

Corporate Governance Best-Practice Principles Of China Development Financial

Responsible Dept.: Secretariat, BOD

First Promulgated on: 2015.11.23

Announcement Issued on: 2022.09.26

Chapter 1 General Principles

Article 1 To establish a sound corporate governance system and to promote a sound development of the financial market, China Development Financial (herein "the Company") has formulated relevant principles (herein "the Principles") contained herein, based on "Corporate Governance Best-Practice Principles for the Financial Holding Company". The Company shall hereby establish an effective corporate governance framework with reference to these Principles and disclose them through the Market Observation Post System.

The Company shall ensure the sound management and operations of its subsidiaries and prompt the subsidiaries to comply with relevant principles adopted for their specific business sectors.

Article 2 The Company shall establish a sound corporate structure and culture, abide by laws and articles of incorporation, and create an effective corporate governance system in line with the following principles:

1. Comply with regulations and strengthen internal management.
2. Protect the rights and interests of shareholders.
3. Strengthen the functions of the board of directors.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

Article 3 The Company shall plan the overall operational strategies of itself and its subsidiaries, as well risk management policies and advisory guidelines in order to strengthen operations and management. Each subsidiary shall devise its own operational plans, risk management procedures, and implementation guidelines in accordance with the nature and scale of its respective business and abide by the rules.

Chapter 2

Compliance with Regulations and Strengthen Internal Management

Article 4 The Company shall set up a compliance system, establish a compliance unit in charge of the planning, management, and execution of the system, create counseling, coordination, and communication systems, extend compliance education to all units, assign staff to be the chief compliance officer, and execute compliance matters, in order to ensure the effective operation of the compliance system and strengthen the self-discipline function within the Company.

Article 5 The Company shall establish internal control and audit systems, and ensure that the systems operate effectively and consistently and lead to sound corporate operation.

The drafting or amending of the Company's internal control system shall be approved by half or more of the members of the audit committee and be passed by the board of directors. In the event independent board directors express opposing opinions or reservations, they shall be noted in the board meeting minutes.

Article 6 The Company's internal control system shall cover the Company's operating activities and draft appropriate policies and operating procedures regarding corporate structure, articles of association, business regulations and procedural pamphlets, which it shall periodically review and revise as laws, businesses, and operations change. The compliance, internal audit, and risk management units shall be involved in the process when necessary.

Article 7 The Company's internal audit system shall assess if the internal control system can effectively operate, measure the Company's operating efficiency, and offer opinions for improvement when appropriate, to ensure the internal control system continues to operate effectively and helps the board of directors and management perform their duties.

The Company shall set up an audit unit that reports to the board of directors, and establish a chief auditor system that processes audit-related affairs in an independent and objective manner and reports periodically to the board of directors and the audit committee. The Company shall also grant the chief auditor the choice of his or her subordinates.

The Company's internal audit staff shall meet the qualifications required by law and participate in professional training to advance their auditing quality and ability.

The Company shall set up channels and mechanisms for facilitating communication among independent directors, the Audit Committee, and internal

audit staff, and the convener of the Audit Committee shall report their communication with the independent directors and chief internal auditors at the shareholders' meeting. The responsible persons (consisting of at least all independent directors) shall regularly engage in discussions with the internal auditors, keep minutes of discussions, conduct follow-ups, implement improvements, and submit a report to the board of directors.

To ensure the internal control system is effectively implemented, the professional abilities of the deputy of the internal auditor is strengthened, and to further strengthen and maintain the quality and implementation outcomes of internal audits, the Company shall appoint deputies in place for internal auditing staff.

Article 8 The Company's management shall value the importance of the internal audit unit and its staff by giving them sufficient authority to inspect and assess flaws in the internal control system and measure the Company's operating efficiency, to ensure that the internal control and corporate governance systems are implemented consistently and effectively.

Evaluation of the Company's internal control system in terms of its efficacy shall be approved of by half of the audit committee members and be submitted to the board of directors for final approval.

Article 9 The Company's auditing and compliance units shall not only ensure that the Company properly conducts auditing and complies all related regulations, but also demand that all subsidiaries do the same.

The Company's auditing staff and the chief compliance officer shall immediately notify the relevant government authorities in the event that its recommendations regarding material deficiencies of internal control or serious violations of the laws are denied by management and could lead to severe losses for the Company.

Article 10 Senior management shall be subject to the direction and oversight of the board of directors and shall comply with all business strategies, risk preferences, and other policies approved by the board of directors. The organization (including job roles, authorities, and responsibilities), procedures, and decisions of senior management shall be explicit, clear, and transparent.

