

# Yuanta Commercial Bank

## Corporate Governance Guidelines

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### **Chapter One : General Provisions**

#### **Article 1**

In order to establish a sound corporate governance system and effective corporate governance framework, and to promote the sound development of the Bank's business, these Best Practice Principles are enacted for compliance, with reference to the "Corporate Governance Best-Practice Principles for Banks" established by the Bankers Association Of The Republic Of China, and shall be disclosed on the Bank's website.

#### **Article 2**

When setting up the Bank's corporate governance system, in addition to emphasizing on capital adequacy, asset quality, business management capabilities, profitability, asset liquidity, and risk sensitivity, the Bank shall comply with the following principles:

1. Comply with the laws and regulations and improve internal management.
2. Protect the rights and interests of shareholders.
3. Strengthen the functions of the Board of Directors.
4. Fulfill the functions of the Audit Committee.
5. Respect the rights and interests of stakeholders.
6. Enhance information transparency.

### **Chapter Two : Regulatory Compliance and Improvement of Internal Management**

#### **Article 3**

The Bank shall establish a regulatory compliance system, designate units to be responsible for the planning, management and execution of the said system, establish a consultation, coordination and communication system, provide regulatory training to all units, and appoint personnel to serve as the compliance supervisor, responsible for enforcing the compliance of the laws and regulations, in order to ensure the effective operation of the regulatory compliance system and to strengthen the self-discipline function.

#### **Article 4**

The Bank shall establish a comprehensive internal control system and implement it effectively. The Board of Directors shall bear the ultimate responsibility for ensuring the establishment and maintenance of an appropriate and effective internal control system; the senior management shall be guided and supervised by the Board of Directors, comply with the business strategy, risk preference, remuneration and other policies adopted by the Board of Directors, develop procedures sufficient to identify, measure, monitor and control bank risks, and establish an appropriate and effective internal control system. The organization, procedures, and decisions of the senior management shall be clear and transparent, and the roles, functions, powers, and responsibilities of their positions shall be specified.

The adoption of or amendment to the internal control system shall be approved by more than half of all members of the Audit Committee and shall be submitted to the Board of Directors for resolution; any objections or reservations expressed by Independent Directors shall be stated in the minutes book of the Board of Directors.

#### **Article 5**

The Bank's internal control system shall cover all operational activities, and appropriate policies and operating procedures shall be established for organizational charters, company regulations, business practices, and handling manuals. They shall be regularly reviewed and amended in accordance with changes in regulations, business items, and operating procedures. If necessary, the review shall have the participation of relevant units such as the compliance unit, the internal audit unit, etc.

#### **Article 6**

The Bank's internal audit system shall assess whether the internal control system is functioning effectively and measure operational efficiency, and timely provide improvement suggestions, to ensure that the internal control system is implemented continuously and effectively, and assist the Board of Directors and management to fulfill their responsibilities. The Bank shall establish an audit unit under the Board of Directors to independently perform internal audit operation and regularly report to the Audit Committee and the Board of Directors.

The Bank shall establish communication channels and mechanisms between Independent Directors, Audit Committee and internal audit supervisors. The Bank's responsible person (Director) shall have regular forum discussions with internal audit personnel on the deficiency review of internal control system, with records of the forum kept, follow up and implement improvements, and report to the Board of Directors.

The communication between the members of the Audit Committee and the management of the internal audit unit as described in the preceding paragraph shall be reported to the shareholders meeting by the convener of the Audit Committee.

In order to implement the internal control system and strengthen the professional competence of the internal audit personnel's functionary substitutes, enhancing and maintaining the audit quality and the implementation effect, the Bank shall have functionary substitutes for internal audit personnel.

#### **Article 7**

The Bank's management shall value its internal audit units and personnel and provide them with full authority, to urge them to effectively check and evaluate the deficiencies of internal control systems and measure the efficiency of operations, in order to ensure that the system can be implemented continuously and effectively, thereby implementing the corporate governance system.

The assessment of the effectiveness of the internal control system shall be approved by more than half of all members of the Audit Committee and be submitted to the Board of Directors for resolution.

#### **Article 8**

The Bank shall establish three lines of defense in internal control system, including self-inspection system, regulatory compliance system, risk management mechanism, and internal audit system, and comply with the implementation procedures set by the competent authority, in order to maintain an effective and appropriate operation of the internal control system.

#### **Article 9**

The Bank shall continuously follow up the assessment improvements on the inspection opinions or audit deficiencies brought up by the financial examination authority, CPAs, the Financial Holding Company or internal audit unit, in order to effectively utilize the internal audit and external audit reports, and fully utilize the control functions provided thereby.

#### **Article 9-1**

The Bank's audit personnel and compliance supervisor shall report to the competent authority, if their suggestions for improvement on the material deficiencies of internal control or violations of laws and regulations are not adopted by the management, resulting in significant losses to the Bank.

## **Chapter Three : Protection of Shareholders' Rights and Interests**

### **Article 10**

The Bank shall value shareholders' right to know and strictly abide by the relevant provisions on information disclosure. Information on the Bank's finance, operations, and insiders' shareholdings shall be provided to shareholders through the information system of the Market Observation Post System or the Bank's website.

### **Article 10-1**

The Bank shall formulate relevant internal regulations on donation and submit them to the Board of Directors for resolution, and publicly disclose the donations made to political parties, interested parties, and public interest groups.

