



Fubon Financial Holding Co., Ltd. Corporate Governance Best Practice Principles

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Chapter I General Provisions

Article 1

Fubon Financial Holding Co., Ltd. (the "Company") hereby adopts these Principles, to establish a sound corporate governance system, and promote sound development of the securities market.

The establishment of the corporate governance system of the Company shall be handled in accordance with these Principles.

The Company shall ensure the sound management of its subsidiaries, and supervise the business activities of its subsidiaries (Insurance, Securities, Banking or Investment Trust industry) to conduct in accordance with their Corporate Governance Best Practice Principles.

Article 2

The Company shall set up a sound corporate organization and culture, in addition to complying with relevant laws, regulations, and shall set up an effective corporate governance system in accordance with the following principles:

1. Comply with the regulations and strengthen internal management.
2. Protect the rights and interests of shareholders and corporate governance relationship between the Company and its subsidiaries and other affiliated enterprises.
3. Strengthen the functions of the Board of Directors.
4. Respect the rights and interests of employees and stakeholders.
5. Enhance full information disclosure to increase transparency.

Article 3

The Company shall, with its subsidiaries, map out overall operational strategies, risk management policies, and relevant guidelines, to enhance management. Each of the Company's subsidiaries shall formulate their own operational plans, risk management procedures, and implementation guidelines, and follow them.

Article3-1

The company secretary is a dedicated unit in charge of the affairs of corporate governance and is supervised by the President.

Affairs relating to corporate governance include the following :

1. Handling of company registration and changes to company registration;
2. Arranging Board of Directors' meetings and Shareholders' meetings, and assisting the Company to comply with the regulation related to Board of Directors' meetings and Shareholders' meetings;
3. Preparing minutes of Board of Directors' meetings and Shareholders' meetings;
4. Providing Directors (including Independent Directors) with information they need to carry out their duties and the latest development of laws and regulations relevant to management of the Company to assist the Directors to comply with the laws;
5. Matters related to the investor relationship; and

6. Other matters in accordance with the Company's Articles of Incorporation or contracts.

Chapter II Regulatory Compliance and Improvement of Internal Management

Article 4

The Company shall establish a regulatory compliance system, and set up a regulatory compliance unit responsible for planning, management and implementation of such system. The Company shall set up an inquiry, coordination and communication system to impose regulation training on each unit, and appoint personnel to serve as the chief compliance officer, who is in charge of regular compliance matters, to ensure the effective operation of such system and to enhance self-discipline function.

Article 5

The Company shall establish internal control and audit system, and ensure that the system continues to evolve to support corporate management. The adoption or amendment of its internal control system shall be subject to the consent of one-half or more of all Audit Committee members and be submitted to the Board of Directors for a resolution. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting.

Article 6

This Company's internal control system shall cover all business activities, and adopt appropriate policies and operational procedures for organizational, corporate rules and bylaws, operational guidelines and procedural manuals, and shall make regular revisions and reviews in accordance with changes in laws, business activities, and business procedure; it requires the participation of regulatory compliance, internal audit, and risk management units.

Article 7

The Company shall evaluate the effectiveness of its internal control system and measure its operational efficiency, and to timely provide improvement opinion, to ensure that the internal control system can sustain its effective implementation, and thereby assist the Board of Directors and the management to perform their duties.

The Company shall establish an internal audit unit under its Board of Directors that performs its duties with independence and objectivity, and reports to the Board of Directors regularly, and the Company shall offer the chief auditor autonomy of the audit unit. The qualifications of auditor shall comply with the regulations, and the auditor must undergo business professional training to strengthen the quality of audit and their capability.

The independent directors of this Company shall review the shortcomings of the internal control system and regularly set up a forum with the internal auditors and prepare minutes, and such minutes recordings shall be reported to the Board of Directors. The Company should establish channels and mechanisms of communication between their independent directors, Audit Committee and internal

audit officer, and the convener of the Audit Committee shall report their communication with the independent directors and internal audit officer at the shareholders' meeting

The Company shall designate persons of acting duty for internal auditors and apply professional training as a means to enhance the internal control system and maintain while improve the quality of audit tasks performed.

Appointment, dismissal, evaluation and review and compensation of the Company's internal auditors shall be reported to the Board of Directors or shall be submitted by internal audit officer to the Chairman for approval.

Article 8

The management of this Company shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits properly, 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, so as to ensure a sound corporate governance system.

The assessment of the effectiveness 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 approval.

