

# **Union Bank of Taiwan Corporate Governance**

## **Best Practice Principles**

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## **Chapter 1: General Principles**

### **Article 1**

The Bank establishes and implements an effective corporate governance structure to promote the sound development of its business and has formulated these principles.

### **Article 2**

In establishing the corporate governance system, the Bank should not only emphasize capital adequacy, asset quality, management capabilities, profitability, asset liquidity, and risk sensitivity, but also comply with the following principles:

1. Comply with laws and establish sound internal management.
2. Protect the rights and interests of shareholders.
3. Strengthen the functions of the Board of Directors.
4. Utilize the functions of the various functional committees established by the Board of Directors.
5. Respect the interests of stakeholders.
6. Improve transparency of information.

## **Chapter 2: Compliance with Laws and Strengthening Internal Management**

### **Article 3**

The Bank shall establish a legal compliance system, designate a department responsible for planning, managing, and implementing this system, and establish consultation, coordination, and communication systems. The system shall provide regulatory training for each department, and assign a person to be the compliance officer responsible for the implementation of compliance matters. This will ensure the effective operation of the compliance system and enhance self-regulation.

### **Article 4**

The Bank shall establish a comprehensive internal control system and effectively implement it. The Board of Directors holds the final responsibility for ensuring the establishment and maintenance of an appropriate and effective internal control system. Senior management shall be guided and supervised by the Board of Directors, and shall follow the business strategies, risk preferences, compensation, and other policies approved by the Board. They shall develop procedures to identify, measure, monitor, and control the Bank's risks, and establish appropriate and effective internal control systems. The organizational structure, procedures, and decision-making of senior management should be clear and transparent, with clear roles, powers, and responsibilities.

The formulation or revision of the internal control system shall be approved by at least half of the members of the Audit Committee, and then submitted to the Board of Directors for a decision.

### **Article 5**

The Bank's internal control system shall cover the Bank's operational activities. It shall establish appropriate policies and procedures for organizational regulations, company rules, business standards, and handling manuals, and shall regularly review and revise them to align with changes in laws, business items, and workflows. Relevant departments, such as the legal compliance department and internal audit department, should participate in the review and revision process when necessary.

### **Article 6**

The Bank's internal audit system shall assess the effectiveness of the internal control system and evaluate operational efficiency, providing improvement recommendations in a timely manner to ensure the continued and effective implementation of the internal control system. This assists the Board of Directors

and management in fulfilling their responsibilities.

The Bank shall establish an internal audit department reporting to the Board of Directors, which shall conduct internal audit business independently and regularly report to the Board and the Audit Committee. The Bank should establish communication channels and mechanisms between independent directors, the Audit Committee, and the internal audit officer. The Board of Directors should regularly meet with internal audit personnel to review internal control deficiencies and ensure that corrective actions are taken, with follow-up and reporting to the Board of Directors.

The communication situation between the members of the audit committee and the internal audit manager in the preceding paragraph should be reported to the shareholders' meeting by the convener of the audit committee.

In order to implement the internal control system and strengthen the professional capabilities of internal auditors' agents, so as to improve and maintain audit quality and execution results, the Bank should set up internal auditors' agents.

## **Article 7**

Management should value the internal audit department and personnel, grant them sufficient authority, and ensure that internal control deficiencies and operational inefficiencies are effectively examined and evaluated, to guarantee the continuous and effective implementation of the internal control system, thereby fulfilling the corporate governance system.

The assessment of the effectiveness of the internal control system should be approved by at least half of the members of the Audit Committee and submitted for the Board's decision.

## **Article 8**

The Bank shall establish three lines of defense for internal controls: a self-check system, legal compliance system, risk management mechanisms, and internal audit system. The Bank shall comply with the procedures set by the competent authority to ensure the proper functioning of the internal control system.

## **Article 9**

The Bank shall continuously follow up on the inspection opinions or audit deficiencies raised by financial supervisory authorities, accountants, and the internal audit department, and take corrective actions. This ensures that the internal audit and external audit reports are used effectively, fully utilizing their control functions.

## **Article 9-1**

If the internal audit personnel or the compliance officer at the Bank's head office make recommendations

to address significant internal control deficiencies or illegal activities that may lead to substantial losses for the Bank, and if management does not adopt these recommendations, they must immediately report this to the competent authority.

## **Chapter 3: Protecting Shareholders' Rights**

### **Article 10**

The Bank shall establish a corporate governance system that ensures shareholders' rights to be informed, participate in, and decide on major matters, thereby protecting shareholder interests and treating all shareholders fairly.

### **Article 11**

The Bank shall convene shareholder meetings in accordance with the Company Act and relevant regulations. Complete procedural rules must be established, including:

1. Meeting notices
2. Signing books and other necessary documents
3. Meetings should be held at appropriate locations and times, and video conferencing should be considered as a principle
4. Chairpersons and attendees of shareholder meetings
5. Recording or videotaping of shareholder meetings
6. Procedures for resolutions, shareholder speeches, voting, and ballot counting
7. Meeting minutes and signature requirements
8. Publicly listed companies must announce this information
9. Avoidance rules for related shareholders
10. Principles for shareholder meeting authorizations
11. Maintenance of meeting order

For matters requiring shareholder resolution, the rules must be strictly followed.