### **Article 11**

Shareholders shall have the right to share earnings. In order to ensure shareholders' investment interests, the shareholders' meeting may elect inspectors to audit the reports prepared by the Board of Directors and the report of the Audit Committee, and resolve on the distribution of earnings or offset of losses; the Board of Directors, the Audit Committee, and managerial officers shall cooperate fully with the inspector's audit and shall not refuse, obstruct or evade such inspections.

### **Article 12**

The Bank's material financial business activities, outside the scope of the business operations, such as acquisition or disposition of assets, etc., shall be handled in accordance with the relevant laws and regulations, and the "Regulations Governing the Acquisition and Disposal of Assets" shall be formulated and be submitted to the shareholders' meeting for approval.

When conducting investment, the Bank shall consider the corporate governance situation of the underlying issuing company as the investment reference.

### **Article 13**

The controlling shareholders of the Bank's parent company shall abide by the following matters:

1. Shall perform the duty of good faith to other shareholders, and shall not directly or indirectly cause the Bank to conduct non-arm's-length operations or other disadvantageous operations.
2. Its representative shall comply with the Bank's relevant regulations on exercising of the rights and participation in discussion and resolution. While attending the shareholders' meeting, the representative shall exercise the voting rights in the principle of good faith and for the best interests of all shareholders, or while

serving as Directors (including Independent Directors), the representative shall fulfill the fiduciary duties and the duty of care.

3. The appointment of Directors (including Independent Directors) shall be handled in accordance with the relevant laws and regulations and the Articles of Association, and shall not exceed the terms of reference of the shareholders' meeting and the Board of Directors.
4. Shall not inappropriately intervene in the Bank's decision-making or hinder business activities.
5. Shall not restrict or hinder the Bank's operations by means of unfair competition
6. The representative of the legal entity appointed as the shareholder is elected as a Director shall meet the professional qualifications required by the Bank and shall not be arbitrarily reappointed.

The following principles shall be taken into account in the communication between the controlling shareholders of the Bank's parent company in the preceding paragraph and the Bank in order to comply with the guidelines in the preceding paragraph:

1. In principle, the shareholder shall appoint a representative who is elected as a director of the Company, and such representative may invite the Company's managerial officers to accompany him/her to communicate with the shareholder if necessary, and the Company shall keep a record of the communication.
2. If a controlling shareholder has a proposal for a meeting of the board of directors or a decision on the Company's operations, it shall be presented by his/her director representative at a board of directors meeting or a functional committee for the purpose of exchanging and discussing opinions, and he/she shall not convene a meeting or otherwise improperly interfere with the Company's decisions.
3. A controlling shareholder shall be under an obligation of confidentiality with respect to material information about the Company that comes to his or her attention until such information is publicly disclosed and shall not use such information to engage in insider trading.

#### **Article 14**

The management responsibility of the personnel, assets and finance between the Bank and its affiliated companies shall be clarified, and the risk assessment and the establishment of appropriate firewalls shall be carried out.

#### **Article 15**

In order to prevent the Bank's interested parties from using their positions to engage in improper extension of credit, damaging to the interests of shareholders and depositors and affecting the Bank's operations, the Bank shall place appropriate restrictions on the extension of credit to major shareholders, invested companies, the

Bank's responsible person and staff, or the interested parties of the Bank's responsible person or the staff who handles the extension of credit. It shall also comply with the provisions of the Banking Act regarding the restrictions on extension of credit to interested parties and the relevant regulations by the competent authority.

#### **Article 16**

In order to avoid the improper transfer of interests, damaging the Bank or shareholders' interests, when the Bank conducts real estate transactions with its major shareholders, invested companies, the Bank's responsible person and staff, or the interested parties of the Bank's responsible person, it shall uphold the principles of fairness, impartiality, and objectivity, and comply with the arm's length principle. In addition, it shall comply with the Banking Act and relevant regulations of the competent authority.

#### **Article 16-1**

The Bank shall establish a management development plan, and the Board of Directors shall regularly evaluate the development and implementation of the said plan to ensure sustainable operation.

#### **Article 17**

Regarding the concurrent action and the number of concurrent employment of the Bank's responsible person, the effective execution of the primary and concurrent positions shall be ensured, and it shall not have any conflicts of interest or violation of the internal control of each organization with the concurrent employment.

The Bank shall, based on investment management needs and risk management policies, regularly assess the performance of the responsible person's concurrent duties. The assessment results serve as an important reference for continuing to serve concurrently and discretionarily reducing concurrent positions.

The Bank's managerial officers shall not hold concurrent managerial officer positions at affiliated enterprises, unless otherwise provided by law.

#### **Article 17-1**

Regarding the Director's action within the Bank's business scope for himself (herself) or others, he(she) shall explain the important content of the conduct to and obtain permission from the shareholders' meeting.

#### **Article 18**

The Bank shall establish sound management objectives and systems of finance, business and accounting in accordance with relevant laws and regulations.

The Bank may set a large exposure management system in consideration of its business situation.

#### **Article 19**

If the Bank has business dealings with its affiliated companies, it shall establish written regulations for the financial operations related to each other, based on the principle of fairness and reasonableness. For signing of contracts, the price conditions and payment methods shall be clearly specified, and non-arm's length transactions are prohibited.

The aforementioned written specification shall include the management procedures for transactions and acquisition or disposal of assets, and the relevant material transactions shall be approved by a resolution of the board of directors and approved by or reported to the shareholders meeting.

