

**Chapter I      General Principles**

Article 1            D-Link Corporation (“The Company”) establishes an effective corporate governance framework with reference to Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Article 2            The Company setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE, and other relevant regulations, follows the following principles:

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

Article 3            The Company follows the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and takes into consideration the overall operational activities of the Company and our subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of design and implementation in light of changes in the Company's internal and external environment.

The Company should perform full self-assessments of internal control system. The board of directors and management review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The audit committee should also attend to and supervise these matters. Directors, independent directors and audit committee should periodically hold discussions with internal auditors about reviews of internal control system deficiencies. A record of the discussions should be kept, and the discussions should be followed up, improvements implemented, and a report submitted to the board of directors. The Company is advised to establish channels and mechanisms of communication between independent directors, audit committees and chief internal auditors, and the convener of the audit committee should report the communications between independent directors and chief internal auditors at the shareholders' meeting.

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

Appointment, dismissal, evaluation and review, salary and compensation

of internal auditors of the Company are advised to reported to the board of directors or to submit by the chief auditor to the board chairperson for approval.

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

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

Article 4 The Company's corporate governance system is implemented with the utmost objective of protecting the interests of shareholders and treats all shareholders equitably.

The Company should 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 should convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provides comprehensive rules for such meetings. The Company should faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

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

Article 6 The board of directors of the Company should properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and independent director and submissions of shareholder proposals. The board should also properly handle the proposals duly submitted by shareholders. Arrangements should be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements should be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders should be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors and convener of the audit committee attend in person, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7 The Company should encourage shareholders to actively participate in corporate governance. It is advisable that the Company engage a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. The

Company should seek all ways and means, including fully exploiting technologies for information disclosure and voting, to upload annual reports, annual financial statements, notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, and adopts electronic voting, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Company is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting. A candidate nomination system is adopted for the election of directors and independent directors.

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

**Article 8**

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

The shareholders meeting minutes should be properly and perpetually kept by the Company during legal existence and should be sufficiently disclosed on the Market Observation Post System or Company's website.

**Article 9**

The chairperson of the shareholders meetings should be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by the Company. The chairperson should 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 chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it is advisable for the members of the board of directors other than the chairperson of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson 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 should place high importance on the shareholder right to know, and should faithfully comply with applicable regulations regarding

information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To protect shareholders' rights and interests and ensure their equal treatment, the Company adopts Guidelines for Materiality Management and Prevention of Insider Trade prohibiting company insiders from trading securities using information not disclosed to the market.

**Article 11**

The shareholders should 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 the reports submitted by the audit committee and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

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

The board of directors, audit committee and managers of the Company should 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 should proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which should be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

**Article 13**

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

The Company should properly 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 or managers in performing their duties.

It is advisable that the Company adopts internal procedures for appropriate handling of matters referred to in the preceding two paragraphs,

and that it keeps relevant written records for future reference and incorporate the procedures in internal control system for management purposes.

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

**Article 14** The Company should clearly identify the objectives and the division of authority and responsibility between the Company and our affiliated enterprises with respect to management of personnel, assets, and financial matters, and should properly carry out risk assessments and establish appropriate firewalls.

**Article 15** 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 should explain the major content of such actions to the shareholders meeting and obtain its consent.

**Article 16** The Company should establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. The Company should, together with affiliated enterprises, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

**Article 17** When the Company and affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between both should be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms should be definitively stipulated when contracts are signed, and non-arm's length transactions should be prohibited.

All transactions or contracts made by and between the Company and affiliated persons and shareholders should follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

**Article 18** A corporate shareholder having controlling power over the Company should comply with the following provisions:

1. It should bear a duty of good faith to other shareholders and should not directly or indirectly cause the company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative should 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 should exercise his/her voting right in good faith and for the best interest of all shareholders and should exercise the fiduciary duty and duty of care of a director.
3. It should comply with relevant laws, regulations and the articles of

incorporation of the company in nominating directors and should not act beyond the authority granted by the shareholders meeting or board meeting.