Article 10-1 All employees of the Company and its subsidiaries shall abide by all relevant laws and regulations regulated by the competent authorities for the business execution by financial practitioners, as well to follow the Company's rules and regulations on internal control, and must not disclose internal documents or information of their

duties to non-responsible personnel or units in any form. To increase the overall awareness of corporate governance, personnel in the following positions shall sign "Letter of Undertaking" (appendix 1) to comply with the corporate governance system:

1. The Chairman, Vice Chairman, President, Head of Department or above of the Company and its first-tier subsidiaries. "Department" is based on the principle of reporting directly to the Chairman or President of the Company; subsidiaries shall follow the same principle and define appropriately according to their organizational level.
2. The secretary or administrative assistant serving to the persons listed in the preceding subparagraph.
3. Persons with the titles of Senior Vice President or above in the human resources, finance, secretariat of the board and internal audit units of the aforementioned companies.
4. The Chairman, Vice Chairman and President of the aforementioned companies shall sign "Letter of Undertaking" before filing to the competent authorities for qualification review, and list it as a required review document. When other personnel are assigned (or promoted) to the positions of Head of Department or above, or to the positions (or titles) as listed in Subparagraph 2 or Subparagraph 3, they shall sign and submit "Letter of Undertaking" to the human resources unit of the respective companies to which they belong for recordation.
5. If persons who shall sign "Letter of Undertaking" have concurrent positions across companies, they shall sign "Letter of Undertaking" with respective companies where main and concurrent positions were held in accordance with the preceding regulations.

"Letter of Undertaking" signed by the aforementioned personnel, except for the required review documents sent to the competent authorities as prescribed in the preceding Subparagraph 4, shall be kept by the human resources unit of each company for recordation.

All subsidiaries shall incorporate this regulation and "Letter of Undertaking" into their "Corporate Governance Best-Practice Principles" or other appropriate regulations for observance.

Chapter 3

Protection of Shareholders' Equity

Article 11 The Company shall establish a corporate governance system that ensures shareholders fully access to, participation in, and decisions about important matters, so as to protect the rights and interests of shareholders and to treat all shareholders

fairly.

Article 12 The Company shall abide by the Company Act and related regulations to convene shareholders' meetings and have sound meeting procedure rules in place. Affairs that must be legally approved of at the shareholders' meeting shall be processed in compliance with the meeting procedure rules.

The resolutions of the shareholder's meeting shall comply with laws and the Company's articles of incorporation.

Article 13 The board of directors shall make appropriate arrangements regarding the agenda and procedures of the shareholders' meeting, and each issue on the agenda shall be given a reasonable amount of time for discussion and for shareholders to express their opinions.

Shareholders meetings convened by the board of directors shall be chaired by the Chairman in person, attended by more than half of the board (including at least one independent director), and attended by at least one representative member of each functional committee. In addition, a record of attendance shall be made in the shareholder meeting minutes.

Article 14 The Company shall encourage shareholders to participate in corporate governance and ensure that shareholders' meetings are conducted in a legal, effective and safe manner. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes, and is advised to upload notices, agendas and supplementary information of shareholders' meetings in both Chinese and English concurrently so as to increase the rate of shareholder attendance at shareholders' meetings and to ensure that shareholders may exercise their rights at such meetings in accordance with laws.

The Company is advised to avoid raising extraordinary motions and amendments to original proposals at the shareholders' meeting.

The Company is advised to arrange for their shareholders to vote on each separate proposal in the shareholders' meeting agenda, and to enter the voting results on the numbers of votes casted in favor and against and the number of abstentions into the Market Observation Post System on the same day following the conclusion of the meeting.

Article 15 The Company shall abide by the Company Act and related regulations by making a written record of shareholders' meetings, which includes the date, place, name of chairman, method of resolution, and the essential points of the meeting proceedings

and results. The methods and results of the election of board directors shall be recorded as well, including what percentage of votes each elected candidate gets.

Minutes for shareholders' meetings shall be properly and permanently kept by the Company during its legal existence, and should be sufficiently disclosed on the Company's website.

Article 16 The chairman of the shareholders' meeting shall be familiar with and abide by the meeting procedure rules of the Company, and see to it that the sessions proceed smoothly. No dismissals shall be announced arbitrarily.

Article 17 The Company shall place high importance on shareholders' right to know and abide by regulations about 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 Market Observation Post System or the Company website.

To protect its shareholders' 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 Company has established the "Donation Management Principles," which has been approved by the board of directors. The Company's donations to political parties, related parties, persons set out in Article 7 Paragraph 2 under "Guidelines on Related Party Transactions" or charities shall be made public in accordance with laws and internal regulations.

Article 18 Shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders' meetings may, pursuant to Article 184 of the Company Act, appoint an inspector to 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. The board of directors, audit committee, and managers shall fully cooperate in the examination conducted by the inspectors without any obstruction, rejection, or circumvention.

Article 19 The Company shall abide by laws and regulations when conducting major financial and operating activities, such as acquiring or disposing of assets. Procedures shall be drafted and submitted to the shareholders' meeting for approval, so as to protect the rights and interests of shareholders.

Article 20 To protect the rights and interests of shareholders, the Company shall handle shareholder proposals, inquiries and disputes with appropriate manners.

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 (independent) directors or managers in performing their duties.

