

# Advanced Analog Technology, Inc.

## Corporate Governance Best Practice Principles

### Chapter 1 General Provisions

- Article 1 To establish a sound corporate governance system, the Company has formulated this Code in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" for compliance purposes.
- Article 2 In addition to complying with laws, regulations, the Articles of Incorporation, and contracts and related rules signed with the Taipei Exchange, the Company shall adhere to the following principles:
1. Establish an effective corporate governance structure.
  2. Protect shareholders' rights and interests.
  3. Strengthen the functions of the Board of Directors.
  4. Enhance the role of the Audit Committee.
  5. Respect the rights and interests of stakeholders.
  6. Improve information transparency.
- Article 3 In accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies," and considering the overall operations of the Company and its subsidiaries, the Company has established an effective internal control system, which shall be continuously reviewed to respond to changes in the internal and external environment, ensuring the system's design and execution remain effective.
- Except for cases approved by the competent authority, the establishment or revision of the internal control system shall require the consent of more than half of all members of the Audit Committee and be submitted for resolution by the Board of Directors. Any dissenting or reserved opinions from independent directors shall be recorded in the minutes of the Board meeting.
- In addition to conducting self-assessments of the internal control system, the Board of Directors and management shall review the self-assessment results of each department at least annually and examine the quarterly audit reports from the audit unit. The Audit Committee shall pay attention to and supervise these matters.
- Management shall value the internal audit unit and personnel, granting them sufficient authority to thoroughly inspect and evaluate deficiencies in the internal control system and measure operational efficiency, thereby ensuring the system's continuous effective implementation. This also assists the Board and management

in properly fulfilling their responsibilities and further solidifies the corporate governance system.

To implement the internal control system effectively and strengthen the professional competence of internal audit personnel as agents, improving and maintaining audit quality and execution effectiveness, the Company shall appoint a deputy for internal audit personnel. The deputy shall meet the conditions and continuing education hours as required by relevant laws and regulations.

## **Chapter 2 Protection of Shareholders' Rights and Interests**

### **Section 1 Encouraging Shareholders' Participation in Corporate Governance**

Article 4 The Company's implementation of the corporate governance system shall prioritize the protection of shareholders' rights and interests as its highest goal and treat all shareholders fairly.

The Company shall establish a corporate governance system that ensures shareholders have sufficient rights to be fully informed of, participate in, and decide on significant company matters.

Article 5 The Company shall convene shareholders' meetings in accordance with the Company Act and relevant laws and regulations, and shall establish comprehensive rules of procedure. Matters requiring resolution by the shareholders' meeting must be duly executed in accordance with these rules. The resolutions of the shareholders' meeting shall comply with applicable laws, regulations, and the Company's Articles of Incorporation.

Article 6 The Company's Board of Directors shall properly arrange the agenda and procedures for the shareholders' meeting; the meeting location should be convenient, sufficient time reserved, and appropriate personnel appointed to handle the registration process. No additional documentary requirements shall be imposed arbitrarily on the proof of attendance submitted by shareholders. Reasonable time shall be allocated for discussion of each agenda item, and shareholders shall be given appropriate opportunities to speak. The shareholders' meeting convened by the Board of Directors should be presided over by the Chairperson in person. At least one representative from each functional committee should attend, and their attendance shall be recorded in the minutes of the shareholders' meeting.

Article 7 The Company shall encourage shareholders to participate in corporate governance and is advised to appoint a professional shareholder services agency

to handle shareholders' meeting affairs, ensuring that meetings are convened legally, effectively, and securely. The Company shall utilize various methods and channels, including extensive use of technology for information disclosure and voting, to increase shareholder attendance at meetings and ensure that shareholders can exercise their rights in accordance with the law.

Article 8 The Company shall, in accordance with the Company Act and relevant laws and regulations, record in the minutes of the shareholders' meeting the year, month, day, location, name of the chairperson, and the method of resolution. The minutes shall also include a summary of the proceedings and the results.

For the election of directors and supervisors, the minutes shall specify the voting method used and the number of votes received by the elected directors and supervisors.

The minutes of the shareholders' meetings shall be properly preserved permanently during the Company's existence and should be sufficiently disclosed on the Company's website.

Article 9 The chairperson of the shareholders' meeting shall be fully aware of and comply with the Company's rules of procedure, maintain the orderly conduct of the agenda, and shall not arbitrarily declare the meeting adjourned.