The contents of the resolutions of the shareholders' meeting shall comply with the provisions of laws and the company's articles of association.

### **Article 12**

The Board of Directors shall properly arrange the topics and procedures for shareholder meetings, ensuring that sufficient time is allocated for the discussion of each agenda item and that shareholders are given an appropriate opportunity to speak.

For shareholder meetings convened by the Board of Directors, the chairman should preside over the meeting, with at least half of the Board members (including at least one independent director) personally present. At least one representative from each functional committee should also be present, and their attendance should be recorded in the meeting minutes.

## **Article 13**

The Bank should encourage shareholder participation in corporate governance and may appoint a professional stock affairs agency to handle shareholder meeting matters, ensuring that the meetings are legally, effectively, and securely convened. The Bank should use various methods and technological means to disclose information, such as uploading bilingual (Chinese and English) versions of annual reports, annual financial reports, shareholder meeting notices, meeting handbooks, and supplementary materials. The Bank should also implement electronic voting to increase shareholder attendance at the meetings and ensure that shareholders can exercise their rights in accordance with the law.

The Bank should avoid proposing motions or amendments at shareholder meetings without proper prior notice.

The Bank should arrange for shareholders to vote on each item on the agenda and, after the meeting, immediately upload the results of shareholder votes (approval, disapproval, and abstentions) to the public information observatory or the Bank's website.

## **Article 14**

The Bank shall record the following items in the meeting minutes of the shareholder meeting: Year, month, day, location, and the name of the chairperson and method of voting and resolutions. And shall record the discussion points and results of each agenda item. The election of directors should specify the voting method and the number of shares to be elected as directors.

The minutes of the shareholder meeting should be permanently and securely stored and should be publicly disclosed on the Bank's website.

## **Article 15**

The chairperson of the shareholder meeting should fully understand and adhere to the meeting procedures, ensuring the smooth flow of the meeting and refraining from arbitrarily adjourning the meeting. To protect the rights of the majority of shareholders, if the chairperson violates the meeting procedures and adjourns the meeting, the shareholders present at the meeting may elect a chairman to continue the meeting with the consent of more than half of the voting rights of the shareholders present at the meeting.

## **Article 16**

The Bank should emphasize the shareholders' right to be informed and strictly comply with disclosure regulations to provide shareholders with frequent and timely information about the Bank's financial status, business operations, and corporate governance practices. This information should be made available to shareholders through the public information observatory or the Bank's website.

To ensure equal treatment of shareholders, the above-mentioned information should, when necessary, also be disclosed in English.

To protect shareholder rights and prevent insider trading, the Bank should establish internal regulations prohibiting the use of undisclosed information for trading securities.

The regulations should include restrictions on the trading of the Bank's shares by insiders within specified periods (such as 30 days before the annual financial report is announced and 15 days before quarterly reports are announced).

### **Article 16-1**

The Bank should establish internal regulations for donations and submit them for approval by the Board. Donations to political parties, stakeholders, or charitable organizations should be publicly disclosed.

## **Article 17**

Shareholders have the right to share in the Bank's profits. To protect shareholder interests, the shareholder meeting may appoint inspectors to audit the Board's financial reports and the Audit Committee's report, and to decide on profit distribution or loss coverage. The Board, Audit Committee, and management should fully cooperate with the auditors, without refusal, obstruction, or evasion.

## **Article 18**

For major financial transactions outside of the Bank's business activities, such as acquiring or disposing of assets, the Bank shall establish appropriate procedures in accordance with relevant laws and submit them for approval at the shareholder meeting to protect shareholder interests.

In executing investments, the Bank should consider the corporate governance practices of the target companies as a reference for investment decisions.

In the event of mergers or public acquisitions, the Bank must comply with relevant laws and ensure the fairness and reasonableness of the merger or acquisition plan, including ensuring proper information disclosure and the financial health of the company post-transaction.

If the management or major shareholders are involved in the merger or acquisition, the Audit Committee should ensure that the independent directors meet the qualifications and follow the relevant regulations,

ensuring that there are no conflicts of interest or relationships that could affect their independence. The transaction's procedures and the related information should be reviewed by independent legal counsel, who will provide a legal opinion.

The legal counsel should meet the qualifications set by regulations for independent directors and should not have any relationships with the merger or acquisition counterparty that could affect their independence. The personnel handling mergers or public acquisitions within the Bank should avoid conflicts of interest and avoid any interference with the decision-making process.

## **Article 19**

To ensure shareholder interests, the Bank should handle shareholder suggestions, doubts, and disputes properly.

If the resolutions of the shareholder meeting or Board of Directors violate the law or the Bank's bylaws, or if directors or managerial officers violate the law or bylaws while performing their duties, resulting in harm to shareholder interests, the Bank should appropriately handle any lawsuits filed by shareholders under the law.

### **Article 19-1**

The Board of Directors has the responsibility to establish mechanisms for interaction with shareholders, to enhance mutual understanding of the Bank's development goals.

### **Article 19-2**

In addition to communicating with shareholders through the shareholder meeting, the Board of Directors should effectively contact shareholders and, in collaboration with managerial officers and independent directors, understand shareholders' concerns and explain the Bank's policies to gain shareholder support.

### **Article 19-3**

The Bank shall formulate and disclose its operational strategies and business plans, clarify specific measures to enhance corporate value, report to the Board of Directors, and actively communicate with shareholders.

