

NAN	PAO	Nan Pao Resins Chemical Co., Ltd.	Issue No.	
Edition	2.2	Corporate Governance Code of Practice	Issued on	
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1. Purpose: To establish sound corporate governance systems and promote a sound management, the Company is advised to formulate its own corporate governance principles with reference to the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies” and relevant laws and regulations.
2. Scope: Corporate Governance Principle:  
The Company’s establishment of the corporate governance system shall be in compliance with relevant laws, regulations, and the articles of association, and shall be in conformity to the following principles:
  - I. Protect the rights and interests of shareholders.
  - II. Strengthen the powers of the Board of Directors.
  - III. Fulfill the function of the Audit Committee.
  - IV. Respect the rights and interests of stakeholders.
  - V. Enhance information transparency.
3. Definition: Establishment of internal control procedures and policy:  
The Company shall follow the Regulations Governing Establishment of Internal Control Systems by Public Companies and take into consideration the overall operational activities of itself and its 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 its design and implementation in light of changes in the Company’s internal and external environment. Unless the competent authority otherwise grants an approval, the adoption or amendment of the Company’s internal control system shall be subject to the consent of at least one-half of the members of the Audit Committee and submitted to the Board for approval. When an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of a board meeting.  
The Company shall perform full self-assessments of its internal control system. The Board of Directors and management shall review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The Audit Committee or supervisors shall also attend to and supervise these matters.  
The Company is advised to establish channels and mechanisms of communication between its independent directors, the Audit Committee, and chief internal auditors. Directors and the Audit Committee shall periodically hold discussions with the internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the Board of Directors.  
The assessment of the effectiveness of the internal control system shall be subject to the consent of one-half or more of all members of the Audit Committee and submitted to the Board of Directors for approval. The management of the Company shall pay special attention to the internal audit department and its personnel, fully empower them, and urge them to conduct audits effectively, to evaluate problems of the internal control system, and to assess the efficiency of its operations, in order 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.

Approved by	Wu, Cheng-Hsien	Reviewed by	Lin, Kun-Chin	Drafted by	Huang, Li-Jung
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To put the internal control system into effect, strengthen the professional abilities of the agent of the internal auditor, and to further improve and maintain the quality and implementing result of the audit, the Company shall have a deputy in place for the internal auditor.

The qualification for appointment of the internal auditor and the deputy in place for the internal auditor shall be in accordance with relevant laws and regulations.

4. Responsibilities: Personnel in charge of corporate governance affairs:

The Company may set up a full-time (or part-time) corporate governance unit or personnel to be in charge of corporate governance affairs with the regulations of the competent authority, stock exchange or counter buying center and designate senior officers to be in charge of supervision. The said officers shall be a qualified lawyer or accountant or have at least three years of management experience gained at a public company in handling legal affairs, compliance with laws and regulations, internal audits, financial affairs, stock affairs, etc.

The relevant affairs of corporate governance in the preceding paragraph should at least include the following:

- I. Handling corporate registration and amendment registration
- II. Handling matters related to board meetings and shareholders' meetings according to laws, and assisting the Company to comply with laws and regulations governing such meetings
- III. Compiling minutes of board meetings and shareholders' meetings
- IV. Furnishing information required for business execution by the Board of Directors, and updating them on the development of laws and regulations related to the operation of the Company in order to assist them with legal compliance
- V. Handling affairs related to investor relations
- VI. Other matters set out in the Articles of Association or contracts

5. Content:

5.1. Protect the rights and interests of shareholders

5.1.1. Encourage shareholders to participate in corporate governance

Article 1 (Protect the rights and interests of the shareholders)

The corporate governance system of the Company shall be designed to protect shareholders' rights and interests and treat all shareholders fairly. The Company shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in, and making decisions over important matters of the Company.

Article 2 (Convene shareholders' meetings and provide comprehensive rules for such meetings)

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

Resolutions adopted by shareholders' meetings of the Company shall comply with laws, regulations, and Articles of Association.

Article 3 (The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings.)

The Board of Directors of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and formulate the principles and procedures for shareholders' nomination of directors and submission of proposals. The Board shall also properly handle the proposals duly submitted by shareholders.

