

# EPISIL TECHNOLOGIES INC

## Corporate Governance Best Practice Principles

### **Chapter 1 General principles**

Article 1 To establish sound corporate governance system, the Company with reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies jointly adopted by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) formulates the corporate governance best practice principles and establishes an effective corporate governance framework for compliance.

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. Establish an effective corporate governance framework.
2. Protect the rights and interests of shareholders.
3. Strengthen the powers of the board of directors.
4. Fulfill the function of audit committee.
5. Respect the rights and interests of stakeholders.
6. Enhance information transparency.

Article 3 The Company shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the company's internal and external environment.

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

independent directors or audit committees, and internal audit officer.

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.

In order to implement the internal control system, strengthen the professional ability of internal auditors' agents, and improve and maintain the audit quality and execution effect, the company should set up a substitute internal auditor.

Article 3-1 The Company shall, based on the size of the Company, business situations and management needs, appoint a corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs.

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

1. Handling matters relating to board meetings and shareholders meetings according to laws
2. Producing minutes of board meetings and shareholders meetings
3. Assisting in onboarding and continuous development of directors
4. Furnishing information required for business execution by directors
5. Assisting directors with legal compliance
6. Other matters set out in the articles of corporation

## **Chapter 2 Protection of Shareholders' Rights and Interests**

Article 4 The corporate governance system of the Company 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 for the meetings.

Resolutions adopted by shareholders meetings of The Company shall comply with laws, regulations and articles of incorporation.

Article 6 The board of directors of the company shall properly arrange the topics and procedures of the shareholders' meeting. The shareholders' meeting shall allow reasonable time for discussion on each topic and give shareholders appropriate opportunities to speak.

Article 7 The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the Company engages a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. The company shall seek all ways and means, including fully exploiting technologies for information disclosure, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

Article 8 The Company, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

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

Article 9 The chairman of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the Company. The chairman shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.

In order to protect the interests of most shareholders, if the chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it is advisable for the members of the board of directors other

than the chairman of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairman of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10 The Company shall place high importance on the shareholder right 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 website established by the Company.

Article 11 The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector. The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records and assets of the Company. The board of directors, audit committee, and officers 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 in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the

Company's financial structure thereafter.

The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13 In order to protect the interests of the shareholders, it is advisable that the Company designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

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 officers in performing their duties.

Article 14 The Company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 The Company's director who engages in any transaction for himself or on behalf of another person that is within the scope of the Company's operations shall explain the major content of such actions to the shareholders meeting and obtain its consent.

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

Article 17 The inter-company business transactions between the Company and its affiliated enterprises shall be made in accordance with the principle of fair dealing and reasonableness.

All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18 A corporate shareholder having controlling power over the Company shall comply with

the following provisions:

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the Company in nominating directors and shall not act beyond the authority granted by the shareholders meeting or board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.

Article 19 The company should keep abreast of the list of major shareholders who hold a large proportion of shares and who can actually control the company and the ultimate controller of the major shareholders.

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

### **Chapter 3 Enhancing the Functions 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 structure of the Company's board of directors shall be determined by choosing an

appropriate number of board members in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. An appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs shall be formulated and include, without being limited to, the following two general standards:

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

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

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

Article 21 The Company shall establish a fair, just, and open procedure for the election of directors and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

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 directors.

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 board of directors of the company shall draw clear distinctions of the authorities and responsibilities of the functional committees, chairperson of the board and general manager.

Clear distinctions shall be drawn between the responsibilities and duties of the Company's chairman and president..

Article 23 The Company shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number. Pursuant to Article 181-2 of the Securities and Exchange Act, the independent directors of the company may apply when the term of the first session of directors or supervisors expires, and may also be applied earlier by resolution of the board of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings. 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.

The election of independent directors shall adopt a candidate nomination system in accordance with the provisions of Article 192-1 of the Company Law, which shall be specified in the articles of association. Shareholders shall elect independent directors from the list of candidates. Independent directors and non-independent directors shall be elected together in accordance with Article 198 of the Company Law, and the number of elected persons shall be calculated separately.

Independent directors and non-independent directors shall not change their identities during their term of office.