Article 9

The Company establishes an audit unit and a regulatory compliance unit. In addition to ensuring that the Company completes its audit operations and complies with relevant laws or regulations, the Company shall supervise the implementation of relevant provisions by its subsidiaries.

Article 9-1

The Company's internal auditors and chief compliance officer shall immediately report to the competent authority, when their recommendations for improvements regarding significant deficiencies or noncompliance identified in internal controls are not accepted by management and as a result the Company might incur a material loss.

Article 9-2

The senior management shall operate under the guidance and supervision of the board of directors, and adhere to board-approved business strategies, risk preference, compensation and related policies for the execution and management of corporate activities.

Chapter III Protection of Shareholders' Rights

Article 10

The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of material matters of the Company, and their right to participate in and make decisions over these matters.

Article 11

The Company shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. (which shall include: 1. meeting notices; 2. preparation of attendance rosters and related documents; 3. establishing principles which will assure meetings are convened at appropriate times and venues; 4. choosing the chairman and participants; 5. archiving of the audio or video recording of the meeting; 6. procedures for convening, deliberation, statements from shareholders, voting, and examination and tabulation of ballots; 7. matters relating to minutes of the meetings and their signing; 8. announcement of shareholders' meetings in the case of public companies; 9. measures for recusal of shareholders who are affiliated persons; 10. principles regarding authorizations from the shareholders' meeting; and 11. maintaining order at the meeting site). The rules of procedure shall be strictly implemented for matters requiring a resolution of the shareholders' meeting.

Resolutions adopted by a shareholders' meeting shall conform to acts and regulations and the Company's Articles of Incorporation.

Article 12

The Board of Directors shall properly arrange the agenda items and procedures for shareholders meetings, and the shareholders' meeting shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

Shareholder meetings called by the Board of Directors should be presided personally by the Chairman of the Board and attended by the majority of all directors (include at least one independent director), the convener of Audit Committee, and at least one member from each functional committee. The attendance record shall be recorded in the minute of the shareholders' meeting.

Article 13

This Company shall encourage its shareholders to actively participate in corporate governance, and shall host shareholder meetings in a legal, effective and secure basis.

The Company shall seek all ways and means, including fully exploiting technologies, to enhance information disclosure and the voting process, and may simultaneously upload Chinese and English versions of its annual report, financial statements, notice of shareholder meeting, meeting handbook and supplemental materials. The Company shall also adopt electronic voting to enhance shareholders' attendance rates at shareholders meetings and ensure that shareholders are able to exercise their rights at such meetings in accordance with law.

The Company accepts electronic votes at shareholder meeting, and elects directors using a nomination system. Special motions and amendment to existing motions should be avoided where possible in shareholder meetings.

The Company should arrange to have shareholders vote on motions on a case-by-case basis during shareholder meeting. The number of votes in favor, against and abstained for each motion shall be

uploaded to Market Observation Post System on the day after the shareholder meeting is convened.

Article 14

The Company shall record meeting minutes in accordance with the Company Act and relevant regulations, and for any resolution reached with unanimous support, the meeting minutes shall state: "Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present." As to any proposal that has received dissenting comments and been adopted in the shareholders' meeting, the meeting minutes shall record the method and result of the voting. 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.

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

Article 15

The chairman of the shareholders' meetings shall be fully familiarized and comply with the rules governing the proceedings of the shareholders' meetings established by the Company. The chairman shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will. In order to protect the interests of shareholders, if the chairman declares the adjournment of the meeting in a manner that violates rules governing the proceedings of the shareholders' meetings, the members of the Board of Directors other than the chairman of the shareholders' meeting should promptly assist the attending shareholders at the shareholders' meeting in electing a new chairman for the shareholders' meeting by resolution with the support of majority vote represented by the shareholders attending the said meeting in accordance with the legal procedures, to continue the proceedings of the meeting.

Article 16

This Company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on the Company's financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the Company's website.

In order to protect shareholders' interest and to reinforce equality among shareholders, the Company, in accordance with the Company's internal rules, shall prohibit insiders from using nonpublic information to purchase or sell securities.

Article 16-1

The Company shall enact relevant donation management guidelines, and submit to the Board of Directors for resolutions, and handle the donation management in compliance with the regulations and the Company's internal rules.