### **Chapter Four : Enhancing the Functions of the Board of Directors**

#### **Article 20**

The Board of Directors shall be responsible for the Bank's holistic business strategy and major policies and effectively supervise the management.

The operations and arrangements of the Bank's corporate governance system shall ensure that the Board of Directors exercises its functions and powers in accordance with the provisions of the laws and regulations and the Articles of Association.

#### **Article 21**

The structure of the Company's board of directors shall reflect the Company's business development scale and the holdings of the Company's major shareholders, as well as considering the Company's operational needs, and shall set an appropriate number of at least nine director seats accordingly.

The structure of the board of directors shall give consideration to diversity. The ratio of directors who concurrently serve as the Bank's managerial officers should not be overly substantial, and shall adhere to the regulations on concurrent positions stated in Article 17 of these Guidelines. The Company shall set in place a board of directors diversity policy based on the Company's operations, business model, and developmental needs; this policy shall include but not be limited to the two standards below:

1. Basic criteria: age, gender, nationality, etc.
2. Professional knowledge and abilities: professional background (ex: legal, accounting, industry, financial, marketing, technology), professional abilities and industry experience.

The members of the Board of Directors shall generally have the knowledge, skills and literacy necessary to perform their functions and powers. In order to achieve the

Bank's ideal goal of corporate governance, the overall Board of Directors shall possess the following capabilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct risk management.
5. Ability to conduct crisis management.
6. Relevant knowledge of finance.
7. An international market perspective.
8. Ability to lead.
9. Ability to make policy decisions.

#### **Article 21-1**

The Board of Directors shall be aware of the risks faced by the Company's operations, confirm the effectiveness of risk management, and bear the ultimate responsibility for risk management.

The risk management policies and operating procedures set by the Bank shall be approved by the Board of Directors, and reviewed and revised timely as appropriate.

The Bank shall set up a dedicated risk control unit that is independent of the business unit, and it shall regularly submit a risk control report to the Board of Directors. If a material exposure is discovered that can jeopardize financial or business conditions or regulatory compliance, appropriate measures shall be taken immediately, and it shall be reported to the Board of Directors in accordance with the internal regulations.

#### **Article 21-2**

The Bank is advised to establish a governance framework and set up a dedicated or concurrently responsible unit to promote sustainable development. The Bank should conduct risk assessments related to environmental, social, or corporate governance issues relevant to the Bank's operations. The Bank should formulate and the board should supervise the progress of related risk management policies or strategies. The Bank should further establish a schedule for greenhouse gas check and disclosure and quarterly report to the board for supervision.

#### **Article 22**

Unless it is approved by the competent authority, more than half of the Bank's Directors shall not be related as spouses or within the second degree of kinship.

The Bank's Directors shall comply with the provisions of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks."



The Bank shall set up an appropriate number of Independent Director seats in consideration of the scale of operations and business needs; the number of seats shall be four or more, and shall not be less than one-third of the total number of board director seats.

Independent Directors shall possess professional knowledge, and their shareholding and concurrent employment shall be restricted. In addition to being handled in accordance with the relevant laws and regulations, it is not appropriate for Independent Directors to serve as Directors (including Independent Directors) of more than four listed companies.

An Independent Director shall not concurrently serve as an Independent Director in more than three other public offering companies. But if the public offering company the Independent Director concurrently serves is the financial holding company to which the Bank is subordinated to, it is deemed as the same company, and it shall not be counted in the number of concurrently-served companies.

The Bank's Independent Directors shall not serve for more than three consecutive terms.

Independent Directors shall maintain independence in the scope of their business operations and shall not have any direct or indirect interests in the Bank.

The professional qualifications, shareholding and concurrent employment restrictions, the determination of independence, and the nomination (appointment) method of Independent Directors, and other matters to be complied with shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and other relevant regulations.

### **Article 23**

The functions and responsibilities of the Bank's Chairman of the Board and President shall be clearly defined. The Chairman of the Board and the President shall not be held by the same person.

### **Article 24**

The Bank shall specify the terms of reference of the Independent Directors and the relevant human and material resources provided for the exercise of their functions and powers. For material cases or suspected cases, Independent Directors may employ third-party professionals, if necessary, to assist in the assessment, or require internal audit for project review or follow-up. The Bank or other members of the Board of Directors shall not restrict or hinder the execution of duties by Independent Directors.

The Bank may set a reasonable remuneration for Independent Directors which is different from the general Directors.

## **Article 25**

In order to achieve the goal of corporate governance, the main tasks of the Bank's Board of Directors are as follows:

1. Establish an effective and appropriate internal control system.
2. Select and supervise managerial officers.
3. Review the Bank's management decisions and operational plans and monitor their implementation.
4. Review the Bank's financial goals and monitor its achievement.
5. Supervise the Bank's operating results.
6. Examine the performance evaluation standards and remuneration standards of managerial officers and business personnel, and the structure and system of Directors' remuneration.
7. Supervise the Bank to establish an effective risk management mechanism.
8. Supervise the Bank's regulatory compliance.
9. Plan the Bank's future development direction.
10. Maintain the Bank's image.
11. Select experts such as CPAs.

