation and proposes the improvement plan. The report is submitted to the Risk Management Executive Committee. The Risk Management Executive Committee submits a risk management report to the Board of Directors every year, and when discovering the risk to have significant impact on Company’s operation and compliance, it needs to take an appropriate measure promptly.

9. “To Satisfy Our Customers with Optimized Engineering Services” is CTCI’s corporate mission, and we stress customers’ feedback highly. For years, we have been collecting customers’ feedback based on “Customer Service Enhancement Regulations” in a timely fashion and proactively conducting customer satisfaction survey twice a year. Besides, a cross-departmental “Customers Services Feedback Group” coordinated by the President was established. The Group would review the customer feedback raised in the questionnaire survey, proposed correction actions, and instructed the departments concerned to fulfill their tasks accordingly to make sure our customers’ trust and expectations are met.