Article 17

Shareholders shall be entitled to profit distributions by the Company. In order to protect investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, appoint an inspector to examine the statements and books prepared and submitted by the Board of Directors and the reports of the Audit Committee, and may decide profit distributions and deficit off-setting plans by resolution. The Board of Directors, the Audit Committee and managers shall fully cooperate in the examination conducted by the inspectors without any obstruction, rejection or circumvention.

Article 18

For material financial and business transactions such as acquisition or disposal of assets, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved during shareholders meeting so as to protect the interests of the shareholders.

In the event of mergers and acquisitions or public tender offers, in addition to comply with the applicable laws and regulations, the Company shall pay attention to the fairness and reasonableness of such mergers and acquisitions or public tender offers, and pay attention to information disclosure and the soundness of the financial structure of the Company,

The staff in charge of the aforesaid matters shall pay attention to avoid conflicts of interests and matters where abstention is needed.

Article 19

To protect the interests of the shareholders, the Company should properly handle shareholder proposals, inquiries, and disputes.

The Company shall objectively and appropriately deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a Board of Directors meeting in violation of applicable laws, regulations, or the Company's Articles of Incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Company's Articles of Incorporation by any directors and managers in performing their duties.

The Company should implement internal operating procedures to address the issues mentioned in the two preceding paragraphs, retain records for future reference and manage the procedures as part of the internal control system.

Article 19-1

The Company's Board of Directors is responsible for developing ways to interact with shareholders for mutual understanding of the Company's goals.

Article 19-2

In addition to communicating with shareholders through shareholders' meetings, and encouraging shareholders to participate in the shareholders' meetings, the Board of Directors should communicate with the shareholders in an efficient manner. The Board of Directors, together with the managers and independent directors, shall understand the concerns of the shareholders as well as their opinion and clearly explain the Company's policy to gain supports from shareholders.

Article 20

In order to protect the best interest of all shareholders, a shareholder exercising control 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 illegal.
2. Its representative shall follow the rules implemented by the Company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative may 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 without breaching the authority granted by shareholders or the Board of Directors.
4. It may not improperly intervene in the Company's policy making or obstruct management activities.
5. It may not restrict or impede the Company's business by using methods of unfair competition.
6. It shall ensure that its appointed representative for director conform to the professional qualifications required by the Company, and shall not replace such appointee without reason.

Article 21

The management obligations of personnel, assets, and financial matters between this Company and its subsidiaries or other affiliated enterprises shall be clearly identified, and risk assessments shall be properly carried out and appropriate firewalls be established.

This Company shall perform its duties towards its subsidiaries thoroughly in accordance with the Financial Holding Company Act.

Article 22

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 an interested party of the Company's responsible person, the transaction shall be made using a fair, impartial, and objective principle and be in line with normal business practice. The Company shall comply with the Financial Holding

Company Act and the relevant regulations enacted by a competent authority.

Article 23

If the responsible person of the Company holds a concurrent position in a subsidiary or other job positions, the arrangement shall be handled in accordance with "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company" and relevant regulations.

Article 24

A director of the Company, who is acting for himself or on behalf of another person that is within the scope of the Company's business, shall explain at the shareholders' meeting the essential contents of such an action and obtain approval.

Article 25

The Company and its subsidiaries shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. In addition, the Company and its affiliated enterprises shall conduct comprehensive risk assessment related to its correspondent banks, customers and suppliers, and establish necessary controls to reduce associated credit risks.

Article 26

The transaction made between the Company, its subsidiaries and other affiliated enterprises, and the relevant financial and business operations between them shall be made in writing and shall be in compliance with laws and adhere to fair and reasonable principles. Price and payment terms shall be clearly stipulated when contracts are signed, and non-arm's length transactions and channeling of benefits shall be strictly prohibited. The Company shall obtain an appraisal report from securities underwriters, appraisal companies, or accountants before proceeding with the transaction.

The transaction or contract made between the Company and its related party or its shareholders shall comply with the aforesaid paragraph, and any funneling of interests is prohibited.

Article 27

The Company is in possession of shareholding information on shareholders holding large percentage of the Company's shares and major shareholders who have an actual control over the Company.

A shareholder holding large percentage of the Company's shares as mentioned in the foresaid paragraph shall be the one whose equity shareholding meets the ratio set forth in Articles 4 and 16 of Financial Holding Company Act. However, the Company may set a lower shareholding ratio threshold based on the shareholding situation of the Company.

Chapter IV Enhancing the Function of Board of Directors

Section 1 Structure of Board of Directors

Article 28

This Company's Board of Directors shall be responsible toward the shareholders' meetings. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its Articles of Incorporation, and the resolutions of its shareholders meetings.