Article 21 To protect the best interest of all shareholders, shareholders that have control over the Company shall abide by the following provisions:

1. Controlling shareholders have the obligation of being honest to other shareholders and must not directly or indirectly engage the Company in irregular or illegal activities for profit.
2. Representatives of the controlling shareholders shall abide by the Company's regulations with respect to the exercise of rights and participation of resolutions, so that at a shareholders meeting, the representatives shall exercise the voting right in honesty and for the best interest of all shareholders, and shall exercise the fiduciary duty and duty of care when acting as a director.
3. The nomination of board directors shall be in accordance with laws and the Company's articles of incorporation, and within the authority granted by the shareholders' meeting and board of directors.
4. Controlling shareholders shall not improperly interfere with the Company's decisions on policies or operating activities.
5. Controlling shareholders shall not limit or obstruct the Company's operations by way of unfair competition.
6. The representative that is designated when a corporate shareholder has been elected as a director shall fulfill the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

The communication between controlling shareholders and financial holding companies shall be complied with the principles as follows:

1. The communication shall be proposed via the representative of the juristic-person director. The representative of the juristic-person director, if necessary, may request managerial officers' presence when communicating with the controlling shareholder after the representative of the juristic-person director proposes to Chief Corporate Governance Officer, and the proposal shall be approved by the

chairman (appendix 2). The minutes of the communication which shall be documented(appendix 3) have to kept at least 5years by Chief Corporate Governance Officer after the representative of the juristic-person director signs the minutes.

2. If the controlling shareholder has suggestions for board proposals or business decisions, the suggestions shall be proposed by the representative of the juristic-person director at the meetings of the board or functional committees for discussion. The controlling shareholder must not convene meetings or otherwise improperly interfere in company decision-making.
3. If the controlling shareholder has acquired material information of the Company before it is publicly disclosed, the controlling shareholder shall be obliged for confidentiality and shall not use such information to engage in insider trading.

Article 22 The Company and its subsidiaries or other affiliated enterprises shall clearly define each entity’s responsibilities of personnel, assets and finance. Each entity should conduct risk assessments and establish appropriate firewalls.

The Company and its subsidiaries shall abide by corporate governance principles and strictly observe the separation of cross-company firewalls for all transactions and business dealings among the Company and its subsidiaries or other affiliated enterprises to prevent conflicts of interest.

The Company shall abide by the Financial Holding Company Act to perform its duties to subsidiaries.

Article 23 To avoid the illicit transmission of profit that could lead to the Company and its shareholders’ interests being damaged, the Company, its major shareholders, its invested enterprises, and the responsible persons, employees, and interested parties related to the responsible persons of the invested enterprises shall handle real estate transactions in a way that is fair, impartial, and objective, and in accordance with the norms of business, the Financial Holding Company Act, and other regulations made by competent authorities.

Article 24 Appointment of the Company’s responsible persons to other positions in the Company or in subsidiaries shall be according to “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company” or other related regulations.

The responsible persons of the Company, when concurrently holding a position

in accordance with the foregoing paragraph, shall ensure the effective execution of current and concurrent duties, and shall not engage in acts involving conflict of interest or violation of internal control and supervisory and balance systems of the Company and its investee enterprises and subsidiaries to ensure shareholder rights and interests.

Article 25 The Company's directors who engage in any business for oneself 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 26 The Company and its subsidiaries shall establish sound objectives and systems for the management of finance, operations and accounting in accordance with applicable laws and regulations.

Article 27 Transactions between the Company and its subsidiaries and other affiliated enterprises shall be made in compliance with laws and regulations and be based on the principles of fairness and reasonability. Price and payment terms shall be specified in signed contracts. Irregular transactions shall be strictly forbidden to prevent the illegal transmission of profit. In the event laws and regulations require assessment reports from underwriting brokerages, appraisal agencies, or certified public accountants (CPAs) on the reasonability of the transactions, the Company shall not proceed the transactions before such reports have been obtained

Article 28 The Company shall have access to the shareholding information of major shareholders who have a significant stake in or de facto control of the Company.

The definition of "a significant stake" is followed in accordance with Article 4 and 16 of the Financial Holding Company Act, but the Company has the liberty of setting different and broader definitions based on the actual share structure of the Company.

Chapter 4

Strengthening the Functions of the Board of Directors

Section 1

The Structure and Functions of the Board of Directors

Article 29 The Company's board of directors should report to the shareholders' meeting. Regarding procedures and arrangements related to corporate governance, the board of directors shall execute its powers in compliance with laws, the Company's articles

of incorporation, and the resolutions of the shareholders' meeting.

Article 30 Regarding the structure of its board of directors, the Company shall decide on an appropriate number of director seats consisting of at least seven individuals by considering its business scale, major shareholder holdings and operational requirements.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company managers shall not take up the majority of seats in the board of directors, and shall comply with regulations set forth under Article 24 herein with regard to concurrent appointments. An appropriate diversification policy shall be developed based on business operations, mode of operation, and development requirements of the board. This policy shall include, but is not limited to, the following two general standards:

1. Basic requirements: gender, age, nationality, culture and race.
2. Professional knowledge and skills: professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Directors shall possess the knowledge, skills, and personal qualities that are crucial to the performance of their duties. To achieve the ideal level of corporate governance, the board of directors as a whole shall be capable of demonstrating:

1. Good judgment.
2. The ability to perform accounting and financial analysis.
3. The ability to operate/manage a company (and its subsidiaries).
4. The ability to manage crises.
5. Industry knowledge.
6. A global market perspective.
7. Leadership.
8. The ability to make decisions.
9. The necessary knowledge and ability to manage risk.

The board of directors shall monitor the risks the Company is exposed to, confirm the effectiveness of risk management efforts, and be held ultimately responsible for risk management outcomes.

The Company's risk management policies shall be approved of by the board of directors and be amended when necessary.