## **Article 20**

Shareholders with controlling power over the Bank shall comply with the following principles:

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 Bank with respect to the exercise of rights and participation of resolution, so that 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. The nomination of directors should comply with relevant laws and the Bank's bylaws and should not exceed the authority of the shareholder meeting or Board of Directors.
4. Its representative should not improperly interfere with the Bank's decision-making or hinder its operations.
5. Its representative should not engage in unfair competition that restricts or obstructs the Bank's business operations.
6. Any legal representatives appointed due to their election as directors should meet the professional qualifications required by the Bank and should not be arbitrarily reassigned.

Communication between controlling shareholders and the Bank should follow these principles:

1. Communication should generally occur through the representatives appointed by the controlling shareholders to the Bank's Board, and the representative may invite Bank managerial officers to accompany them as needed. All communication should be properly documented by the Bank.
2. If controlling shareholders propose suggestions regarding the Board's decisions or the Bank's management, these should be raised by the appointed Board representative at the Board meeting or committee meetings, not through direct meetings or inappropriate interventions.
3. Controlling shareholders must maintain confidentiality regarding major Bank information that has not yet been disclosed to the public and should not engage in insider trading.

## **Article 21**

The management of personnel, assets, and financial responsibilities between the Bank and its affiliates should be clearly defined. The Bank should conduct appropriate risk assessments and establish proper firewalls to ensure proper governance and protect shareholder interests.

## **Article 22**

To prevent the Bank from violating the Banking Act concerning improper credit extensions to related parties, which could damage shareholder, depositor, and public interests, the Bank should impose appropriate restrictions on credit extensions to major shareholders, affiliated companies, or those with relationships with the Bank's managerial officers or staff involved in credit granting. These credit extensions must comply with the relevant regulations set forth in the Banking Act and by the competent authorities.

## **Article 23**

To avoid improper transfers of benefits that could damage the Bank or shareholder interests, transactions involving real estate between the Bank and major shareholders, affiliated companies, or the Bank's management or their related parties must be conducted according to fair, just, and objective principles and in accordance with business norms. Such transactions must also comply with the Banking Act and other relevant regulations set by the competent authorities.

The Bank should establish a management plan for its executives and regularly assess the progress and implementation of this plan to ensure the Bank's sustainable operation.

## **Article 24**

The Bank's executives should avoid conflicts of interest or violations of internal control systems while concurrently holding positions at other entities. The Bank should evaluate the performance of executives holding multiple positions based on investment management needs and risk management policies, with the results serving as a reference for continuing or adjusting their dual roles.

Except as otherwise stipulated by law, the Bank's managerial officers should not concurrently serve as managerial officers of affiliate companies.

When a director engages in activities within the scope of the Bank's business, they should disclose the relevant details to the shareholder meeting and seek approval.

## **Article 25**

The Bank shall establish sound financial, business, and accounting management objectives and systems in accordance with relevant laws. The Bank may establish large exposure management systems depending on its business situation.

## **Article 26**

If there are financial transactions or business dealings between the Bank and its affiliates or shareholders, they must be conducted according to fair and reasonable principles, with written regulations clearly specifying the terms and payment methods. Any unusual transactions or improper benefit transfers are prohibited.

The written regulations should include procedures for obtaining or disposing of assets, and significant transactions should be submitted to the Board for approval, or presented to the shareholder meeting for consent or reporting.

## **Article 27**

The Bank should regularly monitor the list of shareholders holding more than 1% of shares or those ranking in the top 10 in terms of shareholding, as well as the ultimate controllers of major shareholders. The Bank may set a lower threshold based on actual shareholding control.

The Bank should regularly disclose significant changes in the shareholdings of shareholders holding more than 10% of the shares, including pledges, increases or decreases in shareholdings, or other matters that may lead to significant changes in shareholdings, so that other shareholders can conduct appropriate supervision.

# **Chapter 4: Strengthening the Functions of the Board of Directors**

## **Article 28**

The Board of Directors shall guide the overall business strategy and major policies of the Bank, effectively supervise the management, and be accountable to the Bank and its shareholders.

The operational procedures and arrangements for the Bank's corporate governance system should ensure that the Board exercises its powers in accordance with laws, the Bank's bylaws, and shareholder resolutions.

## **Article 29**

The structure of the Board of Directors should be determined based on the Bank's scale of operations, business development, and the ownership structure of major shareholders. The Board should set an appropriate number of members, with at least seven directors.

The composition of the Board should consider diversity. The proportion of directors who are also managerial officers should not be too high, and the Board should comply with the regulations in Article 24 regarding concurrent positions. The Bank should develop a diversity policy considering, but not limited to, the following aspects:

1. Basic qualifications: gender, age, nationality, etc.
2. Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience, etc.

Board members should generally possess the knowledge, skills, and literacy necessary to perform their duties. To achieve the ideal goals of corporate governance, the overall competencies required of the Board should include the following:

1. Operational judgment
2. Accounting and financial analysis skills
3. Management abilities
4. Risk management abilities
5. Crisis management abilities
6. Industry knowledge
7. International market awareness
8. Leadership skills
9. Decision-making abilities

## **Article 29-1**

The Board of Directors should recognize the risks facing the company's operations, confirm the effectiveness of risk management, and bear ultimate responsibility for risk management.

