

# Corporate Governance Best-Practice Principles of Chailease Holding Co. Ltd.

Confidential document

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## Chapter I General Principles

### Article 1

In order to establish a sound corporate governance system, Chailease Holding Co. Ltd. (hereinafter referred as to “the company”) promulgates the Corporate Governance Best-Practice Principles of Chailease Holding Co. Ltd. (hereinafter referred to as “the Principle”) in accordance with the Corporate Governance Best-Practice Principles made by TWSE and TPEX, establish effective corporate governance framework and rules and discloses them through the Market Observation Post System (MOPS).

### Article 2

When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE and other relevant regulations, the company shall follow the following principles:

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the board of directors.
3. Fulfill the function of audit committee.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

### Article 3

The company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the company's internal and external environment.

The company shall perform full self-assessments of its internal control system. Its board of directors and management shall review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The audit committee shall also attend to and supervise these matters. Directors and the members of the audit committee shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors. The company are advised to establish channels and mechanisms of communication between their independent directors, audit committees, and chief internal auditors, and the convener of the audit committee or the members of the audit committee shall report their communication with the members of the audit committee and chief internal auditors at the shareholders' meeting.

The management of The company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the company shall be reported to the board of directors or shall be submitted by the chief auditor to the board chairperson for approval.

### **Article 3-1**

The company is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situations and management needs, and, as stipulated by the competent authority or Taiwan Stock Exchange, to appoint a chief corporate governance officer as the most

senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, compliance affairs, internal control affairs, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

1. Handling matters relating to board meetings and shareholders meetings according to laws
2. Producing minutes of board meetings and shareholders meetings
3. Assisting in onboarding and continuous development of directors
4. Furnishing information required for business execution by directors
5. Assisting directors with legal compliance
6. Reporting the compliance result of the nomination, election and the qualification of the independent director
7. Handling matters related to change of director
8. Other matters set out in the articles or corporation or contracts.

## **Chapter II Protection of Shareholders' Rights and Interests**

### **Section 1 Encouraging Shareholders to Participate in Corporate Governance**

#### **Article 4**

The company shall take the protection of shareholders' rights and interests and treat all shareholders fairly.

The company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.

#### **Article 5**

The company shall convene shareholders meetings in accordance with the Company Law and relevant laws and regulations and provide comprehensive rules for such meetings. The company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders meetings of the company shall comply with laws,

regulations and articles of incorporation.

#### **Article 6**

The board of directors of the company shall properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, and is advised to assist it with remote meeting, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors (including at least one independent director) and convener of the audit committee, attend in person, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

#### **Article 7**

The company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. The company shall seek all ways and means, including fully exploiting technologies for information disclosure, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

The company is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting, and the company adopts a candidate nomination system for the election of directors.

The company listed companies are advised to arrange for their shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers

of votes cast for and against and the number of abstentions, on the Market Observation Post System.

#### **Article 8**

The company shall, in accordance with the Company Act and other applicable laws and regulations, record in the shareholders meeting minutes the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

The shareholders meeting minutes shall be properly and perpetually kept by the company during its legal existence, and should be sufficiently disclosed on the Company's website.

#### **Article 9**

The chairman of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the company. The chairman shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it would be advisable for the members of the board of directors other than the chairman of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairman of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

#### **Article 10**

The company shall place high importance on shareholders' rights to know, and faithfully comply with the applicable regulations regarding the information disclosure to provide, regularly and timely, the shareholders with information relating to the financial conditions and operations, the insiders' shareholdings, and corporate governance status in the company by utilizing the MOPS or the website established by

the company.

To treat all shareholders equally, the company is advised to disclose concurrently the information under the preceding paragraph in English.

To protect its shareholder's rights and interests and ensure their equal treatment, the company shall adopt internal rules prohibiting company insiders from trading securities using information not disclosed to the market.

