

# Kenda Rubber Industrial Co., Ltd. Corporate Governance Practice

Approved by the Board of Directors on January 17, 2023

## Chapter I General Principles

### Article 1 (Purpose)

To establish sound corporate governance systems, with reference to the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) jointly adopt "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", to be followed by the company, and to formulate our own corporate governance principles and establish an effective corporate governance framework with reference to these Principles and disclose them through the Market Observation Post System (MOPS).

### Article 2 (Principles)

The company is operated and managed according to the following principles:

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the board of directors.
3. Fulfill the function of supervisors.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

### Article 3 (Internal control system)

The Company establishes an effective internal control system in accordance with the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies, to be submitted to the board of directors for approval by resolution, to amend the resolution and continuously implement and maintain its effectiveness through internal audit review.

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 or supervisors shall also attend to and supervise these matters. Directors and supervisors shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors.

The company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of the company shall be reported to the board of directors or shall be submitted by the chief auditor to the board chairperson for approval.

Appointment, dismissal, evaluation, salary and compensation of internal auditors shall be submitted by the chief auditor to the board chairperson for approval.

Article 3-1 (Personnel responsible for corporate governance affairs)

The company has one chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. The chief corporate governance officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a security, financial, or futures related institution or a public company in handling legal affairs, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

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

1. Handling matters relating to board meetings and shareholders' meetings according to laws.
2. Producing minutes of board meetings and shareholders' meetings.
3. Assisting in onboarding and continuous development of directors.
4. Furnishing information required for business execution by director.
5. Assisting directors with legal compliance.
6. Reporting to the board of directors the results of its inspection on whether the qualifications of independent directors comply with relevant laws and regulations at the time of nomination, election and during term of office.
7. Handling matters related to the change of directors.
8. Other matters set out in the articles of corporation or contracts.

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

### **Section 1 Encouraging Shareholders to Participate in Corporate Governance**

Article 4 (Protection of Shareholders' Rights and Interests)

The Company discloses operational information through shareholders' meetings, the Market Observation Post System and the Company's website. In order to ensure shareholders of being fully informed of important matters of the company, and treat all shareholders equitably.

Article 5 (Shareholders' meeting)

The Company shall convene a shareholders' meeting in accordance with the law and shall establish complete rules of procedure. Resolutions of shareholders' meetings shall comply with the relevant laws and regulations.

Article 6 (The board of directors)

The board of directors of the company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholder nominations of independent director of shareholder proposals, and the board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location, advisably with videoconferencing available and sufficient time allowed and sufficient number 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, the board chairperson chairs the meeting, and a majority of the directors shall attend in person. Attendance details should be recorded in the shareholders meeting minutes.

Article 7 (Shareholders participate in corporate governance)

The Company shall convene a shareholders' meeting in accordance with the law and notify all shareholders to participate. Engages a professional shareholder services agent to handle shareholders meeting matters, and adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at such meetings in accordance with laws. Following conclusion of the meeting, the company shall enter the voting results, namely the numbers of votes cast for and against and the number of abstentions into, on the Market Observation Post System.

Article 8 (The shareholders' meeting minutes)

The company discloses the shareholders' meeting minutes in accordance with the laws, and shall be properly and perpetually kept by the company during its legal existence.

Article 9 (Compliance with the Rules of Procedure)

The Company shall hold a meeting of shareholders and a meeting of the Board of Directors in accordance with the Rules of Procedure.

Article 10 (To place high importance on the shareholder right)

The Company shall disclose the information of company financial conditions and operations, insider shareholdings, and corporate governance status on the Market Observation Post System.

To protect the shareholders' rights and interests and ensure their equal treatment, the company adopts internal rules prohibiting company insiders from trading securities using information not disclosed to the market.

Article 11 (Company profit)

In accordance with the law, the company decide profit distributions and deficit offsetting plans by resolution at the shareholders' meeting.

