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# **Corporate Governance**

# **Best-Practice Principles**

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## 1. Purpose:

In order to establish a sound corporate governance system and promote the integrity of the securities market, the Company adopts its own Corporate Governance Best-Practice Principles (hereinafter referred to as the “Principles”) according to the regulations relating to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies adopted jointly by the Taiwan Stock Exchange (hereinafter referred to as the “TWSE”) and the Gre Tai Securities Market (hereinafter referred to as the “GTSM”) for the Company to comply with after the Company’s public offering in Taiwan.

## 2. Scope:

(Principles of Corporate Governance)

When setting up corporate governance systems, the Company shall comply with relevant laws and regulations, the articles of incorporation, the contracts signed with the GTSM and other relevant regulations, and shall also follow the following principles:

- (1) Establishing an effective corporate governance framework.
- (2) Complying with laws and regulations and perfecting internal management.
- (3) Protecting the rights and interests of shareholders.
- (4) Strengthening the functions and powers of the board of directors and the committees under the board of directors.
- (5) Respecting the rights and interests of employees and stakeholders.
- (6) Enhancing information transparency.

## 3. Authority:

The financial department shall be responsible for adopting and amending these Principles.

## 4. Definition:

N/A

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## 5. Contents:

### 5.1 (Establishment of Internal Control System)

The Company shall follow the Regulations Governing Establishment of Internal Control Systems by Public Companies and take into consideration the overall operational activities of the Company and its subsidiaries in establishing an effective internal control system, and review it at all times, in order to ensure the continued effectiveness of its design and implementation in light of changes in the Company's internal and external environment.

Unless otherwise approved by the competent authority, the adoption or amendment to the internal control system shall be submitted to the audit committee for the approval of more than one-half of all the members thereof, and shall be submitted to the board of directors for approval by resolution. When an independent director has a dissenting opinion or qualified opinion during the proceeding of the meeting of the board of directors, the dissenting opinion or qualified opinion shall be specified in the minutes of the meeting of the board of directors.

The board of directors and the management shall duly perform voluntary reviews of the internal control system, and shall review the result of the voluntary reviews of each department and the audit report of the audit department at least annually. The directors and supervisors shall periodically arrange conversations with the internal auditors with respect to the review of the deficiencies in the internal control system, and shall make the records relating thereto. If the Company has established an audit committee in accordance with the Securities and Exchange Act, the assessment of the effectiveness of the internal control system shall be subject to the consent of more than one-half of all members of the audit committee and shall be submitted to the board of directors for approval by resolution.

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

To realize the internal control system of the Company, strengthen the professional abilities of the agent of the internal auditor, and to improve and maintain the quality and implementing result of the audit, the Company shall have deputies in place for the internal auditors. The requirement on the qualification for the internal auditors as specified in the Regulations Governing Establishment of Internal Control Systems by Public Companies shall be applied to the deputies of the internal

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auditors of the Company.

## 5.2 (Protection of the Rights and Interests of Shareholders)

The Company shall take the protection of the rights and interests of shareholders as its foremost goal and treat all shareholders fairly. The Company shall establish a corporate governance system which ensures that shareholders have the right to be fully informed of, participate in and make decisions over important matters of the Company.

The Company shall convene meetings of shareholders in accordance with relevant laws and regulations and adopt comprehensive rules for such meetings. The Company shall duly implement the resolutions adopted by meetings of shareholders in accordance with the rules for the meetings. The resolutions adopted by meetings of shareholders shall comply with laws and regulations and the articles of incorporation of the Company.

The board of directors of the Company shall properly arrange the proposals for discussion and procedures for meetings of shareholders. Shareholders shall be granted reasonable time to deliberate each proposal and afforded appropriate opportunities to make statements. For the meeting of shareholders that is convened by the board of directors, a majority of the directors attending the meeting in person is advisable.

The Company shall encourage shareholders to participate in corporate governance and hold meetings of shareholders in a legal, effective and safe way. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure and voting, so as to enhance the attendance rate of shareholders at meetings of shareholders and to ensure that the shareholders can exercise their rights as shareholders at meetings of shareholders in accordance with laws.

The distributions of the souvenirs of meetings of shareholders by the Company, if any, shall not be treated differently and shall not constitute discrimination.