## **Article 25-1**

The following matters shall be raised for discussion at the Bank's board meeting:

1. The Bank's operating plan.
2. Annual and semi-annual financial reports.
3. The adoption of or amendment to the internal control system pursuant to the provisions of Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.
4. The adoption of or amendment to the procedures for material financial business activities such as acquisition or disposition of assets, engaging in derivative transactions, and providing loans, endorsements and guarantees to others, in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.
5. Offering, issuing or private placement of securities of an equity nature.
6. Appointment and dismissal of finance, accounting, risk management, compliance, or internal audit supervisors.
7. Performance evaluation standards and remuneration standards for managerial officers and business personnel, and the structure and system of Directors' remuneration.
8. A donation to a related party or a major donation to a non-related party, provided that a public interest donation of disaster relief that is made for a major natural

disaster may be submitted to the following Board of Directors meeting for retroactive ratification.

9. Other matters as required by law and regulations or the Articles of Association shall be resolved by the shareholders' meeting or submitted to the Board of Directors, or material matters prescribed by the competent authority.

Except for the matters that shall be raised for discussion at the Board of Directors meeting prescribed in Paragraph 1, during the period when the Board of Directors is in recess, if the Board of Directors delegates the exercise of its functions and power to others in accordance with law, regulations, or the Company's Articles of Association, the authority level, content or matters shall be specific and clear, and the collective authorization is prohibited.

The Bank's Board of Directors meeting shall have at least one Independent Director present in person. For the matters that shall require the resolution of the Board of Directors meeting as prescribed in Paragraph 1, all Independent Directors shall be present at the meeting. If an Independent Director is unable to attend in person, he/she shall entrust another Independent Director to attend the meeting as proxy. If an Independent Director objects to or expresses reservations about such a matter, it shall be recorded in the Board of Directors' minutes book; if an Independent Director intends to express an objection or reservation but is unable to attend the meeting in person, in addition to having a legitimate reason, the said Director shall issue a written opinion in advance, which shall be recorded in the Board of Directors' minutes book.

#### **Article 25-2**

It is advisable that the Bank's Board of Directors conducts performance evaluations on the Board of Directors, functional committees and individual Directors via self-evaluation, peer evaluation, entrusted external professional bodies, or other means. The methods and procedures for the performance evaluation is to be established separately.

#### **Article 25-3**

The board of directors with regards to management and performance of the Company's intellectual property, should perform evaluation and oversight of the following facets to ensure that the Company's intellectual property management system is established incorporating the PDCA cycle of "Plan-Do-Check-Act":

1. Formulate business strategy related intellectual property management policies, goals, and system.
2. Based on size and type of intellectual property, establish, implement and maintain the management system for the acquisition, protection, maintenance, and utilization of intellectual property.

3. Resolve and provide the necessary resources for effective implementation and maintenance of the intellectual property management system.
4. Observe any internal or external risks and opportunities associated with the management of intellectual property and take appropriate measures.
5. Plan and implement system for further improvements to ensure that the intellectual property management system operates and performs according to Company expectation.

## **Article 26**

In order to improve the decision-making function and strengthen the management mechanism, the Bank's Board of Directors may set up various functional committees which shall clearly specified in the Articles of Association, in consideration of the size of the Board of Directors and the number of Independent Directors.

The functional committee shall be responsible to the Board of Directors and submit proposals to the Board of Directors for resolution, unless it is for the Audit Committee to exercise the Supervisor's functions and powers in accordance with the provisions of the Securities and Exchange Act, Company Act, and other laws.

Organizational charters shall be established for the functional committees and shall be adopted by the Board of Directors. The organizational charter shall at least contain the terms of reference and responsibilities of the committee, the process of exercising the functions and powers (organization status, qualifications of the members, the process flow of exercising the functions and powers, etc.), and the policy to annually review and assess whether to update the organizational charter.

## **Article 27**

The Audit Committee set up by the Bank shall compose of the entire Independent Directors. It shall have at least three members, one of whom shall be the convener, and at least one of whom shall have competence in accounting or financing expertise. The following matters shall obtain majority consent of the entire members of the Audit Committee and be submitted to the Board of Directors for resolution:

1. The adoption of or amendment to the internal control system pursuant to the provisions of Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption of or amendment to the procedures for material financial business activities such as acquisition or disposition of assets, engaging in derivative transactions, and providing loans, endorsements and guarantees to others, in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.
4. Matters in which a Director is an interested party.
5. Asset transactions or derivatives trading of a material nature.

6. Material loans, endorsement or guarantee provided to others.
7. Offering, issuing or private placement of securities of an equity nature.
8. Appointment, dismissal or remuneration of attest CPAs.
9. Appointment and dismissal of finance, accounting or internal audit supervisors.
10. Annual financial reports and semi-annual financial reports.
11. Other material matters as required by the Bank or the competent authority.

Any matter, except Subparagraph 10, of the preceding paragraph, that has not been consented by majority of the entire members of the Audit Committee may be adopted with the consent of two thirds or more of the entire members of the Board of Directors, without being subject to the restriction prescribed in the preceding paragraph, and the resolutions of the Audit Committee shall be recorded in the minutes book of the Board of Directors.

A minutes book shall be made for the deliberation of the Audit Committee's meeting, shall be thereafter distributed to the Independent Director members of the Audit Committee within twenty days after the meeting, shall be included in the Company's important document files, and shall be perpetually retained during the Company's continuation.

The provisions of the Company Act, Securities and Exchange Act, and other laws and regulations with respect to Supervisors shall apply mutatis mutandis to the Bank's Audit Committee and its Independent Director members.

#### **Article 27-1**

The Bank establishes a Remuneration Committee that incorporates the equivalent functions. Its main responsibilities are to set performance evaluation standards and remuneration standards for managerial officers, and the remuneration structure and system of Directors. Such committees shall have the participation of Independent Directors, and it is advisable that the conveners of such committees shall be served by Independent Directors.