Article 12 (Material financial and business transactions)

In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the company shall proceed in accordance with the applicable laws and regulations, and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

Article 13 (Personnel exclusively dedicated to handling shareholder proposals)

In order to protect the interests of the shareholders, the company designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

## **Section 2 Corporate Governance Relationships Between the Company and Its related parties**

Article 14 (Establish firewalls)

The company shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and

establish appropriate firewalls.

Article 15 (The manager of the company may not serve as a manager of its affiliated enterprises)  
According to the law, a manager of the company may not serve as a manager of its affiliated enterprises.

Article 16 (Sound objectives and systems for management of finance, operations, and accounting)  
The company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. To conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17 (The principle of fair dealing and reasonableness)  
The company and its related parties enter into intercompany financial business dealings or business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions and improper transfers of benefits shall be prohibited.

The written specifications of the preceding paragraph shall include the management procedures for transactions such as purchase and sale, acquisition or disposal of assets, capital loans, and endorsement guarantees Relevant major transactions shall be submitted to the board of directors for approval and to the shareholders' meeting for report.

Article 18 (Corporate shareholder)  
The corporate shareholder having controlling power over the company shall comply with the following provisions:

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

inappropriate.

Article 19 (Major shareholder)

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

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

#### **Section 1 Structure of the Board of Directors**

Article 20 (Capabilities to be possessed)

The board of directors of the company shall be responsible to shareholders' meeting.

According to the various procedures and arrangements of its corporate governance system to ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders' meetings.

The structure of the company's board of directors shall be determined by choosing an appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration, and that an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs be formulated and include at least the following:

1. Basic requirements and values: Gender, age, nationality, and culture; it is advisable that the number of female directors account for at least one-third of all the directors.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

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

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

Article 21 (The election of directors)

The Company adopts the cumulative voting mechanism for the election of directors, and pursuant to the Company Act in order to fully reflect shareholders' views.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the listed 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 following 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 shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

The aggregate shareholding percentage of all of the directors of the company shall comply with the laws and regulations. Restrictions on the share transfer of each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 22 (Specifies in the articles of incorporation that it adopts the candidate nomination system for elections of directors)

The company shall specify in the articles of incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23 The Company regulates the duties of the Chairman and the President in accordance with the law.

## **Section 2 Independent Director System**

Article 24 (Appoints independent directors in accordance with its articles of incorporation)

The company appoints independent directors in accordance with the articles of incorporation. Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company.

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 a number of directors lower than that required under paragraph 1 or the company's articles of incorporation, a by-election for independent director shall be held at the next following shareholders meeting. When all independent directors have been dismissed, the company shall convene a special shareholders meeting to hold a by-election within 60 days from the date on which the situation arose.

Article 25 (Matters to be approved by the Board of Directors)

The company shall submit the following matters to the board of directors for approval by resolution. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to

others, or endorsements or guarantees for others.

3. A matter bearing on the personal interest of a director or a supervisor.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 26 (The scope of duties of the independent directors)

The company shall stipulate in accordance with the law of the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power.

### **Section 3 Audit Committee and Other Functional Committees**

Article 27 (Sets up functional committees)

If it is necessary for the Company to establish other functional committees, a resolution of the Board of Directors shall be submitted for the establishment.

Article 28 (Audit committee)

The company establishes the audit committee in accordance with the law.

Article 28-1 The company establishes the remuneration committee in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

The remuneration committee performs the official powers listed below:

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

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

1. With respect to the performance assessment and remuneration of directors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

Article 29 (Select as an external auditor a professional, responsible, and independent attesting CPA)

The company selects as the external auditor a professional, responsible, and independent attesting CPA in accordance with the law, who shall perform regular reviews of the financial

conditions and internal control measures of the company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the company shall faithfully implement improvement actions. The company should establish communication between independent directors or audit committees and certified accountants. The company shall regularly (at least once a year) evaluate the independence and suitability of engaged certified public accountants base on Audit Quality Indicators (AQIs). If the company engages the certified public accountants for 7 years consecutively, or if the certified public accountants is subject to disciplinary action or other circumstances prejudicial to the certified public accountants' independence, the company shall evaluate the necessity of replacing the certified public accountants and submit the694 conclusion to the board of directors.

