

Accountability Management



Corporate Governance

Wistron has a long-standing commitment to superior corporate governance practice. We have endeavored to build an effective company management framework, protect shareholder rights, improve the structure of our Board of Directors, respect the rights of associated partners, and enhance information transparency.

We believe a good structure of the Board of Directors is the cornerstone of good corporate governance practice. Therefore, to reinforce the management mechanism of the Board of Directors, independent directors and supervisors have been included on the Board since Wistron's initial public offering in 2003. The independent directors and supervisors are highly experienced and respected professionals in the industry and they ensure that the company adheres to the ethics and legal regulations while pursuing increased growth. In 2009, Wistron took a major step to enhance corporate governance by replacing the Supervisory Board with an Audit Committee, which is formed by the panel of independent directors under the Board and began operation under the governance of the Board of Directors Meeting Guidelines and Audit Committee Charter. And with the understanding that the compensation system for the directors and management is a key link between the company and risk management, in 2011, Wistron's Board of Directors made a resolution to set up the Compensation Committee and the Compensation Committee Charter. Establishment of this Committee brought Wistron's corporate governance practices a step forward.

Board of Directors

In accordance with the Articles of Incorporation, Wistron's Board of Directors consists of seven to nine Directors, who will be elected by the shareholders' meeting from the director candidate list via the candidate nomination system. Each Director will serve an office term of three years and may be re-elected.

Currently the Board is composed of nine members with rich operations experience and reputation in the industrial circle, which also includes accountants and lawyers for overall consideration, including five independent directors whose qualifications are in compliance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". The general directors include Mr. Simon Lin (Hsien-Ming Lin), who is the current Chairman and CEO of Wistron, Mr. Stan Shih (Chen-Jung Shih), who is the founder of Acer Group, Mr. Haydn Hsieh (Hong-Po Hsieh), who is the Chairman and CEO of Wistron NeWeb Corp., and Mr. Robert Huang (Po-Tuan Huang), who is the President and COO of Wistron. The five independent directors include Mr. John Hsuan (Min-Chih Hsuan), who is the Vice Chairman Emeritus of United Microelectronics Corp., Mr. Michael Tsai (Kuo-Chih Tsai), who is the Chairman of Maxchip Electronics Corp., Mr. James K.F. Wu (Kuo-Feng Wu), who was a former partner of KPMG Taiwan, Mr. Victor C.J. Cheng (Chung-Jen Cheng), who is a doctor of Jurisprudence from Stanford University, and Mr. Duh-Kung Tsai, who is the Chairman and CEO of Powertech Technology Inc.. The company's Chairman is elected by the Board of Directors and represents the company externally. Please refer to our website and annual reports for the detailed biography of each member of the Board.

The Board is required to hold at least one meeting each quarter, and a total of 10 board meetings were held in 2015. The Board is the highest

government unit in the company, which is mainly responsible for improving supervision function and strengthening the management mechanism. The Board members oversee the operations team to ensure that the team strictly abides by all regulations and enhances information transparency. Moreover, it instructs the operation teams in major decision-making instances by using its own experience, so as to achieve sustainable operations for the company and further guarantee the shareholders' rights and interests. If any board member or the represented entity has a stake in any matter of the meeting, which may cause harm to the corporate benefits, the said member shall not join the discussion and voting, nor practice the voting right on behalf of another board member. The management team regularly reports to the Board regarding the operations, development strategies, and other important issues, so as to maintain smooth and open communications with the Board.

Audit Committee

One of the major functions of Wistron's Audit Committee is to develop a risk management system that monitors the company's potential risks. The scope of this mandate includes verifying the adequacy and accuracy of financial statements, appointing (and dismissing) certified public accountants and assessing their independence and performance, overseeing the integrity of internal controls, evaluating the company's compliance with legal or regulatory requirements, and monitoring the company's existing or potential risks. In addition, the general auditor, senior accounting officers, and certified accountant must attend the Committee's meetings every quarter to report on the status of internal audits and financial performance, as well as the most recent developments in pertinent regulations.