The Company shall set up a risk management unit that is independent of the business units, which shall periodically submit risk management reports to the board of directors. If a major risk incident occurs and threatens the Company's finances or operations, appropriate action shall be taken immediately, and the board of directors

shall be notified in a way that complies with the Company's internal regulations.

The Company shall implement the necessary mechanisms for subsidiaries to efficiently allocate resources and minimize risk.

Article 31 The Company shall, based on the principles of 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 or other voting methods stipulated in the articles of incorporation that serve to fully reflect shareholders' opinions.

It shall be written in the articles of incorporation that the candidate nomination system will be used for the purpose of electing directors of the Company. Shareholders shall elect directors from the nominated candidates.

Regarding the nomination method, qualification review procedures, and disclosure of other information and procedures, the contents of Article 192-1 of the Company Act shall be observed.

Before the shareholders' meeting is convened to elect new directors, the Company may assign the board of directors to conduct a pre-assessment and evaluation of the qualifications, education level, and work experience of candidates recommended by shareholders or directors, and identify whether any of them match the situations as listed in Article 30 of the Company Act and Article 3 of the "Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company," and the Company may not arbitrarily add requirements for documentation of other qualifications. The list of recommended candidates and evaluation opinions and relevant documents shall be submitted to shareholders for their reference in selecting the most appropriate directors.

When the number of directors falls below 7 due to the discharge of a director for any reason, the Company shall hold a by-election to fill the vacancy at the next shareholders' meeting. However, once the vacancies on the board reach one-third of the number of seats as established in the Company's articles of incorporation, the Company shall convene a special shareholders' meeting to elect replacements within sixty days of the occurrence of the vacancies.

More than half of the directors on the board shall have no marital relationship with or be first/second-degree relatives of the other board members, unless otherwise approved by the competent authorities.

The appointment of the directors of the Company shall be in line with Regulations

Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company.

For every industry in which the Company's subsidiaries operate, the board of directors shall allocate one or more directors with corresponding expertise.

Article 32 The Company shall abide by articles of incorporation to set up no fewer than three independent directors; and the seats of independent directors should be no less than one fifth of the total seats.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and concurrent appointments. With exceptions as otherwise provided by laws and regulations, it is not advisable for an independent director to hold office concurrently as a director (including as an independent director) or supervisor of more than four 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.

An independent director of the Company may concurrently serve as an independent director in no more than three other public companies. Where such public company is a wholly owned subsidiary of a financial holding company, both entities are considered to be the same company and are counted as one public company; however, an independent director may only concurrently hold a post in one such company.

Election of independent directors of the Company shall be based on the candidate nomination system stipulated in Article 192-1 of the Company Act and it shall be specified in the articles of incorporation. Shareholders shall elect independent directors from among the nominees. According to Article 198 of the Company Act, independent and non-independent directors shall be elected concurrently and the winning of slots shall be calculated separately.

It is not appropriate for an independent director to serve for more than three consecutive terms.

Independent or non-independent directors are not allowed to change their independent/non-independent status during their tenure.

If an independent director is discharged for any reason, resulting in a number of directors lower than that required under paragraph 1 or the articles of incorporation, a by-election for independent director shall be held at the next shareholders meeting. In the event that all the independent directors have been discharged, the Company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the vacancies arose.

Regarding required professional qualifications, restrictions on shareholding and concurrent positions held, determination of independence, and method of nomination, as well as other compliance matters, the Company shall follow the Securities & Exchange Act, Regulations Governing the Appointment of Independent Directors and Compliance Matters for Public Companies, or regulations stipulated by the Taiwan Stock Exchange Corporation.

Article 33 The Company's chairman and president shall have a clear distinction of their responsibilities and duties; it is not advisable that the roles are filled by one person or individuals who are spouses.

Article 34 The Company shall clearly stipulate the scope of duties of independent directors, and empower them with manpower and resources related to the exercise of their power. Independent directors may hire third party professionals when necessary when evaluating matters of importance or matters of suspicion, or internal auditors can be requested to perform project reviews or follow-up. The Company and other board members shall not limit or interfere with the performance of independent directors' duties.

The Company shall stipulate the remuneration of the directors in articles of incorporation or according to the resolutions adopted at shareholders' meetings. Different but reasonable remuneration from that of other directors may be set forth for the independent directors..

Article 35 In order to achieve the goals of corporate governance, the Company's board of directors shall have the following main tasks:

1. Creating an internal control system that is effective and appropriate.
2. Selecting and supervising managers.
3. Reviewing managerial decisions/policies and business plans; supervising the execution of these decisions and plans.
4. Reviewing the Company's financial targets; supervising the achievement status.
5. Supervising the Company's operations.
6. Reviewing and approving evaluation/compensation standards and remuneration for managers and remuneration for directors.
7. Supervising the Company's efforts to build an effective risk management system.
8. Supervising the Company's compliance performance.
9. Planning and setting future development directions for the Company.
10. Maintaining the Company's image.
11. Selecting CPAs and other experts for the Company.

In order that these tasks can be accomplished, the board of directors may set up various kinds of functional committees in accordance with the articles of incorporation.