The risk management policies and procedures established by the Bank should be approved by the Board and regularly reviewed and amended.

The Bank should establish a risk control department independent from the business departments, which will regularly report to the Board. If significant risks are identified that could jeopardize financial or operational status or legal compliance, appropriate measures should be taken immediately, and the Board should be informed in accordance with internal regulations.

## **Article 29-2**

The Bank should establish a governance structure to promote sustainable development. It should set up dedicated or part-time departments to assess risks related to environmental, social, and governance (ESG) issues in relation to its operations, establish relevant risk management policies or strategies, and have the Board supervise the progress of sustainability initiatives. The Bank should set a timeline for greenhouse gas inventory and disclosure, and report progress to the Board quarterly.

## **Article 30**

The Bank shall establish a fair, open, and transparent process for the election of directors, encouraging shareholder participation. The Bank should adopt a cumulative voting system for director elections, in accordance with the Company Act, to fully reflect shareholders' opinions.

In accordance with the regulations of the competent authority, the Bank's bylaws should stipulate a candidate nomination system for directors, with shareholders voting from a list of nominated candidates. The process for nominating, reviewing, and announcing director candidates, along with the relevant procedures, should comply with Article 192-1 of the Company Act and the regulations for the appointment of directors in the banking sector.

The Bank should establish a Nomination Committee with more than half of its members being independent directors, and the committee should be chaired by an independent director.

Before holding a shareholder meeting for the election of directors, the Board should review and assess the qualifications and background of the nominated candidates and provide shareholders with relevant information to select appropriate directors.

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 Bank.

The directors of the Bank shall comply with the relevant regulations of the competent authority.

## **Article 31**

Depending on the Bank's business scale and needs, an appropriate number of independent directors should be appointed. The number of independent directors should not be fewer than three, and they should represent no less than one-third of the Board seats. Independent directors should be nominated by shareholders holding more than 1% of the total issued shares, the Board of Directors, or other methods stipulated by the competent authorities, and should be elected by the shareholder meeting after review.

Independent directors should have professional knowledge, and their shareholding should be restricted. In addition to the relevant regulations, independent directors should not serve as directors (including independent directors) or supervisors of more than four publicly listed companies at the same time. The independent directors must maintain independence within the scope of their duties and must not have direct or indirect interests with the Bank.

The number of independent directors in the Bank should be regularly reviewed to ensure that it aligns with the Bank's governance needs.

The Bank's independent directors may not concurrently serve as independent directors of more than three other publicly-issued companies. However, the public-issued companies to which they concurrently serve are the financial holding companies to which they are affiliated and shall be deemed to be the same company and shall not be included in the calculation of the number of concurrently-held companies.

The independent directors of the Bank shall comply with the relevant regulations of the competent authority.

## **Article 32**

The roles and responsibilities of the Chairman and the CEO of the Bank should be clearly distinguished. The same person should not serve as both Chairman and CEO, or the equivalent position.

## **Article 33**

The Bank should clearly define the scope of duties for independent directors and provide the necessary human and material resources to carry out these duties. Independent directors may, if necessary, hire third-party professionals to assist in evaluating significant or questionable cases or request the internal audit department to conduct special audits or follow-up reviews. The Bank or other members of the Board must not restrict or obstruct the performance of independent directors' duties.

The Bank should ensure that independent directors have sufficient access to the required information and resources. The Board should not interfere with or obstruct independent directors from carrying out their duties. The compensation for independent directors should fully reflect their individual performance and the Bank's long-term business performance, and should be considered alongside the company's risk profile. The Bank may consider setting different compensation for independent directors compared to other directors.

## **Article 34**

The main responsibilities of the Board of Directors are as follows:

1. To establish effective and appropriate internal control systems.
2. To select and supervise managerial officers.
3. To review the Bank's management decisions and operational plans and supervise their implementation.
4. To review the Bank's financial goals and monitor progress.
5. To supervise the Bank's operational results.
6. To approve the performance appraisal standards and compensation schemes for managerial officers and business personnel, as well as the compensation structure for the Board of Directors.
7. To supervise the establishment of an effective risk management mechanism.
8. To ensure the Bank's compliance with relevant laws and regulations.
9. To plan the future direction of the Bank's development.
10. To maintain the Bank's image.
11. To appoint professionals such as CPAs.

## **Article 34-1**

The following matters should be submitted to the Board of Directors for discussion:

1. The Bank's operational plan.
2. The annual financial report and semi-annual financial report.
3. The establishment or revision of the internal control system and the assessment of its effectiveness, as required by the Securities and Exchange Act.

4. The handling procedures for significant financial transactions, including the acquisition or disposal of assets, and derivative transactions, as required by the Securities and Exchange Act.
5. The issuance of securities with equity features, including capital increase.
6. The appointment or removal of financial, accounting, risk management, compliance, and internal audit executives.
7. The performance appraisal and compensation schemes for managerial officers and business personnel, and the compensation structure for the Board of Directors.
8. Other matters that require shareholder approval or Board resolution according to the Securities and Exchange Act or the Bank's bylaws.
9. For donations to related parties or major donations to non-related parties, the Board should also review them. In cases of emergency donations due to major natural disasters, the Board may ratify them at the next meeting.