Article 29

The Company's Board of Directors, in consideration of the Company's business scale, the shareholdings of its major shareholders, and practical operational needs, shall consist of not less than five board members.

The composition of the Board of Directors shall be diversified, and the Company shall formulate an appropriate diversification policy based on its own operation, business model and development needs, including but not limited to the following two major criteria:

1. Basic criteria and values: gender, age, nationality and culture etc.
2. Professional knowledge and skills: professional background (economics, law, accounting, finance, risk management, operation management, marketing or technology), professional skills and industry experience.

All members of the Board of Directors 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 (including the management administration for its subsidiaries).
4. Ability to handle crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.
9. Risk management knowledge and ability.

Article 29-1

The Board of Directors shall perceive the risks faced by the Company's operations, confirm the effectiveness of risk management, and be ultimately responsible for the management of the risks. Risk management policies and operating procedures of the Company shall be adopted by the Board of Directors and shall be discussed 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 or compliance with applicable acts and regulations, it shall take immediate and adequate countermeasures and submit a report to the Board of Directors.

The Company shall apply necessary control mechanism on the handling of comprehensive risk assessment by its subsidiaries, in order to effectively use the resources and lower risks.

Article 30

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

A candidate's nomination system is adopted by the Company for election of its directors. The adoption of such system shall be expressly stipulated in the Articles of Incorporation of the Company; and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates.

The method of nomination for director candidates mentioned in the preceding Paragraph, along with details of announcement and required procedures, shall proceed according to Article 192-1 of the Company Act.

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 for a by-election of director(s) to fill the vacancy.

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.

The directors of the Company shall be in compliance with "Regulations Governing Qualification Requirements for the Promoter or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company".

Article 30-1

The Board of Directors of the Company shall appoint at least one director, who has professional knowledge on the subsidiary's business, to each of the Company's major subsidiaries.

Article 31

The Company shall have independent directors in accordance with the Articles of Incorporation. The number of independent directors may not be less than three, and may not be less than one-fifth of the total number of directors.

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.

Election of independent directors of the Company is subject to the provisions of Article 192-1 of the Company Act in that a candidate nomination system shall be adopted, that such system shall be expressly stated in the Articles of Incorporation of the Company, and that shareholders shall elect independent directors from among the those listed in the list of independent director candidates. The directors shall be elected in accordance with Article 198 of the Company Act, with elections of independent and non-independent directors held at the same time, but with ballots separately counted. Independent directors should not serve more than 3 consecutive terms.

An exchange of position between an independent director and a non-independent director during their term of office is prohibited.

If an independent director is discharged for any reason, resulting in a number of independent directors lower than that required under paragraph 1 herein or the Articles of Incorporation, a by-election for independent director shall be held at the next shareholders meeting. In the event that all the independent directors have been discharged, the Company shall convene a special shareholders meeting to hold a by-election within 60 days from the date from 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 the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the stock exchange.

Article 32

Clear distinctions shall be drawn between the responsibilities and duties of the Company's Chairman and those of its President, and it is inappropriate for the Chairman and the President to be the same person or spouses of each other.

Article 33

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

The Company shall stipulate the remuneration of the directors in accordance with its Articles of Incorporation or resolutions of the shareholders meeting. Different but reasonable remuneration from that of other directors may be set for the independent directors.

Article 34

In order to achieve the goal of corporate governance, the main duties of the Board of Directors are as follows:

1. Stipulation of an effective and appropriate internal control system;
2. Selection and supervision of managers;
3. Review of the management policy and business plan of the Company; and supervision of its enforcement.
4. Review of the financial goal of the Company, and the supervision of its fulfillment.
5. Supervision of the result of operations of the Company;
6. Review of Performance evaluation standards and remuneration standards for managers and directors' remuneration structure and system;
7. Supervision and handling of the effective risk management of the Company;
8. Ensuring compliance with relevant laws and regulations by the Company;
9. Planning future development of the Company;
10. Maintenance of Company image;
11. Appointment of accountants and other experts.

Article 34-1

Unless otherwise approved by the competent authority, the following matters shall be approved by the Board of Directors: if an independent director voices his dissenting or qualified opinion, the opinion shall be noted in the minutes of the Board of Directors' meeting.