The Company shall, in accordance with the Company Act and other relevant laws and regulations, record in the minutes of a meeting of shareholders the date and place of the meeting, the name of the chairperson, the method of the adoption of 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 minutes of a meeting of shareholders shall specify the method of voting adopted and the total number of votes for the directors-elect.

The minutes of meetings of shareholders shall be properly and perpetually kept during the existence

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of the Company, and shall be sufficiently disclosed on the website of the Company (if any).

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

In order to protect the rights and interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of the rules governing the proceedings of the meetings of shareholders, the members of the board of directors other than the chairperson are advised to promptly assist the attending shareholders at the shareholders meeting 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.

The Company shall pay attention to the right of the shareholders to know, and shall duly comply with the applicable regulations regarding the disclosure of information to provide, regularly and timely, the shareholders with the information relating to the financial conditions and operations, the insiders' shareholdings, and the status of the corporate governance by utilizing the Market Observation Post System or the website established by the Company.

In order to protect the rights and interests of shareholders, the Company is advised to designate specific persons to handle the proposals submitted and the inquiries raised by shareholders and the disputes relating to shareholders. The Company shall objectively and properly deal with the matters arising from any action instituted by shareholders pursuant to the applicable laws claiming damage to such shareholders' rights and interests caused by the resolution adopted in the meetings of shareholders or the board of directors of the Company in violation of the applicable laws and regulations or the articles of incorporation of the Company, or claiming a breach by the directors or managers of applicable laws and regulations or the articles of incorporation of the Company when performing their duties.

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 comply with relevant laws and regulations and adopt relevant operating procedures which shall be submitted to the meeting of shareholders for approval so as to protect the rights and interests of shareholders.

When the Company is involved in a management buyout, the Company shall comply with relevant laws and regulations, and is advised to establish an objective and independent committee to review

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the rationality of the acquisition price and the acquisition plan, as well as pay attention to the regulations regarding the public disclosure of information. The relevant personnel of the Company handling the aforementioned matters shall pay attention to the event of conflict of interest and the avoidance from the same.

### 5.3 (Corporate Governance between the Company and Its Affiliates)

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

Unless otherwise provided by laws and regulations, a manager of the Company shall not serve as a manager of the affiliates of the Company. 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 meeting of shareholders and obtain its consent.

The Company shall establish a sound management system for finance, operations and accounting in accordance with relevant laws and regulations, and shall, together with its affiliates, properly conduct an overall risk evaluation of the major correspondent banks, customers and suppliers, and carry out the necessary control mechanism to reduce credit risks.

Where the Company and its affiliates enter into business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of equitableness and reasonableness. Price and payment terms shall be specifically stipulated in the agreements, and non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the Company and its affiliates and shareholders shall follow the principles set forth in the preceding paragraph, and tunneling of profits is strictly prohibited.

A corporate shareholder having controlling power over the Company (hereinafter referred to as the "Corporate Shareholder") shall comply with the following provisions:

- (1) The Corporate Shareholder 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) The representative of the Corporate Shareholder shall follow the rules implemented by the Company with respect to the exercise of rights and participation of resolution, so that at a meeting of shareholders, the representative shall exercise his/her voting right for the best interest

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of all shareholders and in good faith and exercise the fiduciary duty and duty of care of a director.

- (3) The Corporate Shareholder shall comply with relevant laws and regulations and the articles of incorporation of the Company in nominating directors and shall not act beyond the authority granted by the meetings of shareholders or board of directors.
- (4) The Corporate Shareholder shall not improperly intervene in corporate policy making or obstruct corporate management activities.
- (5) The Corporate Shareholder shall not restrict or impede the management or production of the Company by methods of unfair competition.

The Company shall ensure the command at any time of information on the identity of the major shareholders, who own a higher percentage of shares and have an actual control over the Company, and the ultimate controlling persons behind the major shareholders. The aforementioned major shareholder refers to those who owns more than five percent of the shares of the Company or those whose shareholding stake is on the top ten lists, provided, however, that the Company may set a lower shareholding threshold according to the actual status of the shareholding which controls the Company.

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

#### 5.4 (Enhancing the Function of Board of Directors)

The board of directors of the Company shall be responsible to the meetings of shareholders. The procedures and arrangement relating to corporate governance shall ensure that the board of directors will comply with laws and regulations and the articles of incorporation of the Company or the resolutions of the meetings of shareholders to perform its duties.

