

# Acer Incorporated Corporate Governance Best-Practice Principles

Adopted on Nov 6, 2014

1<sup>st</sup> Amended on Mar 30, 2017

2<sup>nd</sup> Amended on Mar 20, 2019

## Chapter I General Principles

**Article 1** In order to establish a sound corporate governance system, Acer Incorporated ("the Company") is advised to promulgate their own corporate governance principles in accordance with Corporate Governance Best-Practice Principles for companies listed on the Taiwan Stock Exchange Corporation ("TWSE") and the GreTai Securities Market ("GTSM", collectively referred to as "TWSE/GTSM listed companies").

**Article 2** When setting up the corporate governance system by an effective governance framework which is grounded on the three core beliefs of Wangdao (i.e. sustainable development, value creation and balance of interests), in addition to complying with relevant laws, regulations, articles of incorporation, and other relevant regulations, the Company shall follow the following principles to strengthen the goals of the corporate governance:

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the board of directors (fulfill the supervision function of an audit committee).
3. Respect the rights and interests of stakeholders.
4. Enhance information transparency and privacy protection.

**Article 3** The Company follows the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries in establishing an effective internal control system, and review it at all times, in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

In addition to fully performing voluntary assessments of the internal control system by the Company, its board of directors and the management shall review the result of the voluntary assessments of each department and the report of the internal audit department at least annually. The

directors and the audit committee shall record the reviewing result, track and execute the improvement, then reporting in the board meeting. The Company is advised to set up the channels and mechanisms for the communication between its independent directors, audit committees or chief auditor; the convener of the audit committee shall report the communitive situations at the shareholders' meeting.

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

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

Appointment, dismissal, evaluation and review, salary and compensation of the Company internal auditors would be advised to be reported to the board meeting, or be submitted by the chief auditor to the board chairman for approval.

**Article 3-1** The Company may set up personnel to be in charge of corporate governance affairs, and appoint a chief corporate governance officer as the head of the corporate governance, whose qualification shall be met with the related rules enacted by the authority.

The corporate governance affairs mentioned in the preceding paragraph shall include at least the following items:

1. Handling matters of board and shareholders meetings in accordance with laws;
2. Producing the meeting minutes to the board and shareholders' meetings;
3. Assisting in directors' onboarding and continuous training;
4. Furnishing information required for business execution by directors (including independent directors, audit committee and other functional committee );

5. Assisting directors (including independent directors, audit committee and other functional committee ) to comply with laws; and
6. Other matters set out in the articles of incorporation or contracts

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

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

**Article 4** The corporate governance system of the Company shall take sustainable development and the protection of shareholders' rights and interests and treat all shareholders fairly.

The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the Company.

**Article 5** The Company shall convene shareholders meetings in accordance with the Company Law and relevant laws and regulations and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

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

**Article 6** The board of directors of the Company shall properly arrange shareholders meeting discussion topics and procedures. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.

For the shareholders meetings that are convened by the board of directors, it would be advisable for a majority of the directors (including at least one independent director) and convener of the audit committee to attend the meeting in person, and at least one member of other functional committees attend as representative. The attendance of the shareholders meeting shall be recorded in the meeting minutes.

**Article 7** The Company shall encourage its shareholders to actively participate in its corporate governance and hold shareholders meetings on the premise of legal, effective and safe proceedings.

The Company shall seek all ways and means, including fully exploiting

technologies for information disclosure, and is advised to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, and shall adopt electronic voting method to enhance the attendance rate of shareholders at the shareholders meeting and ensure the exercise of shareholders' rights by shareholders at the shareholders meeting in accordance with laws.

The Company is advised to arrange for their shareholders to vote by poll on the proposals included in the shareholders meeting agenda one by one and enter the voting results, namely the numbers of votes cast "For" and "Against" and the number of "Abstentions," for each proposal, after the shareholders meeting on the same day that it is held, into the Internet information reporting system designated by the Company.

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

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

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

In order to protect the interests of most shareholders, if the chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it would be advisable for the members of the board of directors other than the chairman of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairman of the shareholders meeting to continue the proceedings of the meeting, by

a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

**Article 10** The Company shall place high importance on shareholders' rights to know, and faithfully comply with the applicable regulations regarding the information disclosure to provide, regularly and timely, the shareholders with information relating to the financial conditions and operations, the insiders' shareholdings, and corporate governance status in the Company by utilizing the Market Observatory Post System or the website established by the Company.

**Article 11** The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors, and may decide, by resolution, profit distributions and deficit off-setting plans. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records, assets, specific matters, documents and records of specific transaction of the Company.

The board of directors and managers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction, or rejection.