The Audit Committee may by resolution engage lawyers, auditors and/or other professional consultants to seek independent advice within the

scope of its authorization. The Audit Committee may also establish direct communication with the internal auditors, certified accountants and/or the management teams. The Audit Committee is required to hold a meeting at least once each quarter, and a total of 9 Audit Committee Meetings were held in 2015. Please refer to the Annual Report and Market Observation Post System (MOPS) for details.

Compensation Committee

Wistron's Compensation Committee is given the authority to establish and review compensation policies for the company's directors and senior management. The policies are linked with the company's performance and goals, designed to recruit and retain high quality personnel and enhance competitiveness. The compensation for Wistron's directors is set up according to the Article of Incorporation and the actual payments are made according to the duties, attendance rate at the Board meetings, and performance of each director. In case of any revisions, they shall be submitted for resolution at the Shareholder's Meeting, so as to evaluate the management performance of the highest governing unit. The compensation package for each senior manager includes a fixed component of wage, three Chinese festival grants paying, and benefits and a variable component of bonus, dividends (cash/stock) and stock options. The fixed terms aim to maintain the company's competitiveness at a certain level and the variable terms are considered based on the company's and the individual's performance. When the company and individual's performance is higher, the ratio of the variable terms to the fixed terms will also be higher. The assessment standards are based on the extent to which the annual goals are achieved, which include annual financial targets (revenues, profits, etc.), market/customer, and the growth and development of the organization and personnel. In the beginning of each year, the Compensation Committee sets the assessment items, goals, and weight ratios, taking internal and external

development into consideration. The compensation for the managers is assessed based on personal performance and the terms are evaluated before forwarding to the Board of Directors for approval.

Wistron's Compensation Committee is required to hold a meeting at least twice a year. The Committee is composed of three members and all the members are independent directors. The independent director Mr. Xuan Mingzhi was unanimously elected by all Committee members to serve as convener and Chairman of the meeting. The Committee members are required to invite the company's the Chairman of the Board to attend the meetings. However, the members of the Compensation Committee should excuse themselves from the meetings if the issues to be discussed involve personal interests. The Committee may also request directors, managerial officers of relevant departments, internal auditors, accountants, legal consultants, and other personnel to attend the meetings and provide them with pertinent and necessary information. A total of 5 Compensation Committee Meetings were held in 2015. For the attendance records, please refer to the Annual Report and Market Observation Post System.

Compliance

Since 2001, Wistron has diligently complied with all relevant regulations to set up its internal operations and governance. After public listing, the company has tracked the development of new regulations closely and requires all subsidiaries to strictly abide by them. The company sets goals to strengthen our core values, maintain a high level of integrity, ensure that the employees observe the company's ethical standards when conducting business and daily operations, and maintain a good reputation to win the

trust and respect of our customers, suppliers and the general public. To achieve these goals, Wistron developed the Employee Code of Conduct, which serves as a set of guidelines for all employees and executives. The company keeps a continuous watch on the domestic and international policies that may have an impact on the company's finances and businesses and put in place a set of risk management procedures to respond to any potential impacts. Also, we continuously enhance employees' legal awareness through training and education. Wistron had never been subjected to any monetary or non-monetary penalties due to any failure to comply with the relevant regulations in 2015.

Anti-corruption and Principle of Integrity

Wistron is committed to complying with the Electronic Industry Citizenship Coalition (EICC) code of conduct to enhance corporate governance. It has formulated Corporate Governance Best Practices, Principle of Integrity, and Code of Ethics Conduct, all of which clearly specify the principles of recusal of conflicts of interest, gifts and hospitality, handling procedures for political donations, personal donations, or sponsorship, and employee code of conducts. We anticipate our customers, suppliers, business partners, and other affiliates to understand and support our integrity management policies. Please refer to the company's website and the Market Observation Post System (MOPS) for details.