Regarding the structure of the board of directors, the Company shall determine an appropriate number of more than five of the board members based on its business development scale, the shareholding of its major shareholders and practical operational needs.

The members of the board of directors shall be generally equipped with necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goal of corporate governance, the board of directors as a whole shall possess the following abilities:

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- (1) Ability to make operational judgment.
- (2) Ability to perform accounting and financial analysis.
- (3) Ability to conduct operational management.
- (4) Ability to manage crisis.
- (5) Industrial knowledge.
- (6) International market perspective.
- (7) Ability to lead.
- (8) Ability to make decisions.

The Company shall establish a fair, just, and open procedure for the election of directors, and shall adopt the cumulative voting mechanism in order to fully reflect the opinions of shareholders. Unless otherwise the competent authority grants an approval, a spousal relationship or a familial relationship within the second degree of kinship shall not exist among over half of the directors of the Company.

Where the number of directors falls below five due to the release of directors for any reason, the Company shall hold a by-election for directors at the next following meetings of shareholders. Where the number of directors falls short by one-third of the total number of directors required, the Company shall convene an extraordinary meeting of shareholders within sixty days upon the occurrence of that fact for a by-election for directors.

The aggregate shareholding percentage of all of the directors of the Company shall comply with 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 relevant regulations, and the relevant information shall be fully disclosed.

The Company may specify in the article of incorporation that it adopts the candidate nomination system for elections of directors. The Company may review in advance the qualification, education background and working experience of the candidates recommended by shareholders or directors and the existence of any disqualification issues as prescribed by laws and regulations, and then provides the results of the review to shareholders for their reference so as to produce qualified directors.

The responsibilities and duties of the chairman of the board of directors of the Company and those

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of the general manager shall be clearly distinguished. The chairman of the board of directors is not advised to act concurrently as the general manager. If the chairman of the board of directors also acts as the general manager or they are spouses or relatives within one degree of kinship, the number of independent directors is advised to be increased.

#### 5.5 (Independent Director System)

The Company may appoint at least three independent directors according to the articles of incorporation. Where the number of independent directors falls below the aforementioned number due to the release of the independent directors for any reason, the Company shall hold a by-election for independent directors at the next following meeting of shareholders. In the event that the independent directors are all released, the Company shall convene an extraordinary meeting of shareholders within sixty days upon the occurrence of that fact for a by-election for independent directors.

The professional qualification and shareholdings of independent directors and the positions they may concurrently hold shall be restricted. The independent directors shall maintain independence within the scope of their duties, and shall not have any direct or indirect interest in the Company.

The candidate nomination system shall be adopted also for the election of independent directors. The shareholders shall elect the independent directors from among the nominees listed in the roster of the candidates of independent directors. Independent and non-independent directors shall be on separate ballots.

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

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 is advised to stipulate the calculation basis for the remuneration for the independent directors in the articles of incorporation. Different but reasonable remuneration from that of other directors may be granted to the independent directors.

#### 5.6 (Audit Committee and Other Functional Committees)

For the purpose of developing supervision functions and strengthening management mechanisms, the board of directors of the Company may, taking into account the size of the board of directors and the number of the independent directors, set up an audit committee or any other functional

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committees and have them stipulated in the articles of incorporation.

Functional committees shall be responsible to the board of directors and submit the proposals to the board of directors for approval by resolution. Functional committees shall adopt organizational charters to be approved by the board of directors by resolution. The organizational charters shall contain the number of the members, term of office and power of the committees, as well as the meeting rules and resources to be provided by the Company for the exercise of power by the committees.

The Company has set up an audit committee and a remuneration committee. The regulations governing the audit committee and remuneration committee have been adopted and approved by the board of directors by resolution.

The Company shall select a professional, responsible and independent certified public accountant to perform regular reviews of the financial conditions and internal control measures of the Company. With regard to the irregularity or deficiency timely discovered and disclosed by the certified public accountant during the audit, and the concrete measures for improvement or prevention suggested by the certified public accountant, the Company shall duly review and take improvement actions.

The Company shall periodically evaluate at least once a year the independence of the certified public accountant engaged by the Company. In the event that the Company engages the same certified public accountant without replacement for seven years consecutively, or if the certified public accountant is subject to disciplinary actions or other circumstances prejudicial to the independence of the certified public accountant, the Company shall review the necessity of replacing the certified public accountant, and shall submit to the board of directors the conclusion of such review.

