

# **Cathay Financial Holdings Corporate Governance Best Practice Principles**

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Accountable unit:

Administration Division

## **Chapter 1 General provisions**

### **Article 1**

These Principles are adopted in accordance with the "Corporate Governance Best Practice Principles for Financial Holding Companies" and the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" for the establishment of good corporate governance system and effective corporate governance framework as well as the sound development of the Company.

### **Article 2**

The Company shall establish a sound corporate organization and culture that comply with laws and the Articles of Incorporation, and implement an effective corporate governance framework based on the following principles:

1. Comply with the regulations and strengthen internal management;
2. Protect the rights and interests of shareholders and corporate governance relationships between the Company and its subsidiaries and other affiliated enterprises;
3. Strengthen the roles and powers of the board of directors;
4. Fulfill the functions of the Audit Committee;
5. Respect the rights and interests of employees and stakeholders;
6. Enhance information disclosure to increase transparency.

### **Article 3**

The Company shall map out its overall operational directions, risk management policies and relevant guidelines to enhance business management. Each of the Company's subsidiaries shall formulate and follow its own operational plans, risk management procedures, and implementation guidelines based on business needs and local regulations.

## **Chapter 2 Comply with the regulations and strengthen internal management**

### **Article 4**

The Company shall establish a regulatory compliance system and set up a regulatory compliance unit, line managed by the President, to be responsible for the planning, management, and implementation of the system. The Company shall appoint a senior

manager to lead the regulatory compliance unit, overseeing compliance related affairs and reporting to the board of directors and the Audit Committee at least once every 6months.

The Company shall set up a conveyance, consultation, coordination, and communication system to impose regulation training on each unit, and shall appoint a chief regulatory compliance officer to be in charge of regular compliance matters, to ensure the effective operation of the system, and to enhance self-discipline.

#### Article 5

The Company shall establish mechanisms for internal controls and audits and ensure mechanisms are implemented throughout in order to strengthen the Company's business operations.

The adoption or amendment to the internal controls system shall be subject to the approval of the Audit Committee and the Board Directors.

#### Article 6

The Company's internal controls system shall cover all business activities and shall have in place appropriate policies and procedures governing the articles of incorporation, regulations, standards of practice and handbooks. It shall be reviewed or amended regularly and shall involve units of the regulatory compliance, internal audit, and risk management when necessary.

#### Article 7

The purposes of the establishment of an internal audit system are to facilitate the board of directors and the senior management to check and evaluate the effectiveness of internal controls, to provide timely recommendations for improvement, to ensure the continuity of implementation, and to provide a basis for review and modification of the internal controls system.

The Company shall establish an internal audit unit under its board of directors that performs audit business with independent spirit and objectivity and reports its audit business to the Board of Directors and the Audit Committee at least once every 6 months. The Company shall establish a chief auditor system to manage all audit business. The appointment, dismissal, promotion, reward and discipline, job rotation, and evaluation of the internal audit personnel shall be signed by the chief auditor and approved by the Chairman.

Internal auditors of the Company shall hold qualifications, as required by law, and attend professional training courses to enhance the quality of audits and their capability.

The Company is advised to establish channels and mechanisms of communication between independent directors, Audit Committee and internal audit supervisors.

Independent directors shall at least once a year hold discussions with internal auditors on the review of internal control system deficiencies; records of such discussions shall be followed up for the implementation of improvements and reported to the Board of Directors, the communication between the members of the Audit Committee and the internal audit supervisors should be reported to the shareholders' meeting by the convener of the Audit Committee.

To ensure the internal control system is effectively implemented, strengthen the professional abilities of the deputy of the internal auditor, and further improve and maintain the quality and implementation outcomes of internal audits, the Company shall appoint a deputy to act on behalf of internal auditing personnel.

#### Article 8

The assessment of the effectiveness of the internal controls system shall be subject to the consent of one-half or more of all Audit Committee members and submitted to the board of directors for resolution.

#### Article 9

The Company shall establish necessary audit measures for its subsidiaries as part of internal controls. In the case of foreign subsidiaries, it is advisable to setup a system of internal controls in accordance with local regulations and the nature of the subsidiary's business operations.

#### Article 10

Where an internal auditor or chief compliance officer's suggestions regarding material deficiencies or violation in the internal controls system are not accepted by the senior management, and where the inaction might lead to material losses to the Company, the internal auditor or chief compliance officer shall report immediately to the independent directors and Audit Committee of the Company, as well as to the competent authority.

#### Article 10-1

Senior officers shall be directed and supervised by the Board of Directors, and implement and manage activities of the Company in compliance with business strategy, risk appetite, remuneration and other policies resolved by the Board of Directors. The organization of senior officers, including their roles, duties and responsibilities, procedures and decisions, shall be clear, distinct and transparent.

