

The Shanghai Commercial & Savings Bank

The Corporate Governance Best Practice Principles

Formulation Head office

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Chapter I General Principles

Article 1

To establish sound corporate governance systems and promote sound development of the securities market , and establish an effective corporate governance framework with reference to “The Corporate Governance Best Practice Principles of Banking”¹ and “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”², and disclose them through the Market Observation Post System (MOPS).

Article 2

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

1. Comply with the regulations and strengthen internal management.
2. Protect the rights and interests of shareholders.
3. Strengthen the powers of the board of directors.
4. Fulfill the function of Audit Committee
5. Respect the rights and interests of stakeholders.
6. Enhance information transparency.

Chapter II Comply with the regulations and strengthen internal management

Article 3

The Bank shall establish compliance officer system. The Compliance Department take charge of the planning, management, and execution of the regulatory compliance system , establish system for consultation, coordination and communication , provide regulatory training to every department , and assign one staff to act as compliance officer to conduct compliance affairs, and ensure that the effective operation of the compliance officer system and strengthens the self-discipline function.

Article 4

The Bank shall establish internal control system and ensure effective operation of the system . The board of directors bear the ultimate responsibility for ensuring the establishment and maintenance of appropriate and effective internal control system. Higher-level management should be guided and supervised by the board of directors and follow the business strategy, risk preference, compensation and other

¹ April.01.2019 The Corporate Governance Best Practice Principles of Banking

² December.12.2018 Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

policies adopted by the board of directors , and develop procedures to identify, measure, monitor and control bank risks and establish appropriate and effective internal control systems. The organization, procedures, and decisions of higher-level management should be clear and transparent, and the roles, powers, and responsibilities of their positions should be clarified.

The adoption or amendment of the internal control system shall be subject to the consent of one-half or more of all Audit Committee members and submitted to the board of directors for resolution. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes

Article 5

The Bank's internal control and system shall encompass the Bank 's business activities and establish appropriate policies and operating procedures in the form of organizational rules, articles of incorporation, business guidelines and procedural manuals, which are subject to regular review and revision in response to changes in the law, business items and operating processes. Compliance, internal audit and risk management units may be involved when necessary.

Article 6

The Bank 's internal audit system shall evaluate the effectiveness and operating efficiency of the internal control system and provide suggestions for improvement as required in order to ensure the continuing effectiveness of the internal control system and to assist the board of directors and management in fulfilling their duties.

The Auditing Department is a subordinate organization of the board of directors and shall oversees audit related affairs in an independent and detached manner and provides regular reports to the board of directors and Audit committee.

The Bank should set up channels and mechanisms for facilitating communication between independent directors, the Audit Committee, and internal audit officers. With respect to internal controls system reviews, directors of the Bank shall meet regularly with internal auditors, keep minutes of discussions, conduct follow-ups, implement improvements, and submit a report to the board of directors.

For the sake of implementing the internal control system, strengthening the professional competencies of internal auditors and their proxies, and maintaining and enhancing the quality and performance of audits, the Bank shall appoint authorized deputies for internal auditors.

Article 7

Management of the Bank shall respect the internal audit unit and personnel and grant them sufficient authority and oversight so that they may perform effective inspections and assessments of the internal control system and measure operational efficiency in order to ensure the continuing effective operation of the system and the sound corporate governance of the Bank.

The assessment of the effectiveness of the internal controls system shall be subject to the consent of one-half or more of all Audit Committee members and submitted to the board of directors for resolution.

Article 8

The Bank should establish three lines of defense in internal control system, including self-

inspection system, legal compliance system and risk management mechanism, and internal audit system, and follow the implementation procedures set by the competent authority to maintain an effective and appropriate internal control system.

Article 9

The Bank shall continually conduct follow-up reviews on any examination opinions or audit deficiencies brought up by the financial examination authority, CPA, or internal audit unit, and make full use of the control functions provided by the internal audit and external audit reports.

Article 10

The internal auditors and compliance officer of the Bank shall immediately prepare a report for submission, with a notice to the competent authority, when their recommendations for improvements regarding significant deficiencies or noncompliance identified in internal controls are not accepted by management and as a result the Bank might incur a material loss.