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Arrangements shall be made to hold shareholders' meetings at a convenient location, with sufficient time allowed and a sufficient number of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders' meeting called by the Board of Directors, it is advisable that the Board chairperson chair the meeting, that a majority of the directors and at least one supervisor attend in person, and that at least one member of each functional committee attends as representative. Attendance details should be recorded in the shareholders' meeting minutes.

**Article 4 (Encourage shareholders to participate in corporate governance)**

The Company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the Company engages a professional service agent to handle shareholders' meeting matters so that shareholders' meetings can proceed on a legal, effective, and secure basis. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes, to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at such meetings in accordance with law.

The Company that employs electronic voting at a shareholders' meeting is advised to avoid raising extraordinary motions and amendments to original proposals and is advised to adopt a candidate nomination system for the election of directors. The Company is advised to arrange for its shareholders to vote on each separate proposal in the shareholders meeting agenda, and disclose the voting results on the same day, namely the number of votes cast for and against and the number of abstention, through the Market Observatory Post System.

If the Company distributes souvenirs at its shareholders' meeting, it shall not practice differential treatment or discrimination.

**Article 5 (Shareholders' meeting minutes)**

The Company, in accordance with the Company Act and other applicable laws and regulations, shall 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 shall record the method of voting adopted and the total number of votes/shares won for the elected directors. The shareholders' meeting minutes shall be properly and perpetually kept by the Company during its legal existence, and shall be sufficiently disclosed on the Company's website.

**Article 6 (The functional authority of the chairperson in a shareholders' meeting)**

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

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In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting 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 to promptly assist the attending shareholders in electing a new chairperson to continue the proceedings of the meeting, by a resolution adopted by a majority of the votes represented by the shareholders attending the meeting in accordance with the legal procedures.

**Article 7 (Value the shareholders' right to know and Prevent insider trading)**

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

To treat all shareholders equally, it is advisable that the Company concurrently discloses the information as referred to in the preceding paragraph in English.

To protect its shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal rules prohibiting the Company's insiders from trading securities using information not disclosed to the market.

The foregoing specification should include the stock trading control measures taken by the insiders of the listed company on the date of learning of the company's financial report or related performance content, including (but not limited to) directors not allowed to trade their stocks during the closed period 30 days before the announcement of the annual financial report and 15 days before the announcement of the quarterly financial report.

**Article 8 (Report on directors' remuneration at the regular shareholders meeting)**

It is advisable for a listed company to report the remuneration received by the directors at the regular shareholders meeting, including the remuneration policy, the content and amount of individual remuneration, and the correlation with the results of performance evaluation.

**Article 9 (The shareholders shall be entitled to profit distributions by the Company.)**

In order to ensure the investment interests of shareholders, the shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the Board of Directors and 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 inspectors to examine the accounting records and assets of the Company.

The Board of Directors, Audit Committee or supervisors, and managerial officers of the Company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any obstruction, rejection, or circumvention.

**Article 10 (Major financial business operations shall be approved by the shareholders' meeting.)**

In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the Company shall proceed in accordance with the applicable laws and/or regulations and establish operating

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procedures in relation to these material financial and business transactions, which shall be reported to and approved by the shareholders' meeting so as to protect the interests of the shareholders.

In the event of a merger or public acquisition, except as required by relevant laws and/or regulations, attention shall be paid to the fairness and rationality of the merger, public acquisition plan, and transaction, and to the disclosure of information and subsequent soundness of the Company's financial structure.

The relevant personnel of the Company handling the matters as referred to in the preceding paragraph shall pay attention to the occurrence of any conflicts of interests and the need for recusal.

#### 5.1.2. Establishing a mechanism for interaction with shareholders

Article 1 (It is advisable that the Company designates personnel exclusively dedicated to handling shareholders' proposals.)

In order to protect the rights and interests of the shareholders, it is advisable that the Company designates personnel exclusively dedicated to handling shareholders' proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholders, in which it is claimed that shareholders' rights and interests are 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 is caused by a breach of applicable laws, regulations, or the Company's articles of incorporation by any directors, the Audit Committee, or managerial officers in performing their duties. It is advisable that the Company keeps relevant written records for future reference and incorporates the procedures in its internal control system for management purposes.

Article 2 (The Board of Directors of the Company is responsible for establishing a mechanism for interaction with shareholders.)

The Board of Directors of the Company is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of the Company's objectives.