Apart from the items discussed in the Board meeting agenda, during the period when the Board meeting is adjourned, the Board shall act in accordance with the company's articles of association or the laws applicable to its authority level. The content or items discussed should be clearly specified and not arbitrarily authorized.

The Board should have at least one independent director who can attend meetings independently of the Board Chair: for the first item requiring Board resolution, the independent director should present their opinion at the Board meeting. If the independent director is unable to attend, they should submit written opinions before the meeting. If there are dissenting opinions, they should be recorded and included in the minutes of the Board meeting.

## **Article 34-2**

The Board of Directors should evaluate intellectual property management direction and performance, considering the following aspects to ensure effective management and continuous improvement:

1. Establishment of policies, goals, and systems related to intellectual property management.
2. Development, implementation, and maintenance of intellectual property acquisition, protection, maintenance, and utilization systems according to the Bank's scale and type of business.
3. Provision of necessary resources to ensure effective intellectual property management.
4. Observation of internal and external risks or opportunities in intellectual property management and taking appropriate measures.
5. Planning and implementing continuous improvement mechanisms to ensure the intellectual property management system operates effectively.

## **Article 35**

The Board of Directors may establish various functional committees, depending on the Bank's scale, business nature, and Board size, to enhance decision-making and management mechanisms. The

establishment of functional committees should be outlined in the Bank's bylaws.

Functional committees are accountable to the Board, and the proposals they present should be submitted for approval by the Board. However, the Audit Committee exercises supervisory powers in accordance with the Securities and Exchange Act, the Company Act, and other relevant legal provisions, and is not subject to this requirement.

Each functional committee should establish rules for exercising its powers, which should be approved by the Board. These rules should include at least the committee's authority and responsibilities, its organization, the qualifications of its members, the procedures for exercising its powers, and an annual review of whether the rules should be updated.

## **Article 36**

The Audit Committee should consist solely of independent directors, with at least three members. One of the members should be designated as the convener, and at least one member should have expertise in accounting or finance.

The following matters must be approved by at least half of the Audit Committee's members before being submitted to the Board for decision:

1. Establishment or revision of the internal control system, as required by the Securities and Exchange Act.
2. The assessment of the internal control system's effectiveness.
3. The establishment or revision of procedures for handling significant financial transactions, including acquisitions or disposals of assets, and derivative transactions, as required by the Securities and Exchange Act.
4. Matters involving the interests of directors themselves.
5. Major asset or derivative transactions.
6. Major loans, endorsements, or guarantees.
7. The issuance of equity-related securities.
8. The appointment, dismissal, or remuneration of the external auditor.
9. The appointment or removal of the financial, accounting, or internal audit executives.
10. The annual and semi-annual financial reports.
11. Other major matters required by the banking industry or the competent authority.

For any of the above matters, if they are not approved by at least half of the Audit Committee members, they may still be approved by a two-thirds majority of the full Board. In such cases, the decision should be recorded in the Board meeting minutes.

The Audit Committee should keep meeting minutes, which should be distributed to all independent directors within 20 days after the meeting and stored as an important company record for the duration of the company's existence.

The provisions of the Company Act, the Securities and Exchange Act, and other regulations regarding

supervisors apply to the Audit Committee.

## **Article 36-1**

The Bank should establish a Remuneration Committee or include equivalent functions within other committees. The primary responsibilities of the Remuneration Committee are to establish performance appraisal standards and remuneration schemes for managerial officers and business personnel, as well as the compensation structure and policies for the Board of Directors. Independent directors should participate in the committee, and it is preferable for an independent director to serve as the convener.

The performance appraisal standards and remuneration schemes for managerial officers and business personnel, as well as the compensation structure and policies for the Board of Directors, should be established according to the following principles:

1. They should be based on future performance adjusted for risks and align with the Bank's long-term overall profitability and shareholder interests.
2. The compensation scheme should not encourage directors, managerial officers, and business personnel to take excessive risks in pursuit of higher rewards, and the scheme should be regularly reviewed to ensure it aligns with the Bank's risk appetite.
3. The timing of compensation payments should be aligned with future risk-adjusted profits to avoid situations where the Bank suffers losses after paying out compensation. A significant portion of compensation should be deferred or tied to equity-related rewards.
4. When evaluating the individual contributions of directors, managerial officers, and business personnel to the Bank's profits, a comparative analysis with the banking industry should be conducted to clarify whether the profits were due to the use of the Bank's lower cost of capital or other advantages.
5. The Bank's severance agreements with directors, managerial officers, and business personnel should be based on actual performance to avoid excessive severance payments after short-term tenures.
6. The principles, methods, and goals of the performance appraisals and remuneration schemes should be fully disclosed to shareholders.

Personnel involved in selling various financial products and services are subject to these performance and remuneration schemes.

## **Article 36-2**

The Bank should establish and disclose both internal and external reporting channels and a whistleblower protection system. The reporting departments should be independent, and files submitted by whistleblowers should be encrypted and properly restricted to ensure privacy. These systems should be incorporated into the internal control system.

The whistleblower system should include the following elements:

1. Establish and disclose internal whistleblowing channels, such as email or hotlines, or outsource the provision of independent reporting services.