Article 36 Unless otherwise approved by the competent authorities, the Company shall submit the following matters to the board of directors for resolution, and any opposing opinions or reservations expressed by independent directors shall be noted in the minutes of the directors meetings:

1. Company business plan.
2. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairman, managerial officer, and accounting officer.
3. Adoption or amendment to the internal control system and review of its effectiveness according to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment of the processing procedures for financial or operational actions of material significance, such as asset acquisitions/disposals or derivatives transactions according to Article 36-1 of the Stock and Exchange Act.
5. The handling of matters that directors have a personal interest in;
6. Significant transactions of assets or derivatives.
7. Raising, issuance or private offering of equity securities.
8. The commissioning, termination and compensation of CPAs.
9. The appointment and discharge of the heads of the Finance, Accounting, Risk Management, Compliance, or Internal Audit Departments.
10. The structure and system for the remuneration of directors and managerial officers.
11. Donations to related parties or major donations to non-related parties; however, public-interest donations for the relief of major natural disasters may be submitted to the next board meeting for retroactive recognition.
12. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or Articles of Incorporation 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.

At least one independent director shall be in attendance at board meetings convened by the Company; in the event a meeting concerning any matter required to be submitted for a resolution by the board of directors under Paragraph 1, all independent directors shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. In the event an independent director is opposed to or have reservations

about an agenda item, his or her opinions shall be noted in the board meeting minutes; if the independent director cannot attend the board meeting in person to voice his or her opposition or reservations, he or she should provide a written statement of opinion in advance before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the board of directors meeting minutes.

Article 37 In the event independent directors' opinions about correcting major deficiencies or transgressions in the laws and regulations of the Company are ignored, resulting in major losses for the Company, the relevant authorities shall be immediately notified.

Article 38 The directors and supervisors of the Company's 100% owned subsidiaries shall be selected by the Company in accordance with the following principles:

1. A suitable number of director/supervisor seats shall be decided according to the scale of the subsidiary.
2. Candidates shall have the qualifications demanded by the relevant authorities of the given subsidiary's industry. In the absence of relevant regulations, Article 30 of the Company Act shall be observed, and more than half of the directors shall possess the expertise unique to the subsidiary.
3. Independent directors shall be assigned to publicly traded subsidiaries. Regarding the required professional qualifications, restrictions on shareholdings and assuming concurrent positions, confirmation of independence, minimum number or percentage of independent director seats, and other compliance matters, the Securities & Exchange Act and regulations stipulated by the competent authorities shall be observed.

An independent director selected according to the third sub-paragraph of the preceding paragraph shall not be re-assigned without just cause during his or her tenure.

Section 2

Audit Committee and Other Functional Committees

Article 39 To strengthen the managerial functions of the board, the Company may consider the size of the board and the number of independent directors, and then set up various functional committees and stipulate the regulations in the articles of incorporation.

The functional committees shall be responsible to the board of directors and submit proposals to the board of directors for resolution when necessary. The audit committee that has a supervisory role in accordance with the Securities & Exchange Act, the Company Act, and other laws and regulations, is not subject to this

requirement.

Unless otherwise stipulated in the Principles, the functional committees shall consist of three or more board directors.

Functional committees shall stipulate their own organizational rules and submit them for approval by the board of directors. This organizational rules shall contain the number of people on the committee, the qualifications of the members, the length of their terms, their duties, meeting procedures, and resources the Company shall provide for the committee to exercise its power.

Article 40 The Company's Audit Committee shall be composed of all the independent directors and the minimum number of committee members shall be three, with one of them acting as the convener and at least one of them having accounting or financial expertise.

Decisions regarding the following matters of the Company shall be voted on by the majority of the audit committee and approved by the board of directors, and are not subject to Article 36 of the Principles:

1. Drafting or revising the internal control system in accordance with Article 14-1 of the Securities & Exchange Act.
2. Evaluation of the effectiveness of the internal control system.
3. Drafting or revising the processing procedures for major business activities such as asset acquisitions/disposals and derivatives transactions, based on Article 36-1 of the Securities & Exchange Act.
4. Matters that directors have personal interest in.
5. Significant transactions of assets or derivatives.
6. Raising, issuing or private offering of equity securities.
7. The commissioning and decommissioning of the certified public accountant or compensation for his/her work.
8. The appointment and discharge of the heads of the Finance, Accounting, Risk Management, Compliance, or Internal Audit departments.
9. Publication of the Company's annual financial reports, and second quarter financial reports that must be audited and attested by a certified public accountant, which are signed or sealed by the chairman, managerial officer, and accounting officer.
10. The annual business report, and the surplus earnings distribution or loss make-up proposal.
11. Any other significant matter as may be prescribed by the Company or competent authority.

With the exception of the ninth sub-paragraph in the preceding paragraph,

decisions not approved by the majority of the audit committee can be passed by two-thirds of the board directors to become effective, and not be subject to the limitations detailed in the preceding paragraph. The decision of audit committee shall be noted in the minutes of the board meeting.

The meeting of the audit committee shall be recorded as meeting minutes and issued to all independent directors within twenty days after the meeting. The meeting minutes shall be listed as important files of the Company and retained permanently.

The Company Act, the Securities & Exchange Act, and other laws and regulations related to supervisors are applicable to the audit committee.

Article 41 The Company shall set up a remuneration committee, which main duties are to determine the structure and system of evaluation/compensation for the board directors and managers. This committee shall involve independent directors and be convened by independent directors. The committee's powers and duties shall be in accordance with related regulations.

