

# **Taiwan FamilyMart Co., Ltd**

## **Corporate Governance Best Practice Principles**

### **Chapter 1 General Provisions**

#### **Article 1**

These Principles were established in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies to strengthen the corporate governance system of the Company. The corporate governance of the Company shall conform to the following principles:

- I. Protect the rights and interests of shareholders.
- II. Strengthen the roles and powers of the Board of Directors.
- III. Fulfill the functions of the Audit Committee.
- IV. Respect the rights and interests of stakeholders.
- V. Enhance information transparency.

#### **Article 2**

The Company shall follow the Regulations Governing Establishment of Internal Control Systems by Public 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 adoption or amendment of the internal control 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. Any objections or qualified opinions expressed by independent directors shall be recorded in meeting minutes.

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. 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.

Management of the Company shall respect the internal audit unit and personnel and grant them sufficient authority and oversight so that they may perform effective inspections and assessments of the internal control system and measure operational efficiency in order to ensure the continuing effective operation of the system and assist the Board of Directors and management to fulfill their responsibility, thereby ensuring the sound corporate governance of the Company.

To put the internal control system into effect, strengthen the professional abilities of the agent of the internal auditor and to further improve and maintain the quality and implementing result of the audit, the Company shall have a deputy in place for the internal auditing personnel.

The qualifications required of internal auditors set out in Article 11, Paragraph 6 of the Regulations Governing Establishment of Internal Control Systems by Public Companies and Articles 16, 17, and 18 of the same Regulations shall apply mutatis mutandis to the deputy as referred to in the preceding paragraph.

#### **Article 2-1**

The management department of the Company shall be the dedicated unit responsible for matters relating corporate governance. These matters shall include the following items:

- I. Handling corporate registration and amendment registration.
- II. Handling matters relating to board meetings and shareholders meetings according to laws, and assisting the company with compliance with laws and regulations governing such meetings.
- III. Producing minutes of board meetings and shareholders meetings.
- IV. Furnishing information required for business execution by directors and updating them on developments of laws and regulations relating to the operation of the company in order to assist them with legal compliance.
- V. Matters related to investor relations.
- VI. Other matters set out in the company's articles of corporation or contracts.

### **Chapter 2 Protect the rights and interests of shareholders**

#### **Article 3**

The Company's corporate governance system shall protect the rights and interests of shareholders and ensure their equal treatment.

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.

#### **Article 4**

The Company shall convene shareholders' meetings in accordance with the Company Act and related regulations and shall establish rules for such meetings. Resolutions adopted by shareholders meetings shall be faithfully implemented in accordance with these rules.

Resolutions adopted by the shareholder meetings shall conform to acts and regulations and to the Company's Articles of Incorporation.

#### **Article 5**

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

For a shareholders meeting called by the Board of Directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors (including at least one

independent director) attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

#### **Article 6**

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

If the Company distributes souvenirs at its shareholders meeting, it shall not practice differential treatment or discrimination.

#### **Article 7**

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 and the total number of votes for the directors who were elected.

Minutes for the shareholder 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 8**

The chairperson of the shareholder meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholder 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 meeting rules, it is advisable for the members of the board of directors to promptly assist the attending shareholders in electing a new chairperson by a majority of the votes represented, in accordance with the legal procedures, to continue the proceedings of the meeting.

#### **Article 9**

The Company shall place high importance on the shareholders' 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 Company's website.

To maintain the rights and interests of shareholders and treat all shareholders equally, the Company shall have internal regulations in place to prevent insiders from trading securities based on information yet to be made public on the market.

#### **Article 10**

In order to protect the investment interests of shareholders, the shareholder meetings may, pursuant to Article 184 of the Company Act, 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. 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 managers shall fully cooperate in the examination conducted by the inspectors in the two aforementioned paragraphs without any obstruction, rejection or circumvention.

#### **Article 11**

When engaged in important financial transactions such as the acquisition or disposal of assets, loans of funds, endorsement, and guarantees, the Company shall follow applicable laws and regulations and devise related operating procedures to be submitted to the shareholders meeting for approval in order to protect the rights of 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/or regulations, it shall pay attention to not only the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but also information disclosure and the soundness of the company's financial structure thereafter. The Company's relevant personnel handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

#### **Article 12**

To protect the rights of shareholders, the Company is advised to respond appropriately to suggestions, questions, and matters 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 shareholder 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.

#### **Article 13**

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 14**

Unless otherwise provided by the laws and regulations, a manager of the company may not serve as a manager of its affiliated enterprises. This provision does not apply with the approval of a majority of the directors present, who represent more than one-half of the total number of directors.