To protect the rights and interests of the majority shareholders, if the chairperson unlawfully declares the meeting adjourned in violation of the rules of procedure, the other members of the Board of Directors should promptly assist the attending shareholders in following the legal procedures to elect a new chairperson by majority vote of the attending shareholders, and continue the meeting.

Article 10 The Company shall value shareholders' right to information and fully comply with relevant disclosure regulations by regularly and promptly providing shareholders with information on the Company's financial status, business operations, insider shareholdings, and corporate governance through the Market Observation Post System or the Company's official website.

To protect shareholders' rights and ensure equal treatment of all shareholders, the Company shall establish internal regulations prohibiting insiders from trading securities based on material non-public information.

Article 11 Shareholders have the right to share in the Company's profits. To safeguard shareholders' investment interests, the shareholders' meeting may, in accordance with Article 184 of the Company Act, examine the report prepared by the Board of Directors or the Audit Committee's report, and resolve on the distribution of earnings or the appropriation of losses. When conducting such examination, the

shareholders' meeting may appoint an inspector to carry it out.

Shareholders may, in accordance with Article 245 of the Company Act, petition the court to appoint an inspector to examine the Company's business accounts and financial status.

The Company's Board of Directors, Audit Committee, and managers shall fully cooperate with the inspection work of the inspectors appointed under the preceding two provisions and shall not obstruct, refuse, or evade such inspections.

Article 12 The Company's major financial transactions, such as the acquisition or disposal of assets, loans of funds, and endorsements or guarantees, shall be conducted in accordance with relevant laws and regulations and established operating procedures, which shall be submitted to the shareholders' meeting for approval in order to protect shareholders' rights and interests.

In the event of a Management Buyout (MBO), the Company shall comply with applicable laws and regulations and is advised to form an objective and independent review committee to assess the reasonableness of the purchase price and acquisition plan, while also adhering to information disclosure requirements. Personnel handling the matters described above shall be mindful of potential conflicts of interest and shall recuse themselves when necessary.

Article 13 To ensure the protection of shareholders' rights and interests, the Company should appoint dedicated personnel to properly handle shareholder proposals, concerns, and disputes.

If the resolutions of the shareholders' meeting or the Board of Directors violate laws or the Company's Articles of Incorporation, or if the directors, Audit Committee members, or managers violate laws or the Articles of Incorporation in the performance of their duties causing damage to shareholders' rights and interests, the Company shall properly manage any lawsuits filed by shareholders in accordance with the law.

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

Article 14 The management objectives and responsibilities for personnel, assets, and finances between the Company and its related enterprises shall be clearly defined, with risk assessments properly conducted and appropriate firewalls established and maintained.

Article 15 The Company shall establish sound financial, business, and accounting

management objectives and systems in accordance with relevant laws and regulations. It shall also conduct comprehensive risk assessments with its related enterprises regarding major banks, customers, and suppliers, implementing necessary control mechanisms to reduce credit risk.

Article 16 When the Company engages in business transactions with its related enterprises, it shall establish written regulations governing financial and business operations between the parties based on the principles of fairness and reasonableness. Contractual matters shall clearly specify pricing terms and payment methods, and irregular transactions shall be strictly prohibited. Transactions or contracts between the Company and related parties or their shareholders shall also be handled in accordance with the aforementioned principles, with strict prohibition of any transfer of benefits.

Article 17 Corporate shareholders with controlling power over the Company shall comply with the following:

1. They owe a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to engage in operations that are against normal business practices or detrimental to other shareholders.
2. Their representatives shall follow the Company's regulations regarding the exercise of rights and participation in resolutions, and when attending shareholders' meetings, shall exercise their voting rights based on the principle of good faith and the best interests of all shareholders, while faithfully fulfilling the duties of loyalty and care as directors or Audit Committee members.
3. Nominations of directors and Audit Committee members by controlling corporate shareholders shall comply with relevant laws and the Company's Articles of Incorporation and shall not exceed the authority of the shareholders' meeting or Board of Directors.
4. They shall not improperly interfere with the Company's decision-making or hinder business operations.
5. They shall not restrict or obstruct the Company's production and operations through unfair competition practices such as monopolizing procurement or blocking sales channels.
6. Corporate representatives appointed due to their election as directors or Audit Committee members shall possess the professional qualifications required by the Company and should not be arbitrarily replaced.