Article 3 (Engage with shareholders in an efficient manner in order to gain shareholders' support)

In addition to communicating with shareholders through shareholders' meetings and encouraging shareholders to participate in such meetings, the Board of Directors of the Company together with managerial officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns and expound the Company's policies explicitly, in order to gain shareholders' support.

#### 5.1.3. Corporate governance relationships between the Company and its affiliated enterprises

Article 1 (Establishment of firewalls)

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

Article 2 (A managerial officer of the Company may not serve as a managerial officer of its affiliated enterprise.)

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Unless otherwise provided by the law and regulations, a managerial officer of the Company may not serve as a managerial officer of its affiliated enterprises.

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

Article 3 (Establish sound systems for management of finance, operations, and accounting)

The Company shall establish sound objectives and systems for the management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its 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 4 (The principle of fairness and reasonableness shall prevail in business dealings with affiliated enterprises.)

When the Company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and no arm's length transactions shall be prohibited. All transactions or contracts made by and between the Company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 5 (Provisions that a corporate shareholder with controlling power shall comply with)

A corporate shareholder having controlling power over the Company shall comply with the following provisions:

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

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Article 6 (A register of major shareholders and the persons with ultimate control over those major shareholders)

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

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

## 5.2. Strengthen the powers of the Board of Directors

### 5.2.1. Structure of the Board of Directors

Article 1 (The functional authority of the Board of Directors)

The Board of Directors of the Company shall guide the Company's strategies, supervise the management, and be responsible to the Company and shareholders' meetings. The various procedures and arrangements of the corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, the Company's articles of incorporation, and the resolutions of the shareholders' meetings. The structure of the Company's Board of Directors shall be determined by choosing an appropriate number of Board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy includes, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, culture, etc. Among them, the ratio of female directors should reach one third of the number of directors.
- II. Professional knowledge and skills: Professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, industry experience, etc.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. Board members must possess knowledge, skills, and quality that are adequate for carrying out their duties. To achieve the goals of corporate governance, the Board of Directors as the whole shall possess the following abilities:

- I. Operational judgment ability
- II. Accounting and financial analysis ability
- III. Operation management ability
- IV. Crisis management ability
- V. Industry knowledge
- VI. International market perspective
- VII. Leadership ability
- VIII. Decision ability

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Article 2 (Procedure for the election of directors)

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

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 below five due to the discharge of a director for any reason, the Company shall hold a by-election for director(s) at the next shareholders meeting. When the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, the Company shall convene a special shareholders' meeting within 60 days of the occurrence of that fact for a by-election for director(s).

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

Article 3 (The candidate nomination system for elections of directors pursuant to the Company Act)

The Company shall in accordance with the laws and regulations of the competent authority, specify in its articles of incorporation that it adopts the candidate nomination system for elections of directors pursuant to the Company Act. It is advisable that the Company reviews in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates recommended by shareholders or directors, and the Company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to shareholders for their reference so that qualified directors will be elected. Before listing the list of the candidates, the Board of Directors shall, in accordance with the provisions, carefully evaluate the qualifications listed in the preceding paragraph and other matters and the candidate's will after acting as a director.

Article 4 (Clear distinctions shall be drawn among the responsibilities and duties of the functional committees, the chairperson of the Board, and the general manager.)

Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the Board and those of the general manager.

It is inappropriate for the chairperson to also act as the general manager. If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors is increased.

The Company has set up a functional committee, the responsibilities and duties of the committee be clearly defined.



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### 5.2.2. Independent director system

#### Article 1 (Establish independent director system)

The Company shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and not less than one-third of the total number of directors. Independent directors should not serve more than three consecutive terms.

Independent directors shall possess the professional knowledge, and there shall be restrictions on their shareholdings. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including an independent director) or supervisor of more than five other TWSE/TPEx listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interests in the Company.

The Company shall, in accordance with Article 192-1 of the Company Act, adopt a candidate nomination system for election of the independent directors and expressly stipulate such system in the articles of incorporation; the shareholders shall elect the directors from among the nominees listed in the roster of director candidates.

Independent and non-independent directors shall be elected at the same time but on separate ballots, pursuant to Article 198 of the Company Act.

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

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

If an independent director is discharged for any reason, resulting in a number of directors lower than that required under Paragraph 1 or the articles of incorporation, a by-election for independent director(s) shall be held at the next shareholders' meeting. In the event that all the independent directors have been discharged, the Company shall convene a provisional shareholders' meeting to hold a by-election within 60 days from the date on which the vacancies arose. The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination, and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange or GreTai Securities Market.