The aforesaid rules may include the measures of control on trading from the date on which the insiders have knowledge of the company's financial statements or relevant information on the performance of the company, including but not limited to directors shall not allow to trade their owned shares of the Company during the lock-up period beginning 30 days before the publication of the annual report, and 15 days before the publication of the quarterly financial statements.

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

The Company may report the remuneration paid to the directors, including the policy, individual payment, amount, and the connection with the operation performance of such remuneration in the general meeting.

#### **Article 11**

The shareholders shall be entitled to profit distributions by the company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records, assets, particulars, documents and records of specific transaction of the company.

The board of directors, audit committee, and managers of the company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

#### **Article 12**

In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees,

the company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When the company involves in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the company's financial structure thereafter.

When the company's management, or major shareholder involves in a merger, acquisition, the company shall obtain legal opinion from the independent attorney, and the legal opinion shall include whether the commissioner of audit committee who audits such merger, acquisition complies with Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", the management or major shareholder is the opposing party's related party, the relevant procedures comply with applicable laws, the information is disclosed in accordance with applicable laws.

A qualified independent attorney shall comply with Article 3 of "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and shall not be the opposing party's related party in the merger, and acquisition, or have personal interest with the opposing party's in the merger, and acquisition to the extent that will impact on the independence of the attorney.

The relevant personnel of the company handling the matters in the preceding paragraph shall pay attention to the event of conflict of interest and the avoidance from the same.

## **Section 2 Establishing a Mechanism for Interaction with Shareholders**

### **Article 13**

In order to protect the interests of the shareholders, the company shall designate personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders.

The company shall properly deal with matters arising from any action instituted By shareholders pursuant to the applicable laws claiming damage to such shareholders'

rights and interests caused by the resolution adopted in its shareholders meetings or the board of directors meetings in violation of the applicable laws, regulations or its articles of incorporation, or claiming a breach by its directors, audit committee members or managers of applicable laws, regulations or the company's articles of incorporation in performing their duties.

The company is advised to adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference and incorporation the procedures in its internal control system for management purposes.

#### **Article 13-1**

The board of directors of the company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of company's objectives.

#### **Article 13-2**

In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the board of directors of the company together with officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

### **Section 3 Corporate Governance Relationships between the Company and Its Related Party**

#### **Article 14**

The company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises, with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

#### **Article 15**

Unless otherwise provided by the laws and regulations, a manager of the company may not serve as a manager of its affiliated enterprises.



A director, who engages in any transaction for himself or on behalf of another person that is within the scope of the company's operations, shall explain the major content of such actions to the shareholders meeting and obtain its consent.

#### **Article 16**

The company shall establish a sound management objective and system for finance, operations and accounting in accordance with the relevant laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk evaluation of the major banks they are dealing with, their customers and their suppliers, and carry out the necessary control mechanism to reduce credit risks.

#### **Article 17**

Where the company and its related party enter into inter-company business transactions, or transactions, a written agreement governing the relevant financial and business operations (the "Governing Document") between each other shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions and tunneling of profit shall be prohibited.

The Governing Document shall include purchase and sale, acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, and relevant major transaction shall be approved by the board of director, and approved by or reported to the shareholders meeting.

#### **Article 18**

A corporate shareholder having controlling power over the company shall comply with the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director or audit committee members.

3. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporation shareholder's representative is inappropriate.

#### **Article 19**

The company shall ensure the command at any time of information on the identity of major shareholders, who own a higher percentage of shares and have an actual control over the company, and its ultimate control persons.

The company shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of the company relating to the pledge, increase or decrease of share ownership, or other matters that may possibly trigger a change in the ownership of their shares.

The major shareholder indicated in the first paragraph refers to those who owns 5 percent or more of the outstanding shares of the company or the shareholding stake thereof is on the top 10 list, provided however that the company may set up a lower shareholding threshold according to the actual shareholding stake that may control the company.

### **Chapter III Enhancing the Function of Board of Directors**

#### **Section 1 Structure of Board of Directors**

#### **Article 20**

The board of directors of the company shall direct company strategies, supervise the management, and be responsible to the company and shareholders. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders meetings of the company.