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of 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 involving the personal interest of a director.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, dismissal or remuneration of the Company's auditor.
8. The appointment or discharge of a financial, accounting, risk management, law compliance or internal auditing officer.
9. Performance evaluation standards and remuneration standards for managers and directors' remuneration structure and system;
10. Any other material matter so required by the Company or the Competent Authority.

Article 34-2

The Company shall submit the following matters to the Board of Directors for discussion:

1. The Company's business operation plan;
2. Annual and semi-annual financial reports.

3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities 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, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The appointment or discharge of a financial, accounting, risk management, legal compliance, or internal audit officer.
7. The manager's performance standard and remuneration standard; the function and policy of director's remuneration
8. Donation to related parties or substantial donation to non-related parties; provided, however, that any charitable donation made in urgency due to serious natural disaster may be submitted to the next meeting of the Board of Directors for ratification.
9. Any matter required by Article 14-3 of the Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders' meeting or Board of Directors meeting, or any such significant matter as may be prescribed by the competent authority.

Apart from matters referred to in paragraph 1 of the preceding article, which are required to be submitted for discussion by the Board of Directors, when the Board of Directors delegates any of its powers pursuant to laws or regulations or the Company's Articles of Incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 34-3

The independent directors shall immediately report to the competent authority, when the independent directors' recommendations for improvements regarding significant deficiencies or noncompliance identified in internal controls are not accepted by management and as a result the Company might incur a material loss.

Article 34-4

The Company's wholly-owned subsidiaries shall appoint their directors and supervisors in accordance with the following principles:

1. Assign appropriate number of director and supervisor seats for the size of the subsidiary.
2. The qualification requirement shall be in compliance with regulations established by the competent authority. If there is no such requirement in the regulations, in addition to follow Article 30 of the Company Act, at least half of the directors shall have expertise in the subsidiary's business.
3. Independent directors should be appointed for subsidiaries that are public companies. The qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, the minimal number of seats and ratio to other directors with regard to the

independent directors shall be set forth in accordance with the Securities and Exchange Act and the regulations enacted by a competent authority.

The independent director appointed in preceding subparagraph 3 during the term of his office without good cause shown shall not be replaced by another appointee.

Section 2 Audit Committee and other Functional Committees

Article 35

For the purpose of strengthening management, the Company, in consideration of the size of its board and the number of its independent directors, may set up various types of functional committees, as specified in the Articles of Incorporation. The functional committees shall report to the Board of Directors, and shall submit their proposals to the Board of Directors for resolution; however, performance of supervisor's duties by the Audit Committee pursuant to the Securities and Exchange Act, Company Act and other regulations are excluded.

Unless otherwise specified in these Principles, the functional committee shall consist of at least three directors.

The functional committees shall adopt organizational rules to be approved by the Board of Directors. The organizational rules shall contain the number of members, qualifications, terms of office, powers of committee members, meeting rules, resources to be provided by the Company for exercise of power by the Committee, etc.

Article 36

The Audit Committee shall consist of all the independent directors of the Company. The number of members shall not be less than three, one of the members shall be the convener, and at least one of the members shall have accounting or financial expertise.

Article 34-1 of the Principles herein does not apply to the following matters, which shall be subject to the consent of at least one half of all Audit Committee members and be submitted to the Board of Directors for a resolution:

1. Adoption or amendment of internal control system pursuant 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 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.
4. A matter involving the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring, discharge, or remuneration of the Company's auditor.

9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial reports.
11. Any other material matter so required by the Company or the competent authority.

With the exception of subparagraph 10, any matter under a subparagraph of the preceding paragraph that has not been approved with the consent of one-half or more of all Audit Committee members may be undertaken upon the approval of two-thirds or more of all directors. Without regard to the restrictions of the preceding paragraph, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.

The proceedings of the Audit Committee shall be made into meeting minutes, and a copy of the minutes shall be distributed to each independent director within twenty days after the meeting and shall be well preserved as important records of the Company during its legal existence.

Duties and all matters concerning the Audit Committee and independent directors shall comply with the Securities and Exchange Act, Regulations Governing the Exercise of Powers by Audit Committees of Public Companies and rules of Taiwan Stock Exchange Corporation.

Article 36-1

The Company shall set up a Remuneration Committee to set up manager's performance evaluation and remuneration standards, and the function and the policies and structure of director's remuneration; the independent directors shall participate in the Remuneration Committee, and an independent director should be the convener.

The function and policy of director's remuneration shall be handled in accordance with the director's remuneration standards; the manager performance examination standard and remuneration standard shall be handled in accordance with the performance evaluation standards and remuneration standards.