Article 18 The Company shall at all times keep updated records of major shareholders who

hold a significant proportion of shares and those who have actual control over the Company, including the ultimate controllers of such major shareholders.

The Company shall regularly disclose information regarding shareholders holding more than 10% of shares about any pledges, increases or decreases in their shareholdings, or other material events that may cause changes in shareholdings, enabling other shareholders to exercise oversight.

“Major shareholders” referred to in the first paragraph means shareholders holding 5% or more of the shares or the top ten shareholders by shareholding; however, the Company may set a lower shareholding threshold based on the actual control situation.

### **Chapter 3 Strengthening the Functions of the Board of Directors**

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

**Article 19** The Company’s Board of Directors shall be accountable to the shareholders’ meeting. Its corporate governance operations and arrangements must ensure that the Board exercises its powers in accordance with laws, the Company’s Articles of Incorporation, or resolutions of the shareholders’ meeting.

The Board’s structure should be determined based on the scale of the Company’s business development and the shareholding status of its major shareholders, taking into account practical operational needs, with an appropriate number of directors of five or more.

The composition of the Board should consider diversity and formulate suitable diversity policies based on its operations, business nature, and development needs. These policies should include, but are not limited to, the following two key dimensions:

1. Basic attributes and values: gender, age, nationality, and culture.
2. Professional knowledge and skills: professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members should generally possess the knowledge, skills, and qualities necessary to perform their duties. To achieve the ideal goals of corporate governance, the Board as a whole should possess the following capabilities:

3. Operational judgment ability.
4. Accounting and financial analysis ability.

5. Business management ability.
6. Crisis management ability.
7. Industry knowledge.
8. International market perspective.
9. Leadership ability.
10. Decision-making ability.

- Article 20 The Company shall establish a fair, just, and open procedure for the election of directors and shall adopt the cumulative voting system in accordance with the Company Act to fully reflect shareholders' opinions.
- Except as approved by the competent authority, more than half of the directors shall not have spousal or second-degree kinship relationships with each other. If the number of directors falls below five due to resignation or removal, the Company shall hold a by-election at the next shareholders' meeting. However, if the vacancy reaches one-third of the total number of directors prescribed in the Articles of Incorporation, the Company shall convene an extraordinary shareholders' meeting within sixty days from the occurrence to hold a by-election.
- The aggregate shareholding ratio of all directors on the Board shall comply with legal requirements. Restrictions, pledges, or releases and changes related to directors' shares shall be handled in accordance with relevant regulations, and all such information shall be fully disclosed.
- Article 21 Before convening the shareholders' meeting for the re-election of directors, the Company should conduct a preliminary review of the qualifications, educational and professional backgrounds, and any circumstances listed under Article 30 of the Company Act regarding director candidates recommended by shareholders or directors. The review results should be provided to shareholders for their reference to facilitate the selection of qualified directors.
- Article 22 If the Chairman and the General Manager are the same person or are spouses or first-degree relatives, the number of independent directors should be increased. When functional committees are established, their responsibilities should be clearly defined.

## **Section 2 Independent Director System**

- Article 23 The Company shall appoint three independent directors in accordance with the Articles of Incorporation, and the number of independent directors shall not be

less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge, be subject to restrictions on shareholding and concurrent positions, and maintain independence within the scope of their duties, without having direct or indirect interests with the Company.

The election of independent directors shall follow the candidate nomination system as stipulated in Article 192-1 of the Company Act and shall be specified in the Articles of Incorporation. Shareholders shall elect independent directors from the list of nominated candidates. Independent directors and non-independent directors shall be elected simultaneously according to Article 198 of the Company Act, with the number of elected seats calculated separately.

Independent directors and non-independent directors shall not change their status during their term of office.

If an independent director is removed causing the number to fall below the number prescribed in the first paragraph or the Articles of Incorporation, a by-election shall be held at the next shareholders' meeting. If all independent directors are removed, the Company shall convene an extraordinary shareholders' meeting within sixty days from the occurrence to hold a by-election.

If the Company establishes executive directors, the number of independent directors among the executive directors shall not be less than one and shall not be less than one-fifth of the total executive directors.

The professional qualifications, shareholding and concurrent position restrictions, independence criteria, nomination procedures, and other compliance matters for independent directors shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the rules of the Stock Exchange or the Taipei Exchange.