### **Chapter 3 Protect the Rights and Interests of Shareholders**

#### Article 11

The Company shall establish a corporate governance system that ensures that shareholders are made fully aware of, and can participate in and decide on important matters of the Company in order to protect the rights and interests of shareholders and ensure their equal treatment.

#### Article 12

The Company shall convene shareholders' meetings in accordance with the Company Act and relevant laws and regulations and establish comprehensive rules for such meetings. Resolutions adopted by the shareholders' meetings shall be executed according to the Rules of Procedures for Shareholders' Meeting. Resolutions adopted by the shareholders' meetings must conform to acts and regulations and to the Company's Articles of Incorporation.

#### Article 13

The board of directors shall properly arrange the agenda items and procedures for shareholders' meetings. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements. For a shareholders' meeting convened by the Board of Directors, it is advisable that the chairperson of the Board personally chairs the meeting, that a majority of the directors (including at least one independent director) attend in person, and that at least one member of each functional committee attends as representative. Attendance details should be recorded in the shareholders' meeting minutes.

#### Article 14

The Company shall encourage shareholders to participate in corporate governance and hold shareholders' meetings on the premise of legal, valid and safe proceedings. 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 employs electronic voting at shareholders' meetings and adopts a candidate nomination system for the election of directors, and hence the Company is advised to avoid raising extraordinary motions and amending original proposals.

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

#### Article 15

The Company shall, in accordance with the Company Act and other applicable laws and regulations, record in the shareholders' meeting minutes the date and place of the meeting, the name of the chairperson and the method of adopting resolutions, a summary of the essential points of the proceedings and outcomes thereof in the shareholders' meetings minutes. With respect to the election of directors, the meeting minutes shall record the method of voting adopted therefor and the total number of weighted votes given for each of the elected directors.

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

#### Article 16

The chairperson of the shareholders' meetings shall comply with the rules governing the proceedings of the shareholders' meetings established by the Company. The chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will. In order to protect the interests of shareholders, if the chairperson declares the adjournment of the meeting in breach of the rules governing the proceedings of the shareholders' meetings, it is advisable for the members of the board of directors other than the chairperson of the shareholders' meeting to promptly assist the attending shareholders in electing a new chairperson of the shareholders' 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, to continue the proceedings of the meeting.

#### Article 17

The Company shall place high importance on the shareholders' right to know and shall faithfully comply with applicable regulations regarding the 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 Company's website.

The Company should regulate the stock trading control measures of the Company's insiders

from the date they are informed of the Company's financial reports or related results, including (but not limited to) that the directors are prohibited from trading their shares during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report.

#### Article 18

The Company shall establish internal guidelines for the handling of donations and submit them to the board of directors for approval. Donations made to political parties, stakeholders, and charitable institutions shall be disclosed to the public.

#### Article 19

The shareholders shall be entitled to profit distributions by the Company. In order to protect the investment interests of shareholders, the shareholders' meetings may examine the records 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 20

In entering into material financial and business transactions such as the acquisition or disposal of assets, the Company shall proceed in accordance with the applicable laws and/or regulations and devise related operating procedures to be submitted to the shareholders' meeting for approval to ensure shareholders' rights are protected.

#### Article 21

In order to protect the interests of shareholders, it would be advisable for the Company to respond appropriately to proposals, inquiries and disputes raised by shareholders. The Company shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholders' rights and interests were damaged by a resolution adopted by the shareholders' meeting or the board of directors is in violation of applicable laws, regulations or the Company's Articles of Incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors or managers in performing their duties. The Company is advised to formulate internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and to keep relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

#### Article 22

In order to protect the best interest of all shareholders, a shareholder having controlling power("Controlling Shareholders") over the Company shall comply with the following provisions:

1. The controlling shareholder 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 to operate for illicit profit gains.
2. The representative of the controlling shareholder shall comply with relevant rules of rights and voting policies which established by the Company and exercise voting rights and participate in resolutions in good faith for the best interest of all shareholders. Should the controlling shareholder be a director of the Company, he or she shall

- exercise the fiduciary duty and duty of care of a director.
3. The controlling shareholder shall comply with relevant laws, regulations and the Articles of Incorporation in nominating directors and shall not act beyond the authority granted by the shareholders' meeting or the board of directors.
  4. The controlling shareholder shall not improperly intervene in corporate policy making or obstruct corporate management activities.
  5. The controlling shareholder shall not restrict or impede the management of the Company by methods of unfair competition.
- The representative that is designated when a corporate shareholder has been elected as a director or supervisor shall fulfill the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

The following principles should be taken into account in the communication between the Controlling Shareholders and the Company in order to comply with the aforementioned provisions:

1. In principle, the Controlling Shareholder shall appoint a representative who is elected as a director of the Company, and such representative may invite a manager of the Company to accompany him/her to communicate with the Controlling Shareholder if necessary, and the Company shall keep a record of the communication.
2. If a Controlling Shareholder has a proposal for a meeting of the Board of Directors or a decision on the Company's operation, it should be presented by its director representative at the Board of Directors or the functional committee for the purpose of exchanging views and discussing. Controlling Shareholders should not convene a meeting or otherwise improperly interfere with the Company's decision.
3. A Controlling Shareholder shall be under an obligation of confidentiality with respect to material information about the Company that comes to his knowledge before the information is publicly disclosed, and shall not use such information to engage in insider trading.

