

# **Pegatron Corporation**

## **Corporate Governance Best Practice Principles**

(Translation – In case of any discrepancy between the Chinese and English versions,  
the Chinese version shall prevail.)

### **Chapter I    General Provision**

- Article 1        In order to establish sound corporate governance systems and an effective corporate governance framework, the company adopts the Principles in accordance with Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies 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 the 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 company shall establish channels and mechanisms of communication between their independent directors, the audit committee, and chief internal auditors. Internal control system deficiencies shall be reviewed and followed up quarterly, and a report submitted to the board of directors. 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 shall follow the Company's HR related rules and regulations.
- Article 3-1      The company shall set up a unit to be in charge of corporate governance affairs and a senior personnel shall be appointed to supervise the unit. Said officer shall be a qualified lawyer or accountant or have at least three years' management experience in a securities, financial, or futures related institution or at a public company handling legal affairs, financial affairs, stock affairs or corporate governance affairs.
- It is advisable 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. Formulating 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. Other matters set out in the articles of incorporation or contracts

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

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

- Article 4      The corporate governance system shall be designed to protect shareholders' rights and interests and treat all shareholders equitably. 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 Act 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 of procedures for shareholder meetings. Resolutions adopted by shareholders meetings shall be in accordance with laws, regulations and articles of incorporation.
- Article 6      Board of directors of the company shall properly arrange the agenda and procedures for shareholders meetings. The board shall also properly handle the proposals submitted by shareholders. The place of shareholders meetings shall be at a convenient location 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 certification documents for attending the meeting. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.  
The Chairman shall preside over shareholders meetings convened by the Board with the presence of at least half of the directors in the meeting (including at least one independent director). In addition, each functional committee shall appoint at least one representative to attend the meeting. Attendance details should be recorded in the shareholders meeting minutes.
- Article 7      The company shall encourage shareholders to participate in corporate governance and appoint the professional transfer agent to help to organize shareholders meetings so that the meeting can be held legally, effectively and safely. The company shall adopt any feasible method and mean with the technical application for information disclosure and casting votes, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently to facilitate the attendance of shareholders meetings and ensure the shareholders can exercise their rights at such meetings in accordance with laws.  
The company shall adopt electronic voting and candidate nomination system for the election of directors at the shareholders meeting.  
The company shall arrange for the shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results on 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 In accordance with the Company Act and other applicable laws and regulations, the company shall record a summary of the essential points of the proceedings and the resolutions in the shareholders meeting minutes. With respect to the election of directors, the meeting minutes shall record the method of voting adopted 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 chairperson of the shareholders meetings shall be fully aware and comply with the rules governing the proceedings of the shareholders meetings established by the company. The chairperson 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 chairperson declares the adjournment of the meeting in a manner violating rules governing the proceedings of the shareholders meetings, it is advisable for other members of the Board to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson to continue the proceedings of the meeting, by a resolution approved by more than half of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.
- Article 10 The company shall value the right of the shareholders to know and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the corporate website.  
To protect shareholders' rights and interests and ensure their equal treatment, the company adopts "Procedures of Prohibition against Insider Trading" and prohibits company insiders from trading securities based on information not disclosed to the market.
- Article 11 Shareholders are entitled to the profit distribution of the company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, have the right to examine the financial statements compiled by the Board and the reports of the auditing committee, and resolve the proposal for distribution of profit or appropriation of losses. The shareholders meeting may appoint an inspector for the conduct of the aforementioned examination.  
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 regulations and establish operating procedures which shall be approved by the shareholders meeting so as to protect the interests of the shareholders.

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

Article 13 In order to protect the interests of the shareholders, the company shall appoint designated personnel to handle the suggestions, queries and disputes of the shareholders. The company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the company's Articles of Incorporation, or that such damage was caused by a breach of applicable laws, regulations or the company's Articles of Incorporation by any directors or managers in performing their duties.  
The Company shall keep relevant records for handling of matters referred to the preceding two paragraphs.

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 managers 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 III Corporate Governance Relation between the Company and Its Affiliated Enterprises**

Article 14 The company shall clearly identify the objectives and the division of authority and responsibility between itself 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 the law specified otherwise, a manager of the company may not serve as a manager of its affiliated enterprises.  
A director who engages in activities within the scope of the company's operations for himself or on behalf of another person shall explain the major content of such activities to the shareholders meeting and obtain relevant approval.

Article 16 The company shall establish sound systems and objectives for management of finance, business, and accounting in accordance with applicable legal rules. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks, customers and suppliers they deal with, and implement necessary control mechanisms to reduce credit risk.

Article 17 The Company shall conduct business with its affiliates under the principle of fairness and reasonability, and shall establish relevant regulations governing the financial and business operations between them to prohibit non-Arm's length transactions.

Article 18 Transactions or agreements among the company, its affiliates and shareholders shall be governed by the same principles as stated in Article 17, and improper channeling of profits is strictly prohibited.

