

# Yuanta Financial Holding Company

## Corporate Governance Guidelines

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### Chapter One: General Provisions

#### Article 1

In order to establish a strong corporate governance system and an effective corporate governance structure, the Company sets in place these Guidelines for its own compliance and for disclosure on the Market Observation Post System of the Taiwan Stock Exchange.

The Company shall ensure the effective operations of its subsidiary companies, and shall supervise them to ensure that they are in compliance with all relevant corporate governance guidelines of their respective industries.

#### Article 2

The Company shall implement a strong corporate structure and culture, comply with legal regulations and Company guidelines, and shall implement an effective corporate governance system in accordance with the following principles:

- (1) Comply with the law and maintain strong internal management.
- (2) Protect the corporate governance related rights and interests of shareholders, the Company and its subsidiaries, and other stakeholders.
- (3) Strengthen the functionality of the board of directors.
- (4) Exercise the functions of the Audit Committee.
- (5) Respect the rights and interests of stakeholders
- (6) Achieve a sufficient level of information disclosure and increase overall transparency.

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### **Article 3**

The Company shall, with its subsidiary companies, set in place a comprehensive operational strategy, risk management strategy and relevant guidelines, in order to strengthen operational management; Company subsidiaries shall develop their own corresponding operational strategies, risk management strategies, and implementation guidelines, and ensure that they remain in compliance therewith.

## **Chapter Two: Legal Compliance and Internal Management**

### **Article 4**

The Company shall establish a legal compliance system, designating the units responsible for the system's planning, management, and implementation, as well as establishing consultation, coordination, and communication systems, and provide legal training for relevant units. The Company shall also designate a legal compliance head, responsible for execution of legal compliance related matters, in order to ensure that that legal compliance system is implemented properly, and to strengthen the Company's level of self-regulation.

### **Article 5**

The Company shall establish internal controls and auditing systems, and ensure that the systems are consistently effective, in order to guarantee the strength of the Company's operations.

Any proposal to set or amend the internal control system must be passed with majority approval of the Audit Committee and by a resolution of the board of directors. If independent directors oppose or have reservations about the proposed changes, they shall explain their concerns in the board of directors meeting minutes.

### **Article 6**

The Company's internal control system shall cover the Company's business activities, setting suitable policies and operational procedures through the Company's organizational guidelines and company rules, business standards of practice, and handbooks. The internal control system shall be periodically amended to reflect changes in legal regulations, business activities, and operational procedures; when necessary, these processes shall involve the participation of the Company's legal compliance and internal auditing units.

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## **Article 7**

The Company's internal auditing system shall conduct evaluations as to whether the internal control system is effectively functioning and measure its operational efficiency, as well as providing recommendations for improvement when necessary, in order to ensure that the internal control system is being effectively implemented, and assist the board of directors and management in carrying out their duties.

The Company shall establish an internal audit unit operating under the authority of the board of directors, and shall establish an internal audit system for handling the Company's auditing operations on a basis of independence and objectivity. The internal audit unit shall periodically report to the board of directors and Audit Committee. The Company shall grant the Auditor-General personnel autonomy within the internal audit unit.

The Company's internal audit personnel and their deputies shall possess all legally mandated qualifications, and shall attend professional training, in order to increase the Company's audit quality and abilities.

The Company shall set in place channels and a system of communication between its independent directors, the Audit Committee, and the management of the internal audit unit. While conducting reviews on the deficiencies of the Company's internal control system, directors shall periodically meet with internal audit personnel for discussion and consultation, and shall make a record thereof. The records of these consultations shall be reported to the board of directors.

The communication between the members of the Audit Committee and the management of the internal audit unit as described in the preceding paragraph shall be reported to the shareholders meeting by the convener of the Audit Committee.

To effect the internal control system, strengthen the professional abilities of the backup person of the internal auditor and to further improve and maintain the quality and implementation result of the audit, the Company shall have a deputy in place for the internal auditing personnel.

## **Article 8**

The Company's management shall value the internal audit unit and its personnel, and shall grant them full authority to conduct their inspections and evaluations of the deficiencies of the internal control system and evaluations of its operating

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efficiency, in order to guarantee that the internal control system is being effectively implemented, in fulfillment of the Company's corporate governance system.

The employment, termination, promotion, reward and punishment, job rotation and performance review of internal audit personnel shall be reported by Auditor-General and executed after approval by the Chairman.

The assessment of the effectiveness of the internal control system shall require the approval of a majority of the members of the Audit Committee, and shall be reported to the board of directors.

#### **Article 9**

The Company's internal audit unit and legal compliance unit, in addition to carrying out the Company's legally mandated audit and compliance related duties, shall also supervise Company subsidiaries in their execution of said duties.

#### **Article 10**

In the event that the Company's internal audit personnel and/or legal compliance management propose improvement measures to rectify significant deficiencies or legal violations in the Company's internal control system which are not adopted by the Company's management, and in which inaction could create material losses to the Company, the aforementioned units shall immediately contact the regulatory authorities to report the matter.

#### **Article 10-1**

The Company's president, executives, and department managers shall be subject to the guidance and supervision of the board of directors, and shall adhere to the business strategies, risk preferences, remuneration and other policies which the board of directors approve, and execute and manage the Company's operations accordingly. The aforementioned managerial personnel's roles, responsibilities, and procedures and strategies for executing their duties shall be clearly and transparently defined.

### **Chapter Three: Protection of the Rights and Interests of Shareholders**

#### **Article 11**

The Company shall set in place a corporate governance system in which shareholders have can remain fully informed about major occurrences at the Company, and have

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participation and decision-making rights, in order to guarantee shareholders' equity and the fair treatment of all Company shareholders.

### **Article 12**

The Company shall adhere to the *Company Act* and other relevant laws in convening shareholders meetings, and shall set in place shareholder meeting procedures covering the following:

- (1) Meeting notification
- (2) Meeting sign-in book and other document preparation
- (3) Guarantee that the shareholders meeting shall be convened at a suitable time and location
- (4) The chairperson and attendees of the shareholders meeting
- (5) Preservation and storage of an audio or video recording of the shareholders meeting
- (6) Specifications on the convening of the shareholders meeting, the discussion of proposals, shareholders' speeches, voting procedures, as well as supervision of the vote and vote counting methods
- (7) Meeting records and signature
- (8) Publicly issued Company announcements
- (9) A recusal system for shareholders
- (10) Shareholders meeting authorization principles
- (11) Maintenance of order at the meeting venue.

The Company shall faithfully execute the resolutions passed by the shareholders meeting.

The content of the shareholders meeting resolutions shall comply with law and with the Company's Articles of Incorporations and guidelines.

### **Article 13**

The board of directors shall make appropriate arrangements regarding the proposals and procedure of the shareholders meeting, and shall set in place procedures by which shareholders can nominate directors and make proposals before the shareholders meeting, and shall properly handle resolution proposals made by shareholders. The shareholders meeting shall be held in a convenient location, may be supplemented by video, shall allocate sufficient time for the meeting procedures, and shall designate sufficient and able personnel to handle the meeting registration procedures. Identification documents required for shareholders shall not be arbitrarily changed or added. Each resolution before the shareholders meeting shall

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be considered with adequate time for discussion, and with shareholders given adequate speaking opportunities.