#### Article 2 (Matters to be submitted to the Board of Directors for approval by resolution)

The Company shall 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 shall be noted in the minutes of the board meeting:

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- I. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- II. 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 the acquisition or disposal of assets, derivative trading, the extension of monetary loans to others, or the endorsement or guarantees for others.
- III. A matter bearing on the personal interests of a director or a supervisor.
- IV. A material asset or derivative transaction.
- V. A material monetary loan, endorsement, or provision of guarantees.
- VI. The offering, issuance, or private placement of any equity-type securities.
- VII. The hiring, discharge, or compensation of an attesting CPA.
- VIII. The appointment or discharge of a financial, accounting, or internal auditing officer.
- IX. Any other material matter so required by the competent authority.

Article 3 (The scope of duties of the independent directors)

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

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

When the Company, under its articles of incorporation, or by resolution of its shareholders' meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of directors' compensation and employees' bonuses, and the Company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

5.2.3. Functional Committees

Article 1 (Establish functional committees)

For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company, in consideration of the size of its Board and the number of its independent directors, may set up functional committees for auditing, nomination, risk management, or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation.

Functional committees shall be responsible to the Board of Directors and submit their proposals to the Board of Directors for approval. However, the performance of a supervisor's duties by the Audit Committee pursuant to Article 14-4, Paragraph 4 of the Securities and Exchange Act shall be excluded.

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Functional committees shall adopt an organizational charter to be approved by the Board of Directors. The organizational charter shall 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 the exercise of powers by the committee.

Article 2 (Establish an Audit Committee)

The Audit Committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise. For the Company that has established an Audit Committee, the provisions regarding supervisors in the Securities and Exchange Act, the Company Act, other laws and regulations, and these Principles shall apply mutatis mutandis to the Audit Committee.

For the Company that has established an Audit Committee, Article 25 herein does not apply to the following matters, which shall be subject to the consent of at least a half of all Audit Committee members and be submitted to the Board of Directors for a resolution:

- I. Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- II. Assessment of the effectiveness of the internal control system.
- III. 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 the acquisition or disposal of assets, derivative trading, the extension of monetary loans to others, or the endorsement or guarantees for others.
- IV. A matter bearing on the personal interests of a director.
- V. A material asset or derivative transaction.
- VI. A material monetary loan, endorsement, or provision of guarantees.
- VII. The offering, issuance, or private placement of any equity-type securities.
- VIII. The hiring, discharge, or compensation of an attesting CPA.
- IX. The appointment or discharge of a financial, accounting, or internal auditing officer.
- X. Annual and semi-annual financial reports.
- XI. Any other material matter so required by the Company or the competent authority.

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

Article 3 (Establish A Remuneration Committee)

The Company shall establish a Remuneration Committee. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charters, and related matters shall be handled pursuant to the relevant regulations of the competent authority. The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its suggestions for deliberation by the Board of Directors:

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I. Prescribing and periodically reviewing the policies, systems, standards, and structures for performance evaluation and remuneration for directors and managerial officers.

II. Periodically evaluating and prescribing the remuneration of directors and managerial officers.

When performing the aforementioned official powers, the Remuneration Committee shall follow the principles listed below:

I. With respect to the performance assessments and remuneration of directors and managerial officers of the Company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the Company's business performance, and future risk exposure.

II. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the Company may tolerate.

III. It shall take into consideration the characteristics of the industry and the nature of the Company's business when determining the ratio of bonuses for the short-term performance of its directors and senior management and the time at which the variable part of remuneration is paid.

**Article 4 (Nomination committee should be set up)**

The company should set up a nomination committee and formulate organizational rules, and more than half of the members should be independent directors, and independent directors should be the chairman.

**Article 5 (Whistle-blowing mechanism)**

The Company is advised to establish channels for anonymous internal and external whistle-blowing and whistle-blower protection mechanisms. The unit that handles complaints shall be independent, provide encrypted protection for the files furnished by whistle-blowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.

**Article 6 (Enhance and improve the quality of financial reports)**

To improve the quality of its financial reports, the Company shall establish the position of deputy to its principal accounting officer.

To enhance the professional abilities of the deputy accounting officer as referred to in the preceding paragraph, the deputy's continuing education shall proceed following the schedule of the principal accounting officer.