Article 41-1 The Company shall establish and announce the whistleblowing reporting channels to internal and external personnel as well as establish a whistleblower protection mechanism. The mechanism shall include relevant internal operational procedures and internal control system for management purposes.

The content mentioned in the foregoing paragraph shall include the following matters:

1. Establish and announce the Company's internal whistleblowing E-mail address and hotline to the Company's internal and external personnel.
2. Appoint a dedicated personnel or unit to handle the whistleblowing affairs.
3. Acceptance of whistleblowing cases, handling procedures and results as well as documentation and retention of relevant documents.
4. Keep confidential the whistleblowers' identities and contents of whistle-blowing affairs.
5. Maintain the rights of whistleblowers from inappropriate disciplinary actions due to their whistleblowing.

If a whistleblowing case is found to be false and involves a malicious allegations towards the Company or its' personnel after investigation, the provision of subparagraph 5 of the preceding paragraph shall not apply.

Article 42 The Company shall commission professional attorneys to offer appropriate legal counselling and to assist the board of directors and management to become legally more sophisticated, so as to prevent the Company and its staff from breaking laws

and to prompt corporate governance work to proceed under a suitable legal framework and procedures.

In the event directors or managers are involved in legal disputes while practicing their professional duties or with shareholders, the Company shall employ attorneys to offer assistance when necessary.

The audit committee or independent directors of the committee may employ lawyers, accountants or other professional experts to conduct necessary inspections or offer counseling so far as it concerns their auditing duties, on behalf the Company. Such employment will be paid for by the Company.

Article 43 To enhance the quality of its financial reports, the Company shall appoint deputies for its principal accounting officers.

To strengthen the professional competencies of the deputy accounting officers of the preceding paragraph, the deputies shall follow the same continuing professional education requirements as those of the principal accounting officers.

Accounting personnel responsible for preparing 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's board of directors shall select professional, responsible, and independent CPAs or other professional, competent and independent external auditors a, to conduct regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the CPAs during the review, and concrete measures for improvement or prevention suggested by the CPAs, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between independent directors or the audit committee and CPAs, and to incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall assess the independence and suitability of CPAs on a regular basis (at least once a year). In the event a CPA has not been changed for seven consecutive years or has been subjected to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and report the decision to the board of directors.

Section 3

Meeting Procedure Rules and Decision-Making Procedures for Board Meetings

Article 44 The Company shall adopt meeting procedure rules for meetings of the board of directors; the main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for board meetings shall be handled in accordance with Regulations Governing Procedures for Board of Directors Meetings of Public Companies.

The board of directors shall appoint a secretariat unit in charge of meeting preparation and execution. The board of directors shall meet at least quarterly, as specified in the meeting procedure rules.

The convening of board meetings shall provide directors with a seven-day notice, with the meeting purpose clearly stated and sufficient data provided. However, in the event of an emergency, a board meeting can be convened at any time.

If directors think that the data for the meeting is insufficient, they can demand additional data from the secretariat unit. The board of directors can also resolve to postpone certain agendas if they consider the information presented to them to be inadequate.

If directors (including independent directors) have doubts about the proposals proposed to the board of directors or functional committees, the proposers will be requested to attend the meeting to explain and be recorded in the minutes; if a proposal is so significant that a pre-meeting communication is necessary, the proposers will be requested to document communication processes (appendix 3) and provide the documentation to the designated secretariat unit for reference.

Article 45 Directors shall hold themselves to high standards of self-discipline and voluntarily refrain from discussing and voting on matters in which they or the institutional investors they represent have invested interests that might hurt the Company's interests. Directors should exercise self-discipline and must not provide inappropriate mutual support.

Article 46 The Company's independent directors shall be present in person for matters that must be resolved through a board meeting according to Article 14-3 of the Securities & Exchange Act, and cannot appoint non-independent directors as proxy attendants. In the event independent directors are opposed to or have reservations about an agenda item, their opinions shall be noted in the board meeting minutes; if independent directors have legitimate reasons for not being able to attend board meetings to voice their opposition or reservations in person, they can submit a written statement of their opinions and have it noted in the board meeting minutes.

Resolutions approved at board meetings shall be addressed in the minutes and

announced and reported in accordance with related TWSE/TPEX regulations, if they match one of the two following descriptions:

1. Independent directors who are opposed to or have reservations about agenda items, which is on record or stated in written statements.
2. Agenda items that are not passed by the audit committee but are voted in favor by over two-thirds of the board of directors.

Board meetings called by the Company can invite staff from departments or subsidiaries related to the content of the agenda to update the current operations of their departments/subsidiaries and answer directors' questions. Accountants, attorneys, and other professionals can be invited to attend board meetings, when necessary, to help directors understand situations and make decisions accordingly, provided that they shall leave the meeting when deliberation or voting takes place.

Article 47 The Company's board meeting procedure staff attending board meetings shall collect and correctly record detailed meeting minutes, as well as a summary, the method of resolution, and the voting results of all the proposals submitted during the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall be signed by the chairperson and the recorder of the meeting, and sent to each director within 20 days of the meeting. The attendance records shall be made part of the board meeting minutes, treated as important company records, and retained during the Company's existence.

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

The Company shall record on audio or video the entire proceedings of the board of directors meetings and preserve the recordings for at least five years in electronic or other form.

If before the end of the preservation period referred to in the preceding paragraph a lawsuit arises regarding 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.