When the board of directors convenes a shareholders meeting, the chairperson of the board shall personally chair the shareholders meeting, and at least half of the members of the board of directors (including at least one independent director) and the convener of the Audit Committee shall be in attendance; additionally, each of the other functional committees shall be represented by at least one member in attendance, and the attendance records shall be published in the meeting minutes.

#### **Article 14**

The Company shall encourage shareholder participation in corporate governance matters, and shall commission a professional shareholder services agent to organize the shareholders meeting so that it may be carried out in a manner that is legal, effective, and safe. The Company shall use all reasonable methods and channels and fully utilize technological means to disseminate information. The Company shall simultaneously upload the Chinese and English language versions of its annual report, annual financial report, meeting notification, meeting handbook, and supplemental meeting materials, and shall employ electronic voting, thereby increasing overall shareholder attendance and ensuring that they can exercise their legally mandated shareholder rights therein.

The Company has adopted an electronic voting method, and shall adhere to the law in handling extempore resolutions and amendments to resolutions.

The Company shall arrange for shareholders to vote on the individual resolutions before them, and on the day of the shareholders meeting, shall upload the total “approve,” “oppose” and “abstain” votes on each resolution to the Taiwan Stock Exchange's Market Observation Post System.

#### **Article 15**

The Company shall adhere to the *Company Act* and other relevant laws by recording the following material in the shareholders meeting minutes: meeting date, meeting location, name of the chairperson, voting method, as well as a summary of the resolutions and voting results. For director elections, the meeting minutes should clearly indicate the voting method used as well as the voting results of each elected director.

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The shareholders meeting minutes shall be preserved and stored for as long as the Company is in existence. The Company shall comply with all relevant information disclosure regulations, and make the shareholders meeting minutes available on the Market Observation Post System or on the Company's website.

#### **Article 16**

The chairperson shall be familiar with and shall adhere to the meeting procedures set by the Company, shall smoothly proceed through the meeting agenda, and shall not arbitrarily bring the meeting to a close.

To protect the rights and interests of Company shareholders, in the event that the chairperson arbitrarily brings the meeting to a close in violation of the shareholder meeting rules, the other members of the board of directors in attendance shall assist the shareholders to use legally mandated means to elect a new chairperson with a majority of the shareholding votes in attendance, and continue with the meeting agenda.

#### **Article 17**

The Company shall respect shareholders' right to knowledge, and shall adhere to all relevant laws on information disclosure, and shall make the Company's financial information, business lines, internal shareholders, and corporate governance status available in a periodic and up-to-date manner on the Market Observation Post System's information system, or shall use the corporate website to make such information available to shareholders.

To ensure the equal treatment of shareholders, the information disclosures mentioned in the preceding paragraph shall be made simultaneously in English.

To protect the rights and interests of shareholders, and ensure the equal treatment of shareholders, the Company shall set in place internal guidelines prohibiting the use of undisclosed information to buy or sell securities.

The guidelines mentioned in the preceding paragraph shall also include control measures on stock transaction to be applied from the date there is internal access to the Company's financial report or related business performance results, including, but not limited to, a director's prohibition from trading in the Company's stock during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial

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report.

#### **Article 17-1**

The Company is required to report at the annual general meeting of shareholders the remuneration received by the directors, including the remuneration policy, the type of remuneration, the amount or level of individual remuneration, and the correlation with the results of performance evaluation.

#### **Article 18**

Shareholders shall have the right to share in the Company's profits. To protect the investment interests of shareholders, the shareholders meeting shall adhere to the guidelines in Article 184 of the *Company Act*, and elect a supervisor to examine the statements and books prepared and submitted by the board of directors, Audit Committee reports, and make a resolution on the sharing of profits or covering of losses. The board of directors, Audit Committee, and Company management shall fully cooperate with the supervisor's examination, and may not avoid, impede, or refuse it in any way.

#### **Article 19**

When engaging in major financial activities such as the acquisition or disposal of assets, the Company shall adhere to all relevant laws, shall have set in place relevant standard operating procedures approved by the board of directors, in order to protect the rights and interests of shareholders.

In the event of a merger, acquisition, or public tender offer, the Company shall act in accordance with all relevant laws, and shall make certain that the merger, acquisition, or public tender offer plans and business are conducted in a manner that is fair and reasonable. Additionally, the Company shall ensure adequate information disclosure and that the financial structure of the subsequent company is sound.

If the Company's management or majority shareholders participate in a merger or acquisition, whether the members of the Audit Committee to consider the merger or acquisition in the preceding paragraph comply with Article 3 of the *Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies*, and whether they are not related to or interested in the counterparty to the merger or acquisition to the extent that their independence is affected, whether the design and execution of the relevant procedures comply with the relevant laws and regulations, and whether the information is adequately disclosed in accordance

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with the relevant laws and regulations, shall be reviewed by an independent lawyer. A legal opinion shall be issued by an independent lawyer.

The qualifications of the lawyer in the preceding paragraph shall comply with Article 3 of the *Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies*, and shall not be related to or have an interest in the counterparty to the merger and acquisition transaction to the extent that the independence is affected.

The Company's personnel who handle matters related to mergers and acquisitions or public tender offer shall be aware of conflicts of interest and recusal.

## **Article 20**

In order to ensure the rights and interests of shareholders, the Company shall properly handle the suggestions, concerns, and disputes of shareholders.

In the event that resolutions passed by the shareholders meeting or the board of directors violate the law or the Company's Articles of Incorporation, or in the event that the Company's directors or managers violate the law or the Company's Articles of Incorporation in the execution of their duties, resulting in damages to the interests of shareholders, the Company shall handle properly and objectively handle any subsequent legal brought by shareholders.

The matters in the previous two clauses shall be handled according to the Company's Division of Authority and Responsibilities and Hierarchical Responsibility Guidelines. Such instances shall be dealt with by the responsible units in a manner which is appropriate and objective, and shall maintain and preserve relevant written records.

### **Article 20-1**

The Company's board of directors shall be responsible for establishing a mechanism for interacting with shareholders, in order to increase both parties' understanding of the Company's developmental goals.

### **Article 20-2**

The Company's board of directors, in addition to communicating with shareholders via shareholder meetings, and encouraging shareholders to attend shareholder meetings, shall establish effective means of communication so that the Company's managers and independent directors, so that they may be aware of shareholders'

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views and concerns, clearly explain the Company's policies, and gain the shareholders' support.

### **Article 21**

To maintain shareholders' best interests, the Company's controlling shareholder shall adhere to the following:

- (1) Bear fiduciary duty for other shareholders, and not directly or indirectly cause the Company to depart from normal business practices or obtain illegal benefits in its operations.
- (2) The representative of the controlling shareholder shall exercise their rights and participate in resolutions in accordance with the Company's set guidelines. When attending a shareholders meeting, they shall act in good faith and in the shareholders' best interests as they exercise their voting rights, or, when they are serving as a director, shall faithfully carry out their duties in the role.
- (3) Adhere to relevant laws and the Company's Articles of Incorporation in the process of nominating directors, and not exceed the respective purviews of the shareholders meeting and the board of directors.
- (4) Not improperly interfere in the Company's strategy or impede the Company's business activities.
- (5) Not use anti-competitive methods to limit or impede the Company's business activities.
- (6) A representative serving in a director's seat shall have the necessary qualifications, and shall not be arbitrarily reassigned.