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

#### **Article 15**

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 16**

When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fairness and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

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 17**

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

- I. 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.
- II. The representative of the controlling shareholder 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.
- III. 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 shareholder meeting or the board of directors.
- IV. The controlling shareholder shall not improperly intervene in corporate policy making or obstruct corporate management activities.
- V. The controlling shareholder shall not obstruct the company's business activities through unfair means of competition such as monopolized procurement or closed distribution.

- VI. The representative that is designated for the purpose of director election shall meet the company's requirements for professional qualifications. Arbitrary replacement of the controlling shareholder's representative is not advised.

### **Article 18**

The Company shall retain at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

The Company shall disclose periodically important information about its shareholders holding more than 10% 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, so as to facilitate supervision by other shareholders.

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

## **Chapter 3 Strengthen the Roles and Powers of the Board of Directors**

### **Article 19**

The Company's Board of Directors shall direct company strategies, supervise the management, and be responsible to the company and shareholders. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, the Articles of Incorporation, and the resolutions adopted by the shareholder meetings. The structure of the Company's Board of Directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The board shall consider the principle of diversity for its composition and develop an adequate diversification policy based on the operations, mode of operation, and development requirements of the board. Such policy shall include, but shall not be limited to, the following two dimensions:

- I. Basic Criteria and Value: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or 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 an ideal level of corporate governance, the board of directors shall be equipped with the following abilities:

- I. Ability to make sound business judgments.
- II. Ability to conduct accounting and financial analysis.
- III. Ability to conduct management administration.
- IV. Ability to handle crisis management.
- V. Industry knowledge.
- VI. An international market perspective.
- VII. Leadership ability.

## VIII. Decision-making ability.

### **Article 20**

The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism, pursuant to regulations of the Company Act, to fully reflect shareholders' opinions.

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 below five due to the discharge of a director for any reason, the company shall hold a by-election for director at the next shareholder 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 shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The ratio of the total shares held by all the directors of the board of the Company shall comply with applicable laws. Restrictions on the transferring of directors' shares, and the establishment, removal, and change of pledges shall comply with applicable regulations. Furthermore, information shall be fully disclosed.

### **Article 21**

The Company's chairman and president positions shall have a clear division of responsibilities. If there is a functional committee, the responsibilities and duties of the committee shall be clearly defined.

### **Article 22**

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

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

The Company shall adopt a candidate nomination system for election of the independent directors in accordance with Article 192-1 of the Company Act and expressly stipulate that system in the Articles of Incorporation. The shareholders shall elect the directors from among the nominees listed on the roster. The election of independent and non-independent directors shall be held in accordance with Article 198 of the Company Act at the same time but on separate ballots.

If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the Company

shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.

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

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

When the number of the independent director members on the Committee falls below the requirement in the first paragraph or Articles of Incorporation due to an independent director's dismissal for any reason, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of the occurrence to hold a by-election to fill the vacancies.

The professional qualifications, restrictions on shareholding and concurrent employment, determination of independence, method of nomination and other requirements for independent directors shall be governed by the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and regulations adopted by the Taiwan Stock Exchange or Taipei Exchange.

### **Article 23**

The Company shall submit the following matters to the board of directors for approval by resolution as provided in the Securities and Exchange Act. Any objections or qualified opinions expressed by independent directors shall be recorded in meeting minutes.

- I. Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- II. Establishment or amendments to asset acquisition/disposal procedures, derivative trading procedures, procedures on loans to others, endorsement and guarantee procedures, and other procedures of major financial consequences as specified in Article 36-1 of the Securities and Exchange Act.
- III. Matters in which a director is an interested party.
- IV. Major asset or derivative trading.
- V. Loans of funds, endorsements, or provision of guarantees of a material nature.
- VI. Offering, issuance, or private placement of securities with equity characteristics.
- VII. Appointment, discharge or remuneration of the certified public accountant.
- VIII. Appointment or removal of chief officers of finance, accounting and internal audit.
- IX. Other material matters stipulated by the competent authority.

### **Article 24**

The Company shall specify the range of duties for independent directors and provide the manpower and resources needed for performing these duties. The Company and non-



independent directors must not limit or interfere with the performance of independent directors' duties.

The Company shall clearly stipulate the remuneration of directors according to related regulations, reflecting individual performance and the Company's long-term operating performance, as well as taking operating risks into overall consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

When the Company, under its articles of incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director and supervisor compensation and employee bonuses, and the company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

#### **Article 25**

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the Company, in consideration of the size of its board, nature of its business, and the number of its board members, may set up an audit committee, remuneration committee, or other types of functional committees, and expressly provide for them in the articles of incorporation.

Functional committees shall be responsible to the board and submit the proposals to the board of directors for resolution. However, the performance of supervisor's duties by the audit committee pursuant to Article 14-4, Paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall stipulate Organizational Regulations and submit them for resolution and approval by the board of directors. The Organizational Regulations shall contain the number, term of office, duties, and meeting rules.