Article 36-2

Article 37

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

When, as a result of performing their lawful duties, directors, functional committee members or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The Audit Committee or an independent director may retain the service of legal counsel, accountant, or other professionals on behalf of the Company to conduct a necessary audit or provide consultation on matters in relation to the exercise of their authority, at the expense of the Company.

Article 38

The Company shall designate person of acting duty for the chief accountant to improve financial statements preparation.

The person of acting duty mentioned above shall undergo the same annual on-job training as does the chief accountant to ensure competence when performing acting duty.

All accounting personnel involved in financial statement preparation shall complete at least 6 hours of training courses of relevant topic each year, which may be arranged internally or by the same external institution that trains the Company's chief accountant.

The Board of Director of the Company shall select a professional, responsible, and independent attesting CPA or other appropriate professional and independent external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions.

The Company shall evaluate the independence and suitability of the auditors engaged by the Company regularly (and not less than once each year). In the event that the Company engages the same CPA without replacement for 5 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Section 3 Rules for the Proceedings of Board of Directors' Meetings and the Decision-Making Procedures**Article 39**

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

The Board of Directors shall appoint an agenda unit, and meet at least quarterly, which shall be set out in the rules.

The reasons for calling a Board of Directors meeting shall be notified to each director at least 7 days in advance, and provide sufficient meeting materials. In emergency circumstances, however, a meeting may be called on a shorter notice.

A director of the opinion that the meeting materials provided are insufficiently comprehensive may request the agenda unit to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the Board of Directors.

Article 40

Company's directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall recuse himself during the discussion and voting. The interested director also may not act as another director's proxy to exercise voting rights on that matter. Matters requiring voluntary recusal of a director shall be clearly set forth in the Rules Governing Procedures for Meeting of the Board of Directors.

Article 41

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

In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the website designated by the competent authority within two days of the board meeting:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the Audit Committee (if the Company has set up an Audit Committee), but had the consent of more than two-thirds of all directors.

When the Board of Directors' meeting is convened, relevant departments or personnel of the subsidiaries, in view of the meeting agenda, may 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, 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 42

The agenda staff personnel of the Company's Board of Directors meeting shall, in accordance with regulations duly record the reports made in the meeting, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting.

The minutes of the Board of Directors' meetings shall be signed by the chairperson and secretary of the meeting and sent to each director and supervisor within 20 days after the meeting. The director

attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the legal existence 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 videoconferencing, the audio and video recordings of the meeting form a part of the meeting minutes and shall be properly preserved.

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 damage to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for the damages.

Article 43

The Company may create managing director positions depending on the size and needs of its Board of Directors, subject to compliance with The Company Act.

Should the Company decide to appoint managing directors, at least one and one-fifth of whom must be independent director.

The Company's Articles of Incorporation shall specify the scope of delegated authority that managing directors meeting may exercise between board meetings; however, matters of material concern to the Company's interest will still have to be resolved by the Board of Directors.

Article 44

The Company shall ask the appropriate administration unit or personnel to implement the matters resolved by the Board of Directors in a manner consistent with the planned schedule and objectives and at the same time, keep track of the progress and duly assess the implementation status.

The Board of Directors shall be fully informed of the progress of implementation and report in subsequent meeting to ensure the actual implementation of its management decisions.

Section 4 Fiduciary Duties, Duty of Care and Responsibility of Directors

Article 45

Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator, and shall exercise their powers with a high level of self-discipline and prudence. In conducting the affairs of the Company, unless the matters are otherwise reserved by law or the Company's Articles of Incorporation for requiring resolution of a shareholders' meeting, they shall be handled in accordance with the resolutions of the Board of Directors.

Any resolution of the Board of Directors that involves the Company's business development or a

major policy direction shall be carefully considered and may not affect the implementation or effectiveness of corporate governance.

The Company shall develop policies and procedures to review the Board's performance, which shall be conducted annually. Performance review of the Board (functional committees) may include the following aspects, with proper evaluation indicators established based on the Company's needs:

1. The level of participation to the Company's operation;
2. Enhancing the quality of the decision making of the Board of Directors;
3. Composition and structure of the Board;
4. Election and continuing education of the directors; and
5. Internal control.

The performance review (self-review or peer review) of the board members may include the following aspects, which may be adjusted to the need of the Company:

1. Familiarity with the goals and missions of the Company;
2. Awareness of the duties of a director;
3. Participation in the operation of the Company;
4. Internal relationship management and communication;
5. Professionalism and continuing education of the directors; and
6. Internal control.