The following principles shall be taken into account in the communication between the controlling shareholders in the preceding paragraph and the Company in order to comply with the guidelines in the preceding paragraph:

- (1) In principle, the shareholder shall appoint a representative who is elected as a director of the Company, and such representative may invite the Company's managerial officers to accompany him/her to communicate with the shareholder if necessary, and the Company shall keep a record of the communication.
- (2) If a controlling shareholder has a proposal for a meeting of the board of directors or a decision on the Company's operations, it shall be presented by his/her director representative at a board of directors meeting or a functional committee for the purpose of exchanging and discussing opinions, and he/she shall not convene a meeting or otherwise improperly interfere with the Company's decisions.
- (3) A controlling shareholder shall be under an obligation of confidentiality with

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respect to material information about the Company that comes to his or her attention until such information is publicly disclosed and shall not use such information to engage in insider trading.

#### **Article 22**

Any matters involving employees, assets, financial management targets, and powers and responsibilities between the Company and its subsidiaries, and any other affiliated companies shall be transparent, shall undergo a risk evaluation, and shall establish a suitable firewall.

The Company shall adhere to the *Financial Holding Company Act* in doing due diligence on all of its subsidiary companies.

#### **Article 23**

To prevent the improper transfer of benefits and any damages to the Company or the interests of shareholders, the Company and its major shareholders, invested enterprises and their managers, employees, or stakeholders in the management of said enterprises, shall, when engaging in real estate transactions, conduct themselves in a way that is fair, just, objective, and in line with standard business practices. Additionally, they shall conduct their business in adherence with the *Financial Holding Company Act* and other guidelines set by the regulatory authorities.

#### **Article 24**

When the Company's managers hold concurrent positions at the Company's subsidiaries, they shall adhere to the *Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company*.

Company managers holding concurrent positions shall ensure that they effectively execute the duties of both their position and their concurrent position(s), and shall not allow conflicts of interest or violations of the Financial Holdings Companies and their Reinvestment Enterprises and Subsidiary Companies' Internal Controls and Supervision Checks and Balances System to exist between the two, in order to safeguard the rights and interests of shareholders.

#### **Article 25**

If the Company's directors are, either for themselves or for others, involved in the

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Company's major lines of business, they shall make an explanation of such to the shareholders meeting, and shall obtain approval from the shareholders meeting.

#### **Article 26**

The Company and its subsidiaries shall follow all relevant laws and regulations to build strong financial, operational, and accounting management targets and systems.

#### **Article 27**

When the Company enters into business transactions with its subsidiaries and other related parties, a written specification governing the relevant financial and business operations between them shall be made in accordance with laws and regulations as well as the principle of fair dealing and reasonableness. Contracts between said parties shall clearly indicate the transaction price, terms, and payment method, and shall strictly prohibit abnormal business practices and the transfer of benefits. Said parties shall adhere to legal guidelines in seeking reasonability reports from securities underwriters, appraisal companies, or accountants before proceeding with their business transactions.

The aforementioned written specification shall include the management procedures for transactions and acquisition or disposal of assets, and the relevant material transactions shall be approved by a resolution of the board of directors and approved by or reported to the shareholders meeting.

#### **Article 28**

The Company shall maintain a clear understanding of its major shareholders with a large shareholding ratios or with actual controlling powers.

The shareholders with large shareholding ratios, as referred to in the preceding paragraph, refer to those defined by Articles 4 and 16 of the *Financial Holding Company Act*, though the Company may set a lower standard for such based on the shareholding of its actual controller.

### **Chapter Four: Strengthening the Functions of the Board of Directors**

#### **Section One: Board of Directors Structure and Functions**

#### **Article 29**

The board of directors shall guide the Company's strategy, supervise Company

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management, and shall be responsible to the Company's shareholders and for the operations and planning of the Company's corporate governance system. The board of directors shall ensure that they execute their duties in adherence to the law, the Company's Articles of Incorporation, and the resolutions of the shareholders meeting.

### **Article 30**

The structure of the Company's board of directors shall reflect the Company's business development scale and the holdings of the Company's major shareholders, as well as considering the Company's operational needs, and shall set an appropriate number of at least seven director seats accordingly.

The structure of the board of directors shall give consideration to diversity. Directors with concurrent positions in the Company's management shall not exceed more than one-third of the board seats, and shall adhere to the regulations on concurrent positions stated in Article 24 of these Guidelines. The Company shall set in place a board of directors diversity policy based on the Company's operations, business model, and developmental needs; this policy shall include but not be limited to the two standards below:

- (1) Basic criteria and values: age, gender, nationality, culture, etc.
- (2) Professional knowledge and abilities: professional background (ex: legal, accounting, industry, financial, marketing, technology), professional abilities and industry experience.

The Company's members shall possess the necessary knowledge, abilities, and competence to execute their duties. In order to meet the Company's corporate governance objectives, the board of directors as a whole shall possess the following abilities:

- (1) The ability to evaluate business operations
- (2) Accounting and financial analysis capabilities
- (3) Operational management capabilities (including operational management of Company subsidiaries)
- (4) Crisis management abilities
- (5) Industry knowledge
- (6) Understanding of international markets
- (7) Leadership skills
- (8) Strategic decision-making abilities
- (9) Risk management knowledge and abilities

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**Article 31**

The board of directors shall be maintain awareness of the risks faced in the Company's operations, and shall ensure that the Company's risk management is conducted effectively, and shall bear the final responsibility for the Company's risk management.

The Company's risk management policy and operational procedures shall be approved and periodically reviewed and amended by the board of directors.

The Company shall set in place a unit solely responsible for risk control which is independent from the Company's business units. The said unit shall periodically submit risk control reports to the board of directors; in the event that any significant risks are discovered, which could potentially harm the Company's financial or operational conditions, the unit shall immediately take appropriate response measures, and report the matter to the board of directors according to the Company's internal guidelines.

The Company shall carry out integrated risk evaluations on all of its subsidiaries, and shall implement necessary control mechanisms in order to ensure that Company resources are being used effectively to decrease risks faced by the Company.

**Article 31-1**

In order to improve the management of sustainable development, the Company shall establish a governance structure for promoting sustainable development and set up a full-time (part-time) unit for promoting sustainable development, which is responsible for proposing and implementing sustainable development policies, systems, or related management guidelines and specific promotion plans, and the Sustainable Development Committee shall report to the board of directors on a regular basis.

The Company shall adopt domestic and international standards or guidelines to perform and disclose corporate greenhouse gas inventories, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction, or other waste management, and incorporate the acquisition of carbon rights into the Company's carbon reduction strategy planning and promote them accordingly to reduce the impact of the Company's operating activities on climate change.

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### **Article 32**

The Company shall uphold the principles of protecting the rights and interests of its shareholders and ensuring their fair and equal treatment. The Company shall set fair, open, and just director election procedures, as well as encouraging the participation of shareholders, and shall employ the cumulative voting system which can adequately reflect the views and opinions of the Company's shareholders.

In accordance with the regulations of competent authority, the Company shall clearly state in its Articles of Incorporation that the board of director elections shall employ a nomination system, which will carefully review nominees' qualifications to determine whether or not they fulfill the candidate requirements and if they are involved in any circumstances set out in Article 30 of the *Company Act* and Article 3 and Article 4-1 of the *Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company* and shall conduct the process in adherence with Article 192-1 of the *Company Act*. The election of directors shall be conducted in accordance with Article 198 of the *Company Act*, and independent directors and non-independent directors shall be elected together and the number of elected seats shall be calculated separately.