4. It should not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It should 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.
6. The representative that is designated when a corporate shareholder has been elected as a director or supervisor should meet the Company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

**Article 19**

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

The Company should disclose periodically important information about 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 however that the Company may set up a lower shareholding threshold according to the actual shareholding stake that may control the Company.

**Chapter III      Enhancing the Functions of the Board of Directors****Section 1      Structure of the Board of Directors****Article 20**

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

The structure of the Company's board of directors should be determined by choosing an appropriate number of board members (including independent directors) between seven and nine, in consideration of business scale, the shareholdings of major shareholders, and practical operational needs.

The composition of the board of directors should be determined by taking diversity into consideration. It is advisable 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 should have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors should possess the following abilities:

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

**Article 21**

The Company should establish a fair, just, and open procedure for the election of directors and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views. Among the above-mentioned, the number of independent directors ranges from two to three. The election for directors and supervisors should adopt the candidate nomination system in accordance with Article 192-1 of the Company Act. The professional qualifications, shareholding, restrictions on concurrent positions held, method of nomination and other requirements with regard to the independent directors should be set forth in accordance with the regulations of the Taiwan Stock Exchange. The independent and non-independent directors should be elected at the same time, but in separately calculated numbers.

Unless the competent authority otherwise grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the Company should 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 should 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 should be subject to the relevant laws and regulations, and the relevant information should be fully disclosed.

**Article 22**

The Company should specify in articles of incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of directors, carefully review the

qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

**Article 23**

Clear distinctions should be drawn between the responsibilities and duties of the chairperson of the board of the Company and general manager.

The chairperson and general manager or person of an equivalent position (the highest level manager) should not be held by the same person. If the chairperson and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, should increase the number of independent directors and a majority of the directors should not be employees or managers.

The Company with a functional committee clearly defines the responsibilities and duties of the committee.

**Section 2 Independent Director System****Article 24**

The Company appoints at least three independent directors in accordance with articles of incorporation and not less than one-fifth of the total number of directors.

Independent directors should possess professional knowledge and there should be restrictions on their shareholdings and concurrent positions held. Applicable laws and regulations should be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors should also 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 group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the Company should, 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 should 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 endowment, and other institutions or juristic persons that are effectively controlled by the Company.

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

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 should 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 has independent directors and should submit the following matters to the board of directors for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or qualified opinion, it should be noted in the minutes of the directors meeting:

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director or a supervisor.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

**Article 26**

The Company should 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 should not refuse, obstruct, reject or circumvent the performance of duties by the independent directors.

The Company stipulates the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors should fully reflect the personal performance and the long-term management performance of the Company, and should 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 27**

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the Company, in

consideration of the board of directors' scale and the number of independent directors, may set up functional committees.

Functional committees should be responsible to the board of directors and submit their 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 should be excluded.

Functional committees should adopt an organizational charter to be approved by the board of directors. The organizational charter should contain the numbers, terms of office, and powers 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 28**

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

The exercise of power by audit committee and independent directors and related matters should 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 28-1**

The Company establishes a remuneration committee and more than half of the committee members be 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 should 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.

**Article 29**

To improve the quality of the financial reports, the Company should establish the position of deputy to its principal accounting officer. To enhance the professional abilities of the deputy accounting officer of the preceding paragraph, the deputy's continuing education should proceed following the schedule of the principal accounting officer.

Accounting personnel handling the preparation of financial reports should also participate in relevant professional development courses for 6 hours or more each year. Those courses may be company internal training activities or may be professional courses offered by professional development institutions for principal accounting officers.

The Company should select as external auditor a professional, responsible, and independent attesting CPA, who should 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 should faithfully implement improvement actions and be advisable to establish channels and mechanisms of communication between the independent directors or audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company should evaluate the independence and suitability 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 action or other circumstances prejudicial to the CPA's independence, the Company should evaluate the necessity of replacing the CPA and submit the conclusion to the board of directors.

**Article 30**

The Company is advisable to engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the Company or 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 or the management are involved in litigation or a dispute with shareholders, the Company should retain a legal counsel to provide assistance as circumstances require.

The audit committee or an independent director may retain the service of legal counsel, CPA, 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 power, at the expense of the Company.