Article 24 The Company shall submit the following matters to the Board of Directors for resolution in accordance with the Securities and Exchange Act; if any independent director has dissenting or reserved opinions, such opinions shall be recorded in the minutes of the Board meeting:

1. Establishment or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Establishment or amendment of procedures for major financial transactions such as acquisition or disposal of assets, derivative transactions, loans of funds to others, endorsements, or guarantees



pursuant to Article 36-1 of the Securities and Exchange Act.

3. Matters involving conflicts of interest of directors or supervisors.
4. Major asset or derivative transactions.
5. Major loans, endorsements, or guarantees.
6. Public offering, issuance, or private placement of equity securities.
7. Appointment, dismissal, or remuneration of certified public accountants.
8. Appointment or removal of financial, accounting, or internal audit supervisors.
9. Other major matters prescribed by competent authorities.

**Article 25** The Company shall clearly define the scope of duties of independent directors and provide the necessary human and material resources to enable them to exercise their powers. Neither the Company nor other members of the Board of Directors shall restrict or obstruct independent directors from performing their duties.

The Company shall specify directors' remuneration in the Articles of Incorporation or by resolution of the shareholders' meeting. Directors' compensation should adequately reflect individual performance and the Company's long-term operating results, while comprehensively considering business risks. Reasonable remuneration different from that of general directors may be appropriately set for independent directors.

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

**Article 26** To strengthen supervisory functions and enhance management effectiveness, the Company's Board of Directors may, considering the Board's size and the number of independent directors, establish audit, compensation, or other functional committees. The Board may also establish environmental or other committees based on the concepts of corporate social responsibility and sustainable development, which shall be clearly stipulated in the Articles of Incorporation. Functional committees shall be accountable to the Board of Directors and submit their proposals to the Board for resolution. However, this does not apply to the Audit Committee when exercising the powers of supervisors in accordance with Article 14-4, Paragraph 4 of the Securities and Exchange Act. Functional committees shall establish organizational rules, which must be approved by resolution of the Board of Directors. The content of the organizational rules should include the number of committee members, term of

office, scope of authority, meeting procedures, and the resources the Company shall provide when the committee exercises its powers.

Article 27

The Audit Committee shall be composed entirely of independent directors, with no fewer than three members. One member shall serve as the convener, and at least one member must possess expertise in accounting or finance.

For companies establishing an Audit Committee, the provisions of the Securities and Exchange Act, the Company Act, other relevant laws, and this Code regarding supervisors shall apply mutatis mutandis to the Audit Committee.

The following matters shall require the approval of more than half of all Audit Committee members and shall be submitted to the Board of Directors for resolution; these matters are exempt from the provisions of Article 25 of this Code:

1. Establishment or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Establishment or amendment of procedures for major financial transactions such as acquisition or disposal of assets, derivative transactions, loans of funds to others, endorsements, or guarantees pursuant to Article 36-1 of the Securities and Exchange Act.
4. Matters involving conflicts of interest of directors.
5. Major asset or derivative transactions.
6. Major loans, endorsements, or guarantees.
7. Public offering, issuance, or private placement of equity securities.
8. Appointment, dismissal, or remuneration of certified public accountants.
9. Appointment or removal of financial, accounting, or internal audit supervisors.
10. Annual and semi-annual financial reports.
11. Other major matters prescribed by the Company or competent authorities.

The exercise of powers and related matters of the Audit Committee and its independent director members shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules of the Taipei Exchange.

Article 28

The Company shall establish a Remuneration Committee; the professional qualifications of its members, exercise of powers, establishment of organizational rules, and related matters shall be handled in accordance with the "Regulations

Governing the Establishment and Exercise of Powers by Remuneration Committees of Companies Listed on the Stock Exchange or Trading at Securities Firms' Business Locations."

The Remuneration Committee shall, with the duty of care of a good manager, faithfully perform the following duties and submit its recommendations to the Board of Directors for discussion:

1. Establish and periodically review policies, systems, standards, and structures for performance evaluation and remuneration of directors and managers.
2. Regularly assess and determine the remuneration of directors and managers.

When exercising the foregoing duties, the Remuneration Committee shall adhere to the following principles:

1. Performance evaluations and remuneration for directors and managers should refer to the typical levels in the industry and reasonably consider the correlation with individual performance, company operating results, and future risks.
2. The remuneration system should not encourage directors and managers to engage in behaviors that exceed the company's risk tolerance in pursuit of compensation.
3. The proportion of bonuses and timing of variable remuneration payments related to short-term performance for directors and senior managers should be determined considering the characteristics of the industry and the nature of the company's business.