In the event that a director is dismissed and the total number of directors falls below seven, the Company shall hold a by-election for a new director at the next scheduled shareholders meeting. However, if vacant seats on the board of directors exceed one-third of the total seats, that Company shall, within 60 days of the occurrence, convene an extraordinary shareholders meeting to hold a by-election.

Unless the Company has received consent from the regulatory authorities, more than half of the directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.

The Company's directors shall be in compliance with the "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company".

### **Article 33**

The Company's board of directors shall have at least one director with expertise in

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each of the respective industries and business areas which its subsidiaries are a part of.

#### **Article 34**

The Company shall adhere to its Articles of Incorporation in setting three to five independent directors, and the number of independent directors shall not be below one-third of the total number of board director seats.

Independent directors shall possess professional knowledge, and their shareholding and concurrent positions shall be subject to limits. In addition to adhering to relevant laws and regulations, independent directors shall not hold more than five concurrent director, independent director, or supervisor positions at public companies. Independent directors shall maintain independence in executing their duties, and shall not have a direct or indirect stakeholder relationship with the Company.

The Company's independent directors shall not hold more than three concurrent positions as independent directors for other publicly listed companies; however, under this regulation, a publicly listed company which is a wholly-owned subsidiary of the Company shall be considered a part of the Company, and shall not count as one of the three allowed concurrent independent directorships; only in cases where an independent director is limited to one concurrent independent directorship, if the independent director is in excess of this limit, the aforementioned directorship shall be counted among the total concurrent independent directorships.

A candidate shall not serve as the independent director of the Company for more than three consecutive terms.

In the event that the Company and Group enterprises or organizations have an agreement with another company or its group enterprises or organizations to mutually nominate a director, supervisor, or manager as an independent director candidate of its counterpart, the Company shall disclose such information on the candidate nomination list, and give an explanation as to the suitability of the candidate to serve as an independent director. The Company shall disclose the total number of votes for candidates elected as independent directors.

The previous clause's "Group enterprises or organizations" refers to the Company, its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or

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juridical persons which are substantially controlled by the Company.

Independent directors and non-independent directors may not change their status (with regards to independence) during a board term.

In the event that an independent director is dismissed, causing the number of independent directors to fall below the minimum number specified in these Guidelines or the Company's Articles of Incorporation, the Company shall hold a by-election at the next scheduled shareholders meeting. In the event that all the independent directors are dismissed, the Company shall, within 60 days of the occurrence, convene an extraordinary shareholders meeting to hold a by-election.

If the Company has set executive directors, among the executive directors there must be at least one independent director, and the number of independent directors shall not be less than one-fifth the number of executive directors.

The professional qualifications, limits on shareholding and concurrent positions, assessment of independence, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the *Securities and Exchange Act*, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, or the Taiwan Stock Exchange Corporation (hereinafter, TWSE).

### **Article 35**

The duties of the Company's chairperson and chief executive officer shall be clearly divided; the chairperson and chief executive officer shall not be the same person.

If the Company deems it necessary to establish functional committees, the duties of the committee(s) shall be clearly defined.

### **Article 36**

The Company shall clearly set the scope of duties for independent directors, and make available for them such human and material resources as they need to execute their duties. If independent directors, in the course of their duties, handle significant cases or cases about which they have doubts, they may hire third-party professionals to give assistance or provide assessments, or request that the Company's internal auditing personnel undertake a special audit or follow up on the matter in question. The Company and other members of the board of directors shall not impede, refuse

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or avoid the independent directors from executing the business.

The Company adhere to relevant laws in setting the remuneration for board members; the Company shall use its discretion in setting reasonable remuneration policies for independent directors as well as non-independent directors.

In accordance with the Company's Articles of Incorporation, when setting a special reserve based on a shareholder meeting resolution or an order from the regulatory authorities, it shall only be set after first setting aside the legal reserve. Furthermore, the Company shall state in the Articles of Incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

### **Article 37**

In order to fulfill the Company's corporate governance objectives, the duties of the board of directors shall be as follows:

- (1) Establish an effective and appropriate internal controls system.
- (2) Select and supervise Company management.
- (3) Review the Company's management policies and operational plans, and supervise their execution.
- (4) Review the Company's financial targets and supervise the achievement thereof.
- (5) Oversee the Company's operational results.
- (6) Authorize the performance reviews and remuneration standards for the Company's management, as well as the remuneration structure and system for the board of directors.
- (7) Supervise the Company in its establishment of an effective risk management system.
- (8) Oversee the Company's legal compliance status.
- (9) Plan the Company's future developmental director.
- (10) Maintain the Company's image and reputation.
- (11) Retain accountants and other professionals.

### **Article 38**

The Company shall adhere to the *Securities and Exchange Act*, and bring the following items before the board of directors for approval; if any directors have opposing views or concerns, they shall give an explanation in the board of directors meeting minutes:

- (1) In accordance with Article 14-1 of the *Securities and Exchange Act*, setting or

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amending the Company's internal control system.

- (2) In accordance with Article 36-1 of the *Securities and Exchange Act*, setting or amending handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (3) A matter bearing on the personal interest of a director.
- (4) A material asset or derivatives transaction.
- (5) A material monetary loan, endorsement, or provision of guarantee.
- (6) The offering, issuance, or private placement of any equity-type securities.
- (7) The hiring or dismissal of an attesting CPA, or the compensation given thereto.
- (8) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (9) Performance review and remuneration standards for the Company's management, as well as the remuneration structure and system for the board of directors.
- (10) Other matters required by the regulatory authorities.

### **Article 39**

The Company shall submit the following matters to the board of directors for discussion:

- (1) The Company's operational plans
- (2) Annual and semi-annual financial reports
- (3) In accordance with Article 14-1 of the *Securities and Exchange Act*, the setting or amending of the Company's internal control system
- (4) Evaluation of the internal control system's effectiveness
- (5) In accordance with Article 36-1 of the *Securities and Exchange Act*, the setting or amending of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
- (6) The offering, issuance, or private placement of any equity-type securities.
- (7) The appointment or discharge of a financial, accounting, or internal auditing officer.
- (8) Performance review and remuneration standards for the Company's management, as well as the remuneration structure and system for the board of directors.
- (9) Donations to stakeholders or significant donations to non-stakeholders. However,

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in the case of emergency charity donations made following large natural disasters, the donations may be retroactively approved at the next board of directors meeting.

(10) In accordance with Article 14-3 of the *Securities and Exchange Act*, other matters which must proceed through a shareholders meeting resolution or being submitted to the board of directors, or significant matters regulated by the regulatory authorities, in accordance with legal regulations or the Company's Articles of Incorporation

In addition to the preceding paragraph specifying matters which require submission to the board of directors, at times when the board of directors is not meeting, the board shall adhere to the law and the Company's Articles of Incorporation, shall authorize other staff to execute the responsibilities of the board of directors, making explicitly clear both the level and the content of the authorization; authorizations that are summarized or vague shall not be permitted.

The Company shall have at least one independent director attend board of director meetings in person. In cases involving the above matters submitted for resolution to the board of directors, all independent directors shall be present at the board meeting. In the event that an independent director cannot attend, they shall designate another independent director to act as their proxy. If an independent director is opposed to or has concerns about a matter before the board of directors, their opinions shall be recorded in the meeting minutes; barring a valid excuse for not doing so, if the independent director cannot personally attend to explain their opposition or concerns, they shall submit a written statement explaining their views in advance of the meeting, and the statement shall be recorded in the meeting minutes.