#### Article 23

The allocation of the Company's management authorities and responsibilities over personnel, assets and finances between it and its subsidiaries or other affiliated enterprises shall be clearly defined, and risk assessment shall be properly carried out and appropriate firewalls shall be established.

The Company shall exercise due care in the management of its subsidiaries, in accordance with the Financial Holding Company Act.

#### Article 24

In order to avoid improper transfer of benefits that can cause damages to the Company or its shareholders, the Company, when entering into a real estate transaction with its major shareholders, invested enterprises, responsible person, employees, or stakeholder of the Company's responsible person, the transaction shall be made in compliance with the Financial Holding Company Act and applicable regulations set forth by the competent authority.

#### Article 25

When the responsible person of the Company concurrently holds a position in a subsidiary or other job positions, the transactions shall be handled in accordance with relevant regulations.

The responsible person 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, supervisory and balance systems of the Company and its investee enterprises and subsidiaries to ensure shareholder rights and interests.

#### Article 26

The Company's director, acting on behalf of oneself or anyone else in matters within the business scope of the Company, shall obtain the approval at the shareholders' meeting.

#### Article 27

The Company and its subsidiaries shall establish sound objectives and systems for the management of finances, operations and accounting in accordance with applicable laws and regulations.

#### Article 28

The transaction made between the Company, its subsidiaries and other affiliated enterprises shall be in compliance with laws and adhere to guidelines governing the relevant financial and business operations between them. Price and payment terms shall be clearly specified in the contract, with non-arm's length transactions or transfer of benefits strictly prohibited. The Company shall obtain an appraisal report from securities underwriters, appraisal companies, or accountants before proceeding with the transaction.

### **Chapter 4 Strengthen the Roles and Powers of the Board of Directors**

#### **Section 1 Structure and function of the board of directors**

#### Article 29

The Company's board of directors shall be responsible to the shareholders' meetings.

Procedures and arrangements of the corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, the Articles of Incorporation, and the resolutions adopted by the shareholders' meetings.

#### Article 30

The structure of the Company's Board of Directors shall be determined by appointing an appropriate number, not less than nine nor more than twenty-one, of directors in consideration of the Company's business scale, the shareholding of major shareholders, and practical operational needs. The proportion of directors concurrently serving as company officers should not be excessive, and such directors shall comply with the restrictions on concurrent positions held under Article 25 herein.

The composition of the Board of Directors shall be determined by giving due consideration to operational structure, business development direction, future trends and other needs, and it is advisable to assess aspects of diversity including but not limited to basic compositions (e.g., gender, age, nationality and race), professional experience (e.g., financial holding, banking, insurance, securities, industry and technology) and professional knowledge and skills (e.g., business, finance, accounting, law, marketing

and digital technology).

The members of the Board of Directors shall possess the knowledge, skills, and experience necessary for performing 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 handle crisis management;
5. Knowledge of the industry;
6. An international market perspective;
7. Leadership;
8. Ability to make policy decisions;
9. Risk management knowledge and skills.

#### Article 31

The board of directors shall perceive the risks faced by the Company's operations, shall confirm the effectiveness of risk management, and shall take ultimate responsibility for the management of the risks.

The Company's risk management policies and operating procedures shall be adopted by the board of directors and shall be reviewed and amended when appropriate.

The Company shall establish an independent risk management task force and regularly furnish risk management reports to the board of directors; upon identifying a significant risk exposure that might adversely affect its financial or business status, it shall take immediate and adequate countermeasures and submit a report to the board of directors. A TWSE/TPEX listed company shall establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

#### Article 31-1

The Company should establish a governance structure to promote sustainable development, set up a special (part-time) unit to promote sustainable development, conduct risk assessments on environmental, social or corporate governance issues related to the Company's operations, formulate relevant risk management policies or strategies, supervise the promotion of sustainable development by the Board of Directors, and set a schedule for greenhouse gas inventory and disclosure, and regularly submit them to the Board of Directors for control.

#### Article 32

The Company shall, according to 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 its Articles of Incorporation that serve to fully reflect shareholders' opinions.

Starting from the 6th Board of Directors, the Company has adopted a candidate nomination system for the election of its directors. The adoption of such a system shall be expressly stipulated in the Articles of Incorporation, and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates.

Candidate nomination, the review process, contents of announcement, and procedures, as mentioned in the previous clause, shall be handled in accordance with the Company Act



and the Securities and Exchange Act.