#### **Article 26**

The Audit Committee shall consist entirely of independent directors, with no less than three members. One member shall be the convener, and at least one member shall have a background in accounting or finance. The Securities and Exchange Act, Company Act, other laws, and these Principles regulating supervisors shall apply mutatis mutandis to members of the Audit Committee.

The following items shall be approved by at least one half of the Audit Committee members and submitted to the Board of Directors for resolution and shall not subject to Article 23 of these Principles:

- I. Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- II. Assessment of internal control system effectiveness.
- III. Establishment or amendments to asset acquisition/disposal procedures, derivative trading procedures, procedures on loans to others, endorsement and guarantee

procedures, and other procedures of major financial consequences as specified in Article 36-1 of the Securities and Exchange Act.

- IV. Matters in which a director is an interested party.
- V. Major asset or derivative trading.
- VI. Loans of funds, endorsements, or provision of guarantees of a material nature.
- VII. Offering, issuance, or private placement of securities with equity characteristics.
- VIII. Appointment, discharge or remuneration of the certified public accountant.
- IX. Appointment or removal of chief officers of finance, accounting and internal audit.
- X. Annual financial reports and semi-annual financial reports.
- XI. Other significant matters stipulated by the Company or competent authorities.

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

## **Article 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 Regulations, 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 Remuneration Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the board of directors:

- I. Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers.
- II. Regularly assess and establish remunerations for the directors and managers.

The Remuneration Committee shall perform the aforementioned duties based on the following principles:

- I. Performance appraisal and remuneration of directors and managers shall be based on the levels of industry peers, as well as their individual achievements, the Company's overall performance, and the level of risks involved.
- II. The remuneration plan should not entice directors and managers into seeking high returns by taking undue risks.
- III. Short-term performance remunerations to directors and senior executives and the timing of variable salary payments/remunerations shall be set in reference to the particular industry characteristics and the company's business nature.

## **Article 28**

The board of directors of the Company shall select professional, responsible and independent certified public accountants (CPAs) to conduct regular audits of the Company's finances and internal control system. Any irregularity or error identified and disclosed by a CPA during an audit shall be reviewed and the corresponding opinions for improvement or fraud prevention shall be implemented.

The Company shall assess the independence and suitability of the CPAs on a regular basis (at least once a year). If the Company has not changed CPAs for seven consecutive years or if any of the CPAs has undergone disciplinary actions or displays compromised independence, the Company shall evaluate the need for changing CPAs and report the evaluation results to the board of directors.

#### **Article 29**

The Company shall commission professional attorneys to offer appropriate legal counseling and to assist the board of directors and management to become legally more sophisticated, so as to prevent the Company and its staff from breaking laws and to prompt corporate governance work to proceed under a suitable legal framework and procedures.

If any director or management becomes involved in litigation as a result of the conducting of business activities or becomes involved in a dispute with shareholders, the Company shall hire attorneys to provide assistance as needed.

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 30**

The board of directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. Notices for board of directors' meetings shall be distributed to the directors at least 7 days before the meeting. The purpose of the meeting shall be clearly stated in the notice. 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 stipulate Board of Directors Meeting Policy. The meeting agendas, procedures, minutes recording, announcements and any other items requiring compliance shall comply with the Regulations Governing Procedure for Board of Directors Meetings.

#### **Article 31**

Directors shall exercise a high degree of self-discipline. If a director, or a corporate entity that the director represents, is considered an interested party in the discussed agenda, a full disclosure is required during the current meeting session. The director shall recuse himself/herself from all discussions and voting if it is in conflict against the company's interests. In which case, the director shall not exercise voting rights on behalf of other directors.

Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for board meetings.

#### **Article 32**

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 attend such meetings personally and may not appoint other independent directors as proxy attendants. Any objections or qualified opinions expressed by independent directors shall be recorded in

meeting minutes. If an independent director is unable to express objections or qualified opinions personally at the board meeting, the opinion shall be raised in writing in advance unless there is justifiable reason not to do so. Such opinions shall also be recorded in board meeting minutes.

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 before the beginning of trading hours on the first business day after the date of the board meeting:

- I. Objections or qualified opinions expressed by independent directors on record or in writing.
- II. Any matters that are not agreed upon by the Audit Committee but passed by more than two-thirds of the full amount of directors.

During a board meeting, managerial officers 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**

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

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

Preparation, distribution, and storage 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 five 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, in which case the preceding paragraph does not apply.

Where meetings are held by way of audio and video conference, the recorded video and audio shall be treated as part of the meeting minutes and kept properly over the Company's existence.

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 shall not be liable for damages.