Article 30 (Legal services)

The company engage a professional and competent legal counsel to provide adequate legal consultation services to the company, or to assist the directors, and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

**Section 4 Rules for the Proceedings and Decision-Making Procedures of Board Meetings**

Article 31 (Calling a meeting of the board of directors)

The board of directors of the company shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may ask the unit in charge to provide more information or request a postponement of the meeting with the consent of the board of directors.

The company shall adopt rules of procedure for board meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcements.

Article 32 (Company directors shall exercise a high degree of self-discipline)

A director shall exercise a high degree of self-discipline and shall voluntarily abstain from voting, for himself or herself or as proxy for another director, on a proposal submitted to the board of directors that risks the involvement of the director's own interest to the detriment of the interest of the company. The directors shall practice self-discipline as to their internal relationship and must not support each other in an inappropriate manner.

Article 33 (Independent Directors and The Board of Directors)

The Company establishes independent directors in accordance with the law. During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the company and respond to inquiries raised by the directors. Where necessary, a CPA, legal



counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate resolution.

Article 34 (The minutes of the board of directors' meetings)

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

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

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

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

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

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

When a resolution of the board of directors violates laws, regulations, the articles of incorporation, or resolutions adopted in the shareholders meeting, and thus causes an injury to the company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35 (Shall submit the matters to the board of directors for discussion)

1. Corporate business plans.
2. Annual and semi-annual financial reports.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managerial officers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.
9. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted

to the next board meeting for retroactive recognition.

10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

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

Article 36 (Asks the appropriate corporate department or personnel to execute matters pursuant to board of directors' resolutions)

The company shall ask the appropriate corporate department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

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

## **Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors**

Article 37 (Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator)

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

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 or effectiveness of corporate governance.

Independent directors shall perform their duties in accordance with relevant laws, regulations and the company's articles of incorporation so as to protect the interests of the company and shareholders.

Article 37-1 (Establishes a succession plan for the management)

The company establishes a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the board of directors to ensure sustainable operation.

Article 38 (The request of shareholders or the independent directors, at the notice of the board of

directors to discontinue the implementation of the resolution)

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

Upon discovering a likelihood that the company would suffer material injury, members of the board of directors shall immediately report to the independent directors in accordance with the foregoing paragraph.

Article 39 (Directors' liability insurance)

Depending on the actual situation and needs of the company, the company shall take out directors' liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

Article 40 (Members of the board of directors participate in training courses)

Members of the board of directors participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

## **Chapter IV Empowering the Audit Committee**

### **Section 1 Functions of the Audit Committee**

Article 41 (Appointment of Independent Directors)

In setting the minimum number of independent directors is determined in accordance with the provisions of the Company Act, the needs of overall business operations, and comply with the rules of the TWSE or TPEX.

Article 42 (Election of Independent Directors)

The Board of directors review the qualifications of the independent directors in according to the Company Act, education background, the existence of any other matters set forth in Article 30 of the Company Act, and elect suitable independent directors.

Article 43 (Audit Committee Residence)

The independent directors are domiciled in the ROC to allow timely performance of supervisory functions.

### **Section 2 Powers and Obligations of the Audit Committee**

Article 44 (The Audit Committee shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations)

The Audit Committee shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of the company and the functions, duties, and operation of each department. The Audit Committee shall attend meetings of the board of directors to supervise their operations and to state his/her opinions when appropriate

so as to grasp or discover any abnormal situation early on.

Article 45 (The Audit Committee shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers)

The Audit Committee shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the company. Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the company, the Audit Committee shall act as the representative of the company.

Article 46 (The Audit Committee may investigate the operational and financial conditions of the company from time to time)

The Audit Committee may investigate the operational and financial conditions of the company from time to time, and the relevant departments in the company shall provide the books or documents that will be needed for the supervisor's review.

When reviewing the finance or operations of the company, the Audit Committee may retain attorneys or CPAs on behalf of the company to perform the review; however, the company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the Audit Committee and shall not for any reason circumvent, obstruct, or refuse the inspection of the supervisor.