2. Assign personnel or dedicated departments to handle whistleblowing cases.
3. Record and save the whistleblowing process, the handling results, and related documents.
4. Ensure confidentiality of the whistleblower's identity and the content of the report.
5. Protect whistleblowers from improper treatment or retaliation.

If a whistleblowing case lacks a real name, address, or specific content, the Bank may choose not to process it. If an investigation finds that the content of the report is false and malicious, the whistleblower will not be protected under the above-mentioned provisions.

## **Article 37**

The Bank may hire professional lawyers to provide appropriate legal consulting services or assist directors and management in improving their legal knowledge, avoiding violations of the law, and promoting corporate governance in accordance with relevant legal frameworks and procedures.

If a director or manager becomes involved in litigation related to business operations or disputes with shareholders, the Bank may appoint lawyers to provide assistance, with the costs borne by the Bank.

The Audit Committee or its independent directors may hire lawyers, accountants, or other professionals to carry out necessary audits or provide consultation related to the exercise of their powers, with costs borne by the Bank.

## **Article 38**

To improve the quality of financial reporting, the Bank should appoint a deputy to the position of Chief Accounting Officer. This deputy should undergo continuous professional development to strengthen their expertise.

Accounting personnel involved in the preparation of financial reports should complete at least six hours of professional development each year. This training can be provided through the Bank's internal training programs or through courses offered by professional accounting institutions.

The Bank should select professional, responsible, and independent auditors, who will conduct regular audits of the Bank's financial status and internal controls. The Bank should carefully review any irregularities or deficiencies identified by auditors during the audit process and any proposed recommendations for improvement or anti-fraud measures. The Bank should also establish communication channels or mechanisms between the independent directors or the Audit Committee and the auditors.

The Bank should regularly (at least once a year) assess the independence and qualifications of the auditors using auditing quality indicators (AQIs). If the auditor has not changed for seven consecutive years or has been subject to disciplinary action or actions that impair their independence, the Bank should consider whether it is necessary to replace the auditor and submit the results to the Board for review.

## **Article 39**

The Bank should regularly convene Board meetings, and in the event of an emergency, may convene meetings at any time. Regular Board meetings should be planned in advance, with sufficient time to notify all directors and provide relevant meeting materials.

The Bank should establish procedural rules for Board meetings and submit them to the shareholder meeting for approval to enhance the efficiency and decision-making ability of the Board.

If a director believes that meeting materials are insufficient, they may request the meeting department to supplement the materials. If a director believes that the proposed agenda is insufficient, they may propose postponing the discussion by a Board resolution.

### **Article 39-1**

The Chairman shall act as the chair of the shareholder meeting, Board meetings, and Executive Board meetings, and represent the company externally. The Chairman must faithfully perform their duties with due diligence and act with a high degree of self-discipline and caution.

If the Chairman must work remotely or from home or engage in video conferences for an extended period, the Chairman should still ensure that their duties are effectively carried out.

### **Article 39-2**

If the Chairman is on leave or unable to perform their duties, the Deputy Chairman shall act as the Chairman. If there is no Deputy Chairman or they are also unavailable, the Chairman shall designate an executive director to act as Chairman. If no executive director is designated, the Board will elect one of the directors to act as Chairman.

The designated Chairman or acting Chairman must ensure that the duties performed during their proxy period do not exceed the authority of the original Chairman. If there are any restrictions, they must be clearly defined in advance.

Directors should attend the board meeting in person. If you are unable to attend for any reason, you can entrust other directors to attend on your behalf in accordance with the provisions of the company's articles of association. However, a power of attorney must be issued each time, stating the scope of authorization and the reason for the meeting. An acting director can only accept the entrustment of at most one person.

## **Article 40**

Directors should exercise a high level of self-discipline. If a director or their representative has a conflict of interest regarding a Board proposal that may harm the interests of the Bank, the director should abstain from discussion and voting. They should not represent other directors in voting.

The matter of abstaining from voting should be explicitly addressed in the Board meeting procedures.

## Article 41

For matters required by the Securities and Exchange Act to be submitted to the Board, independent directors must personally attend the Board meeting and may not delegate the meeting to non-independent directors. If an independent director disagrees or reserve's opinion, it should be noted in the Board meeting minutes. If an independent director cannot attend in person, they should provide written opinions prior to the meeting, and these should be noted in the meeting minutes.

For resolutions made by the Board of Directors, if any of the following circumstances occur, in addition to being recorded in the meeting minutes and reported in accordance with relevant regulations:

1. If an independent director expresses dissenting opinions or leaves a written record, this should be clearly noted.
2. If a matter has not been approved by the Audit Committee, and it involves the full Board of Directors agreeing with the matter by at least two-thirds of the Board, it should be noted.

When the Bank convenes a board of directors meeting, it may notify relevant department managers to attend the meeting to report business overview and answer questions raised by the directors, depending on the content of the resolutions. When necessary, it may also invite accountants, lawyers or other professionals to attend the meeting to help the directors understand the current situation of the Bank and make appropriate resolutions. But they should leave the meeting when the directors discuss and vote.

## Article 42

The Board meeting minutes should include summaries of discussions, voting methods, and resolutions for each agenda item. The minutes should be signed by the chairperson and the recorder and distributed to all directors within 20 days after the meeting. The meeting minutes should be securely stored as part of the Bank's important records.

Audio or video recordings of Board meetings should be made for verification purposes and preserved for at least five years. These recordings may be stored electronically.