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 for director at the next shareholders' meeting. 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 shareholder meeting within 60 days of the occurrence of that fact for the purpose of holding a by-election for directors.

Unless the competent authority otherwise grants an exception, 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.

The directors of the Company shall be in compliance with relevant regulations with regard to the qualifications required for the directors and restrictions on concurrent serving and other matters.

#### Article 33

Banking subsidiaries of the Company shall appoint at least one director with a minimum of 5 years work experience in banking and 3-year-experience as assistant manager in the head office or an equivalent position; or someone who has a minimum of 5 years work experience in financial administration or management at grade 8 or above with excellent performance and professional qualifications. The same rules shall apply to the Company's insurance and securities subsidiary undertakings.

#### Article 34

The Company shall appoint 3 or more independent directors, in accordance with the Articles of Incorporation. The number of independent directors shall not be less than one-third of the total number of members of the board directors.

Independent directors shall possess knowledge and skills required for performing their duties. Furthermore, considering the needs for the Company's business and industrial developments and the various factors specified in Article 30, Paragraph 2 of these Principles, there shall be restrictions on their shareholdings and the positions they may concurrently hold in compliance with applicable laws and regulations. They shall maintain independence within the scope of their directorial duties and must not have any direct or indirect interest in the Company.

Independent directors shall not hold concurrent offices as an independent director of more than three other listed companies. (The number of concurrent positions held shall be calculated in compliance with applicable laws and regulations)

The Company shall, in accordance with the Company Act, adopt a candidate nomination system for election of the independent directors and expressly stipulate that system in the Articles of Incorporation. The shareholders shall elect the directors from among the nominees listed in the roster of director candidate.

The independent directors of the Company shall ideally not serve more than three consecutive terms.

The election of independent and non-independent directors shall be held in accordance with the Company Act at the same time but on separate ballots.

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

When an independent director is dismissed for any reason, resulting in the number of independent directors falling below the requirement under Paragraph 1 of 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 of the occurrence.

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 applicable laws and regulations.

#### Article 35

The respective duties of the Company's Chairman and the President shall be clearly demarcated, the Chairman may not serve as the President concurrently.

1. Either the chairman or the president has resigned and is unable to perform his or her duties.
2. Either the chairman or the president has been dismissed or discharged by the competent authority.
3. Either the chairman or the president is unable to perform his or her duties due to other major incidents.

#### Article 36

The Company shall clearly stipulate the scope of duty of independent directors, and the manpower and resources independent directors may utilize in relation to their duties. In the event independent directors identify matters of importance of suspicion, external professionals can be hired where necessary to assist in evaluations, or internal auditors can be requested to perform project reviews or follow-up. The Company or the other members of the board may not unlawfully or inappropriately hinder, refuse, or obstruct independent directors from conducting their responsibilities.

If the Company or the Chief Corporate Governance Officer receives notice of the resignation or reassignment of a director under Article 27, Paragraph 3 of the Company Act, the Company shall follow the relevant laws and regulations.

The Company shall stipulate the remuneration of directors according to the Articles of Incorporation or resolution of the shareholders' meeting and may establish a separate but reasonable set of remuneration rules for independent directors.

#### Article 37

In order to achieve the objective of corporate governance, the main duties of the board of directors are as follows:

1. Set up effective and appropriate internal control system.
2. Select and supervise managers.
3. Review the management decisions, operation proposals, and the future development direction of the Company; and supervision of its enforcement.
4. Review the financial goals of the Company, and supervise the completion of those goals.
5. Supervise the operation results of the Company.
6. Review the performance evaluation benchmark and remuneration standard for the managers and the remuneration structure and system for the directors.
7. Supervise the Company's establishment of an effective risk management mechanism.
8. Supervise the Company's compliance with relevant laws and regulations.
9. Protect and maintain the Company image.
10. Appoint accountants and other professionals.

#### Article 38

Other than where the approval of the competent authorities is necessary, the following matters shall be submitted to the board of directors for approval: Any objections or qualified opinions expressed by independent directors shall be recorded in the minutes of the board of directors' meeting.

1. Establishment or amendment to the internal control system and review of its effectiveness according to Article 14-1 of the Securities and Exchange Act.
2. Establish and amend the processes for the acquisition or disposal of assets pursuant to provisions in Article 36-1 of the Securities and Exchange Act, and handle the derivative commodity trade processes that involve significant amounts of finances.
3. Items that involve the personal interests of the directors.
4. Major assets or derivative commodity trades.
5. Offering, issuance, or private placement of equity-type securities.
6. Appointment, dismissal, or compensation of the certifying CPAs.
7. Appointment and removal of the financial, accounting, or internal auditing officers.
8. A donation to a related party or a major donation to a non-related party; however, public-interest donations for the relief of major natural disasters may be submitted to the next board meeting for ratification.
9. Any other significant matter regulated by the competent authorities.