The performance evaluation standards and remuneration standards for the Bank's managerial officers, and the remuneration structure and system of Directors shall be determined in accordance with the following principles:

1. The performance evaluation standards and remuneration standards or structures and systems shall be determined based on the future risk-adjusted performance and in line with the Bank's long-term overall profitability and shareholder interests.
2. The remuneration rewarding system shall not produce an incentive for the Directors, managerial officers to engage in activities to pursue remuneration exceeding the risks that the Bank may tolerate. The remuneration rewarding system and performance shall be reviewed regularly to ensure that they meet the Bank's risk tolerance.

3. The timing for remuneration payment shall be in line with the future risk-adjusted profit to avoid improper losses suffered by the Bank after paying the remuneration. A significant portion of the remuneration rewards shall be paid in a deferred or equity-related manner.
4. In assessing the contribution of the Directors, managerial officers to the Bank's profitability, an overall peer analysis shall be conducted to clarify whether the profit is due to the usage of the Bank's overall advantages such as a lower capital cost, etc., in order to effectively assess the personal contribution.
5. The severance pay agreement between the Bank and its Directors, managerial officers shall be determined based on the realized performance, so as to avoid the improper payment of large severance payments after only short-term employment.
6. The Bank shall fully disclose the aforementioned performance evaluation standards and the remuneration standards, or the principles, methods and objectives of the structure and system to shareholders.

The performance evaluation and remuneration rewarding of business personnel shall be handled in accordance with the provisions of performance evaluation standards and bonus issuance standards approved by the board of directors.

The business personnel regulated by these Principles refer to those whose remuneration or performance evaluation comes from the sale of various financial products and services.

## **Article 27-2**

It is advisable that the Bank establishes and announces channels for internal and external whistleblowers and has whistleblower protection mechanisms in place. The aforementioned system shall establish relevant internal operating procedures and shall be incorporated into the control of the internal control system.

The content of the preceding paragraph shall cover at least the following matters:

1. Establish and announce the Bank's internal whistleblowing mailbox and hotline, or entrust other independent external institutions to provide whistleblowing mailbox and hotline, for the Bank's internal and external personnel to use.
2. Appoint dedicated personnel or unit to handle the whistleblowing system.
3. Documentation and retention of the whistleblowing acceptance, investigation processes, investigation results, and preparation of relevant documents.
4. Confidentiality of the identity of whistleblowers and the content of reported cases.
5. Measures for protecting whistleblowers from inappropriate disciplinary actions due to their whistleblowing.

For whistleblowing cases that do not have real names, addresses, and specific content, the Bank may decide not to accept the case.

After investigation, if the whistleblowing case is found to be untrue and to involve malicious attacks on the Bank or the Bank's personnel, the provisions of Subparagraph 5, Paragraph 2 shall not apply to the said whistleblowing case.

## **Article 28**

The Bank may entrust professionally qualified lawyers to provide appropriate legal consultation to banks, or to assist Directors and management to improve their legal literacy, in order to promote corporate governance in the relevant legal framework and legal procedures.

In the event that a Director or management involves in litigation or has disputes with shareholders while conducting business in accordance with the law, the Bank shall, in accordance with the circumstances, entrust lawyers to assist, and the expenses shall be borne by the Bank.

The Audit Committee or its Independent Directors may, on behalf of the company, entrust lawyers, CPAs, or other professionals to conduct necessary checks or provide consultation on matters relating to the exercise of their functions and powers, at the expense of the company.

## **Article 29**

In order to improve the quality of financial reports, the Bank's accounting supervisor shall have a functionary substitute.

The aforementioned functionary substitute of the accounting supervisor prescribed in the preceding paragraph shall have continuous education every year as the accounting supervisor does, in order to strengthen the professional competence of the functionary substitute.

The accounting personnel related to the preparation of financial reports shall also receive related professional trainings for more than six hours each year. Their training methods may include participating in the Company's internal education training or professional training courses for accounting supervisors offered by a professional development institution.

The Bank shall select professional, responsible and independent attest CPAs to regularly audit the Bank's financial status and internal control. The Bank shall actually review and improve the abnormalities or deficiencies timely discovered and disclosed by the CPAs during the audit process, as well as the specific improvement or prevention suggestions. It is also advisable to establish a communication channel or mechanism between the Independent Directors or Audit Committee and attest CPAs, and to establish internal operating procedures which shall be incorporated into the control of the internal control system.

The Bank shall periodically (at least once a year) evaluate the independence and suitability of the appointed accountants by referring to the Audit Quality Indicators

(AQI). If a CPA has not been replaced for seven consecutive years, if a CPA has been subject to disciplinary action, or if there are circumstances which damage the CPA's independence, whether there is the need to change the CPA shall be considered and the result shall be reported to the Board of Directors.

### **Article 30**

The Bank shall convene the Board of Directors meeting regularly and may call the meeting at any time in case of urgent matters. For the Bank's regularly held Board of Directors meeting, it shall be planned and the agenda shall be prepared in advance, all Directors shall be notified within the required period of time, and sufficient meeting materials shall be provided.

The Bank shall formulate the Rules and Procedures of Board of Directors Meetings to enhance the operational efficiency and decision-making capability of the Board of Directors.