**Article 12** In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When the Company involves in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness,

rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the soundness of the company's financial structure thereafter. The relevant personnel of the Company handling the matters shall pay attention to the event of conflict of interest and the avoidance from the same.

**Article 13** In order to protect the interests of the shareholders, it would be advisable for the Company to designate personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders.

The Company shall properly deal with matters arising from any action instituted by shareholders pursuant to the applicable laws claiming damage to such shareholders' rights and interests caused by the resolution adopted in its shareholders meetings or the board of directors meetings in violation of the applicable laws, regulations or its articles of incorporation, or claiming a breach by its directors, managers of applicable laws, regulations or the Company's articles of incorporation in performing their duties.

## **Section 2 Corporate Governance Relationships Between the Company and Its Affiliated Enterprises**

**Article 14** The Company shall clearly identify the allocation of its management authorities and responsibilities over personnel, assets and financial matters of its affiliated enterprises, and shall conduct risk evaluation and establish appropriate firewalls.

**Article 15** Unless otherwise provided by the laws and regulations, a manager of the Company may not serve as a manager of its affiliated enterprises. However, for those managers having positions in a 100% directly or indirectly owned subsidiary of the Company, which are beneficial for the fulfillment of the Group's business operations and do not exist conflict of interests, will be otherwise provided.

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

**Article 16** The Company shall establish a sound management system for finance, operations and accounting in accordance with the relevant laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk evaluation of the major banks they are dealing with, their customers and their suppliers, and carry out the necessary control mechanism to reduce credit risks.

**Article 17** Where the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between each other shall be made in accordance with the beliefs of value creation, balance of interests and 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 shall be prohibited.

All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph and tunneling of profits is strictly prohibited. The managers or representatives of the Company shall not participate in any decision making and performance of duties with respect to transactions or contracts with which such managers or representatives have conflict of interests.

**Article 18** A corporate shareholder having controlling power over the Company (if any) 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 for the best interest of all shareholders and in good faith and exercise the fiduciary duty and duty of care of a director.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors and shall not act beyond the authority granted by the shareholders meeting or board meeting.

4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.

**Article 19** The Company shall ensure the command at any time of information on the identity of major shareholders, who own a higher percentage of shares and have an actual control over the Company, and its ultimate control persons.

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.

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

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

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

**Article 20** The board of directors of the Company shall direct company strategies, supervise the management, and be responsible to the shareholders meetings. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders meetings of the Company.

Regarding the structure of the board of directors, the Company shall determine an appropriate number of board members not less than five persons, in consideration of its business scale, the shareholding of its major shareholders and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and that an appropriate policy on



diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

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

All members of the board shall have the necessary knowledge, skill, and experience 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 judgment.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Industrial knowledge.
6. International market perspective.
7. Ability to lead.
8. Ability to make decisions.

**Article 21** The Company shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and shall adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless otherwise the competent authority 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.

Where the number of directors falls below five due to the release of director(s) for any reason, the Company shall hold a by-election for director at the next following shareholders meeting. Where 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** The Company is advised to specify in its Articles of Incorporation that it adopts the candidate nomination system for elections of directors, and to carefully review in advance the qualifications, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to a nominated candidate; the nomination shall be processed in accordance with Article 192-1 of the Company Act.

**Article 23** Clear distinctions shall be drawn between the responsibilities and duties of the chairman of the board of the Company and those of its general manager. It would be inappropriate for the chairman to at the same time act as the general manager or other equivalent position (highest managerial position). If the chairman at the same time acts as the general manager or other equivalent position (highest managerial position), or they are spouses or relatives within one degree of consanguinity, it would be advisable that the number of independent directors be increased and the majority of board members are neither employees nor managers.

## **Section 2 Independent Director System**

**Article 24** The Company shall appoint independent directors in accordance with its articles of incorporation not less than two in number and not 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.

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

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

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

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

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

The Company shall stipulate the remuneration of the directors i. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the Company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

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

**Article 26** For the purpose of developing supervision functions and strengthening management mechanisms, the board of directors of the Company may, taking into account the size of the board, the type of operations, and the number of the independent directors, set up audit, remuneration, assets management and handling, nomination, risk management or any other functional committees, and based on the beliefs in corporate social responsibility and sustainable operation, set

up an environmental protection or other committees, and have them stipulated in the articles of incorporation.

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

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the number, term of office, and power of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

**Article 27** The Company established an audit committee.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

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

**Article 28** The Company established a remuneration committee, and it is advised that all members of remuneration committee shall be constituted of independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

**Article 29** The Company established an assets management and handling committee. The election of members, exercise of power and organizational charter, etc. shall proceed in accordance with the Criteria Governing the Exercise of Powers by Assets Management and Handling Committee determined by the board of directors.