Article 29      The Company should establish an anonymous internal whistleblowing channel and implement a whistleblower protection system. The unit handling whistleblowing cases must maintain independence, encrypt and protect the files provided by whistleblowers, and properly restrict access permissions.

Article 30      The Company shall select a professional, responsible, and independent certified public accountant (CPA) to regularly audit the Company's financial status and internal controls. The Company shall thoroughly review and improve upon any abnormalities or deficiencies identified and disclosed by the CPA during the audit process, as well as any specific recommendations for improvement or fraud prevention. It is also advisable to establish communication channels or mechanisms between the Audit Committee and the CPA.

The Company shall regularly (at least once a year) assess the independence and

suitability of the appointed CPA. If the same CPA has been engaged for seven consecutive years or has been subject to disciplinary actions or incidents affecting independence, the Company shall evaluate the necessity of changing the CPA and report the evaluation results to the Board of Directors.

Article 31

The Company should appoint professional and qualified lawyers to provide appropriate legal consultation services, assist the Board of Directors, Audit Committee, and management in enhancing their legal knowledge, prevent the Company and related personnel from violating laws, and ensure that corporate governance operates within the relevant legal framework and statutory procedures.

In cases where directors, the Audit Committee, or management are involved in litigation or disputes with shareholders while performing their duties according to law, the Company shall engage lawyers to provide assistance as appropriate.

The Audit Committee or its independent director members may, on behalf of the Company, appoint lawyers, accountants, or other professionals to conduct necessary audits or provide consultations related to the exercise of their duties, with the costs borne by the Company.

#### **Section 4 Rules of Procedure and Decision-Making Process of the Board of Directors**

Article 32

The Company's Board of Directors shall hold meetings at least once every quarter and may convene additional meetings as necessary in urgent situations. The notice for convening a board meeting must state the purpose of the meeting and be sent to all directors at least 7 days in advance, along with sufficient meeting materials. If the meeting materials are insufficient, directors have the right to request supplementary materials or to postpone the review upon resolution of the board.

The Company shall establish rules for board meetings; the main content of the meetings, procedures, required minutes, disclosures, and other compliance matters shall be handled in accordance with the Regulations Governing Procedure for Board of Directors' Meetings of Public Companies.

Article 33

Directors shall uphold a high level of self-discipline. For any proposals listed in the board meeting in which the director or the legal entity they represent has a conflict of interest, the director must disclose the important details of such conflict during the meeting. If there is a risk of harming the company's interests, the director shall neither participate in the discussion nor the voting, and must

recuse themselves during these processes. Additionally, they are not allowed to proxy vote on behalf of other directors.

Matters requiring director recusal should be clearly stipulated in the Board Meeting Rules.

Article 34

Independent directors of the company must personally attend board meetings when matters required under Article 14-3 of the Securities and Exchange Act are to be proposed to the board; they may not appoint non-independent directors to represent them. If independent directors have dissenting or reserved opinions, these must be recorded in the board meeting minutes. If an independent director cannot attend the board meeting in person to express dissent or reservation, except for justified reasons, they must submit a written opinion in advance, which shall also be recorded in the minutes.

For board resolutions involving any of the following circumstances, the details must not only be recorded in the minutes but also publicly disclosed on the Market Observation Post System (MOPS) before the start of the next business day's trading hours following the board meeting date:

1. Independent directors have dissenting or reserved opinions documented or declared in writing.
2. For companies with an Audit Committee, matters not approved by the Audit Committee but passed by at least two-thirds of all directors.

During board meetings, depending on the agenda, relevant non-director managerial personnel may be notified to attend, report on the current business situation, and respond to directors' inquiries. When necessary, accountants, lawyers, or other professionals may also be invited to attend to assist directors in understanding the company's status and making appropriate decisions; however, they must leave the meeting during discussions and voting.

Article 35

The company's board meeting personnel shall accurately and thoroughly record meeting reports, summaries of each agenda item, methods of resolution, and outcomes in accordance with relevant regulations.