Performance of functional committees should be assessed on the following aspects, which the Company may adjust appropriately depending on its requirements:

1. Level of participation in the Company's operations.
2. Awareness towards duties of the functional committee.
3. Improvements to the quality of decisions made by functional committees.
4. Composition of the functional committee and election of committee members.
5. Internal control.

Performance evaluation should be reported to the Board of Directors, and used as reference for remuneration and nomination in subsequent periods.

Article 45-1

The Company shall regularly review senior managers' performance evaluation and development plans to ensure sustainability of its operations.

Article 46

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 of Directors 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 damage, members of the

Board of Directors shall immediately report to the Audit Committee, or an independent director member of the Audit Committee in accordance with the rules in the foregoing paragraph.

Article 47

The aggregate shareholding percentage of all of the directors of the Company shall comply with laws and regulations. Restrictions on share transfers by each director and the creation, release, or changes in pledges of shares held by each director shall comply with the relevant laws and regulations, and the relevant information shall be fully disclosed.

Article 48

The Company may take out liability insurance for directors with respect to liabilities resulting from performing their job duties.

After purchasing or renewing Directors' liability insurance, key information of such liability insurance such as insured amount, coverage and premium (rate) shall be reported to the next meeting of the Board of Directors.

Article 49

New and current members of the Board of Directors should participate in training courses offered by institutions designated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies," which cover subjects relating to corporate governance cover subjects relating to corporate governance such as finance, risk management, business, commerce, accounting, and law. They shall also ensure that the Company's employees at all levels will enhance their professionalism and knowledge of the law.

Section 5 Corporate Governance Officer

Article 49-1

The Company should assign competent and adequate number of staff to oversee corporate governance, depending on the size, nature and needs of its business. One Corporate Governance Officer should be appointed and vested with the ultimate authority on corporate governance-related affairs within the organization.

Appointment and dismissal of Corporate Governance Officer mentioned in the preceding Paragraph are subject to Board of Directors' resolution.

Appointment of Corporate Governance Officer shall proceed according to Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers unless regulated otherwise by law or instructions of the authority.

Article 49-2

Duties of corporate governance personnel and officer mentioned in Paragraph 1 of the preceding Article shall include at least the following:

1. Handling of Board of Directors meeting and shareholder meeting affairs.
2. Preparation of Board of Directors /shareholder meeting minutes.
3. Assisting directors with their duties and continuing education.
4. Providing directors with the information needed to perform duties.
5. Assisting directors with compliance issues.
6. Other tasks specified in the Company's Articles of Incorporation or contract.

Article 49-3

The Corporate Governance Officer is a manager of the Company, and is therefore governed by The Company Act and Securities and Exchange Act.

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

In case of a Corporate Governance Officer who concurrently holds a different position in the company, it shall be ensured the officer is effectively performing the duties required in the capacity of both the chief corporate governance officer and the concurrent position, and there shall be no conflicts of interest or violations of the internal control system.

Article 49-4

The 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 securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs as specified in Article 49-2.

Article 49-5

The Company shall arrange training for the Corporate Governance Officer.

The Corporate Governance Officer is required to complete at least 18 hours of training within one year from the duty commencement date, and at least 12 hours of training each year thereafter. The scope and system of training, along with other training-related matters, shall proceed in reference to Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

Article 49-6

If the Corporate Governance Officer resigns or is dismissed for any reason, the Company must appoint a replacement within one month from the date of occurrence.

Chapter V Respecting Stakeholders' Rights

Article 50

The Company shall maintain clear channels of communication with its customers, banks, other creditors, employees, community, or other stakeholders, and shall respect and safeguard their legal

rights.

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

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

The Company shall supervise its subsidiaries to handle matters in accordance with the preceding 3 paragraphs.

Article 51

The Company should supervise its subsidiaries to formulate consumer protection policy, including mechanisms to handle consumer complaints and dispute.

Article 52

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

When the Company distributes employee stock bonuses or cash as compensation, the employees of the Company's subsidiaries subject to the Company's Board policies may be included.

In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Company's social responsibility.

Chapter VI Improving Information Transparency

Article 53

Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the provisions of relevant laws, its Articles of Incorporation, and the Securities and Exchange Act.