Assets management and handling committee members shall perform their duties in accordance with relevant laws, regulations, the Company's articles of incorporation and its Procedures for the Acquisition or Disposal of Assets. In any event of a member having any personal interest on the matter, he/she shall recuse himself/herself from that matter.

**Article 30** The Company shall select a professional, responsible and independent CPA to be its external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to the irregularity or deficiency timely discovered and disclosed by the auditor during the review, and the concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions.

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

**Article 31** It is advisable that 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 by the Company or its staff of laws or regulations, and ensuring the corporate governance matters will proceed pursuant to the relevant legal framework and the prescribed procedures.

In the event that the directors or the management are involved in litigation as result of performing his or her duties as provided by the law or arising from shareholders disputes, depending on the circumstances the Company shall retain a legal counsel to provide assistance.

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

**Article 32** 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 meeting

shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting material shall also be prepared and enclosed in the meeting notice. If the meeting material is 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 the rules of proceedings for board meetings and follow the provisions in 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 announcement, and other matters for compliance.

**Article 33** A director shall exercise a high degree of self-discipline and shall voluntarily recuse from participating in discussion and 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.

The matters that a director shall voluntarily recuse from voting shall be clearly set forth in the rules for the proceedings of board meetings.

**Article 34** The independent directors of the Company must attend a board meeting in person without being represented by a non-independent director via proxy when the meeting is convened for considering any of the matters submitted to the board pursuant to Article 14-3 of the Securities and Exchange Act. When an independent director has a dissenting or qualified opinion, it shall be noted in the minutes of the board of directors meeting; if the independent director cannot attend the board meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the board meeting unless justifiable reasons exist for failure to so comply, and the opinion shall be noted in the minutes of the board of directors meeting.

In any of the decisions made by the board of directors, such as an independent director having a dissenting or qualified opinion which is

on record or stated in a written statement, shall be noted in the meeting minutes, and in addition, announced and reported on a website designated by the competent authority 2 hours early before the beginning trading hour on the first business day after the date of said board meeting.

During the proceeding of the board meetings, managers from the relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make report on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, CPA, legal counsel or other professionals 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 35** Staff personnel of the Company attending board meetings shall collect and correctly record the meeting minutes in detail, and the summary, 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 chairman and secretary of the meeting and be sent to each director within 20 days after the meeting. The director attendance records shall become a part of the meeting minutes, and be treated as important corporate records and be 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.

Where a resolution of the board of directors violates laws, regulations,

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 36** The Company shall submit the following matters to its board of directors for discussion:

1. Corporate business plan.
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, and the evaluation of effectiveness of the internal control system..
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. 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 to a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

The Company shall submit the minutes of the seminars regarding the problems and review of the internal control system to the board of directors and make a report to the same. Except for matters that must be submitted to the board of directors for discussion as provided in paragraph 1, the board of directors may delegate others to exercise its power when it is in recess according to laws or regulations, or its articles of incorporation. The delegation however shall be specific with regard



to the level, content or matters of authorization, and general authorization is not permitted.

**Article 37** The Company shall ask the appropriate corporate department or personnel to handle matters and implement actions pursuant to the board of directors' resolutions in a way consistent with the program schedule and objectives. It shall also follow up on these matters and faithfully review their implementation.

The board of directors shall ensure full control of the implementation and progress of these matters and make a report in subsequent meetings so as to ensure that the board's management decisions are faithfully implemented.

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

**Article 38** Members of the board of directors shall conduct corporate affairs with loyalty and perform this duty of care as a good administrator. In conducting the affairs of the Company, they shall exercise their power with a high level of self-discipline and prudential attitude. Unless matters are otherwise reserved for approvals in shareholders meetings by law or in the articles of incorporation of the Company, they shall ensure that all matters be handled according to the resolutions of board of directors.

Where resolutions of the board of directors involve business development of the Company and significant policy direction, the board or directors shall make careful consideration and may not affect the implementation and 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 interest of the Company and shareholders.

It is advisable that the Company formulated rules and procedures for board of directors performance assessments, and that each year it conduct regularly scheduled performance assessments of the board of directors, functional committees, and individual directors through self-assessment, peer-to-peer assessments, engaging outside professional institutions, or in any other appropriate manner. It is advisable that the performance assessment of the board of directors include the following aspects, and that appropriate assessment indicators be developed in consideration of the company's needs:

1. The degree of participation in the company's operations.
2. Improvement in the quality of decision making by the board of directors.
3. The composition and structure of the board of directors.
4. The election of the directors and their continuing professional education.
5. Internal controls.

It is advisable that performance assessments of board members (self-assessments or peer-to-peer assessments) include the following aspects, with appropriate adjustments made on the basis of the company's needs:

1. Their grasp of the company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the company's operations.
4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.
6. Internal controls.