Board meeting minutes must be signed or stamped by the meeting chairperson and the recorder, distributed to all directors within twenty days after the meeting, and the attendance sheet shall be part of the minutes. These documents must be included in the company's important records and be permanently and properly preserved during the company's existence.

The preparation, distribution, and preservation of meeting minutes may be done electronically.

The company shall record the entire process of board meetings by audio or video and preserve such recordings for at least five years, with electronic preservation permitted.

If a lawsuit related to board resolutions occurs before the expiration of the preservation period, the relevant audio or video evidence must continue to be preserved, and the usual five-year rule does not apply.

For board meetings held via video conference, the audio and video recordings constitute part of the minutes and must be permanently preserved.

If a board resolution violates laws, the company's articles of incorporation, or shareholder meeting resolutions causing damage to the company, directors who raised objections and can provide documented or written evidence of such dissent are exempt from liability for compensation.

#### Article 36

The company shall submit the following matters for board discussion:

1. The company's operational plans.
2. Annual financial statements and semi-annual financial statements.  
*(However, semi-annual financial statements not requiring audit certification by law are excluded.)*
3. Establishment or revision of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Establishment or revision of procedures for major financial transactions—including acquisition or disposal of assets, derivative transactions, lending of funds, issuance of endorsements, or provision of guarantees—pursuant to Article 36-1 of the Securities and Exchange Act.
5. Raising, issuing, or privately placing equity-type securities.
6. Performance evaluation and compensation standards of managers.
7. Compensation structure and system for directors.
8. Appointment or removal of financial, accounting, or internal audit supervisors.
9. Donations to related parties or significant donations to non-related parties.  
*(However, urgent humanitarian donations due to major natural disasters may be ratified at the next board meeting.)*
10. Matters that, pursuant to Article 14-3 of the Securities and Exchange Act, other laws or the articles of incorporation, require submission to the board or shareholder meeting, or other major matters mandated by competent authorities.

In addition to the above matters requiring board discussion, during board recess,

any exercise of board authority pursuant to laws or the articles of incorporation must be clearly and specifically defined in terms of delegation level, scope, and matters; general or broad delegations are not permitted.

- Article 37      The company shall clearly assign the execution of board resolutions to the appropriate units or personnel, requiring them to carry out the tasks according to the planned schedule and objectives, while including them in a tracking system to properly assess execution status.
- The board of directors shall fully monitor the progress of execution and receive reports at the next meeting, ensuring that the board's management decisions are effectively implemented.

## **Section 5   Directors' Duties of Loyalty, Care, and Responsibilities**

- Article 38      Members of the board of directors shall faithfully perform their duties and exercise the care of a prudent and diligent manager, acting with a high degree of self-discipline and prudence in the exercise of their authority. In executing company business, matters that are not required by law or the company's articles of incorporation to be resolved by the shareholders' meeting shall be carried out in strict accordance with board resolutions.

Board resolutions that involve the company's business development or major strategic decisions must be carefully considered and must not impede the promotion or operation of corporate governance.

Independent directors shall perform their duties in accordance with applicable laws, regulations, and the company's articles of incorporation to safeguard the interests of the company and its shareholders.

- Article 39      If a board resolution violates laws or the company's articles of incorporation, and shareholders who have held shares for more than one year or independent directors request, or the supervisors (monitoring officers) notify the board to halt the execution of such resolution, the board members shall promptly and appropriately address the matter or suspend the execution of the relevant resolution.

If board members become aware that the company is at risk of significant harm, they shall act in accordance with the preceding provision and immediately report the situation to the audit committee, an independent director of the audit committee, or the supervisors.

- Article 40      The Company may, in accordance with its Articles of Incorporation or a

resolution of the shareholders' meeting, purchase liability insurance for its directors during their term of office to cover the indemnification obligations they are legally required to bear in the course of performing their duties. This is intended to reduce and diversify the risk of significant damage to the Company and its shareholders resulting from directors' errors or negligent acts.

Article 41 Board members should, upon assuming office or continuously during their term, participate in training programs organized by institutions designated under the Guidelines for Continuing Education for Directors and Supervisors of Listed Companies, covering topics related to corporate governance, finance, risk management, business operations, commerce, accounting, law, or corporate social responsibility. The Company should also require employees at all levels to enhance their professional and legal knowledge.

## **Chapter 4 Enhancing the Function of the Audit Committee**

### **Section 1 Functions of the Audit Committee**

Article 42 The Company shall consider overall operational needs and, in accordance with the regulations of the Taipei Exchange, establish the minimum number of seats for the Audit Committee.