If the Directors think that the meeting materials are insufficient, they may request supplement from the deliberation unit. If the Directors think that the proposal materials are insufficient, they may postpone the discussion by the resolution of the Board of Directors.

### **Article 30-1**

The chairperson of the board of directors is the chairperson of the shareholders meeting, the board of directors internally and represents the Company externally. The chairperson of the board shall faithfully perform his duties and exercise good stewardship, and exercise a high degree of self discipline and prudence.

If the chairperson of the board of directors performs his or her duties for a long period of time in a remote office, such as off-site office, home office, or video conference, he or she shall comply with the provisions in the preceding paragraph and shall ensure the effective performance of his or her duties.

### **Article 30-2**

If the chairperson of the board of directors is absent from office or unable to exercise his or her duties for any reason, the vice chairperson of the board of directors shall act for him or her; if there is no vice chairperson of the board of directors or if the vice chairperson of the board of directors is also absent from office or unable to exercise his or her duties for any reason, the chairperson of the board of directors shall designate one of the directors to act for him or her. If the chairperson of the board of directors does not designate a proxy, one of the directors shall appoint a proxy from among themselves.

When appointing or appointing a proxy for the chairperson of the board of directors from among themselves in accordance with the preceding paragraph, the principle of



separation of banking and commerce shall be complied with as stipulated in the Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Banks and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company.

The proxy of the chairperson of the board of directors in the Paragraph 1 shall not exceed the authority of the chairperson of the board of directors in the exercise of his/her powers and functions during the period of representation, and if there is any limitation, it shall be clearly stated in advance.

Directors shall attend the board meeting in person. If a director is unable to attend a board meeting for any reason, he or she may appoint another director to act on his or her behalf in accordance with the Company's Articles of Incorporation, provided that he or she shall issue a proxy each time and set forth the scope of authority for the meeting notice. A director who attends by proxy may only be appointed by one person.

### **Article 31**

Directors shall uphold the high degree of self-discipline. If a Director or a juristic person that the Director represents is an interested party in relation to an agenda item of the board meeting, likely to prejudice the interest of the Bank, the said Director shall recuse himself or herself from the discussion and voting on the item, not participating in discussion or voting on that agenda item, and shall not exercise voting rights as proxy for another Director. Directors shall also be self-disciplined and shall not inappropriately support each other.

It is advisable that the matters for which Directors shall recuse themselves as prescribed in the preceding paragraph are clearly specified in the Rules and Procedures of Board of Directors Meetings.

### **Article 32**

If the resolution of the Board of Directors has one of the following circumstances, in addition to being stated in the minutes book, it shall be announced and reported in accordance with the relevant provisions of the Taiwan Stock Exchange:

1. Any objection or expression of reservations by an Independent Director of which there is a record or written statement;
2. A resolution adopted with the approval of two-thirds or more of all Directors, without having been adopted by the Bank's Audit Committee.

When the Bank calls a Board of Directors meeting, it may notify the non-Director managerial officers of relevant departments to be in attendance at the meeting, depending on the content of proposals, to report the current business overview and answer questions from Directors. If necessary, CPAs, lawyers, or other professionals may also be invited to be in attendance at the meeting to assist Directors in

understanding the current status in order to make proper resolution; however, they shall be excused during discussion and voting.

### **Article 33**

The deliberation personnel of the Bank's Board of Directors shall, in accordance with relevant regulations, document the meeting minutes report and the deliberation summary, resolution methods, and results of each proposal.

The minutes book of the Board of Directors shall be signed and affixed with chops by the chairman of the meeting and the minutes taker, and shall be thereafter distributed to the Directors within twenty days after the meeting. The Board of Directors' sign-in book constitutes part of the minutes book, included in the Bank's important document files, and perpetually retained during the Bank's continuation.

The preparation, distribution, and retention of the minutes book may be effected by electronic means.

The Bank shall document the entire deliberation process of the Board meeting in video or audio recordings, and retain the record for at least five years. The aforesaid record may be retained in electronic form.

If a litigation with respect to the matters related to resolutions of the board meetings occurs prior to expiration of the retention period specified in preceding paragraph, the relevant audio or video records shall be continuously retained, and the provisions of the preceding paragraph is not applicable.

If the Board of Directors meeting is held via video conferencing, the audio and video recordings of the meeting constitute part of the minutes book and shall be permanently retained.

If the resolution of the Board of Directors violates laws, regulations, and the Article of Association, causing damage to the Bank, the Director who has expressed dissent of which there is a record or written statement for proof is exempt from liability for compensation.

### **Article 34**

The Bank shall clearly deliver the resolution matters of the Board of Directors to the appropriate execution units or personnel, and require them to be implemented according to the planning schedule and objectives. They shall be included in the follow-up management, and their implementation status shall accurately be assessed. The Board of Directors shall fully grasp the progress of implementation, and it shall be reported at the next meeting, in order for the business decision of the Board of Directors to be implemented.

### **Article 34-1**

The Bank shall allocate the appropriate number of corporate governance personnel based on its business scale, business status and managing needs and shall adhere to regulations of the competent authority and TWSE in appointing one corporate governance head to be responsible for corporate governance related issues.

The appointment and dismissal of the corporate governance supervisor prescribed in the preceding paragraph shall be subject to the resolution of the Board of Directors.

The Bank shall establish corporate governance supervisors in accordance with the provisions of these Principles; however, if the competent authority's decree provides otherwise, it shall prevail.