When a board of directors meeting is held via teleconference or video conference, the audio or video recording of the meeting forms a part of the meeting minutes and shall be preserved permanently.

When a resolution of the board of directors violates laws, articles of incorporation, or resolutions adopted in the shareholders meeting, and thus harms the Company, dissenting directors whose dissent can be proven by meeting minutes or written statements shall not be liable for damages.

Article 48 Where the Company thinks it's called for based on the scale and needs of the board of directors, standing committee directors can be set up pursuant to the Company Act.

There shall be independent directors among the standing committee directors. For every five standing committee director seats, at least one shall be assumed by an independent director.

Article 49 The Company shall ask the appropriate department or personnel to execute matters pursuant to board of directors' resolutions in a manner that is consistent with the planned schedule and objectives. The department which submits the proposal shall also follow up on those matters and faithfully review their implementation.

Section 4

Duty of Care and Responsibility of Directors

Article 50 Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of good administrators. 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 stipulated by law or in the Company's articles of incorporation to be approved in shareholders meetings, they shall ensure that all matters are handled according to the resolutions of the board of directors.

Any resolution of the board of directors that involves the Company's business development or a major policy direction shall be carefully considered and may not affect the implementation and operation of corporate governance.

As per the "Principles for the Performance Evaluation of the Board of Directors", the Company shall conduct an internal board performance evaluation at least once a year and enlist independent professional institution or a panel of external experts and scholars in conducting external evaluation at least once every three years.

The evaluation results shall be reported to the Board of Directors. When electing members of the board of directors or nominating independent directors, the Company may base its election on the aforementioned evaluation results as reference.

Article 51 If a resolution of the board of directors violates laws or the Company's articles of incorporation, then at the request of shareholders holding shares continuously for one year or an independent director to discontinue implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such a resolution as soon as possible.

Upon discovering that it is likely the Company will suffer material injury,

members of the board of directors shall immediately report to the audit committee or an independent director member of the audit committee, in accordance with the foregoing paragraph.

Article 52 The combined shareholdings of the board of directors should be in accordance with laws and regulations; transferals of shares, shares as pledged or unpledged collateral, and related changes shall be in accordance with laws and regulations, and be fully disclosed.

Article 53 It is advisable that the Company sign liability insurance contracts with insurance companies to cover damages caused by the conduct of directors within the range of their duties.

The Company is advised to 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 54 Board directors of the Company are advised to participate in training courses on subjects relating to corporate governance, including finance, risk management, business, commerce, accounting, law, anti-money laundering and combating the financing of terrorism, or corporate social responsibility offered by institutions designated in the Rules governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies upon becoming directors and throughout their terms of service. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

Section 5

Corporate Governance Officer

Article 54-1 The Company shall have in place qualified corporate governance persons in an appropriate number and shall appoint one Chief Corporate Governance Officer as the highest-rank officer in charge of corporate governance matters.

The appointment and dismissal of the Chief Corporate Governance Officer shall be subject to resolution of the board of directors.

The Company shall comply with the Principles in appointing Chief Corporate Governance Officer, unless otherwise provided under the regulations of the competent authorities.

Article 54-2 The corporate governance affairs described in the first paragraph of the preceding

article shall cover, at a minimum, the following:

1. Handling of matters relating to the board of directors meetings and the shareholders meetings by law.
2. Preparation of minutes of the board of directors meetings and the shareholders meetings.
3. Assistance in onboarding and continuing education of the directors.
4. Provision of information required for performance of duties by the directors.
5. Assistance in the directors' compliance of laws and regulations.
6. Other matters described in the articles of incorporation or under contracts.

Article 54-3 A Chief Corporate Governance Officer is a manager of the Company and shall comply with regulations governing managers of the Company Act and the Securities and Exchange Act.

Unless otherwise provided by law, the Chief Corporate Governance Officer may be someone who concurrently holds another position in the Company.

If the Chief Corporate Governance Officer who concurrently holds a different position in the Company, it shall be ensured to effectively perform the duties required in the capacity of both the Chief Corporate Governance Officer and the concurrent position, and there shall be no conflicts of interest or violations of the internal control system.

Article 54-4 The Chief Corporate Governance Officer shall be a 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 audit affairs, financial affairs, stock affairs, or corporate governance affairs as specified in Article 54-2.

Article 54-5 The Company shall arrange continuing professional education (CPE) for its Chief Corporate Governance Officer.

A newly appointed Chief Corporate Governance Officer shall complete a minimum of 18 hours of CPE within the year from the person's appointment and a minimum of 12 hours of CPE per year in each following year. The continuing education scope, continuing education system and other continuing education affairs shall be governed by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

Article 54-6 In the event of the resignation or dismissal of the Chief Corporate Governance Officer, the Company shall appoint another person as its Chief corporate Governance

Officer within one month of the occurrence of that fact.

Chapter 5

Respecting Interested Parties' Rights

Article 55 The Company shall maintain channels of communication with its clients, banks or other creditors, employees, community or other interested parties., respect and safeguard their legal rights. The Company is advised to designate a section on the Company's website for interested parties.

The Company shall deal with breaches of the legally protected rights of interested parties in an honest and appropriate manner.