It is advisable that the performance assessment of a functional committee cover the following aspects, subject to changes according to the company's needs:

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

It is advisable for the Company to conduct yearly performance assessment of the board of directors, functional committees and each director by self-assessment, peer-to-peer assessment, engagement of outside professional institution or other appropriate way.

It is advisable for each director to reach 75 percent or more to the annual attendance rate of board meeting. In case a director is on leave, absent, or cannot exercise his/her power and authority for any cause, it is advisable for a director to appoint another director to attend a meeting of the directors in his/her behalf, and in each time, issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting.

**Article 39** It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the board of directors to ensure the sustainable operation.

**Article 40** If a resolution of the board of directors violates law, regulations or the Company's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director to discontinue the implementation of the resolution, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering any threat of the Company suffering material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee in accordance with the foregoing paragraph.

**Article 41** The Company is advised to insure liability insurance for directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

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

**Article 42** Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors of TWSE/GTSM 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 V Respecting Stakeholders' Rights**

**Article 43** The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community or other stakeholders and shall respect and safeguard their legal rights.

When the Company involves in a management buyout, it shall monitor the soundness of financial structure of the Company thereafter.

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

**Article 43-1** The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.

**Article 44** 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 decision-making process. When any of their legal rights or interest is harmed upon, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

**Article 45** The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors so as to reflect employees' opinions about the management, financial conditions and material decisions of the Company concerning employee welfare.

**Article 46** In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of the Company.

**Article 47** The Company established the Global Corporate Social Responsibility Committee (GCSRC) and has established the Corporate Sustainability Office (CSO). The GCSRC primarily consists of senior managers of the major business units, functional units, the global regions and the CSO. In order to effectively liaise and integrate with all overseas bases worldwide, the Company may establish regional headquarter CSR executive secretarial positions to represent the regions at the GCSRC meetings.

The GCSRC should convene meetings periodically to communicate sustainability issues with the Company's global bases and with the various internal departments, with the hope of practicing and gradually internalizing CSR into the organization's operations.

## **Chapter V Improving Information Transparency and Privacy Protection**

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

**Article 48** Publication of information is the major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws, and related TWSE rules.

The Company is advised to publish and report its annual financial report within two months after the end of a fiscal year; its financial reports for the first, second and third quarters as well as its operating status for each month are advised to publish and report before the deadline.

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 49** In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint 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.

The Company shall appoint one or more acting spokesperson who shall represent the Company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify

the process of making external statements and require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit disclosure thereof by them at will.

The Company shall disclose the relevant information regarding any change to the position of a spokesperson or acting spokesperson upon such change.

**Article 50** In order to keep shareholders and stakeholders fully informed, it is advisable that the Company utilizes the convenience of the Internet and set up a website containing the information regarding the Company's finance, operation and corporate governance. It is also advisable to contain the corporate governance information in English as well.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, in detail and updated timely.

**Article 51** The Company shall hold an institutional investor meeting in compliance with the regulations of the TWSE, and it would be advisable to audio or video record the meeting. The financial and business information disclosed in the institutional investor meeting shall be disclosed on the designated internet information posting system and provided for inquiry through the website established by the Company or other channels in accordance with the TWSE rules.

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

**Article 52** The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations of the TWSE.

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.
6. Composition, duties and operation of the remuneration committee.
7. The remuneration paid to the directors, supervisors, general manager and vice general manager in the most recent fiscal year, the analysis of the percentage of total remuneration to the net

profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance. Under a specifically special scenario, remuneration of the directors shall be disclosed respectively.

8. The progress of training of directors.
9. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
10. Details of the events subject to information disclosure required by law and regulations.
11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the company and these Principles, and the reason for the differences.
12. Other information regarding corporate governance.

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

### **Section 3 Privacy Protection**

**Article 53** In order to enforce the protection of personal data and the relevant laws and regulations, the Company shall promulgate relevant regulations governing personal data to regulate the use of personal data to for marketing and promotion activities purpose, across-department use and protection on rights and interests of owner of his/her personal data.

**Article 54** The collection, processing and use of personal data shall comply with the principle of necessity, i.e. the purpose of collection, processing and use of data shall be proper and fair; the method shall be valid and it shall be performed under the principle of the minimum jeopardization, in addition to compliance with the relevant laws and regulations.

### **Chapter VI Supplementary Provisions**

**Article 55** The Company shall at all times monitor domestic and international development of corporate governance and thereby review and improve

the Company's corporate governance mechanism so as to enhance the performance of corporate governance.

**Article 56** These principles shall be carried out after the approval of the board of directors. This shall apply in the event of amendment of these principles.