Chapter III Protect the rights and interests of shareholders

Article 11

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

Article 12

The Bank shall encourage shareholders to actively participate in corporate governance and ensure shareholder meetings can proceed on a legal, effective and secure basis. The Bank shall seek all ways and means, including fully exploiting technologies for information disclosure and casting votes, and should upload notices, agendas and supplementary information of shareholders meetings in both Chinese and English concurrently, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

The Bank should adopt electronic voting and shall adopt a candidate nomination system for the election of directors. The Bank is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting.

The Bank is advised to arrange for their shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast for and against and the number of abstentions, on MOPS or the website of Bank.

Article 13

The Bank shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders on Bank's financial conditions and operations and insider shareholdings status through the MOPS or the website of Bank.

Article 14

The Bank shall establish internal guidelines for the handling of donations and submit them to the board of directors for approval. Donations made to political parties, stakeholders, and charitable institutions shall be disclosed to the public.

Article 15

In entering into material financial and business transactions other than business operations such as acquisition or disposal of assets, the Bank shall proceed in accordance with the applicable laws and/or regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported to and approved by the shareholders meeting so as to protect the interests of the shareholders. When executing investment, the Bank shall take into consideration the corporate governance of the issuing company of the investment instrument, as a guiding reference for investment.

Article 16

In order to protect the interests of the shareholders, the Bank should handle shareholder proposals, inquiries, and disputes.

The Bank shall properly deal with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the Bank's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the Bank's articles of incorporation by any directors or managers in performing their duties.

The Bank should adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant records for future reference and incorporate the procedures in its internal control system for management purposes.

Article 16-1

The board of directors of the Bank is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of Bank's objectives.

Article 16-2

In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the board of directors of the Bank together with managers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

Article 17

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

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the Bank to conduct any business which is contrary to normal business practice or not profitable.
2. The shareholder or 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. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors and shall not act beyond the authority granted by the shareholders meeting or board meeting.

4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.

5. It shall not restrict or impede the management of the Bank through unfair competition.

6. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Bank's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

Article 18

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

Article 19

In order to prevent the Bank's stakeholder from using their positions to handle improper credit, damage to shareholders, deposited public interest and affect the Bank's sound operations, the Bank should be appropriately restricted for major shareholders, invested enterprises, responsible person, employees, or stakeholder of the Bank's responsible person or the employee who handles the credit, and shall also comply with the provisions of the Banking Law regarding the credit restrictions of interested parties and the relevant provisions of the competent authority.

Article 20

In order to avoid improper transfer of benefits that can cause damages to the Bank or its shareholders, the Bank, when entering into a real estate transaction with its major shareholders, invested enterprises, responsible person, employees, or stakeholder of the Bank's responsible person, the transaction shall be made in a way that is fair, impartial and objective, and in accordance with the norms of business, the Banking Act, and other regulations made by competent authorities.

Article 20-1

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

Article 21

The concurrent holding of positions and the number of concurrently held positions of the responsible person of the Bank shall be subject to the principle that the responsibilities of the principal position and the concurrent position are both effectively discharged without any conflict of interests or any violation of the respective internal controls of the institutions.

The Bank shall on a regular basis evaluate the performance of a responsible person holding a concurrent position, and having regards to its investment management needs, risk management policies, and the provisions of the Regulations; the evaluation results shall serve as an important reference to determine whether the concurrently held position(s) will be maintained or reduced in number.

Unless otherwise provided by the laws and regulations, a manager of the Bank may not serve as a manager of its affiliated enterprises.

Article 22

The Bank shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. The Bank should set a large risk exposures management system depending on the business situation.

Article 23

When the Bank and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

Article 24

The Bank should retain at all times a register of those who owns 1 percent or more of the outstanding shares of the company or the shareholding stake thereof is on the top 10 list, provided however that the Bank may set up a lower shareholding threshold according to the actual shareholding stake that may control the Bank.

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

Chapter IV Strengthen the powers of the board of directors.

Article 25

The board of directors of the Bank shall be in charge of Bank's strategies and major policies, supervise the management, and be responsible to all shareholders.

The various procedures and arrangements of Bank's corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, Bank's articles of incorporation, and the resolutions of its shareholders meetings.

Article 26

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgments.
2. Ability to perform accounting and financial analysis.