Regarding the structure of the board of directors, the company shall determine an appropriate number of board members not less than five persons, in consideration of its business scale, the shareholding of its major shareholders and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture. The ratio of female director is advised to reach one-third.
2. Professional knowledge and skills: A professional background (e.g. law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgment.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Industrial knowledge.
6. International market perspective.
7. Ability to lead.
8. Ability to make decisions.

## **Article 21**

The company shall, according to the principles for the protection of shareholder

rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, and shall adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views. Unless otherwise the competent authority grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the company.

Where the number of directors falls below five due to the release of director(s) for any reason, the company shall hold a by-election for director at the next following shareholders meeting. Where the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the company shall convene a special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the 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 22**

The company shall comply with the competent authority's regulation, and specify in its articles of incorporation that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

## **Article 23**

Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the board of the company and those of its general manager.

It is inappropriate for the chairperson to also act as the general manager or other equivalent position (highest managerial position).

The company shall clearly define the responsibilities and duties of the functional committees.

## **Article 24**

The company shall appoint independent directors in accordance with its articles

of incorporation. They shall be not less than two in number and it is advisable that the ratio of independent directors to be no less than one-third of the total number of directors. The independent directors may not serve more than three consecutive terms.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company.

If the company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the company shall disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of the company, any foundation to which the company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange or GreTai Securities Market.

## **Article 25**

The following matters shall be submitted to the board of directors for approval by resolution as provided in the Securities and Exchange Act; when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.

2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, 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.
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 release of a certifying CPA, or the compensation given thereto.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

#### **Article 26**

The company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

### **Section 3 Functional Committees**

#### **Article 27**

For the purpose of developing supervision functions and strengthening management mechanisms, the board of directors of the company may, taking into account the company's scale and type of operations and the number of its board members, set up audit, nomination, risk management or any other functional committees, and based on the beliefs in corporate social responsibility and sustainable operation, set up an environmental protection, corporate social responsibility, or other committees, and have them stipulated in the articles of incorporation.

Functional committees shall be responsible to the board of directors and submit

the proposals to the board of directors for approval; provided that the performance of supervisor's duties by the audit committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the number, term of office, and power of committee members, as well as the meeting rules and resources to be provided by the company for exercise of power by the committee.

## **Article 28**

The company establishes an audit committee. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power by audit committee and independent directors and related matters shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE or TPEX.

### **Article 28-1**

The company is advised to establish and announce channels for anonymous whistleblowing and whistleblower protection mechanisms. The unit that handles complaints shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes.

### **Article 28-2**

The company is advised to establish an nominating committee and issue organizing rules thereof, which sets forth that the majority members thereof are advised to be independent directors, and the chairman shall be independent director.

## **Article 29**

The company establishes a remuneration committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the

adoption of the organizational charter, and related matters shall be handled pursuant to 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.

### **Article 30**

To improve the quality of its financial reports, the company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports shall also participate in relevant professional development courses for 6 hours or more each year. Those courses may be company internal training activities or may be professional courses offered by professional development institution for principal accounting officers.

The company shall select a professional, responsible and independent CPA to be its external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the company. With regard to the irregularity or deficiency timely discovered and disclosed by the auditor during the review, and the concrete measures for improvement or prevention suggested by the auditor, the company shall faithfully implement improvement actions. The company is advised to establish channels and mechanisms of communication between the incorporate procedures for that purpose into the company's internal control system for management purposes.

The company shall evaluate the independence and suitability of the CPA engaged by the company by referencing the Audit Quality Indicators (AQIs) regularly and no less frequently than once annually. In the event that the company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary actions or other circumstances prejudicial to the independence of the CPA, the company shall review the necessity of replacing the CPA, and shall submit to the board the conclusion of such review.