**Section 4****Rules for the Proceedings and Decision-Making Procedures of Board Meetings****Article 31**

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

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

Article 32                    Company directors should 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 should 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 should enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter. The directors should practice self-discipline and must not support one another in improper dealings.

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

Article 33                    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 should attend the board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting or qualified opinion, it should 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 there are justifiable reasons for failure to do so, and the opinion should be noted in the minutes of the board of directors meeting.

In any of the following circumstances, decisions made by the board of directors should be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date 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 but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the Company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that they should leave the meeting when deliberation or voting takes place.

Article 34                    Staff personnel of the Company attending board meetings should collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings should be signed by the

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

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

The company should 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 should 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 should be preserved permanently.

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

#### Article 35

The Company should submit the following matters to its board of directors for discussion:

1. Corporate business plans.
2. Annual financial reports.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an 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. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
10. Any matter required by Article 14-3 of the Securities and Exchange Act or

any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

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

**Article 36**

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

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

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

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

**Article 37**

The Company is advised to formulate rules and procedures for board of directors performance assessments. Each year, in respect of the board of directors, functional committee and individual directors, it should conduct regularly scheduled performance assessments through self-assessments or peer-to-peer assessments, and may also do so through outside professional institutions or in any other appropriate manner. A performance assessment of the board of directors is advised to include the following aspects, and appropriate assessment indicators should 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.

The performance assessments of board members (self-assessments or peer-to-peer assessments) should 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.

The Company is advised to conduct performance assessments of a functional committee, covering the following aspects, with appropriate adjustments made on the basis of 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.

The Company is advised to submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term

**Article 38**                    If a resolution of the board of directors violates law, regulations or the Company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director to discontinue the implementation of the resolution, members of the board should take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the board of directors should immediately report to the audit committee or an independent director member of the audit committee in accordance with the foregoing paragraph.

**Article 39**                    The Company should take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director.

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

**Article 40**                    Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of the competent authorities, which cover subjects relating to

corporate governance upon becoming directors and throughout their terms of occupancy. They should also ensure that Company employees at all levels will enhance their professionalism and knowledge of the law.

**Chapter IV Respecting Stakeholders' Rights**

Article 41 The Company should maintain channels of communication with banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and is advised to designate a stakeholders section on the website.

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

Article 42 The Company should provide sufficient information to banks and the other creditors to facilitate their evaluation of the operational and financial conditions of the Company and the decision-making process. When any of their legal rights or interest is harmed, the Company should respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 43 The Company should 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 44 In developing normal business and maximizing the shareholders' interest, the Company should pay attention to consumers' interests, environmental protection of the community, and public interest issues, and should give serious regard to the Company's social responsibility.

**Chapter V Improving Information Transparency****Section 1 Enhancing Information Disclosure**

Article 45 Disclosure of information is a major responsibility of the Company. The company should perform the obligations faithfully in accordance with the relevant laws and the related TWSE rules.

The Company should 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 46 In order to enhance the accuracy and timeliness of the material information disclosed, the Company should appoint a spokesperson and acting



spokesperson 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 should appoint one acting spokesperson who should 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 should unify the process of making external statements. It should 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 should disclose the relevant information immediately whenever there is any change to the position of a spokesperson or acting spokesperson.

**Article 47**

In order to keep shareholders and stakeholders fully informed, the Company should utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

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

**Article 48**

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

**Section 2****Disclosure of Information on Corporate Governance****Article 49**

The Company should disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy).
3. Structure, professionalism 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 and

other functional committees.

7. The remuneration paid to the directors, general manager and vice general manager in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the parent Company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors should be disclosed.

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 the corporate governance system through appropriate mechanisms.

## **Chapter VI      Supplementary Provisions**

Article 50            The Company should 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 51            This principle, and any amendments hereto, should come into force after adoption by a resolution of board of directors.

Matters not covered in this principles should be governed by the Securities and Exchange Act, the Companies Act, the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company's Articles of Incorporation and other relevant laws and regulations.

Article 52            This principle was constituted on March 12, 2015.  
Amendment for 1<sup>st</sup> instance: May 8, 2019.