#### **Article 40**

If the Company's independent directors submit improvement plans to correct major weaknesses or legal violations in the Company's operations which are not adopted by the Company's management, and the Company subsequently suffers large damages or impairments due to its inaction, the regulatory authorities shall be immediately notified.

#### **Article 41**

The directors and supervisors of wholly owned subsidiaries of the Company shall be appointed by the Company according to the following principles:

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- (1) Designate a number of board seats appropriate to the operational scale of the subsidiary company.
- (2) Qualifications for board members shall comply with the regulations set by the relevant regulatory authorities. In the event that there are no such regulations, the Company, in addition to adhering the guidelines in Article 30 of the *Company Act*, shall ensure that at least half of the directors on the subsidiary company's board have professional experience in its respective industry.
- (3) The Company's appointment of independent directors to publicly issued subsidiary companies, their qualifications, shareholding, concurrent positions and independence assessment, as well as the minimum number or ratio of independent directors, shall be in compliance with the *Securities and Exchange Act* and other relevant guidelines set by the regulatory authorities.

Independent directors referred to in Subparagraph 3 of the preceding paragraph shall not be reassigned during their term without reasonable justification.

## **Section Two: Functional Committees**

### **Article 42:**

To strengthen its management abilities, the Company shall establish functional committees with consideration to its operational scale, business characteristics, and the size of its board of directors, and shall clearly state such in its Articles of Incorporation.

The functional committees shall be responsible to the board of directors, and shall submit their proposals to the board of directors for approval. However, in accordance with the *Securities and Exchange Act*, the *Company Act*, and other laws, the Audit Committee, in its role as a supervisory body, shall be exempt from the preceding.

Unless otherwise stated in these Guidelines, the functional committees shall be composed of at least three directors.

The functional committees shall set organizational rules, which shall be approved by the board of directors. The organizational rules shall include the number of committee members, required professional qualifications, term of service, scope of powers, and meeting guidelines. The Company shall provide resources necessary for the functional committees to carry out their duties.

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**Article 43:**

The Company's Audit Committee shall be composed solely of the Company's independent directors; the total number of committee members shall now fall below three. One committee member shall be selected as the Convener, and at least one committee member must have a professional background in accounting or finance.

The following matters shall require approval by a majority of the full Audit Committee, and shall be submitted to the board of directors for approval.

Additionally, Article 38 of these Guidelines shall not be applicable to these matters.

- (1) The setting of or amendments to the internal control system, as defined in Article 14-1 of the *Securities and Exchange Act*.
- (2) Validity assessments of the internal control system.
- (3) Acquisition or disposal of assets, engaging in derivatives trading, extension of monetary loans to others, endorsements or guarantees for others, and disclosure of financial projections, as defined in Article 36-1 of the *Securities and Exchange Act*.
- (4) Matters relating to the interests of members of the board of directors.
- (5) Significant asset or derivative transactions.
- (6) Significant monetary loans, endorsements or guarantees.
- (7) Fundraising, issuance, or private placement of securities with equity characteristics.
- (8) The commission, dismissal, or remuneration of a certified public accountant.
- (9) The appointment or removal of finance, accounting, or internal audit managers.
- (10) Annual financial reports signed or sealed by chairman of board of directors, managers, and accounting heads and second quarter financial reports audited and certified by the Company's CPA.
- (11) Other matters required by the Company or regulatory authorities.

With the exception of Subparagraph 10, if any of the subparagraphs of the preceding paragraph have not received approval from a majority of the full Audit Committee, they shall then require approval from two-thirds of the full board of directors. The board of directors' meeting minutes shall record the resolution status of the Audit Committee.

The proceedings of the Audit Committee shall be recorded in the committee meeting minutes, and shall be sent to each independent directors within 20 days after each Audit Committee meeting. The meeting minutes shall contain relevant important Company documents, and shall be appropriately preserved for the duration of the

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Company's existence.

Audit Committee members shall strictly adhere to the guidelines for supervisors as stipulated in the *Company Act*, the *Securities and Exchange Act*, and other relevant laws.

Audit Committee and its independent director members shall adhere to the guidelines stipulated in the *Securities and Exchange Act*, the *Regulations Governing the Exercise of Powers by Audit Committees of Public Companies* and by Taiwan Stock Exchange in exercising the relevant powers.

**Article 43-1:**

The Company shall establish a Remuneration Committee with all independent directors constituting as its members and an independent director as its convener; the professional qualifications of its members, the exercise of its functions and powers, and its organizational rules shall be set in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

The Remuneration Committee shall faithfully and effectively carry out the following duties, and shall submit its recommendations to the board of directors for discussion:

- (1) Set and periodically review the performance evaluations and the remuneration policies, systems, standards, and structure for Company directors and managers.
- (2) Periodically review and set the remuneration for Company directors and managers.

In its execution of the above duties, the Remuneration Committee shall adhere to the following principles:

- (1) In setting performance evaluations and remuneration for Company directors and managers, the Committee shall reference the remuneration standards of industry peers, and shall consider reasonably connecting remuneration to matters such as individual performance, the Company's operational performance, and future risks.
- (2) The Committee shall not set remuneration standards which encourage Company directors or managers to engage in activities that exceed the Company's risk appetite.

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- (3) Regarding the performance evaluation bonus ratios and payment times or changes thereto for Company directors and upper-level managers, the Committee shall consider the special characteristics of both the industry and the Company's operations in making its decisions.

**Article 43-2:**

The Company shall establish a Nominating Committee and set organizational rules with independent directors constituting more than half of the members of the Committee and an independent director as its convener.

**Article 44:**

The Company shall set in place both internal and external whistleblowing channels, and shall establish a system for protecting whistleblowers. The whistleblowing system shall set in place the relevant internal procedures and be integrated into the Company's internal controls system.

The whistleblowing system shall include at least the following:

- (1) An independent mailbox or hotline, provided for both internal and external use.
- (2) Designated individual(s) or unit(s) to handle whistleblowing reports.
- (3) Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
- (4) Confidentiality of the identity of whistle-blowers and the content of reported cases.
- (5) Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.

Whistleblowing reports that do not include the accurate name or address of the person making the report, or do not include concrete and accurate reported content, shall not be handled by the Company.

Cases which, upon investigation, are revealed to be inaccurate and made with malicious intent against the Company or its personnel, shall not be covered by the aforementioned Items 2-5.

**Article 45:**

The Company shall retain professionally qualified lawyers to provide legal consultation to the Company, or to help raise the legal literacy of the board of directors, functional committees, and management, so that the Company and its employees can avoid violating the law, and ensure that the Company's corporate governance is operating under the relevant legal framework and according to the relevant legal procedures.

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If a Company director or manager, in the course of carrying out their duties, is sued or has a conflict with a shareholder of the Company, the Company shall examine the situation and, if necessary, seek legal help to resolve the issue.

If the Audit Committee or the independent directors it is comprised of hire a lawyer, accountant, or other professional to assist in their auditing duties or to provide consultation, the Company shall bear the related costs.

**Article 46:**

To improve the quality of its financial reports, the Company shall set in place a functionary substitute for the accounting manager.

The accounting manager's functionary substitute mentioned in the previous clause shall undergo the same annual education and training as the accounting manager, in order to strengthen their professional capabilities.

The accounting staff responsible for compiling and editing the Company's financial reports shall undergo relevant professional training for at least six hours per year. The training shall take place either through internal courses held by the Company, or external courses held by professional accounting organizations.