**Article 34**

The following issues shall be raised for discussion in board meetings:

- I. Corporate business plan.
- II. Annual financial report.
- III. Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
- IV. Establishment or amendments to asset acquisition/disposal procedures, derivative trading procedures, procedures on loans to others, endorsement and guarantee procedures, and other procedures of major financial consequences as specified in Article 36-1 of the Securities and Exchange Act.
- V. Offering, issuance, or private placement of securities with equity characteristics.
- VI. The performance appraisal and remuneration standards for managerial officers.
- VII. Remuneration structure and systems for directors.
- VIII. Appointment or removal of chief officers of finance, accounting and internal audit.
- IX. Donations to related parties or major donations to non-related parties. However, in the occurrence of a major natural disaster, emergency aids of charitable nature can be made first and acknowledged later during the next board meeting.
- X. Decisions that shall be resolved through a shareholders' meeting or a board meeting according to Article 14-3 of the Securities and Exchange Act, the Articles of Incorporation or other laws, and any major issues prompted by the competent authority.

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

**Article 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**

Board members 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.

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

**Article 37**

The Company is advised to establish a succession plan for the management to ensure sustainable operation.

**Article 38**

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 a board member would suffer material injury, directors shall immediately report to the audit committee or an independent director of the audit committee in accordance with the foregoing paragraph.

**Article 39**

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

**Article 40**

Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors of the Company, 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 Respect the rights and interests of stakeholders****Article 41**

Open channels of communication shall be maintained between the Company and its partner banks and other creditors, clients, employees, consumers, suppliers, the community or other stakeholders, and respect and uphold the rights and interests of those parties as protected by the law. The Company shall designate a stakeholders section on its website.

When a stakeholder's legal rights are violated, the Company shall respond appropriately according to the principle of good faith.

**Article 42**

The Company shall provide sufficient information to its partner banks and other creditors to facilitate their judgment and decision-making processes regarding the Company's operations and finances. When the legal rights of these parties are violated, the Company shall respond in a positive manner and accept responsibility so as to allow creditors to obtain compensation through appropriate channels.

#### **Article 43**

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

#### **Article 44**

While maintaining normal business growth and achieving maximized shareholder profits, the Company shall also pay attention to consumer rights, environmental protection in the community, and charitable activities and uphold its corporate social responsibilities.

### **Chapter 5 Increase transparency of information disclosure**

#### **Article 45**

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

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

#### **Article 46**

To ensure the accurate and timely disclosure of important information of the Company, a spokesperson with a comprehensive understanding of the Company's finances and business or who is able to coordinate with departments to provide relevant information and speak on behalf of the Company to external parties shall be appointed.

To ensure effective use of the spokesperson, the Company shall mandate that management and employees comply with duties of confidentiality regarding financial data and not make any unauthorized external disclosure of information.

Any changes in spokesperson or deputy spokesperson personnel shall be disclosed promptly.

#### **Article 47**

The Company is advised to take advantage of Internet resources and establish a website to provide financial data and information on corporate governance for shareholders and stakeholders. An English version website should be available to provide financial, corporate governance, or other relevant information.

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 48**

The Company shall organize investor seminars according to the rules of the Taipei Exchange, and should keep audio or video records of these seminars. The financial and business information disclosed in the investor conference shall be disclosed on the MOPS and provided for inquiry through the company website or other channels, in accordance with the TPEx rules.

#### **Article 49**

The Company shall disclose the following information regarding corporate governance during the fiscal year in accordance with relevant laws and regulations and rules of the Taipei Exchange:

- I. Corporate governance framework and rules.
- II. Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
- III. Structure, professionalism and independence of the board of directors.
- IV. Responsibility of the board of directors and managers.
- V. Composition, duties and independence of the audit committee.
- VI. Composition, duties and operation of the remuneration committee and other functional committees.
- VII. The remuneration paid to the directors, president, and vice president in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors and supervisors shall be disclosed.
- VIII. The progress of training of directors.
- IX. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
- X. The implementation progress of affairs legally required to be disclosed.
- XI. The enforcement of corporate governance, differences between these Principles and the corporate governance principles collectively implemented by the Taiwan Stock Exchange and Taipei Exchange, and the reason for the differences.
- XII. Other information about corporate governance.

Depending on the actual performance of the corporate governance system, the Company is advised to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

## **Chapter 6 Miscellaneous**

#### **Article 50**



The Company shall at all times monitor the development of corporate governance in the Republic of China and in other countries and review and improve its own corporate governance system accordingly in order to enhance the performance and benefits of corporate governance.

**Article 51**

These Principles shall take effect after the approval of the board of directors. The same applies to all subsequent amendments.

These Principles were established on March 24, 2015; 1st amendment made on December 16, 2016.