The Company is advised to engage a professional and competent lawyer to provide adequate legal consultation services to the Company, or to assist the board of directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction by the Company or its staff of laws or regulations, and ensuring the corporate governance matters will be carried out pursuant to relevant legal framework and legal procedures.

In the event that the directors or the management are involved in litigation as result of performing his or her duties as provided by law or arising from shareholders disputes, the Company shall retain a lawyer to provide assistance therein as the case may be.

The audit committee or an independent director may retain the lawyer, certified public accountant or other professionals on behalf of the Company to conduct necessary audit or provide consultation on

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the matters in relation to the exercise of their power at the cost of the Company.

#### 5.7 (Regulations Governing the Procedure for the Meetings of Board of Directors and the Decision-Making Procedures)

The Company has adopted the Regulations Governing the Procedure for the Meetings of Board of Directors. Relevant decision-making procedures shall be carried out according to the Regulations Governing the Procedure for the Meetings of Board of Directors.

A director shall strictly discipline himself and shall voluntarily leave the meeting of board of directors when the proposals discussed in the meeting is in the interest of the director which may harm the interest of the Company, and shall not participate in the discussion and voting of the proposals or act as a proxy for any other directors on those proposals. The matters that a director shall voluntarily leave the meeting of board of directors shall be specifically set forth in the Regulations Governing the Procedure for the Meetings of Board of Directors.

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and shall be announced and reported on a website designated by the competent authority within two days upon the date of the meeting of the board of directors:

- (1) An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
- (2) A matter fails to be approved by the audit committee (if the Company has set up an audit committee) but is approved by more than two-thirds of all directors.

During the proceeding of the meetings of board of directors, the managers from relevant departments who are not directors may, in view of the meeting agenda, attend the meetings to report the current business conditions of the Company and reply to the inquiries raised by directors. Where necessary, the certified public accountant, lawyer or other professionals may be invited to attend the meetings to assist the directors in understanding the status of the Company for the purpose of adopting an appropriate resolution.

The Company shall ask the appropriate corporate department or personnel to handle matters and implement actions pursuant to the resolutions made by the board of directors in a way consistent with the program schedule and objectives. The Company shall also follow up on those matters and duly review their implementation. The board of directors shall ensure full control of the progress of the implementation of these matters and report in the next meeting so as to ensure that the management decisions of the board of directors can be realized.

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## 5.8 (Fiduciary Duty and Duty of Care and Responsibility of Directors)

The members of board of directors shall perform their duties faithfully and perform the duty of due care as a reasonable person. The members of board of directors shall exercise their power with a high level of self-discipline and prudential attitude. Except for the matters reserved for the approvals of the meetings of shareholders by law or the articles of incorporation, the members of board of directors shall duly handle the matters according to the resolutions made by board of directors when carrying out the businesses of the Company.

Where the resolutions made by the board of directors are involved in the business development and the direction of a significant policy of the Company, the board of directors shall make careful consideration and shall not affect the promotion and implementation of corporate governance.

Independent directors shall perform their duties in accordance with relevant laws and regulations and the articles of incorporation so as to protect the rights and interests of the Company and shareholders.

The Company is advised to conduct yearly performance assessment on the board of directors, functional committees and each director by self-assessment, peer-to-peer assessment, outside professional institution engaged or other appropriate ways.

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

If a resolution made by the board of directors violates law and regulations or the articles of incorporation, at the request of the shareholders holding shares continuously for more than a year or an independent director to discontinue the implementation of the resolution, the members of board of directors shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering any threat of the Company suffering material damage, the members of board of directors shall carry out the matters as referred to in the preceding paragraph and report to the audit committee or a member of the audit committee which shall be an independent director immediately.

According to the articles of incorporation, the Company may take out liability insurance for directors with respect to their liabilities required by law resulting from the exercise of their duties during their terms of office so as to reduce and spread the risk of material damage to the Company and shareholders arising from the misconducts or negligence of directors.

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The members of the board of directors are advised to, upon becoming directors and throughout their terms of office, participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated by the Directions for the Implementation of Continuing Education for Directors of TWSE Listed and GTSM Listed Companies which cover the topics relating to corporate governance, and shall also ensure that the employees of the Company at all levels will enhance their professional knowledge and legal knowledge.