The Company shall select professional, responsible, and independent certified public accountants, or other professional, qualified, and independent external auditors, to undertake periodic audits of the Company's financial status and internal controls. Any abnormalities or errors discovered and disclosed in the auditing process, as well as any proposed improvements or preventative measures, shall be reviewed and resolved by the Company. Additionally, the Company shall establish a system to facilitate communication between the certified public accountant and the Company's independent directors or Audit Committee; the Company shall set relevant standard operation procedures and integrate the process into its internal control system.

The Company shall periodically (at least once a year) evaluate the independence and suitability of the appointed accountants by referring to the Audit Quality Indicators (AQI). If the Company has not changed accountants for seven consecutive years, or if the Company has been penalized, or if something has affected the accountant's independence, the Company shall evaluate whether it is necessary to change accountants, and shall report the results of their evaluation to the board of directors.

### **Section Three: Board of Directors Meeting and Resolution Procedures**

#### **Article 47:**

The Company shall set in place board of directors meeting procedures, which shall include meeting content, operational procedures, meeting records containing the board resolutions, meeting announcements and other relevant matters to follow, and shall act in adherence to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies".

The board of directors shall designate a unit responsible for the board agenda, and shall convene a meeting at least once per quarter, following the guidelines laid out in the board of directors meeting procedures.

When convening a board of directors meeting, the meeting purpose shall be made clear, and each director shall be notified at least 7 days before the meeting, at which time the directors shall also receive relevant meeting materials. In emergency situations, board of director meetings may be called on an as-needed basis.

If a director believes that they have not been provided sufficient information on the board meeting agenda, they shall request additional information from the unit responsible for the board agenda. If a director feels that the information is not sufficient, they shall seek a board resolution granting a postponement and additional time for deliberation.

#### **Article 47-1**

The chairperson of the board of directors is the chairperson of the shareholders meeting, the board of directors, and the executive board of directors internally and represents the Company externally. The chairperson of the board shall faithfully perform his duties and exercise good stewardship, and exercise a high degree of self-discipline and prudence.

If the chairperson of the board of directors performs his or her duties for a long period of time in a remote office, such as off-site office, home office, or video conference, he or she shall comply with the provisions in the preceding paragraph and shall ensure the effective performance of his or her duties.

#### **Article 47-2**

If the chairperson of the board of directors is absent from office or unable to exercise

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his or her duties for any reason, the vice chairperson of the board of directors shall act for him or her; if there is no vice chairperson of the board of directors or if the vice chairperson of the board of directors is also absent from office or unable to exercise his or her duties for any reason, the chairperson of the board of directors shall designate one of the executive directors to act for him or her. If there is no executive director, a director shall be appointed to act for the chairperson of the board of directors. If the chairperson of the board of directors does not designate a proxy, one of the executive directors or one of the directors shall appoint a proxy from among themselves.

When appointing or appointing a proxy for the chairperson of the board of directors from among themselves in accordance with the preceding paragraph, the principle of separation of banking and commerce shall be complied with as stipulated in the *Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company*.

The proxy of the chairperson of the board of directors in the Paragraph 1 shall not exceed the authority of the chairperson of the board of directors in the exercise of his/her powers and functions during the period of representation, and if there is any limitation, it shall be clearly stated in advance.

Directors shall attend the board meeting in person. If a director is unable to attend a board meeting for any reason, he or she may appoint another director to act on his or her behalf in accordance with the Company's Articles of Incorporation, provided that he or she shall issue a proxy each time and set forth the scope of authority for the meeting notice. A director who attends by proxy may only be appointed by one person.

**Article 48:**

Directors shall maintain a high level of self-discipline, and in the event that they personally or the organization they represent are interested parties in the anything on the board agenda, they shall clearly explain the nature of the interests at the board meeting. If there is any conflict with the interests of the Company, the director shall not join in discussion or voting on the resolution, and shall recuse him/herself from participation. In such cases, the said director shall also not act as a proxy for other board members in exercising their voting rights. The directors shall also exercise self-discipline in their relations with other directors, and shall not provide

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improper support or assistance to other directors.

The procedures for director recusal mentioned in the previous clause shall be clearly stipulated in the rules and procedures of board meetings.

**Article 49:**

The Company shall submit the matters specified in Article 14-3 of the *Securities and Exchange Act* to the board of directors; in such cases, the independent directors shall personally attend the board meeting, and shall not arrange for another non-independent board director to act as a proxy. If an independent director has concerns or opposing views, they shall make an explanation in board of directors meeting minutes. If an independent director is unable to personally attend the board of directors meeting to express their concerns or opposition, unless there is a valid reason for their absence, they shall send a written version of their view to be included in the board of directors meeting minutes.

If the board of directors votes on a resolution on any of the following matters, in addition to including the resolution in the meeting minutes, the Company shall report and announce the resolution two hours before the start of the next business day on Taiwan Stock Exchange's Market Observation Post System:

- (1) Any resolution on which an independent director has expressed concerns or opposition, whether in the board's meeting minutes or in written format.
- (2) If the audit committee has not approved the resolution, it shall require approval of two-thirds of the full board of directors.

Based on the content of each resolution before the board of directors, the board may, in the course of a meeting, request that non-directors such as Company managers from relevant departments, attend the meeting and report on the Company's operational status, as well as respond to any questions from the directors. When necessary, the board of directors may also request the attendance of the Company's accountants, lawyers, or other professionals, in order to help the directors understand the Company's operating status and make the best decisions on the matters before them. However, when the board of directors discuss and vote on the resolutions, the non-directors in attendance should vacate the premises.

**Article 50:**

The record-keeper for board of directors meetings shall record the meeting report, summary of proceedings, and voting method and results, in accordance with relevant

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laws and guidelines.

The board of directors meeting minutes shall be signed or stamped by the meeting chairperson and the record-keeper, and shall be delivered to each of the directors within 20 days after the meeting. The signed attendance book shall be included in the meeting minutes, and shall be included among the important documents which the Company preserves for the term of its existence.

The meeting minutes shall be compiled, distributed, and preserved by electronic means.

The Company shall use audio or visual means to record the entire proceedings of its board of directors meetings, and shall preserve these records, in electronic format, for at least five years.

If within the five year preservation period a legal case is brought in which information relating to the board of directors' meeting or resolutions is required as evidence, the audio or visual records of the relevant meetings shall continue to be preserved, and the previous clause shall not apply.

In cases in which a board of directors meeting is held by video conference, the related audio or visual recordings shall be included as a part of the meeting minutes, and shall be permanently preserved.

If a resolution of the board of directors violates the law, the Company's Articles of Incorporation, or the resolutions of the shareholders meeting, and causes damages to the Company, directors who have expressed their opposition in the meeting minutes or in written format, shall be exempt from having to make compensation.

**Article 51:**

The Company shall consider the scale and needs of the board of directors, and if it is determined to be necessary, shall set in place executive directors in accordance with the *Company Act*.

If the Company sets in place executive directors, at least one of them shall be an independent director, and independent executive directors shall comprise at least one-fifth of the total number of independent directors.

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If the Company has set in place executive directors, it shall clearly state in its Articles of Incorporation the level and scope of authorization which the executive directors have to carry out the duties of the board of directors when the board is not in session. Matters which involve the interests of the Company shall nevertheless be decided by resolutions of the board of directors.