The total shareholding of all Audit Committee members must comply with legal requirements. Any transfer, pledge, release of pledge, or changes in the shares held by Audit Committee members shall be handled in accordance with relevant regulations, and all related information shall be fully disclosed.

Article 43 The Company shall, in accordance with the Company Act, specify in its Articles of Incorporation that independent directors are to be elected through a candidate nomination system. The qualifications, educational and professional backgrounds, and whether the candidates meet the disqualifications listed in Article 30 of the Company Act for independent directors recommended by shareholders or directors shall be reviewed in advance. No additional qualification documents shall be arbitrarily required. The results of such review shall be provided to shareholders for reference, to facilitate the election of qualified independent directors.

Article 44 Except as approved by the competent authority, no audit committee member shall have a spouse or a relative within the second degree of kinship among other audit committee members or between audit committee members and directors, with at



least one such position being free from such relationships.

The Company should refer to the regulations on independence in the “Rules Governing the Appointment of Independent Directors and Compliance Matters for Public Companies” when selecting appropriate audit committee members, in order to strengthen risk management and control over financial and operational matters.

Audit committee members are recommended to have a domicile within the country to ensure timely execution of their supervisory functions.

## **Section 2 Authority and Duties of Audit Committee Members**

**Article 45**      Audit committee members should be well-versed in relevant laws, understand the rights, duties, and responsibilities of the company’s directors, as well as the roles, responsibilities, and operations of each department. They should regularly attend board meetings to monitor operations and provide timely opinions in order to detect or address any irregularities at an early stage.

The Company should stipulate the remuneration of independent directors serving on the audit committee in its articles of incorporation or by resolution of the shareholders’ meeting.

**Article 46**      Audit committee members should supervise the execution of the company’s operations and the diligence of directors and managers, and closely monitor the implementation of the company’s internal control system to mitigate financial crises and operational risks.

When a director engages in transactions, loans, or other legal acts with the company for their own or another’s benefit, the independent directors of the audit committee shall act as the company’s representatives.

**Article 47**      Audit committee members may at any time investigate the company’s operations and financial status, and relevant company departments must cooperate by providing books and documents necessary for the review.

When auditing the company’s finances or operations, audit committee members may, on behalf of the company, engage lawyers or accountants to assist; however, the company must inform the personnel involved of their confidentiality obligations.

The board of directors or management must provide reports upon the audit committee’s request and shall not obstruct, evade, or refuse such inspections for any reason.

When performing their duties, the company shall provide the audit committee with the necessary assistance, and any reasonable expenses incurred shall be borne by the company.

Article 48 To enable the audit committee to promptly identify potential irregularities within the company, the company shall establish communication channels between employees, shareholders, stakeholders, and the audit committee.

When the audit committee discovers any irregularities, it shall take appropriate measures in a timely manner to prevent their escalation, and, if necessary, report the matter to the relevant regulatory authorities or agencies.

If the company's independent directors, general manager, or heads of finance, accounting, R&D, internal audit departments, or the certified public accountant resign or are replaced, the audit committee shall thoroughly investigate the reasons.

Audit committee members who neglect their duties and thereby cause damage to the company shall be liable for compensation to the company.

Article 49 When each audit committee member exercises their supervisory authority, they may, if deemed necessary in consideration of the overall interests of the company and its shareholders, hold meetings to exchange opinions. However, such meetings must not interfere with each member's independent exercise of their duties.

Article 50 The company may, in accordance with its articles of incorporation or a resolution of the shareholders' meeting, purchase liability insurance for audit committee members during their term of office to cover the legal liabilities arising from the performance of their duties. This is intended to reduce and spread the risk of significant losses to the company and shareholders resulting from errors or negligence by the audit committee members.

Article 51 Audit committee members should, upon assuming office and throughout their term, continuously participate in training programs organized by institutions designated under the "Guidelines for Continuing Education of Directors and Supervisors of Listed Companies," covering topics related to corporate governance, including finance, risk management, business operations, commerce, accounting, law, and corporate social responsibility.

## **Chapter 5 Respecting the Rights and Interests of Stakeholders**

Article 52 The Company shall maintain open communication channels with its banks, other creditors, employees, consumers, suppliers, the community, and other

stakeholders, respecting and safeguarding their legitimate rights. A dedicated stakeholder section is recommended on the company's website.