### **Article 34-2**

The corporate governance related matters prescribed in Paragraph 1 of the preceding article shall at least include the following content:

1. Handling matters related to the meetings of the Audit Committee, the Board of Directors and the shareholders' meeting in accordance with the law.
2. Preparation of minutes books of the Audit Committee and Board of Directors.
3. Assisting Directors in their appointment and continuing education.
4. Providing the information required by Directors to exercise their business.
5. Assisting Directors in regulatory compliance.
6. Report to the board of directors on the results of its review of the compliance of the qualifications of independent directors with the relevant laws and regulations at the time of their nomination, election, and during their term of office.
7. Handle matters related to the change of directors.
8. Other matters stipulated in the Articles of Association or contracts, etc.

### **Article 34-3**

The corporate governance supervisors are the Company's managerial officers, and the provisions of the Company Act and the Securities and Exchange Act on managerial officers shall apply.

Unless otherwise provided by the laws and regulations, the corporate governance supervisors may be concurrently served by the personnel holding other positions at the Bank.

If the corporate governance supervisors are concurrently served by the personnel holding other positions at the Bank, the effective implementation of the duties of his or her primary and concurrent positions shall be ensured, and it shall not have any conflicts of interest or violation of the internal control system.

#### **Article 34-4**

The corporate governance supervisors shall obtain the qualifications of lawyers and CPAs, or have held supervisor positions in legal affairs, regulatory compliance affairs, internal audit, finance, stock affairs, or units related to corporate governance as defined in Article 34-2, of securities, finance, futures-related institutions or publicly-issued companies for more than three years.

#### **Article 34-5**

The Bank shall arrange professional training for corporate governance supervisors. The corporate governance supervisors shall receive at least 12 hours of training per year; however, if it is the first appointment, the corporate governance supervisors shall receive at least 18 hours of training within one year from the date of the appointment; the scope of the training, the training system and other training matters shall be handled in accordance with the provisions of the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

#### **Article 34-6**

If a corporate governance supervisor resigns or is dismissed, the Bank shall make an appointment for the vacant office within one month from the date of the fact.

#### **Article 35**

The Board members shall faithfully perform their business and exercise their functions and powers by exercising the due care of a good administrator. The execution of the Bank's business shall be in accordance with the resolutions of the Board of Directors, except for matters that shall be resolved by the shareholders' meeting in accordance with the law or the Articles of Association.

The resolutions of the Board of Directors concerning the Bank's business development and major decision-making direction must be carefully considered and must not affect the promotion and operation of corporate governance.

#### **Article 36**

If the resolution of the Board of Directors violates the provisions of the laws, regulations, and the Articles of Association, the members of the Board of Directors shall promptly handle or stop the implementation of the relevant resolutions as soon as possible, after the Independent Director requests or the Audit Committee notifies the Board of Directors to stop the implementation of the resolution.

When a Director discovers that the Bank has the risk of suffering material damages, it shall be handled in accordance with the provisions of the preceding paragraph, and

the Director shall immediately report to the Audit Committee or the Independent Director members of the Audit Committee.

#### **Article 37**

It is advisable that the Bank enters into a liability insurance contract with an insurance company for the Directors' liabilities for damages in accordance with the law within the scope of their business.

After purchasing the directors liability insurance or renewing such insurance, the Bank shall report the important content such as the insured amount, coverage, and premium rate of the liability insurance to the next Board of Directors meeting.

#### **Article 38**

It is advisable that the Bank's Directors at the first appointment or during the term of office, in accordance with the provisions of the Taiwan Stock Exchange, continue to participate in the corporate governance related education courses on finance, risk management, business, commerce, accounting, legal affairs, AML/CFT, and corporate social responsibilities, etc., organized by the organizations specified by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies; the Bank shall instruct employees at all levels to strengthen professional and legal knowledge.

The directors of the Bank shall include at least three hours of courses on corporate sustainability related to environment (E), society (S), and corporate governance (G) in each year in accordance with the provisions of the preceding paragraph starting from the year following the year in which they assume office.

### **Chapter Five : Fulfilling the Functions of the Audit Committee**

#### **Article 39**

The organization and operation of the Bank's Audit Committee shall comply with the provisions of the Bank's "Audit Committee Charter."

#### **Article 40**

The Bank's Independent Directors shall have abundant professional knowledge, work experience, and an attitude of integrity, down-to-earth, and impartial judgment, and shall actually assess whether they have sufficient time and energy to serve as Independent Directors.

#### **Article 41**

The Bank's Independent Directors shall be familiar with the relevant laws and regulations, understand Directors' rights, obligations, and responsibilities, and the division of labor and operations of each department; they shall also attend the Board

of Directors meeting to participate in its operation and timely express opinions in order to grasp or discover abnormal situations in advance.

#### **Article 42**

The Bank's Independent Directors shall supervise the execution of the banking business and the due diligence of the managerial officers in order to reduce the Bank's financial crisis and operational risks.

When the Bank's Directors conduct trading, lending or other legal acts, other than banking business, for themselves or others with the Bank, the Independent Directors of the Bank's Audit Committee shall be the representatives of the Bank.

#### **Article 43**

The Audit Committee may investigate the Bank's business and financial status at any time, and the relevant departments shall cooperate to provide the books and documents needed for the audit.

When the Audit Committee audits the Bank's finance and business, it may entrust lawyers or CPAs on the Bank's behalf to conduct the audit, but the Bank shall inform the relevant personnel of the confidentiality obligation.