#### Article 39

The directors and supervisors of subsidiaries fully owned by the Company shall be appointed by the Company in compliance with the following principles:

1. Qualifications shall meet the requirements of each respective relevant competent authority.
2. The Company shall appoint independent directors for its subsidiaries whose shares have been publicly issued. The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, and the minimum amount or ratio of independent directors shall comply with the Securities and Exchange Act and regulations of competent authorities.

### **Section 2 The Audit Committee and Other Committees**

#### Article 40

In order to strengthen management mechanisms, the Company may establish various types of functional committees and specified in the Article of Incorporation while considering the scale of the board of directors and the number of the independent directors.

Committees shall stipulate organizational policies and submit them for approval by the board of directors. The content of the organizational policies shall include the number of committee members, terms of office, and powers of committee members.

#### Article 41

The Audit Committee shall consist entirely of independent directors of the Company, with no less than 3 members. One member shall be the convener, and at least one member shall have accounting or financial expertise. The following items are not applicable to Article 38 of the Principles herein and must be approved by at least one-half of the Audit Committee members and submitted to the board of directors for resolution:

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

2. Assessment of the effectiveness of the internal control system
  3. Adoption or amendment, pursuant to provisions in Article 36-1 of the Securities and Exchange Act, of the procedures for the acquisition or disposal of assets and for the derivative commodity trade processes that involve significant amounts of finances.
  4. Items that involve the personal interests of the directors.
  5. Material assets or derivative commodity trades.
  6. Raising, issuance, or private placement of any equity-type securities.
  7. Appointment, dismissal, or remuneration of the certifying CPAs.
  8. Appointment and discharge of the financial, accounting, or internal auditing officers.
  9. Annual or Q2 financial statements signed or sealed by the Chairman, managerial personnel and accounting officers.
  10. Business reports and proposals for distribution of earnings or make-up of deficits.
  11. Any other significant issues so required by the Company or competent authorities.
- Except for Subparagraph 9, any other subparagraphs in the preceding paragraphs are not approved by one-half or more of all Audit Committee members may be undertaken upon the approval of two-thirds or more of all directors without the restrictions in the preceding paragraph. The resolution of the Audit Committee shall be recorded in the minutes of the board of directors' meeting.

The meeting of the Audit Committee shall be made into meeting minutes and a copy of the minutes shall be distributed to each independent director within 20 days after the meeting. The meeting minutes shall be well preserved as key records of the Company and retained as such over the Company's existence.

The Company Act, the Securities and Exchange Act, and other laws regulating supervisors shall be applicable for members of the Audit Committee.

#### Article 42

The Company shall establish the Remuneration Committee. The qualifications, exercising of authority and other relevant matters regarding its members shall comply with relevant laws.

#### Article 42-1

The Company is advised to establish and announce channels for internal and external whistleblowers and to formulate whistleblower protection mechanisms.

The channels and mechanisms referred to in the preceding paragraph shall include at least the following items:

1. Establish and announce internal mailbox and dedicated lines for whistleblowers, or retain other external independent agencies to provide mailbox and dedicated lines for internal and external whistleblowers.
2. Designate personnel or unit for processing whistleblower reporting.
3. Record and maintain documents of whistleblower reports received, handling processes, handling results and other related files.
4. Maintain confidentiality of whistleblower identity and reporting content.
5. Protect whistleblower rights and prevent the imposition of improper treatment as a result of reporting the matter.

The Company may not process whistleblowing reports that do not contain specific names, addresses and matters of violation.

Paragraph 2, Subparagraph 5 does not apply to whistleblowing reports found to be false and to contain malicious verbal attacks on the Company or employees upon investigation.

#### Article 43

The Audit Committee or the independent directors of the Committee may appoint lawyers, accountants, and other professionals to provide audits or counsel the Committee in performing its duties. The Company shall bear all costs incurred in this regard.

#### Article 43-1

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

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

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 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 CPA during the review, and concrete measures for improvement or prevention suggested by the CPA, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between independent directors, supervisors or the audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the Company's internal control system for management purposes. The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly by reference to audit quality indicators (AQIs), and no less frequently than once annually. In the event that the Company engages the same CPA 7 years consecutively with no replacements, 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 43-2

The Company should establish a nomination committee and set up organizational procedures, and a majority of its members should be independent directors.

### **Section 3 Board of Directors Meeting Policy and Decision-making Procedures**

#### Article 44

The Company shall stipulate the rules of proceedings for meetings of board of directors. The meeting agendas, procedures, minutes recording, announcements and any other items requiring compliance shall comply with relevant laws or regulations. The board of directors meeting shall at least convene once a quarter, a stipulation which shall be clearly specified in the rules of proceedings for meetings of board of directors.