Article 19 The company shall, at any time, retain the list of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.  
The company shall disclose periodically material 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, enabling other shareholders to supervise.  
The major shareholder indicated in the first paragraph refers to those who own more than 5 percent of the outstanding shares of the company or the shareholding stake thereof is on the Top 10 shareholder list.

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

#### **Section I Structure of the 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. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its Articles of Incorporation, and the resolutions of its shareholders meetings.  
The members of the board shall have the necessary knowledge, skills, and capacity to perform their duties. To achieve the desired goal of corporate governance, the board shall, in general, be competent in the following areas:

1. Judgment on business operation
2. Accounting and financial analysis
3. Operation management
4. Crisis management
5. Industry knowledge
6. International market perspective
7. Leadership skills
8. Decision-making capability

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, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority permitted otherwise, more than half of directors shall not be spouses or kindred within the second tier to on another.

When 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 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 The functions of the chairman and president of the company shall be clearly differentiated.  
The company with a functional committee shall clearly define the responsibilities and duties of the committee.

## **Section II The System of Independent Directors**

- Article 24 The Company shall appoint independent directors in accordance with its Articles of Incorporation.  
Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and concurrent positions held in according to applicable laws and regulations. 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. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company.  
During their term of office, independent directors and non-independent directors cannot switch their identity with one another.  
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 TWSE.
- Article 25 The company shall submit the following matters to the board of directors for approval by resolution as required by 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 board 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. Matters involved in the personal interest of a director or the audit committee.
  4. Material asset or derivatives transactions.
  5. Material monetary loans, endorsements, or provisions of guarantee.
  6. The offering, issuance, or private placement of any equity-type securities.
  7. The hiring, discharge, or compensation of an attesting CPA.
  8. The appointment or discharge of a financial, accounting, or internal audit officer.
  9. Any other material matters so required by the competent authority.

- Article 26 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.

## **Section III Other Functional Committees**

- Article 27 For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors, in consideration of the company's scale and type of operations and the number of its board members, may set up functional committees for auditing, remuneration or any other functions.
- Functional committees shall be responsible to the board of directors and submit their 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 of committee members, the tenure, the authority and assigned duties, the parliamentary rules, and the resources provided by the company when performing their duties.
- Article 28 The company shall establish an audit committee. The audit committee shall be composed of the entire number of independent directors. It shall be organized by at least three independent directors, one of whom shall be the convener and at least one of whom shall be an expert in accounting or finance.
- The exercise of power by the 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.
- Article 29 The company shall establish a remuneration committee and more than half of the committee members shall 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 set forth 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.
- Article 29-1 The company is advised to establish and announce channels for internal and external whistleblowers and operational procedures for handling reported cases. The unit that handles whistleblowers' reporting shall be independent. The identity of whistleblowers as well as the content of the reported cases shall be handled in confidentiality and be kept in good custody.
- 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 institutions for principal accounting officers.
- The company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular audits of the financial conditions and internal control system of the company. With regard to any irregularity or deficiency discovered and disclosed timely by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the company shall faithfully implement improvement actions. It is advisable that the company establish channels and

mechanisms of communication between the independent directors and the attesting CPA. The company shall evaluate the independence and suitability of the CPA engaged by the company regularly (at least once a year). In the event that the company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the company shall evaluate the necessity of replacing the CPA and submit its evaluation to the board of directors.

- Article 31 The company shall engage a professional and competent legal counsel or officer to provide adequate legal consultation services to the company, or to assist the directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.
- When, as a result of performing their lawful duties, directors or the management are involved in litigation or a dispute with shareholders, the company shall retain a legal counsel to provide assistance as circumstances require.
- The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the company.

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

- Article 32 The board of directors 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 the meeting shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are 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 rules of procedure for board meetings, which shall follow 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, and other matters for compliance.
- Article 33 The directors 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 directors shall be self-disciplined and shall not offer improper mutual support.
- Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for 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, the independent director 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 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 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 attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of board meetings shall be signed by the chairperson and secretary of the meeting and sent to each director within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and 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 board meetings 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 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 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.

When a resolution of the board of directors violates laws, regulations, the 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 appointment or discharge of a financial, accounting, or internal audit officer.
  7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
  8. If the board of directors will decline to adopt or to modify a recommendation of the remuneration committee, it shall require the consent of a majority of the directors in attendance at a meeting attended by two-thirds or more of the entire board, and shall specifically explain whether the passed remuneration exceeds of the one recommended by the remuneration committee.
  9. 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 board meeting, or any such significant matter as may be prescribed by the competent authority.

The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

Except for matters that must be submitted to the board of directors for discussion under the first 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 execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

## **Section V 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.

The company shall formulate rules and procedures for board of directors performance assessments, and conduct regularly scheduled performance assessments of the board of directors and individual directors through self-assessment each year. 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

Performance assessments of board members shall consider 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

The company shall submit the results of performance assessments to the board of directors.