In the event of a management buyout, the Company shall pay attention to maintaining the soundness of its subsequent financial structure.

When the legitimate rights and interests of stakeholders are infringed, the Company shall handle the matter appropriately in accordance with the principle of good faith.

Article 53 For correspondent banks and other creditors, the Company shall provide sufficient information to enable them to assess the Company's operations and financial condition and make informed decisions. When their legitimate rights and interests are infringed, the Company shall respond proactively and responsibly, ensuring that creditors have appropriate channels to seek redress.

Article 54 The Company shall establish communication channels for employees, encouraging them to communicate directly with management, the Board of Directors, or the supervisors, and to appropriately convey their opinions regarding the Company's operations, financial condition, or major decisions affecting employee interests.

Article 55 While maintaining normal business operations and maximizing shareholder interests, the Company shall also pay attention to consumer rights, community environmental protection, and public welfare, and place importance on its corporate social responsibility.

## **Chapter 6 Enhancing Information Transparency**

### **Section 1 Strengthening Information Disclosure**

Article 56 Information disclosure is a critical responsibility of the Company. The Company shall faithfully fulfill its obligations in accordance with relevant laws and regulations, as well as the requirements of the Taipei Exchange.

The Company shall establish an online information disclosure system, designate personnel responsible for the collection and disclosure of company information, and implement a spokesperson system to ensure that information potentially affecting the decisions of shareholders and stakeholders is disclosed in a timely and appropriate manner.

Article 57 To enhance the accuracy and timeliness of material information disclosure, the Company shall appoint a spokesperson and deputy spokesperson who are fully familiar with the Company's financial and business matters, can coordinate the

provision of relevant information from various departments, and are authorized to speak on behalf of the Company.

The Company shall have at least one deputy spokesperson. Any deputy spokesperson, in the absence of the primary spokesperson, shall be able to represent the Company individually, with the order of substitution clearly confirmed to avoid confusion.

To implement the spokesperson system, the Company shall establish a unified disclosure procedure and require management and employees to maintain the confidentiality of financial and business information, prohibiting any unauthorized dissemination of information.

In the event of a change in the spokesperson or deputy spokesperson, the Company shall promptly disclose the information.

Article 58 The Company shall leverage the convenience of the Internet to establish a website that provides information related to the Company's financial and business matters, as well as corporate governance, for the reference of shareholders and stakeholders.

A designated person shall be responsible for maintaining the website, ensuring that the information presented is accurate, detailed, and updated in a timely manner to avoid any potential misleading content.

Article 59 The Company shall conduct investor conferences in accordance with the regulations of the Taipei Exchange, and the proceedings shall be recorded in audio or video format.

Financial and business information presented at such investor conferences shall be entered into the designated online disclosure system as required by the Exchange, and made available for reference through the Company's website or other appropriate channels.

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

Article 60 The Company shall, in accordance with applicable laws and the regulations of the Taipei Exchange, disclose the following corporate governance-related information for the year:

1. The structure and rules of corporate governance.
2. Shareholding structure and shareholder rights.
3. Composition and independence of the Board of Directors.
4. Duties and responsibilities of the Board of Directors and management.

5. Composition, responsibilities, and independence of the Audit Committee or Supervisors.
6. Composition, responsibilities, and operation of the Remuneration Committee.
7. Compensation of Directors, Supervisors, the General Manager, and Deputy General Manager in the most recent fiscal year, including total compensation as a percentage of net profit after tax, compensation policies, standards and components, procedures for determining compensation, and its correlation with business performance.
8. Continuing education and training of Directors and Supervisors.
9. Rights and relationships of stakeholders.
10. Detailed implementation of information disclosure requirements under relevant laws and regulations.
11. Operation of corporate governance, the Company's own corporate governance code, and any gaps with this code along with explanations.
12. Other corporate governance-related information.

The Company should, based on the actual implementation of corporate governance, disclose appropriate plans and measures to improve corporate governance.

## **Chapter 7: Supplementary Provisions**

Article 61      The Company shall continuously monitor developments in domestic and international corporate governance systems and, based on such observations, review and improve its own corporate governance framework to enhance governance effectiveness.

Article 62      This Code shall take effect upon approval by the Board of Directors, and the same applies to any amendments.

This Code was established on May 13, 2015 (Republic of China Year 104).