When the Audit Committee performs his/her duties, the company shall provide necessary assistance as needed by the Audit Committee, and the reasonable expenses that the Audit Committee needs shall be borne by the company.

Article 47 (A channel for the Audit Committee to communicate with the employees, shareholders, and stakeholders)

For the Audit Committee to timely discover any possible irregular conduct in the company, the company shall establish a channel for the Audit Committee to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, the Audit Committee shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

When an independent director or general manager, an officer of the finance, accounting, research and development, or internal audit department, or a CPA resigns or is removed from his/her position, the Audit Committee shall investigate the reasons.

In the event that the Audit Committee neglects his/her duties and therefore causes harm to the company, the Audit Committee shall be liable to the company.

Article 48 (Members of the Audit Committee exercises his/her respective supervisory power)

When exercising his/her supervisory power, each Audit Committee of the company may, after taking into consideration the overall interest of the company and shareholders, convene a meeting to exchange opinions among all the Audit Committee when he or she feels necessary, but in so doing may not obstruct the Audit Committee in exercising their duties.

Article 49 (Liability insurance for members of the Audit Committee)

Depending on the actual situation and needs of the company, the company shall take out the members of the Audit Committee liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

- Article 50 (Independent directors participate in training courses)  
Upon becoming independent directors and throughout their terms, independent directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies covering subjects relating to corporate governance.

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

- Article 51 (The company's communication with stakeholders and safeguard the rights and interests)  
The company maintains channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the company, respect and safeguard their legal rights and interests.

- Article 52 (Provides sufficient information to banks and other creditors)  
The company shall provide sufficient information to banks and other creditors to facilitate their evaluation of the operational and financial conditions of the company and its decision-making process. When any of legal rights or interest is harmed, the company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

- Article 53 (Establishes channels of communication with employees)  
The company establishes channels of communication with employees and encourage employees to communicate directly with the management, directors, or the Audit Committee so as to reflect employees' opinions about the management, financial conditions, and material decisions of the company concerning employee welfare.

- Article 54 (The company's social responsibility)  
In developing normal business and maximizing the shareholders' interest, the company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and fulfill the company's social responsibility.

## **Chapter VI Improving Information Transparency**

### **Section 1 Enhancing Information Disclosure**

- Article 55 (Public information and Internet-based reporting system)  
In accordance with the relevant laws and the related TWSE and TPEX rules, the company establish an Internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

- Article 56 (Appoints spokespersons)  
In order to enhance the accuracy and timeliness of the material information disclosed, the

company appoints a spokesperson and acting spokesperson(s) who understand thoroughly the company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the company in making statements independently.

In order to implement the spokesperson system, the company require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

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

Article 57 (Sets up a corporate governance website)

The Company's website discloses information regarding the company's finances, operations, and corporate governance, in order to keep shareholders and stakeholders fully informed. The aforesaid website is maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 58 (Holds an investor conference)

The company holds an investor conference in compliance with the regulations of the TWSE and TPEX, and shall keep an audio or video record of the meeting. The information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by the company, or through other channels, in accordance with the TWSE or TPEX rules.

## **Section 2 Disclosure of Information on Corporate Governance**

Article 59 (Discloses the information regarding corporate governance)

The company shall dedicate a space on its website to disclose and update from time to time the following information regarding corporate governance:

1. Board of directors: such as resumes and authorities and responsibilities of board members, board member diversification policy and the implementation thereof.
2. Functional committees: such as resumes and authorities and responsibilities of members of each functional committee.
3. Corporate governance bylaws: such as articles of incorporation, procedure of board of directors' meetings, charter of each functional committee, and other relevant corporate governance by laws.
4. Important corporate governance information: such as information of establishment of corporate governance executive officers.

## **Chapter VII Supplementary Provisions**

Article 60 (Monitors domestic and international developments)

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

Article 61 The principles shall be implemented after the board of directors grants the approval, and the

same procedure shall be followed when the principles have been amended.