Article 39 If a resolution of the board of directors violates law, regulations or the company's Articles of Incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of the audit committee 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 a likelihood that the company would suffer material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee in accordance with the foregoing paragraph.

Article 40 The company has taken 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 damage to the company and shareholders arising from the wrongdoings or negligence of a director.

The company is advised to report the insured amount, coverage, and other major contents of the liability insurance it has taken out or renewed for directors, at the board meeting.

Article 41 Members of the board of directors are advised to participate in training courses on finance, business, commerce, accounting, and law offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM 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 Empowering the Audit Committee**

Article 42 Powers conferred by the Securities and Exchange Act, the Company Act, and any other law to be exercised by supervisors, excepting those powers set out in Article 14-4, paragraph 4, of the Securities and Exchange Act, shall be exercised by the audit committee.

The provisions of Article 14-4, paragraph 4, of the Act concerning provisions of the Company Act concerning acts done by supervisors, and the role of supervisors as representatives of the company, shall apply mutatis mutandis to the independent

director members on the audit committee.

- Article 43 The audit committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed in “Audit Committee Charter”; they shall be accountable to the board of directors and shall submit their proposals to be resolved by the board.
- Article 44 An independent director member of the audit committee shall recuse himself or herself if he or she is an interested party with respect to a given agenda item, when such a relationship is likely to prejudice the interests of the company.  
If, for the reason stated in the preceding paragraph, an agenda item cannot be resolved at a meeting of the audit committee, it shall be reported to the board of directors, which shall resolve on the item.
- Article 45 The audit committee shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of the company and the functions, duties, and operation of each department. The members of the audit committee shall attend board meetings to supervise their operations and to state his/her opinions when appropriate so as to grasp or discover any abnormal situation early on.
- Article 46 The audit committee shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the company.  
Where a director, for himself or herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the company, the audit committee shall act as the representative of the company in the above situation.
- Article 47 The audit committee shall investigate the operational and financial conditions of the company from time to time, and the relevant departments in the company shall provide the books or documents that will be needed for the audit committee's review.  
When reviewing the finance or operations of the company, 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 obstruct, circumvent, 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 audit committee, and the reasonable expenses that the audit committee needs shall be borne by the company.
- Article 48 The audit committee shall conduct periodic reviews of matters relating to “Audit Committee Charter” and present the results of amendment to the board of directors.
- Article 49 When exercising the supervisory power, the audit committee of the company may, after taking into consideration the overall interest of the company and shareholders, convene a meeting to exchange opinions among all the audit committee when necessary, but in so doing may not obstruct members of the audit committee in exercising their duties.

Article 50 According to the Articles of Incorporation or a resolution adopted in the shareholders meeting, the company is advised to take out the liability insurance with respect to liabilities resulting from the exercise of duties during their terms, so as to reduce and spread the risk of material damage to the company and shareholders arising from the wrongdoing or negligence of the audit committee.

Article 51 Members of the audit committee are advised to participate in training courses on finance, business, commerce, accounting and law offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy.

## **Chapter V Respecting Stakeholders' Rights**

Article 52 The company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders, and shall respect and safeguard their legal rights and interests, and designate a stakeholders section on the corporate website.

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

Article 53 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 interest is damaged, the company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 54 The company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the company concerning employee welfare.

Article 55 In developing its normal business and maximizing the shareholders' interest, the company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the company's social responsibility.

## **Chapter VI Improving Information Transparency**

### **Section I Enhancing Information Disclosure**

Article 56 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 rules.

The company shall establish an internet-based reporting system for public information, appoint personnel responsible for collecting 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 57 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 collecting 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, 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 58 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 information regarding the company's finances, operations, and corporate governance. It is also advisable for the company to furnish the 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 59 The company shall hold an investor conference 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 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 rules.

## **Part II Disclosure of Information on Corporate Governance**

Article 60 The company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
3. Structure, professionalism and independence of the board of directors.
4. Responsibility of the board of directors and managerial officers.
5. Composition, duties and independence of the audit committee.
6. Composition, duties and operation of the remuneration committee.
7. The remuneration paid to the directors, president and vice president in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk.
8. The progress of directors' training.
9. The rights, relationships, channels for complaint, concerns, and appropriate response mechanism regarding stakeholders.
10. Details of the events subject to information disclosure required by law and regulations.
11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the company and these Principles, and the

reason for the differences.

12. Other information regarding corporate governance.

The company is advised, according to the actual performance of the corporate governance, to disclose the plans and measures to improve its corporate governance through appropriate mechanisms.

### **Chapter VII Supplementary Provisions**

Article 61 The company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the company's own corporate governance mechanisms, so as to enhance their effectiveness.

Article 62 The Principles will be taken into effect after the board of directors adopts the resolution and its amendment.

The Principles was established on November 10, 2014. The first amendment was made on January 30, 2018. The second amendment was made on June 21, 2019.