**Article 52:**

The Company shall clearly explain the resolutions of the board of directors to the Company units responsible for executing them. The resolutions shall be executed within the timeframe and according to the objectives that have been set, and shall be placed under tracking management, to ensure the status of their implementation.

The board of directors shall remain fully aware of the implementation status of their resolutions, and shall receive a report on the progress of such at the next board of directors meeting, so as to ensure the implementation of the board of directors' operational strategy.

**Section Four: Duties and Responsibilities of the Board of Directors**

**Article 53:**

The Company's directors shall faithfully execute their duties and exercise the due care of a good administrator, and shall go about their work with a high level of discipline and care. In terms of exercising their duties, the directors shall adhere to the law or the Company's Articles of Incorporation in carrying out the resolutions of the shareholders meeting, as well as carrying out the resolutions of the board of directors.

Resolutions of the board of directors that relate to the Company's business development and the direction of major decisions shall be carefully considered and shall not affect the promotion and operation of corporate governance.

The Company shall set in place measures and procedures for conducting performance evaluations of board of directors. In addition to conducting self-evaluations and peer evaluations of the board of directors and individual board members on a periodic, annual basis, the Company may also commission external professional organizations or other appropriate means to carry out the performance evaluation. The evaluations for the board of directors shall include the following facets, as well as setting other relevant performance indicators based on the

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Company's needs:

- (1) Level of participation in the Company's operations
- (2) Increasing the quality of the board of directors' strategy and planning
- (3) The composition and structure of the board of directors
- (4) Board of directors elections and training
- (5) Internal controls

The evaluations for individual directors (self-evaluations and peer evaluations) shall include the following facets, as well as setting other relevant performance indicators based on the Company's needs:

- (1) Grasp of the Company's objectives and mission
- (2) Recognition of a director's duties
- (3) Level of participation in the Company's operations
- (4) Internal relationship management and communication
- (5) Director's level of professionalism and continued training
- (6) Internal controls

The Company shall conduct performance evaluations of functional committees and the evaluations shall include the following facets, as well as setting other relevant performance indicators based on the Company's needs:

- (1) Level of participation in the Company's operations
- (2) Recognition of the functional committee's duties
- (3) Increasing the quality of the functional committee's strategy and decision
- (4) Composition and selection of the functional committee member
- (5) Internal controls

The performance evaluation results of the Company's board of directors shall be provided to the Nominating Committee as a reference in selection and nomination of board director candidates, and the evaluation results of the individual directors shall be provided to the Remuneration Committee as a reference in setting the remuneration of each director.

**Article 53-1:**

The Company shall establish a succession plan for directors and senior managers, and the Nominating Committee shall regularly review the development and implementation of the plan and submit its recommendations to the board of directors for discussion to ensure sustainable operation.

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**Article 53-2:**

The board of directors with regards to management and performance of the Company's intellectual property, should perform evaluation and oversight of the following facets to ensure that the Company's intellectual property management system is established incorporating the PDCA cycle of "Plan-Do-Check-Act":

- (1) Formulate business strategy related intellectual property management policies, goals, and system.
- (2) Based on size and type of intellectual property, establish, implement and maintain the management system for the acquisition, protection, maintenance, and utilization of intellectual property.
- (3) Resolve and provide the necessary resources for effective implementation and maintenance of the intellectual property management system.
- (4) Observe any internal or external risks and opportunities associated with the management of intellectual property and take appropriate measures.
- (5) Plan and implement system for further improvements to ensure that the intellectual property management system operates and performs according to Company expectation.

**Article 54:**

If a resolution of the board of directors violates the law or the Company's Articles of Incorporation, a shareholder who for one year or more has continuously held shares of the Company, an independent director, or a member of the Audit Committee, shall notify the board of directors to cease implementation of the said resolution, at which point the board of directors shall act as quickly as possible to resolve the matter or cease the behavior related to the unlawful resolution.

If a director discovers that the Company is in danger of suffering significant damages, the director shall act according to the previous clause to report the matter, and shall immediately report the matter to the Audit Committee or an independent director member of the Audit Committee.

**Article 55:**

The aggregate shareholding percentage of all of the directors of a TWSE/TPEX listed company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.



**Article 56:**

The Company shall assume liability for legally required compensations incurred by the directors within the scope of their duties, and shall establish liability insurance contracts for handling such matters.

After purchasing or renewing liability insurance for its directors, the Company shall report the insured amount, scope of coverage, and insurance rate at the next scheduled board of directors meeting.

**Article 57:**

The Company's directors adhere to the regulations in the Taiwan Stock Exchange's *Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies* regarding the holding of corporate governance related finance, risk management, sales, commercial, legal, accounting, anti-money laundering and counter-terrorist financing, and corporate social responsibility training courses, and shall additionally ensure that all levels of employees take part to strengthen their professional and legal knowledge.

The directors of the Company shall include at least three hours of courses on corporate sustainability related to environment (E), society (S), and corporate governance (G) in each year in accordance with the provisions of the preceding paragraph starting from the year following the year in which they assume office.

**Section Five: Head of Corporate Governance****Article 57-1:**

The Company shall allocate the appropriate number of corporate governance personnel based on its business scale, business status and managing needs and shall adhere to regulations of the competent authority and TWSE in appointing one corporate governance head to be responsible for corporate governance related issues.

The employment and dismissal of the corporate governance head shall be approved by board resolution.

The corporate governance head the Company has in place shall adhere to these Guidelines, unless otherwise regulated by regulatory authorities, in which the latter shall take precedence.

**Article 57-2:**

The corporate governance related issues mentioned in Article 57-1 shall at least include the following affairs:

- (1) Handle affairs related to board of directors meeting and shareholders meeting in a manner in accordance to statutory requirements.
- (2) Prepare the minutes for the board of directors meetings and shareholders meetings.
- (3) Assist in director onboarding and continued training.
- (4) Provide the information documents required for directors to perform their duties.
- (5) Assist directors in complying with legal requirements.
- (6) Report to the board of directors on the results of its review of the compliance of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination, election, and during their term of office.
- (7) Handle matters related to the change of directors.
- (8) Other matters as stipulated by Articles of Incorporation or agreements.

**Article 57-3:**

The corporate governance head is considered as a manager of the company and therefore is applicable to all manager related regulations as stipulated in the *Company Act* and the *Securities and Exchange Act*.

Unless otherwise stipulated by regulations, the corporate governance head position can be concurrently held by a person in another position in the Company; however, the person holding concurrent positions shall ensure the effective execution of the duties of both positions and that there is no conflict of interests or violation of the internal control system.

**Article 57-4:**

The corporate governance head shall be a qualified lawyer or CPA eligible for practice or have served in a securities, financial, or futures related institution or a unit of a publicly listed company handling legal affairs, regulatory compliance affairs, internal audit, financial affairs, stock affairs, or corporate governance affairs as stipulated in Article 57-2 in a managerial position for at least 3 years.

**Article 57-5:**

The Company shall arrange professional training for corporate governance head.

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The corporate governance head shall complete a minimum of 18 hours of continuing education courses within 1 year from the date of the person's appointment to that position, and a minimum of 12 hours of continuing education courses in each following year. The course requirements, qualified institutions and the procedures for continuing education shall be subject mutatis mutandis to the provisions of the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

**Article 57-6:**

In the event of the corporate governance head resigns or is dismissed, the Company shall appoint another person to fill the vacancy within one (1) month from the date of occurrence.