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

The Company shall select a professional, responsible, and independent attesting CPA as its external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the Company.

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With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review and concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. It is advisable that the Company establishes channels and mechanisms of communication between the independent directors, the 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 shall 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 shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

**Article 7 (Provide adequate legal consultation service to the Company)**

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

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

The Audit Committee or an independent director may retain the service of legal counsel, 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 powers. The incurred fees shall be borne by the Company.

**5.2.4. Rules for the proceedings of board meetings and the decision-making procedures**

**Article 1 (Board of Directors' meetings)**

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

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

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**Article 2 (Company directors shall exercise a high degree of self-discipline)**

The directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the Company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise the voting right on that matter.

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

**Article 3 (Independent directors and board meetings)**

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

In any of the following circumstances, decisions made by the Board of Directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS before the beginning of trading hours on the first business day after the date of the board meeting:

- I. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement
- II. The matter is not approved by the Audit Committee but has the consent of more than two-thirds of all directors.

During a board meeting, managerial officers 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 professionals may be invited to sit in at the meetings to assist the directors in understanding the conditions of the Company for the purpose of adopting an appropriate resolution, provided that

**Article 4 (Board of Directors' meeting minutes)**

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

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

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Meeting minutes may be produced, distributed, and preserved in electronic form.

The Company shall record on audio or video the entire proceedings of a Board of Directors meeting' and preserve the recordings for at least 5 years in electronic form or otherwise.

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

Where a Board of Directors meeting is held via video conferencing, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

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

#### Article 5 (Matters that shall be submitted to the Board of Directors for discussion)

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

- I. The Company's operational plans.
- II. Annual and semi-annual financial reports. However, semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested are exempt.
- III. Adoption or amendment to an internal control system.
- IV. Adoption or amendment, to the handling procedures for financial or operational actions of material significance, such as the acquisition or disposal of assets, derivative trading, the extension of monetary loans to others, and the endorsement or guarantees for others.
- V. The offering, issuance, or private placement of any equity-type securities.
- VI. The performance assessment and the standard of remuneration of the managerial officers.
- VII. The structure and system of directors' remuneration.
- VIII. The appointment or discharge of a financial, accounting, or internal audit officer.
- IX. A donation to a related party or a major donation to a non-related party. However, a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
- X. Any matter required by Article 14-3 of the Securities and Exchange Act or any other laws, regulations, or bylaws to be approved by resolution at a shareholders' meeting or to be submitted to 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 as referred to in the preceding paragraph, when the Board of Directors is in recess, it may delegate the exercise of its powers to others in accordance with law, regulations, or the articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

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#### Article 6 (Implementation of matters pursuant to Board of Directors' resolutions)

The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation. The Board of Directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

#### 5.2.5. Duty of care and responsibility of the directors

##### Article 1 (Obligations of the members of the Board of Directors)

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

Board meeting resolutions that involve the Company's management development and major decisions shall be reviewed carefully, and shall not affect the promotion and operation of corporate governance.

It is advisable that the Company formulates rules and procedures for Board of Directors performance assessments, In addition to that each year it conducts regularly scheduled performance assessments of the Board of Directors, functional committees, individual directors through self-assessments or peer-to-peer assessments, and engage outside professional institutions, or any other appropriate manners. It is advisable that the performance assessments of the Board of Directors (functional committees) shall include the following aspects, and that appropriate assessment indicators shall be developed in consideration of the Company's needs:

- I. The degree of participation in the Company's operations.
- II. Improvement in the quality of decision making by the Board of Directors.
- III. The composition and structure of the Board of Directors.
- IV. The election of the directors and their continuing professional education.
- V. Internal controls.

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

- I. The grasp of the Company's goals and missions.
- II. Recognition of directors' duties.
- III. Degree of participation in the Company's operation.
- IV. Management of internal relationships and communication.
- V. Professionalism and continuing professional education.
- VI. Internal controls.

The Company's Board of Directors shall consider adjusting its composition based on the results of the performance assessments.



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- I. The degree of participation in the company's operations.
- II. Recognition of the responsibilities of functional committees.
- III. Improve the decision-making quality of functional committees.
- IV. The composition of the functional committee and the selection of its members.
- V. Internal controls.

The company should report the results of the performance evaluation to the board of directors, and use it as a reference for the remuneration of individual directors and the nomination for renewal.