Article 54

The Company shall 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 55

In order to enhance the accuracy and timeliness of material information disclosure, the Company

shall appoint a spokesperson and deputy 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 shall explicitly stipulate for a unified process of making external statements and shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

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

Article 56

In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the internet and set up a website containing information regarding the Company's finances, operations, and corporate governance. The Company should consider the needs of its foreign investors and furnish corporate governance related information in English.

To avoid misleading information, the aforesaid website shall be maintained by dedicated personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 57

The Company shall hold an investor conference in compliance with the regulations of the stock exchange, and shall keep an audio or video record of the conference. The conference record may be made available through the Company's website or through other appropriate channels.

Article 58

The Company shall disclose the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and stock exchange rules, and depending on the needs, the Company may furnish other relevant information in English:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders.
3. Structure and independence of the Board of Directors.
4. Responsibility of the Board of Directors and managerial officers.
5. Composition, duties and independence of the Audit Committee or supervisors.
6. Composition, duties and operation of the Remuneration Committee.
7. The remuneration paid to directors, supervisors, president and vice president in the most recent fiscal year, an analysis on the percentage of total remuneration to net profit after tax, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance. Under special circumstances, remuneration of individual directors and supervisors shall be disclosed.
8. The progress of continued education of directors and supervisors.

9. The rights of and relationships between the stakeholders.
10. Disclosure of the financial reports of the Company and its subsidiary.
11. Disclosure of large exposure.
12. Information about transaction with related parties.
13. Disclosure of capital adequacy ratio.
14. Details of events subject to information disclosure as required by law and regulations.
15. Implementation of corporate governance, differences between the corporate governance principles implemented by the Company and the Principles, and cause of differences.
16. Improvement of the specific plan and measures for corporate governance.
17. Information about risk management.
18. Other information regarding corporate governance.

Article 59

The Company shall announce regularly and disclose the financial statements, consolidated financial statements and subsidiary's financial statements that have been certified by an auditor, and approved by the Board of Directors, in accordance with the relevant provisions of the Financial Holding Company Act and Securities and Exchange Act.

Article 59-1

Where the total amount or the ratio of credit extensions and other transactions taken place between all of the Company's subsidiaries with the same person, the same concerned party or the same affiliates, the Company shall, within 30 days after the end of each quarter in each fiscal year, report to the competent authority, and disclose the same via public announcement, the internet, or other means designated by the competent authority.

In the best interest of regulatory reporting, the Company's subsidiaries shall establish information system to address transactions with the same person, the same concerned party or the same affiliates, and designate dedicated unit to be responsible for gathering data and documenting.

Article 59-2

The Company shall fully disclose its related party transaction information, and disclose its subsidiaries' related party transactions that are above certain amount, in accordance with relevant rules.

The aforesaid related party shall be determined in accordance with Article 23 of Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, and in considering whether a counterparty is a related party, attention shall be directed to the substance of the relationship in addition to the legal form.

Article 59-3

The Company and its subsidiaries shall be in compliance with the Financial Holding Company Act

and related rules on capital adequacy ratio for their given industry.

The Company shall follow the calculation method and forms published by the competent authority. After auditor's review within two months after every semiannual closing or whenever the competent authority deemed necessary, the Company shall complete capital adequacy ratio form for the group and submit it together with related information.

Article 59-4

When the Company or its subsidiaries encounter situations with material information, in addition to holding press conference to be in compliance with the "Procedures for Press Conferences Concerning Material Information of Listed Companies" enacted by the stock exchange, the Company shall enter the information into the internet information reporting system before trading hours on the next trading day; if overseas securities are issued, the information entered into system shall be in English.

Chapter VII Supplementary Provisions

Article 60

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 Company Act, Securities and Exchange Act, Financial Holding Company Act and other related regulations and general convention will govern with respect to any matters not provided in these Principles.

Article 62

These Principles will be announced and enforced after they are resolved by the Board of Directors; the same procedures shall apply to subsequent amendments.

Appendices: Revision History

Version	Date of approval	Date of effect	Level of approval authority	Remarks
01	11/18/2014	11/18/2014	Board of directors	The 02 meeting of the 06 board (Regular)
02	4/27/2017	4/27/2017	Board of directors	The 17 meeting of the 06 board (Regular)
03	11/28/2017	11/28/2017	Board of directors	The 02 meeting of the 07 board (Regular)
04	11/22/2018	11/22/2018	Board of directors	The 08 meeting of the 07 board (Regular)
05	11/21/2019	1/1/2020	Board of directors	The 14 meeting of the 07 board (Regular)