Notices for board of directors' meetings shall be distributed to each director at least 7 days before the meeting. The purpose of the meeting shall be clearly specified in the notice. However, a board of directors' meeting may be called at any time in the event of an emergency.

#### Article 44-1

The Chairman of the Board is the chairman of the shareholders' meeting, the Board of Directors and the Executive Board internally, and represents the Company externally.

The Chairman of the Board shall faithfully perform his duties and exercise good stewardship and exercise a high degree of self-discipline and prudence. If the chairman of the board of directors performs his or her duties for a long period of time in a telecommuting mode such as off-site office, home office or video conference, he or she shall comply with the foregoing provisions and shall ensure the effective performance of his or her duties.

#### Article 44-2

If the chairman of the board of directors is absent from office or is unable to exercise his or her duties for any reason, the vice chairman of the board of directors shall act on his or her behalf; if there is no vice chairman of the board of directors or if the vice chairman of the board of directors is also absent from office or unable to exercise his or her duties for any reason, the chairman of the board of directors shall designate one of the executive directors to act on his or her behalf.

When a proxy for the chairman of the board of directors is appointed or elected in accordance with the preceding paragraph, such proxy shall comply with the restrictions on concurrent employment and the principle of not operating an industrial and financial business at the same time as provided in the “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company”.

The proxy for the chairman of the board of directors mentioned in the first paragraph shall not exceed the authority of the Chairman of the Board of Directors in the exercise of his or her powers and functions during the period of representation, and if there are restrictions, they shall be clearly stated in advance.

The Directors shall attend the Board meeting in person, if a director is unable to attend a board meeting for any reason, he or she may appoint another director to act on his or her behalf in accordance with the provisions of the Company's Articles of Incorporation, provided that he or she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy referred to one other director only.

#### Article 45

If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. Where the spouse or a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director, has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

#### Article 46

For any decisions that need to be resolved through a board meeting under Article 14-3 of the Securities and Exchange Act, the independent directors shall be involved either by attending the meetings personally or by appointing other independent directors as proxy attendants. Any objections or qualified opinions expressed by independent directors shall

be recorded in meeting minutes; an independent director intending to express objections or qualified opinions but unable to attend the meeting personally at the board meeting shall, unless there is justifiable reason not to do so otherwise, issue a written opinion in advance, which shall be recorded in the board meeting minutes.

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

1. Any of the following matters in relation to a resolution passed at the board of directors meeting shall be recorded in the meeting minutes and published on the Market Observation Post System on the following business day after the meeting and before the trading hours: Objections or qualified opinions expressed by independent directors on record or in writing.
2. Any issues that are not agreed upon by the Audit Committee but passed by more than two-thirds of the all directors.

When holding a board of directors meeting, the Company may, based on the content of the agenda, advise personnel of relevant departments or subsidiaries to attend the meeting as non-voting participants.

Where necessary, an accountant, 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, provided that they shall leave the meeting when deliberation or voting takes place.

#### Article 47

The minutes of the board of directors' meetings shall be signed or stamped by the chairperson and the minute taker and issued to each director within 20 days after the meeting. The director attendance log constitutes part of the board meeting minutes and shall be listed as important records of the Company and retained as such over the Company's existence.

Production and distribution of meeting minutes may be made in electronic form.

A Company shall record on audio or videotape 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, any litigation arises in connection with a resolution of a board of directors' meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where a board of directors' meeting is held by way of video conferencing, the recorded video and audio shall be treated as part of the meeting minutes and kept properly over the Company's existence.

If a resolution of the board of directors violates regulations, the Articles of Incorporation and the resolutions reached in the shareholder meetings, and thus results in Company losses, the directors involved in the decision-making shall compensate the Company. However, dissenting directors whose dissent can be proven by minutes or written statements will be exempted.

#### Article 48

Considering the scale and the needs of the board of directors, the Company may establish managing directors in accordance with relevant regulations provided in the Company Act. Where the Company has established the position of managing director, the managing

directors shall include no less than one independent director, and no less than one-fifth of the managing director seats shall be held by independent directors.

#### **Section 4 Obligations and Responsibilities of Prudent Directors**

##### Article 49

The directors of the Company shall faithfully conduct corporate affairs and perform this duty of care as a prudent administrator.

In the event that a director of the Company resigns or is reassigned under Article 27, Paragraph 3 of the Company Act, the resigning director or corporate shareholder shall immediately notify the Company and the Chief Corporate Governance Officer.

The Company shall establish a method and procedure for evaluating the performance of the Board of Directors. In addition to conducting regular annual self- or peer performance evaluations of the Board of Directors and individual directors, the Company may also appoint external professional organizations or conduct performance evaluations in other appropriate ways. The evaluation of the performance of the board of directors should include the following components and set appropriate evaluation indicators taking into account the needs of the company:

1. To participate in the operation of the company.
2. To improve the quality of decision making by the Board of Directors.
3. Composition and structure of the board of directors.
4. Election and continuing education of directors.
5. Internal control.