**Article 2 (Establish an intellectual property management system)**

The board of directors should evaluate and supervise the following aspects of the company's operating direction and performance of the company's intellectual property to ensure that the company establishes an intellectual property management system with a management cycle of "plan, execute, check and act":

- I. Formulate intellectual property management policies, goals and systems related to operational strategies.
- II. According to the scale and type, establish, implement and maintain its intellectual property acquisition, protection, maintenance and operation management Management system.
- III. Determine and provide sufficient resources to effectively implement and maintain the intellectual property management system.
- IV. Observe internal and external risks or opportunities related to intellectual property management and take corresponding measures.
- V. Plan and implement a continuous improvement mechanism to ensure that the operation and effectiveness of the intellectual property management system are consistent with the company expected.

**Article 3 (Establish a succession plan for the management)**

It is advisable for the Company to establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the Board of Directors to ensure sustainable operation.

**Article 4 (The request of shareholders holding shares continuously for a year or an independent director**

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 shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material injury, members of the Board of Directors shall immediately report to the Audit Committee or the independent director members of the Audit Committee in accordance with the foregoing paragraph

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Article 5 (Liability insurance for directors)

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

Article 6 (Continuing education of the Board of Directors members)

Members of the Board are advised to take courses organized by designated institutions on topics of corporate governance, including finance, risk management, operation, commerce, accounting, law, or corporate social responsibility as stated in the Particulars for Continuing Education of Directors and Supervisors of TWSE/GTSM-Listed Companies at the time of assuming office or during their terms of office.

5.3. Respect the rights and interests of stakeholders

Article 1 (Maintain communication with stakeholders and safeguard their legal rights)

The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders, and shall respect and safeguard their legal rights. It is advisable for the Company to establish a stakeholder's section on its website.

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

Article 2 (Provide sufficient information to banks and its other creditors)

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

Article 3 (Establish channels of communication with employees)

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

Article 4 (The Company's social responsibility)

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

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#### 5.4. Improve information transparency

##### 5.4.1. Enhance information disclosure

###### Article 1 (Information disclosure and the Internet-based reporting system)

The Company shall perform its obligations faithfully in accordance with relevant laws and related TWSE and GTSM rules. The Company shall establish an Internet based reporting system for public information and appoint personnel responsible for gathering and disclosing the information.

The Company shall 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 2 (Appoint a spokesperson)

In order to enhance the accuracy and timeliness of the material information disclosed, a TWSE/GTSM listed company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the Company in making statements independently.

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

In order to implement the spokesperson system, the Company shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

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

###### Article 3 (Set up a corporate governance website)

In order to keep shareholders and stakeholders fully informed, a TWSE/GTSM listed Company shall 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 shall be maintained by specified personnel, and the recorded information shall be accurate, detailed, and updated on a timely basis.

###### Article 4 (Method of convening an investor conference)

The Company shall hold an investor conference in compliance with the regulations of the TWSE, and shall keep an audio or video record of the meeting.

The financial and business information disclosed in the investor conference shall be disclosed on the designated Internet information posting system and provided for inquiry through the website established by the Company or through other channels, in accordance with the TWSE or GTSM rules.

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5.4.2. Disclosure of information on corporate governance

The Company's website shall set up a special area to disclose the following information regarding corporate governance, and keep it up to date:

I. Board of directors: such as the resumes of board members and their rights and responsibilities, the diversity policy of board members and the implementation status.

II. Functional committees: such as the resumes of the members of each functional committee and their powers and responsibilities.

III. Corporate governance related regulations: such as the company's articles of incorporation, board meeting procedures, and functional committee organization regulations and other corporate governance related regulations.

IV. Important information related to corporate governance: such as setting up corporate governance director information, etc.

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

5.6. The Corporate Governance Code of Practice of the Company shall be implemented after the Board of Directors grants the approval. The same procedure shall be followed when the principles are amended.

6. Supplementary provisions: None.

7. Reference documents: None.

8. Amendment record:

8.1. Edition 1.0 approved and issued by the Board of Directors on April 12, 2018

8.2. Edition 2.0 approved and issued by the Board of Directors on March 21, 2019

8.3. Edition 2.1 approved and issued by the Board of Directors on March 25, 2021

8.4. Edition 2.2 approved and issued by the Board of Directors on December 22, 2021