Before the expiration of the retention period, if there is an issue related to the resolutions of the Board of Directors or meetings, any relevant audio or video recordings, as well as documentation, should be retained in accordance with the previous section. This should be handled as prescribed to ensure that the Board meeting and meeting minutes are properly preserved for reference.

If a Board resolution violates the law, the articles of association, or is intended to avoid harm to the organization, as long as there is a record or written confirmation from an independent director, they will be exempt from liability.

## **Article 43**

The Bank may set up an executive committee within the Board of Directors if needed, in accordance with the Company Act. If an executive committee is established, at least one independent director must be a member, and they must represent no less than one-fifth of the committee.

The bylaws should clearly define the scope of the executive committee's powers and the authorization requirements for decision-making during the Board's recess. However, major issues affecting the Bank's interests should still be subject to full Board resolution.

## **Article 44**

The Board should assign specific departments or individuals to ensure that decisions made by the Board are executed according to the established plans and schedules, with clear follow-up and evaluation mechanisms.

The Board should track the execution progress and report it during the next meeting to ensure that business decisions are implemented as planned.

### **Article 44-1**

Depending on the Bank's scale and business needs, the Bank should assign qualified personnel to manage corporate governance and designate a corporate governance officer responsible for related matters, in compliance with relevant laws and regulations. The corporate governance officer should be appointed with the approval of the Board.

The corporate governance officer is considered part of the Bank's management and should meet the qualifications specified by law.

### **Article 44-2**

The following matters are included in the governance-related duties as stipulated in the first item of the previous section, and should at least include the following:

1. Handling the Board of Directors and shareholders meetings in accordance with the law.
2. Preparing the minutes of the Board of Directors and shareholders meetings.
3. Assisting the Board of Directors with ongoing training.
4. Providing materials required for the execution of Board duties.
5. Assisting the Board to comply with the laws.
6. Reporting whether independent director candidates meet the qualifications outlined in the company's articles of association and the results of their background checks.
7. Handling other matters related to the changes of the directors.
8. Other matters specified in the company's bylaws or in contracts.

## **Article 44-3**

The Bank's corporate governance manager is the Bank's managerial officers, and the provisions of the Company Act and the Securities and Exchange Act regarding managers shall apply.

Unless otherwise specified by law, the Bank's corporate governance manager may hold concurrent positions in other companies. The corporate governance manager of the Bank may also hold concurrent positions in other roles within the Bank, if there is no conflict of interest or violation of internal control systems.

## **Article 44-4**

The corporate governance manager of the Bank should possess legal qualifications, such as certification from a licensed lawyer or accountant, financial and investment management qualifications, or experience in managing or governing similar institutions. The corporate governance manager must have at least three years of experience in corporate governance-related managerial roles.

## **Article 44-5**

The Bank should arrange for the corporate governance manager to undergo professional training.

The corporate governance manager of the Bank, excluding those newly appointed, should complete at least 18 hours of training per year, excluding weekends and public holidays. Additionally, the manager should complete at least 12 hours of professional development every year. The training range, relevant departments, and other training matters should follow the guidelines specified by the competent authority or the Bank's board of directors.

## **Article 44-6**

If the corporate governance manager resigns or is dismissed, the Bank should assign a temporary successor within one month of the resignation or dismissal.

## **Article 45**

Board members should faithfully perform their duties and exercise their powers with due diligence and a high level of self-discipline. The Bank's operations should be carried out in accordance with the resolutions of the Board, except for matters that the law or bylaws require to be decided by the shareholder meeting.

When making decisions on matters related to the Bank's business development and major strategic directions, the Board should exercise caution and ensure that corporate governance practices are not hindered.

The Bank should establish a performance evaluation mechanism for the Board. The performance of the

Board as a whole and individual directors should be evaluated annually, either through self-assessment or peer review. The Bank may also hire external professional organizations or adopt other suitable methods for performance evaluations. The evaluation should consider the following factors, and the evaluation criteria should be tailored to the Bank's needs:

1. Participation in the company's operations.
2. Improvement in decision-making quality.
3. The composition and structure of the Board.
4. Director appointments and ongoing education.
5. Internal controls.

Individual directors' (self or peer) performance evaluations should consider the following factors and adjust according to the Bank's needs:

1. Understanding of company goals and tasks.
2. Awareness of director responsibilities.
3. Level of participation in the company's operations.
4. Management of internal relationships and communication.
5. Professional qualifications and continued education.
6. Internal controls.

The Bank should also evaluate the performance of functional committees, considering the following factors, with adjustments made according to the Bank's needs:

1. Level of participation in the Bank's operations.
2. Awareness of the committee's responsibilities.
3. Improvement in decision-making quality.
4. The composition and member selection of the committee.
5. Internal controls.

The results of the performance evaluations should be reported to the Board and used as a reference for individual director compensation and reappointment decisions.

## **Article 45-1**

The Bank should establish a succession plan for management and have the Board regularly evaluate its development and implementation to ensure the Bank's sustainable operations.

## **Article 46**

If a Board resolution violates the law or the Bank's bylaws, and shareholders who have held shares for more than one year or independent directors request the Board to halt the execution of such a resolution, the Board members should immediately take appropriate action to halt the resolution or stop its implementation.