**Chapter Five: Functions of the Audit Committee**

**Article 58:**

The Company's independent directors shall have ample professional knowledge and skills, work experience, personal integrity, and fair judgment, and shall consider whether or not they have the time and energy to commit to serving as an independent director for the Company.

**Article 59:**

The Company's independent directors shall be familiar with the laws pertinent to their duties, and shall clearly understand the rights, obligations and responsibilities of the Company's directors, as well as responsibilities and operations of the Company's various departments. The independent directors shall attend the Company's board of directors meeting and understand the board's operational status, as well as making their views known in a timely matter, so as to discover and understand any abnormal situations at the earliest possible time.

**Article 60:**

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the Company, an independent director member of the Audit Committee shall act as the representative of the Company in the above situation.

**Article 61:**

The Company's Audit Committee shall have the right to investigate the Company's

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financial situation at any time, and the relevant Company departments shall be compliant in providing all documents required for it to audit, transcribe, or copy.

When reviewing the Company's financial or operational status, the Audit Committee may retain attorneys or CPAs on behalf of the Company to perform the review; however, the company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the Audit Committee and shall not for any reason circumvent, obstruct or refuse the inspection of the Audit Committee.

When the Audit Committee performs its duties, the Company shall provide necessary assistance as needed by the Committee, and the reasonable expenses that the Committee needs shall be borne by the Company.

**Article 62:**

To help the Audit Committee uncover corruption or abuses in a timely fashion, the Company has established communication channels for employees, shareholders, and stakeholders to contact the Audit Committee.

If the Audit Committee uncovers instances of corruption or abuse, it shall immediately take the appropriate measures to prevent the corruption or abuse from growing, and, when necessary, shall report the matter to the regulatory authorities or other relevant units.

If any of the Company's independent directors, or the President, finance or accounting managers, CPAs or internal audit managers resign or are replaced, the Audit Committee shall investigate and understand the reasons for the change.

**Chapter Six: Respecting the Interests of Stakeholders**

**Article 63:**

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

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When any of a stakeholder's legal rights or interests is harmed, the company shall handle the matter in a proper manner and in good faith.

The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the company and its decision-making process. When any of their legal rights or interests is harmed, the company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

The Company shall supervise its subsidiaries in their execution of the three previous clauses.

**Article 64:**

The Company shall supervise its subsidiaries to establish consumer protection policies, with content including a complaints hotline and a dispute handling mechanism.

**Article 65:**

The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management or directors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the company concerning employee welfare.

If the Company remunerates its employees with Company equity, the Company should consider not only its only employees, but also the employees of its subsidiary Company, and seek a distribution of Company equity that adequately recognizes the contribution of the employees of the Company and its subsidiaries.

In addition to maintaining normal operational development and maximizing the interests of shareholders, the Company shall also safeguard the interests of consumers, the environment, and philanthropic issues, in order to fulfill the Company's social responsibility.

**Article 65-1**

The Company shall establish internal regulations for donations and send them to the board of directors for resolution, and disclose the donations made to political parties, stakeholders, and public welfare organizations to the public.

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## **Chapter Seven: Increasing Information Transparency**

### **Article 66:**

Information transparency is one of the Company's major responsibilities, and the Company shall faithfully fulfill its information transparency obligations in accordance with the law, the Company's Articles of Incorporation, and the Taiwan Stock Exchange.

### **Article 67:**

The Company shall establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

### **Article 68:**

In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the company in making statements independently.

The Company shall appoint one or more acting spokespersons who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

The Company shall disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

### **Article 69:**

In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the

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information regarding the Company's finances, operations, and corporate governance, and consider the needs of foreign investors to furnish financial, corporate governance, and other relevant information in English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

**Article 70:**

The Company shall hold an investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TWSE or TPEX rules.

**Article 71:**

The Company's website shall have an area to disclose the following corporate governance-related information, which shall be continuously updated:

- (1) Board of directors: e.g., biographies of board members and their powers and responsibilities, board member diversity policy and its implementation.
- (2) Functional committees: e.g., biographies of the members of each functional committee and their powers and responsibilities.
- (3) Corporate governance-related rules and regulations: e.g., the Articles of Incorporation, the Rules and Procedures of Board Meetings, and functional committee charters, and other corporate governance-related rules and regulations.
- (4) Important information related to corporate governance: e.g., information on the establishment of a head of corporate governance, etc.

**Article 72:**

The Company shall adhere to the guidelines in the Financial Holding Company Act and the *Securities and Exchange Act* in periodically disclosing and filing the following financial reports:

- (1) Annual financial reports which are signed and stamped by the chairman, manager and accounting head, approved by the Audit Committee and the board of directors, and audited and certified by the Company's CPAs.
- (2) Financial reports for the first quarter, second quarter and third quarter, which are

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signed and stamped by the chairman, manager and accounting head, reported to the Audit Committee and the board of directors and reviewed by the Company's CPA.

**Article 73:**

If the Company's subsidiaries engage in same person, related party, or affiliated enterprise credit or other business activity exceeding a certain amount or certain percentage, the Company shall, within 30 days after the end of each quarter in each fiscal year, report to the regulatory authorities, and disclose the same via public announcement, the Internet, or other means designated by the regulatory authorities.

The Company's subsidiaries shall establish an information system for same person, related party, or affiliated enterprise transactions, in order to facilitate the tracking, searching, and control of such transactions. The Company shall designate a unit to be responsible for gathering and creating files relating to such information, in order to facilitate the reporting of such transactions.

**Article 74:**

The Company's consolidated financial reports shall disclose related party transactions, and shall adhere to the law by disclosing the related party transactions of subsidiaries which exceed the legally designated amount.

The related party transactions mentioned in the previous clause refer to those meeting the definition of Article 23 of the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies. In determining whether a business counterparty is a related party, the Company should not only consider the legal form of the counterparty, but also the actual relationship between the parties.

**Article 75:**

The Company and its subsidiaries shall adhere to the capital adequacy requirements set for respective industries in the Financial Holding Company Act.

The Company shall report the Group's capital adequacy ratio in accordance with the calculation methods and forms issued by the competent authority and reviewed by the accountants within two months after each semiannual closing or as deemed necessary by the competent authority, and submit the relevant supporting documents in accordance with their orders.

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**Article 76:**

If the Company or its subsidiaries have any material information to announce, it shall follow the requirement to file within the time limits stipulated in Article 6, Paragraph 1 of *Taiwan Stock Exchange's Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities*, making the announcement through the Internet reporting system; if the Company has undertaken a foreign securities issuance, it shall also make such an announcement in English.

In the event the circumstances specified in Article 12, Paragraph 1 of *Taiwan Stock Exchange's Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities* occur for the Company or its subsidiaries, the Company shall promptly appoint the spokesperson or deputy spokesperson to participate in a press briefing before the following trading day after the occurrence of the event or the broadcast media report to provide explanations to the news media.

**Chapter Eight: Supplementary Provisions****Article 77:**

The Company shall monitor the development of corporate governance systems both domestically and internationally, and shall reference such information as it reviews, improves, and builds its own corporate governance system, in order to improve the Company's overall corporate governance quality.

**Article 78:**

Items not covered in these Guidelines shall be handled in accordance with the *Company Act*, the *Securities and Exchange Act*, the *Financial Holding Company Act*, and other relevant laws, or in accordance with general practice.

**Article 79:**

This Policy shall take effect, along with any subsequent amendments, upon receiving approval from the Company's board of directors.