To help employees understand related regulations, Wistron requires all new employees in its Kunshan, Taizhou, Chengdu, Chongqing, Czech and Mexico Plants to undergo industrial ethics training. Its Taiwan office requires

new employees to undergo online ethics training. Moreover, all indirect employees at the Kunshan, Chongqing and Chengdu Plants are required to sign the Pledge for Ethical Practices. At the Zhongshan Plant, all new employees are likewise required to sign the Pledge for Ethical Practices. All employees have a duty to report unethical and improper conduct to the company through the appropriate channels. The company also pledges to protect employees who report or cooperate with the investigation of such cases to prevent any untoward incident or treatment.

To strengthen its anti-corruption management system, the company conducts evaluation and self-inspection of the design and implementation of internal control systems including its accounting system, which is also double-checked by the auditor. Moreover, the Capital, Purchasing, Supply Chain Management, and Administration Departments are listed as potential risks. The related departments shall be subject to internal audit or periodical job rotation. In case of non-compliance, such action will be reported during the Board Meeting.

Concerning the operation of the Board of Directors, directors may express their opinions and respond to questions in regards to meeting agendas that have interest relationships with themselves or their proxy, which may conflict with the company's interest. Directors may not participate in discussions and exercise their voting rights, and they should recuse themselves from such discussions and execution of voting rights. Directors are also prohibited from exercising voting rights by proxy.

In terms of external relationships, regulatory compliance, integrity and non-compliance records must first be evaluated before any business relationship can be established with agents, suppliers, customers or other business partners. During the business process, the company shall explain its operation integrity strategies and related regulations. It will also reject

any direct or indirect form of promise, favor or unjustified incentive. If any integrity or compliance violation should occur, the business relationship shall be immediately terminated and the entity involved would be placed on the blacklist. Compliance together with the anti-corruption policy is included in the contract which covers the following: clear and reasonable payment terms, handling of integrity issues, and violation of the terms and conditions related to illegal commissions, rebates or other interests.

In addition, Wistron informs suppliers of its anti-corruption policies through the World Supplier Relationship Management (WSRM), and promotes its operations integrity strategies and principles during the Suppliers Meeting and Corporate Briefing. The supplier's implementation status is also reviewed every year. Thanks to the company's advocacy efforts and management system, there have been no major cases involving unethical behavior or business practice.

Public Policies

Public policies are guidelines for public organizations such as the government in managing social and public affairs which determine the direction and objective of management activities. Proper and effective implementation of policies will have favorable results on the development of the national economy, society and environment. In dealing with this issue, Wistron has established social responsibility guidelines, which include complying with national regulations and local laws related to social responsibility, continuously enhancing employee rights, interests and welfare; upholding honest, healthy and safe workplace, and fulfilling its corporate social responsibility.

The company regularly monitors the development of domestic and national policies, in order to review and improve the effectiveness of the existing corporate governance system. Besides, Wistron has always remained politically neutral, objective and detached from public policy. We do not participate in any form of lobbying. We do not take part in the activities of political parties or related organizations. Employees have the freedom to express their political beliefs, and are encouraged to fulfill their civic duty, and vote for their preferred candidate during elections. No political contributions are made by Wistron.

Protecting Customer Confidentiality

"Protecting customer's confidentiality and adhering to the principle of good faith" is one of our commitments. We have stipulated "Professional Ethics" and "Administration Roles for Wistron People" to establish and cultivate the value and culture of integrity among employees. We have strict policies and internal control mechanisms to protect the confidentiality of information provided by our customers. In addition to managing all hardware and software containing technical information and customer information related to intellectual property rights, confidentiality agreements will be signed with the customers and suppliers to protect confidential information. "Protecting Customer Confidentiality" has also been included as a part of the new employee training program. Through training and management, Wistron ensures that every employee adheres to our confidentiality commitment in their dealings with customers. There were no violations of customer privacy rights or loss of customer data that harmed customer interests in 2015.