If a director identifies a significant risk to the Bank's interests, they should follow the above procedure

and report the issue immediately to the Audit Committee or to the independent director of the Audit Committee.

## **Article 47**

The total shareholding of the whole directors should comply with the legal requirements. Any transfer of shares by a director, establishment or release of pledges, or any changes in shareholding must be handled in accordance with relevant regulations. All such information should be fully disclosed.

## **Article 48**

The Bank may enter into a liability insurance contract with an insurance company for directors during their tenure, covering the liabilities they may incur in the course of performing their duties. After purchasing or renewing the director liability insurance, the Bank should report the relevant details, such as the insurance coverage amount, scope, and premium rate, to the most recent Board meeting.

## **Article 49**

Directors of the Bank should participate in continuous professional education on company governance topics. The Bank should encourage directors to attend training courses covering financial management, risk management, business operations, accounting, legal issues, anti-money laundering, counter-terrorism, and corporate social responsibility, in accordance with the regulations set by the stock exchange.

The directors of this Bank shall participate in at least three hours of training related to environmental (E), social (S) and governance (G) aspects of corporate sustainability each year in accordance with the provisions of the preceding paragraph. They may also participate in internal training courses organised by this Bank or its affiliated companies.

Continuing professional education (CPE) hours shall be calculated on a progressive basis, counting, in principle, from 1 January to 31 December for the given year. In the event of peculiar circumstances or where cross-year calculation is necessitated by the curriculum design, the reasons shall be stated together with the disclosure of the status of continuing education.

# **Chapter 5: Respecting the Interests of Stakeholders**

## **Article 50**

The Bank should maintain open communication channels with its customers, creditors, employees, consumers, community, and other stakeholders, respecting and safeguarding their legal rights. The Bank should set up a dedicated section on its website to address stakeholder concerns.

If the legal rights of stakeholders are violated, the Bank should handle the matter with good faith and fairness.

The Bank should provide sufficient information to customers and creditors within the legal scope to help them fully understand the Bank's business. When their legal rights are violated, the Bank should respond directly and handle the matter responsibly.

## **Article 51**

The Bank should establish consumer protection policies, including mechanisms for handling post-consumption complaints and emergency responses to significant consumer incidents.

## **Article 52**

The Bank should establish communication channels for employees and encourage direct communication with management and directors, allowing employees to express opinions on the Bank's operations, financial status, or major decisions involving their interests.

While focusing on the normal development of operations and maximizing shareholder interests, the Bank should also consider the rights of consumers, environmental issues, and social responsibilities.

# **Chapter 6: Improving Information Transparency**

## **Article 53**

Public information disclosure is an important responsibility of the Bank. The Bank should faithfully fulfill its disclosure obligations in accordance with relevant laws and regulations.

## **Article 54**

The Bank should establish an online information disclosure system and assign specific personnel to collect and disclose the Bank's information. The Bank should also establish a spokesperson system to ensure that information that may impact shareholders and stakeholders' decision-making is disclosed promptly and appropriately.

## **Article 55**

To improve the transparency and effectiveness of public information disclosure, the Bank should select a representative who fully understand the Bank's various departments and assist in coordinating the provision of related information. The representative could also represent the Bank to communicate with

external parties and handle the statements of the Bank.

The Bank should have more than one acting spokesperson, and any acting spokesperson should be able to act as the spokesperson to speak to the outside world on his own when the spokesperson is unable to perform his duties and ensure proper procedure is followed, avoiding any confusion in communication.

To implement the spokesperson system, the Bank should establish a uniform disclosure procedure. This should be done in coordination with the management to ensure that no unauthorized disclosure of information occurs.

If there is any change in the spokesperson or acting spokesperson, information disclosure should be made immediately.

## **Article 56**

The Bank should use the internet to create a website, offering relevant financial and business information, along with corporate governance details for shareholders and stakeholders. The website should be maintained by designated personnel, and the information provided should be accurate and updated in real-time to prevent any misleading disclosures.

## **Article 57**

When the Bank holds corporate briefings, the event should be conducted in accordance with the rules set by the stock exchange, and shall be kept in audio or video format. Relevant financial and business information from corporate briefings should be disclosed to the public via the Bank's website or other appropriate channels.

## **Article 58**

The Bank's website should feature a section dedicated to corporate governance, continuously updated with information such as:

1. The Board of Directors: the biographies and responsibilities of the directors, as well as the diversity policies implemented by the Board.
2. Functional Committees: the members' biographies and responsibilities.
3. Corporate governance regulations: such as the articles of association, Board meeting rules, and functional committee charters.
4. Other important corporate governance-related information: such as the identity of the corporate governance officer.

## **Article 58-1**

The Bank should report the compensation received by directors at the annual general meeting, including policies, types of compensation, individual amounts, and the relationship to performance evaluations.

## **Chapter 7: Supplementary Provisions**

### **Article 59**

The Bank should regularly monitor the development of domestic and international corporate governance systems and use this information to review and improve its own governance system to enhance its governance effectiveness.

### **Article 60**

Matters not covered by these Principles shall be handled in accordance with the Company Act, Securities and Exchange Act, The Banking Act of The Republic of China, and other relevant laws and general practices.

### **Article 61**

These Principles are effective upon approval by the Board of Directors, and any amendments will also take effect upon approval by the Board of Directors.