The evaluation of the performance of board members (self or peers) shall include the following components, with appropriate adjustments to take into account the company's needs:

1. Mastery of the company's goals and tasks.
2. Awareness of directors' responsibilities.
3. The degree of participation in the company's operation.
4. Internal relationship management and communication.
5. Professional and continuing education of directors.
6. Internal control.

The Company shall conduct a performance evaluation of the functional committee, which shall include the following components and shall be appropriately adjusted taking into account the needs of the Company:

1. The degree of participation in the operation of the Company.
2. Awareness of the responsibilities of the functional committee.
3. Enhancement of the quality of the functional committee's decision making.
4. Composition and selection of functional committee members.
5. Internal control.

##### Article 50

If a resolution of the board of directors is in violation of laws or regulations or the Company's articles of incorporation, shareholders that are holding shares for at least another year may request the board of directors to stop the implementation of such resolution. Upon discovering any threat of the Company suffering material injury, members of the board of directors shall report to the Audit Committee immediately.

##### Article 51

The aggregate shareholding percentage of all the directors of the board shall comply with applicable laws and regulations. Restrictions on the share transfer of each director and



the establishment, removal, or changes of pledges over the shares held by each director shall be subject to the applicable regulations and the relevant information shall be disclosed in accordance with applicable laws.

#### Article 52

The Company may, pursuant to the relevant regulations, purchase liability insurance for all its directors for the duration of their service terms to cover the respective compensation liabilities involved when performing their duties.

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

#### Article 52-1

The directors of 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, countering terrorism financing 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.

Each year, starting from the year following the year in which the director takes office, the director of the Company shall include at least three hours of courses in the field of corporate sustainability related to the environment (E), society (S), and governance (G) as part of his/her continuing education as stipulated in the preceding paragraph.

The Company shall organize training for newly appointed members of the Board.

### **Section 5 Corporate Governance Personnel**

#### Article 52-2

The Company shall ideally appoint an appropriate number of competent corporate governance officers, and designate one Chief Corporate Governance Officer in accordance with the regulations of the competent authorities and the stock exchange in charge of affairs related to corporate governance.

The appointment and removal of the Chief Corporate Governance Officer referred to in the preceding paragraph shall be subject to the resolutions of the Board

The Chief Corporate Governance Officer of the Company shall be appointed in accordance with these Principles. However, when other regulations of the competent authority provide otherwise, such provisions shall govern.

#### Article 52-3

The corporate governance-related affairs as referred to in Paragraph 1 of the preceding article shall at least include the following:

1. Relevant matters of the Board meeting and the shareholders' meeting as required by law.
2. Production of minutes for the Board meetings and shareholders' meetings.
3. Election and continuing education and training of directors.
4. Provision of information required for directors' performance of duties.
5. Assistance in directors' compliance.
6. Report to the Board on the results of its review of the compliance of the

qualifications of independent directors with the relevant laws and regulations at the time of their nomination, election and during their tenure of office.

7. Handling matters related to the change of directors.

8. Other matters specified in accordance with the Company's Articles of Association or contracts.

#### Article 52-4

The Chief Corporate Governance Officer belongs to the managerial personnel of the Company, and is thus regulated by relevant provisions regarding managerial personnel in the Company Act and the Securities and Exchange Act. Unless otherwise provided by law, the position of Chief Corporate Governance Officer can be held concurrently by a staff member holding another position in the Company.

If the Chief Corporate Governance Officer holds a concurrent position, he/she shall ensure the effective execution of current and concurrent duties, and must not be involved in any conflicts of interest or violations of the Company's internal control.

#### Article 52-5

The Chief Corporate Governance Officer must obtain qualifications for the practice in law or accounting, or must have served in a position in charge of legal affairs, compliance, internal audit, financial affairs, stock affairs, or corporate governance-related affairs as specified in Article 52-2 herein at institutions or public companies related to securities, finance, or futures for no less than three years in total.

#### Article 52-6

The Company shall arrange advanced professional training for the Chief Corporate Governance Officer.

A new Chief Corporate Governance Officer shall receive advanced training for no less than eighteen hours in one year starting from the date of appointment, and shall continue to receive such training for no less than twelve hours every year starting from the second year. The scope, system and other matters related to the training shall be implemented with reference to the promotional guidelines for the advanced training of directors and supervisors in TWSE/TPEX-listed companies.

#### Article 52-7

In the event of the Chief Corporate Governance Officer's resignation or dismissal, the Company shall appoint a replacement officer within one month from the date of its occurrence.

### **Chapter 5 Fulfill the functions of the Audit Committee**

#### Article 53

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 applicable laws and regulations.