The Company shall provide sufficient information to cooperating banks and other creditors, so that they can make judgments and decisions about the Company's operating and financial conditions. When their legal rights are violated, the Company shall respond actively and responsibly, so that creditors can be compensated through appropriate channels.

The Company shall prompt its subsidiaries to behave in a manner pursuant to the preceding three paragraphs.

Article 56 The Company shall prompt subsidiaries to set up consumer protection guidelines that explain how complaints and disputes are to be handled.

Article 57 The Company shall establish communication channels with employees and encourage employees to engage in direct communication with management to express their thoughts about the Company's business and financial situations, and about policies that concern employee interests.

The Company, while maintaining normal operations and developing and maximizing shareholders' interests, shall pay attention to consumer rights, environmental protection for communities, charities, and social responsibility.

Chapter 6

Improving Information Transparency

Article 58 Information disclosure is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws, Company's articles of incorporation, and related TWSE and TPEX rules.

Article 59 The Company shall establish an Internet-based reporting system for public

information, appoint personnel responsible for gathering and disclosing information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that could affect the decisions of shareholders and interested parties.

Article 60 In order to enhance the accuracy and timeliness of the material information, the Company shall appoint a spokesperson and a deputy spokesperson who thoroughly understand the Company's financial and business conditions, and who are capable of coordinating among departments to gather relevant information and represent the Company in making external statements.

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

The Company shall immediately disclose relevant information whenever there is any change of spokesperson or deputy spokesperson.

Article 61 The Company's website shall contain information on financial affairs and corporate governance for the reference of shareholders and interested parties. It is advisable that an English version of financial, corporate governance, or other related information be prepared for the convenience of foreign investors.

The aforementioned website shall be maintained by designated personnel, and the information shall be updated in a timely and correct manner to prevent misunderstandings.

Article 62 The Company shall call an investor day in a way that is in accordance with TWSE and TPEX rules; it is advisable that the sessions be recorded on audio and video, and then be made searchable via the Company website or other appropriate channels.

Article 63 The Company shall disclose and continuously update the following information regarding corporate governance during the fiscal year in accordance with laws and regulations by TWSE and TPEX. The Company is advised to provide an English version if necessary:

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 managers.

5. Composition, duties and independence of the audit committee.
6. Composition, duties, and operation of the remuneration committee and other functional committees.
7. The remuneration paid to the directors, president, and vice president in the last two years, the analysis of the percentage of total remuneration to net profit after tax in the Company's 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. Under special circumstances, the remuneration of individual directors shall be disclosed.
8. Directors' participation of training courses.
9. The rights, relationships, avenues for complaint, issues of concern, and appropriate response mechanisms regarding interested parties.
10. Consolidated financial reports of the Company and the financial reports of subsidiaries.
11. Disclosure of major risk exposure.
12. Information on related party transactions.
13. Capital adequacy disclosures.
14. The implementation progress of affairs legally required to be disclosed.
15. The outcome of corporate governance implementation, the difference between the outcome and what is demanded by the Principles, and the reason for the difference.
16. Plans and measures for improving corporate governance.
17. Information about risk management.
18. Other information about corporate governance.

Article 64 The Company shall abide by the Financial Holding Company Act and the Securities & Exchange Act to periodically announce or disclose financial statements, consolidated financial reports, and subsidiaries' financial reports approved by CPAs and passed by the board of directors.

Article 65 The credit lines offered to and the transactions with the same person, the same interested party, or the same affiliated enterprise by the Company's all subsidiaries, shall be reported to the relevant authorities within thirty days of each quarter of a business year, with sums and ratios provided. The information shall also be disclosed via public announcements, the Internet, or other methods designated by the competent authorities.

The Company's subsidiaries shall establish an information system for the same person, the same interested party, and the same affiliated enterprises, so as to facilitate

the investigation and control of transactions with these entities. A unit shall also be designated as being in charge of gathering and filing information to make the reporting process easier.

In addition to the fully disclosure of transactions of related parties, the Company shall also disclose information about subsidiaries' transactions with related parties above a designated monetary amount, in accordance with related regulations.

The aforesaid related party shall be determined with reference to Article 23 of the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies. In addition to legal definitions, whether a substantive relationship exists shall also be taken into account in the determination of related parties.

Article 66 The Company and its subsidiaries shall abide by the capital adequacy requirements stipulated in the Financial Holding Company Act as well as regulations governing various industries.

The Company shall use the calculation method designed by the competent authorities and fill in forms designated by these authorities to report capital adequacy ratios approved by CPAs to these authorities either within two months after the semi-annual calculations are completed or when the relevant authorities deem it necessary; related information should also be attached.

Article 67 The Company and its subsidiaries shall abide by the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" to call press conferences to explain material information, and also report events in the internet information report system prior to the market open on the very next business day after occurrence. Companies that have issued negotiable securities in foreign countries should use English when reporting events in the system.

Chapter 7

Supplementary Provisions

Article 68 The Company shall at all times monitor domestic and international developments in corporate governance as a basis for reviewing and improving its own corporate governance mechanisms, in order to enhance their effectiveness.

Article 69 Matters not specified in the Principles will be conducted in accordance with the Company Act, the Securities & Exchange Act, the Financial Holding Company Act, and commonly accepted practices.

Article 70 The Principles shall become effective upon approval by the board of directors and shall be implemented on the date of promulgation; the same applies to all subsequent revisions.