### **Article 31**

The company is advised to engage a professional and competent legal counsel to



provide adequate legal consultation services to the company, or to assist the directors, the audit committee members and the management to improve their knowledge of the law, for the purposes of preventing any infraction by the company or its staff of laws or regulations, and ensuring the corporate governance matters will proceed pursuant to the relevant legal framework and the prescribed procedures.

In the event that the directors, audit committee members or the management are involved in litigation as result of performing his or her duties as provided by the law or arising from shareholders disputes, depending on the circumstances the company shall retain a legal counsel to provide assistance.

Audit committee or an independent director may retain the service of legal counsel, CPA or other professionals on behalf of the company to conduct the necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the company.

## **Section 4 Rules for the Proceedings of Board Meetings and the Decision-Making Procedures**

### **Article 32**

The board of directors of the company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of meeting shall be sent to each director no later than 7 days before the scheduled date.

Sufficient meeting material shall also be prepared and enclosed in the meeting notice. If the meeting material is deemed inadequate, a director may ask the unit in-charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

The company shall adopt the rules of proceedings for board meetings and follow the provisions in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcement, and other matters for compliance.

### **Article 33**

A director shall exercise a high degree of self-discipline. If a director or a juristic

person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter.

The matters that a director shall voluntarily recuse from voting shall be clearly set forth in the rules for the proceedings of board meetings.

#### **Article 34**

When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the company shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of directors meeting.

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date of the board meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the audit committee (if the company has set up an audit committee), but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

#### **Article 35**

Staff personnel of the company attending board meetings shall collect and correctly record the meeting minutes in detail, and the summary, method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall be signed by the chairman and secretary of the meeting and be sent to each director within 20 days after the meeting. The director attendance records shall become a part of the meeting minutes, and be treated as important corporate records and be kept safe permanently during the life of the company.

Meeting minutes may be produced, distributed and preserved by electronic means.

The company shall record on audio or video tape the entire proceedings of a board of directors meeting, and preserve the recordings for at least 5 years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises with respect to a resolution of a board of directors meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

Where a board of directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

Where a resolution of the board of directors violates laws, regulations, articles of incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

### **Article 36**

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

1. Corporate business plans.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an internal

control system.

4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the 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, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managerial officers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.
9. A donation to a related party or a major donation to a non-related party. Nevertheless, any urgent assistance for major humanitarian events (e.g., earthquakes, typhoons and other natural disasters which may cause damages to the public) may be approved by the Board of Directors, but it shall be reported in the latest general meeting if the amount of each donation or the accumulated amount donated to the same donee in a year is New Taiwan Dollars 200 million or more.
10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

### **Article 37**

The company shall ask the appropriate corporate department or personnel to handle matters and implement actions pursuant to the board of directors' resolutions in a way consistent with the program schedule and objectives. It shall also follow up on these matters and faithfully review their implementation.

The board of directors shall ensure full control of the implementation and progress of these matters and make a report in subsequent meetings so as to ensure that the board's management decisions are faithfully implemented.

## **Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors**

### **Article 38**

Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

It is advisable that the company formulate rules and procedures for board of directors performance assessments, and that in addition to conducting yearly and regularly scheduled performance assessments of the board of directors, functional committees, and individual directors through self-assessment, or peer-to-peer assessments, the Company may also conduct the performance assessment by engaging outside professional institutions, or in any other appropriate manner. It is advisable that the performance assessment of the board of directors include the following aspects, and that appropriate assessment indicators be developed in consideration of the company's needs:

1. The degree of participation in the company's operations.
2. Improvement in the quality of decision making by the board of directors.
3. The composition and structure of the board of directors.
4. The election of the directors and their continuing professional education.
5. Internal controls.

It is advisable that the Company conduct performance assessments of board members (self-assessments or peer-to-peer assessments) , which includes the following aspects, with appropriate adjustments made on the basis of the company's needs:

1. Their grasp of the company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the company's operations.
4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.
6. Internal controls.