#### Article 54

In order for independent directors to promptly discover possible risks for the Company, the Company shall establish communication channels between independent directors, and employees, shareholders and stakeholders.

## **Chapter 6 Respecting the rights and interests of stakeholders**

### *Article 55*

The Company shall maintain channels of communication with its clients, banks, other creditors, employees, community or other stakeholders of the Company, respect and safeguard their legal rights and interests. The Company is also advised to designate a stakeholders section on its website.

When any of stakeholder's legal right is harmed upon, the Company shall respond in a proper manner and in good faith.

The Company shall disclose its operational and financial conditions pursuant to the applicable laws.

### *Article 56*

The Company has specially established the Service Quality Committee to strengthen the management philosophy of "Customers First" and to drive the Group to continually enhance customer satisfaction, create customer value, to optimize service, and to foster an excellent brand image.

### *Article 57*

The Company shall establish employee communication channels, and to encourage employees to communicate directly with the management and directors so as to reflect adequate feedback of employees' views regarding important decisions on the Company's operations and finances or involving employees' interests.

While maintaining the Company's normal business growth and achieving maximized shareholder profits, its shall also pay attention to consumer rights, environmental protection in the community, and public interest activities and shall have high regard to its corporate social responsibility.

## **Chapter 7 Increased Transparency of Information Disclosure**

### *Article 58*

The Company shall disclose information in accordance with relevant laws and the regulations specified by the competent authorities.

### *Article 59*

The Company shall establish an internet-based reporting system for public information disclosure and assign designated personnel to be responsible for the collection and disclosure of data. The Company shall appoint a spokesperson system so as to ensure that information that may have an impact on the decision-making processes of shareholders and stakeholders is disclosed in a timely and appropriate manner.

### *Article 60*

In order to ensure the accuracy and timely disclosure of the material information of the Company, a representative that can independently speak on behalf of the Company to external parties shall be appointed as the spokesperson or deputy spokesperson. The Company shall also appoint one or more deputy spokespersons. Each of the deputy spokespersons shall be able to stand in when the spokesperson is unable to perform their duties. However, an order of delegation shall be established to avoid confusion. In order to implement the spokesperson system, the Company shall establish a clearly defined

standard disclosure procedure and require that management and employees comply with duties of confidentiality regarding financial and operational secrets and prohibit disclosure thereof by them at will. Any changes in spokesperson or deputy spokesperson personnel shall be disclosed promptly.

#### Article 61

It is advisable that the Company utilizes the convenience of the Internet and establishes a website containing its financial data and information on corporate governance for keeping shareholders and stakeholders informed. Financial, corporate governance and other relevant information are advised to be provided in English in consideration of the needs of foreign investors.

The aforesaid websites shall be maintained by designated personnel. The information contained therein shall be correct and sufficiently detailed and up-to-date to avoid potential misdirection.

#### Article 61-1

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

1. Board of Directors: such as the biographies of the members of the Board of Directors and their powers and responsibilities, and the diversity policy of the Board of Directors and implementation of the policy.
2. Functional committees: such as the biographies of the members of each functional committee and their powers and responsibilities.
3. Corporate governance-related regulations: such as the Articles of Incorporation, the Rules of Procedure of the Board of Directors and the Organizational Rules of the Functional Committees.
4. Important information related to corporate governance: such as information on the establishment of a corporate governance officer.

#### Article 62

The Company shall hold investor conferences according to the rules of the TWSE and TPEX, and shall keep audio or video records of these conferences, which shall be made available on the Company's website or through other appropriate channels.

#### Article 63

The Company shall comply with the Financial Holding Company Act and the Securities and Exchange Act and make regular announcements or disclosures of its financial statements and consolidated financial statements audited by accountants, approved by the Audit Committee and resolved by the Board of Directors, , and financial statements of subsidiaries.

#### Article 64

Information on the total amount or percentage of credit extended and other transactions entered into with the same person, same concerned parties, or same related entities of the Company's subsidiaries shall be filed with the competent authority and disclose the same via public announcement, the internet or other methods as specified by the competent authority.

#### Article 65

The Company shall make full disclosure of information on transactions with its related parties and follow the applicable rules to disclose the information on transactions that are above certain amount between its subsidiaries and their related parties.

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, substantive relationships shall also be taken into account in the determination of related parties.

#### Article 66

The Company and its subsidiaries shall comply with the Financial Holding Company Act and the related rules on capital adequacy ratio applicable in individual industries. The Company shall follow the calculation formulae and forms and tables promulgated by the competent authority and report the audited capital adequacy ratio for the group and shall submit related documents as required within the time period provided by laws or when ordered to by the competent authority.

### **Chapter 8 Ancillary Provisions**

#### Article 67

The formulation, amendment, or repeal of these Principles shall be approved by the board of directors.

These Principles shall be effective and enforceable from the date of its adoption by the board of directors. The same shall apply to the amendment or cancellation of these Principles.