#### 5.9 (Respecting the Rights and Interests of the Interested Parties)

The Company shall maintain open channels of communication with the correspondent banks, other creditors, employees, consumers, suppliers, community or other interested parties of the Company and shall respect and safeguard their legal rights and interests.

When the Company is involved in a management buyout, the Company shall monitor the soundness of financial structure of the Company thereafter. When the legal rights or interests of an interested party are damaged, the Company shall handle such matter in a proper manner and in good faith.

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

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

In developing the Company's 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 take the social responsibilities of the Company seriously.

#### 5.10 (Improving Information Transparency)

Publication of information is the major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and regulations and the rules prescribed by the TWSE or GTSM.

The Company shall establish an internet-based reporting system for public information, appoint

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personnel responsible for gathering and disclosing the information of the Company, and establish a spokesperson system so as to ensure the proper and timely disclosure of the information that may affect the decisions of shareholders and interested parties.

In order to enhance the accuracy and timeliness of the disclosure of material information, the Company shall appoint a spokesperson and deputy spokesperson(s) who understand thoroughly the Company's financial and business conditions and 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 deputy spokesperson(s). When the spokesperson cannot perform his/her duties of making statements, any of the deputy spokesperson(s) shall be capable of independently making external statements on behalf of the spokesperson, provided that the order of the authorities of the deputy spokesperson(s) shall be confirmed to avoid any confusion.

In order to implement the spokesperson system, the Company shall unify the process of making external statements and require the management and employees to keep confidential the financial and operational secrets and prohibit the disclosure thereof by the management and employees at will.

The Company shall immediately disclose relevant information regarding any change to the spokesperson or the deputy spokesperson upon such change.

The Company is advised to utilize the convenience of the Internet to set up a website containing relevant financial and operational information of the Company and the information on corporate governance for the reference of shareholders and interested parties, and is advised to provide the information on corporate governance in English as well.

To avoid misleading information, the website referred to in the preceding paragraph shall be maintained by specified personnel, and the information contained in the website shall be accurate and detailed and updated timely.

The Company shall hold a meeting for institutional investors in compliance with the rules prescribed by the TWSE and the GTSM, and the meeting is advised to be kept by audio or video records. The financial and business information disclosed in the meeting for institutional investors shall be disclosed on the designated Internet information posting system and provided for inquiry through the website established by the Company or other channels in accordance with the rules prescribed by the TWSE or the GTSM.

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#### 5.11 (Disclosure of Information Regarding Corporate Governance)

The Company is advised to disclose the following information regarding corporate governance in the fiscal year in accordance with the laws and regulations prescribed by the TWSE and the GTSM:

- (1) The framework and rules of corporate governance.
- (2) The Company's ownership structure and the rights and interests of shareholders.
- (3) The Structure and independence of the board of directors.
- (4) The duties and responsibilities of the board of directors and managers.
- (5) The composition, the duties and responsibilities and the independence of the audit committee.
- (6) The composition, the duties and responsibilities and the operation of the remuneration committee.
- (7) The remuneration paid to the directors, supervisors, general manager and vice general manager in the most recent fiscal year; the analysis of the percentage of total remuneration to the net profit after tax; the policy, standard and package of remuneration payment; the procedure for determination of remuneration; and the connection between the remuneration and the operational performance. The remuneration paid to the directors and supervisors shall be disclosed respectively under specific special circumstances.
- (8) The progress of the trainings on directors.
- (9) The rights of interested parties and the interests between them.
- (10) The details of the arrangement of the matters relating to the disclosure of information as required by laws and regulations.
- (11) The enforcement of corporate governance and the differences between these Principles and the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.
- (12) Other relevant information regarding corporate governance.

The Company is advised to, after taking into account the actual performance of the corporate governance system, disclose the concrete plans and measures to improve its corporate governance system through appropriate mechanisms.

#### 5.12 (Supplementary of Relevant Laws and Regulations)



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

5.13 (Enforcement and Amendment)

These Principles shall be enforced after being approved by the audit committee and the board of directors. The same shall apply to any amendment to these Principles.

**6. References:**

6.1 Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

**7. Relevant Forms:**

N/A.

**8. Attachments:**

8.1 N/A.