If the number of independent directors is dismissed for any reason and the number falls short of the provisions in Paragraph 1 or the Articles of Association, by-election shall be held at the most recent shareholders' meeting. When all independent directors are dismissed, the company shall hold a by-election at an extraordinary general meeting of shareholders within 60 days from the date of the event.

The professional qualifications, restrictions on both shareholding and concurrent positions

held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange.

Article 24 The Company shall submit the following matters to the board of directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 25 The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration.

If the company stipulates in the Articles of Association, through the resolution of the

shareholders' meeting, or in accordance with the order of the competent authority to separately allocate special surplus reserves, the sequence shall be after the allocation of statutory surplus reserves and before the distribution of directors, supervisors' remuneration and employee bonuses. Surplus distribution method when special surplus reserve is reversed and incorporated into undistributed surplus as stipulated in the articles of association.

Article 26 For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the Company, 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. Based on the concept of corporate social responsibility and sustainable management, environmental protection or other committees may be set up and clearly stipulated in the articles of association.

Article 27 The Company shall establish a remuneration committee. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter. The committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors.

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

1. With respect to the performance assessment and remuneration of directors and managerial personnel of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.

2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

Article 28 The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform 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 auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

Article 29 It is advisable that the Company engages a professional and competent legal counsel 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

Article 30 The board of directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of 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, public announcements, and other matters for compliance.

Article 31 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.

Article 32 When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of the Company shall attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless there are justifiable reasons for failure to do so, and the opinion shall be noted in the minutes of the board of directors meeting.

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

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the audit committee, 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 33 Staff personnel of the Company 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 the board of directors meetings shall be signed by the chairperson and secretary of the meeting and sent to each director and supervisor 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.

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

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

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

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 34 The Company shall submit the following matters to the 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.
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. Election or dismissal of the chairman
7. The performance assessment and the standard of remuneration of the managerial officers.
8. The structure and system of director's remuneration.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. 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.
11. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated

shall be clearly specified.

Article 35 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.

Article 36 Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

It is advisable that the Company formulate rules and procedures for board of directors performance assessments. Each year, in respect of the board of directors, functional committees, and individual directors, it shall conduct regularly scheduled performance assessments through self-assessments or in any other appropriate manner. A performance assessment of the board of directors shall include the following aspects, and appropriate assessment indicators shall 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.

The performance assessments of board members shall include the following aspects, with appropriate adjustments made on the basis of the Company's needs:

1. Their grasp of the Company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the Company's operations.

4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.
6. Internal controls.

It is advisable that the Company conducts performance assessments of a functional committee, covering the following aspects, with appropriate adjustments made on the basis of the Company's needs:

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

Article 37 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 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 or independent directors in accordance with the foregoing paragraph.

Article 38 The Company shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

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

Article 39 Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX 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 4 Respecting Stakeholders' Rights**

Article 40 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

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

Article 41 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 harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 42 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management or directors so as to reflect employees' opinions about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 43 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 5 Improving Information Transparency**

Article 44 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.

It is advisable for the company to announce and file the annual financial report within two months after the end of the fiscal year, and to announce and file the first, second, and third quarter financial reports and the operating conditions of each month before the prescribed deadline. The company should establish an online declaration operation system for public

information, establish an online declaration operation system for public information, designate a special person to be responsible for the collection and disclosure of company information, designate a special person to be responsible for the collection and disclosure of company information, and establish a spokesperson system , to ensure that information that may affect the decision-making of shareholders and interested parties can be disclosed in a timely and appropriate manner.

Article 45 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

The Company shall appoint an acting spokesperson. When the spokesperson cannot perform his/her duties, the acting spokesperson can make statements independently.

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

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

Article 46 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.

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 47 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.

Article 48 The company's website should set up a special area to disclose the following information

related to corporate governance and keep updating it

1. The board of directors: such as the resumes of the board members and their powers and responsibilities, the diversity policy and implementation of the board members.
2. Functional committees: such as the resumes of the members of each functional committee and their powers and responsibilities.
3. Regulations related to corporate governance: such as the company's articles of association, procedures of the board of directors, organizational regulations of functional committees and other regulations related to corporate governance.
4. Important information related to corporate governance: such as setting corporate governance supervisor information, etc.

## **Chapter 6 Supplementary Provisions**

Article 49 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 50 The Company's corporate governance best practice principles, and any amendments hereto, shall come into in force after adoption by a resolution of the board of directors.