It is advisable that the performance assessment of a functional committee cover the following aspects, subject to changes according to the company's needs:

1. Their degree of participation in the company's operations.
2. Their recognition of the duties of the functional committee.
3. Improvement in the quality of decision making by the functional committee.
4. The composition of the functional committee, and election and appointment of committee members.
5. Internal control.

The company is advised to submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.

#### **Article 38-1**

The company shall take out directors' liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

The company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

#### **Article 38-2**

It is advisable that the Board of Directors of the Company conducts the assessment and supervision of the following aspects to ensure the Company's management cycle of "plan, execute, inspect and act" and to establish the system of intellectual property:

1. Formulating policies, objectives and systems for intellectual property management related to operating strategies.
2. Establishing, implementing, and maintaining management systems for the acquisition, protection, maintenance, and use of intellectual property based on scale and forms.
3. Determining and providing the resources needed to effectively implement and maintain the intellectual property management system.
4. Observing internal and external risks or opportunities related to intellectual property management and take corresponding measures.
5. Planning and implementing a continuous improvement mechanism to ensure that the operation and effectiveness of the intellectual property management system meets the Company's expectations.

#### **Article 39**

If a resolution of the board of directors violates law, regulations or the company's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of an audit committee member to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as

possible.

Upon discovering any threat of the company suffering material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, or an audit committee member in accordance with the foregoing paragraph.

#### **Article 40**

Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

### **Chapter IV Respecting Stakeholders' Rights**

#### **Article 41**

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

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

#### **Article 42**

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 decision-making process. When any of their legal rights or interest is harmed upon, the company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

#### **Article 43**

The company shall establish channels of communication with employees and

encourage employees to communicate directly with the management, directors or audit committee member so as to reflect employees' opinions about the management, financial conditions and material decisions of the company concerning employee welfare.

#### **Article 44**

In developing its normal business and maximizing the shareholders' interest, the company shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of the company.

### **Chapter V Improving Information Transparency**

#### **Section 1 Enhancing Information Disclosure**

#### **Article 45**

Disclosure of information is a major responsibility of the company. The company shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE and TPEX rules.

The company is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

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 46**

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 spokesperson 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 listed company shall unify the process of making external statements and require the management and employees to maintain the confidentialities of financial and operational secrets and prohibit disclosure thereof by them at will.

The company shall disclose the relevant information regarding any change to the position of a spokesperson or acting spokesperson upon such change.

#### **Article 47**

In order to keep shareholders and stakeholders fully informed, it is advisable that the company utilizes the convenience of the Internet and set up a website containing the information regarding the company's finance, operation and corporate governance. It is also advisable to contain the finance, corporate governance or other information in English as well.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, in detail and updated timely.

#### **Article 48**

The company shall hold an institutional investor meeting in compliance with the regulations of the TWSE, and shall keep an audio or video record of the meeting.

The financial and business information disclosed in the institutional investor meeting shall be disclosed on the MOPS and provided for inquiry through the website established by the company or other channels in accordance with the TWSE rules.

#### **Article 49**

The company shall disclose and update from time to time the following information regarding corporate governance on the company's website in accordance with laws and regulations of the TWSE.

1. The Board of Directors, including but not limited to the curriculum vitae, the authorities and responsibilities of each director, and the implementation of diversity policies of the Board of Directors.

2. Functional Committees, including but not limited to the curriculum vitae, the authorities and responsibilities of each committee member.
3. Corporate governance regulations, including but not limited to the article of incorporation, rules for the proceedings of board meetings, organizational charter of the functional committees.
4. Important information regarding corporate governance.

**Article 50**

The company shall at all times monitor domestic and international development of corporate governance and thereby review and improve the company's corporate governance mechanism so as to enhance the performance of corporate governance.

**Article 51**

The Principles shall be supplemented by the Company Act, the Securities and Exchange Act Parties, other related regulations and customs.

**Article 52**

The Principles shall be effective after the approval of the board of directors. Abovementioned approval procedure shall be applied when the company conducts amendment of the Principles.