The Board of Directors or managerial officers shall submit reports at the request of the Audit Committee, and shall not for any reason obstruct, evade, or refuse the inspection of the Audit Committee.

When the Audit Committee performs its functions and powers, the Bank shall provide necessary assistance, and the reasonable expenses required shall be borne by the Bank.

#### **Article 44**

In order to facilitate the Audit Committee to discover the possible malpractice of the Bank in time, the Bank shall establish a communication channel between employees and stakeholders, and the Audit Committee.

When the Audit Committee discovers any malpractice, it shall promptly take appropriate measures to prevent the malpractice from spreading, and shall report it to the relevant competent authority or unit when necessary.

If any of the Bank's Independent Directors, President, financial or accounting supervisor, attest CPAs and internal audit department head resigns or is replaced, the Audit Committee shall have an in-depth understanding of the reasons.

If the Audit Committee and its Independent Directors have neglected their duties and thereby caused damages to the Bank, they shall be liable for the damages to the Bank resulted there-from.

#### **Article 45**

When the Bank's Audit Committee exercises its functions and powers, based on the overall consideration of the Bank and shareholders' rights and interest, if it is deemed necessary to exchange opinions, it may convene meetings regularly or irregularly. The minutes book of each meeting shall be permanently and well retained.

#### **Article 46**

The Bank's Independent Directors shall uphold a high degree of self-discipline and shall recuse themselves if they have personal interest in the Audit Committee's proposal which may damage the Bank's interest.

### **Chapter Six : Respecting the Interests of Stakeholders**

#### **Article 47**

The Bank shall maintain an open communication channel with customers, creditors, employees, consumers, the community or the Bank's other stakeholders, and respect and safeguard their legitimate rights and interest. It is advisable for the Bank to set up the stakeholders' zone on the Bank's website.

When the legitimate rights and interests of stakeholders are infringed, the Bank shall properly handle the matter in good faith.

The Bank shall provide sufficient information to customers, within the scope of compliance with the law, so that they can fully understand the Bank's business. When their legitimate rights and interests are infringed, the Bank shall respond positively and take appropriate measures in a responsible manner.

#### **Article 48**

It is advisable that the Bank sets a consumer protection policy that includes at least the handling mechanism for post-sale consumer complaints and sudden major consumer events.

#### **Article 49**

The Bank shall establish an employee communication channel and encourage employees to communicate directly with management and Directors, in order to appropriately reflect employees' opinions on the company's operations and financial status or major decisions concerning employees' interest.

While maintaining normal business development and maximizing shareholders' interests, the Bank shall pay attention to issues such as consumer rights, community environmental protection and public interest activities, and value social responsibility.

## **Chapter Seven : Improving Information Transparency**

### **Article 50**

Information disclosure is the major responsibility of the Bank. The Bank shall perform its obligations faithfully in accordance with the relevant laws, regulations and the Articles of Association.

### **Article 51**

The Bank shall establish an internet-based reporting system for public information, designate personnel responsible for gathering and disclosing the company information, and establish a spokesperson system so as to ensure the proper, fair, and timely disclosure of information about policies that might affect the decisions of stakeholders.

### **Article 52**

In order to improve the correctness and timeliness of the disclosure of material information, the Bank shall appoint personnel who have a full understanding of the Bank's various finances and businesses, can coordinate various departments to provide relevant information, and can individually represent the Bank to make statement externally, to serve as the spokesperson and deputy spokesperson. The Bank shall appoint one or more deputy spokespersons. Any deputy spokesperson shall be able to individually act as a deputy spokesperson to make statement externally when the spokesperson fails to perform the role of spokesperson; however, the priority order shall be established to avoid any confusion.

In order to implement the spokesperson system, the Bank shall unify the procedure of making statement externally, require the management and employees to maintain the confidentiality of financial business secrets, and prohibit disclosure thereof by them at will.

The Bank shall disclose the relevant information regarding any change to the position of the spokesperson or deputy spokesperson upon such change.

### **Article 53**

The Bank shall use the convenience of the Internet to set up a website to disclose financial business related information and corporate governance information for stakeholders to reference, and provide financial, corporate governance or other relevant information in English in consideration of the needs of foreign investors.

The website prescribed in the preceding paragraph shall be maintained by dedicated personnel. The information disclosed shall be detailed, accurate, and updated timely, to avoid misleading.



#### **Article 54**

The Bank's website shall have an area to disclose the following corporate governance-related information, which shall be continuously updated:

1. Board of directors: e.g., biographies of board members and their powers and responsibilities, board member diversity policy and its implementation.
2. Functional committees: e.g., biographies of the members of each functional committee and their powers and responsibilities.
3. Corporate governance-related rules and regulations: e.g., the Articles of Incorporation, the Rules and Procedures of Board Meetings, and functional committee charters, and other corporate governance-related rules and regulations.
4. Important information related to corporate governance: e.g., information on the establishment of a head of corporate governance, etc.

### **Chapter Eight : Supplementary Provisions**

#### **Article 55**

The Bank shall at all times monitor domestic and international development of corporate governance systems and thereby review and improve the Bank's corporate governance mechanism so as to enhance the performance of corporate governance.

#### **Article 56**

Matters not covered by these Principles are subject to relevant laws, such as the Company Act, the Securities and Exchange Act, the Financial Holding Company Act and the Banking Act, and general practices.

#### **Article 57**

These Principles are implemented after the adoption of the Board of Directors, and the same shall also apply to any revision thereto.