3. Ability to conduct management administration.
4. Ability to conduct risk management
5. Ability to conduct crisis management.
6. Knowledge of the industry.
7. An international market perspective.
8. Ability to lead.
9. Ability to make policy decisions.

All directors of the board shall comply with “Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks”.

Article 27

The board of directors shall recognize the risks faced by the Bank during business operations, and ensure the effectiveness of risk management, and bear the final responsibility for risk management.

The Bank's risk management policies and operating procedures shall be adopted by the board of directors and shall be reviewed and amended when appropriate.

The Bank assigned Risk Management Department that in charge of an independent risk management task force and regularly furnish risk management reports to the Risk Management Committee and the board of directors; upon identifying a significant risk exposure that might adversely affect its financial ,business status or legal compliance , it shall take immediate and adequate countermeasures and submit a report to the Risk Management Committee and the board of directors.

Article 28

The Bank shall appoint less than three independent directors and the number of independent directors may not be less than one-fifth of the total number of members of the board directors. The Bank shall adopt a candidate nomination system for election of the independent directors in accordance with the Company Act and the shareholders shall elect the directors from among the nominees listed on the roster.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and concurrent serving. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than 4 other TWSE/TPEX listed companies.

An independent director may concurrently serve as an independent director in not more than three other public companies at one time. Where a public company is a wholly owned subsidiary of a financial holding company, both entities are considered to be the same company and are thus only counted as one public company.

The independent director of the Bank should not serve more than three consecutive terms . Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Bank.

The professional qualifications, restrictions on shareholding and concurrent employment, determination of independence, method of nomination and other requirements for independent directors shall be governed by the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and regulations.

Article 29

The Bank's chairman and president positions shall have a clear division of responsibilities, and are suggested not to be filled by one person or who are spouses.

Article 30

The Bank shall specify the range of duties for independent directors and provide the manpower and resources needed for performing these duties. In cases where an independent director is tasked with handling material events or cases involving doubts, a third-party expert may be hired, as needed, to assist in evaluating the situation, or internal auditors may be requested to carry out a special audit or conduct follow-up monitoring. The Bank and other member of board of directors must not limit or interfere with the performance of independent directors' duties.

The Bank should establish a separate of directors but reasonable set of remuneration rules for independent directors.

Article 31

To achieve the objective of corporate governance, the main goal of the board of directors is as follows:

1. Set up effective and appropriate internal control system.
2. Select and supervise managers.
3. Review the management decisions and operation plans, and supervise the implementation status.
4. Review the financial goals of the Bank, and supervise the completion of those goals.
5. Supervise the operation results of the Bank.
6. Review the performance evaluation benchmark and remuneration standard for the managers and business staffs, the remuneration structure and system for the directors.
7. Supervise the establishment of an effective risk management mechanism.
8. Supervise the compliance with relevant laws.
9. Plan and set future development directions for the Bank.
10. Protect Bank's image.
11. Select accountants and other professionals.

Article 32

The following issues shall be raised for discussion in board meetings:

1. Business plan.
2. Annual financial reports and semi-annual financial reports.
3. Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act and assessments of internal control system effectiveness.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
5. Public offering, issuance or private offering of equity securities.
6. The appointment and removal of the heads of the Finance, Accounting, Risk Management, Compliance, and Internal Audit Departments.

7. Review the performance evaluation benchmark and remuneration standard for the managers and business staffs, and the remuneration structure and system for the directors.

8. Donations to related parties or major donations to non-related parties. However, due to the public welfare nature of the major natural disasters, it should mention the next board of directors.

9. Decisions that shall be resolved through a shareholders' meeting or a board meeting according to Article 14-3 of the Securities and Exchange Act, other laws or the Articles of Incorporation, and any major issues prompted by the competent authority.

Except for matters that must be submitted to the board of directors for discussion under the paragraph 1, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

At least one independent director shall be in attendance at shareholders' meetings convened by the Bank; in the case of a meeting concerning any matter required to be submitted for a resolution by the board of directors under paragraph 1, all independent directors shall attend in person; if an independent director is unable to attend in person, he or she shall appoint another independent director to attend as his or her proxy. Any objections or qualified opinions expressed by independent directors shall be recorded in meeting minutes. If an independent director is unable to express objections or qualified opinions personally at the board meeting, the opinion shall be raised in writing in advance unless there is justifiable reason not to do so. Such opinions shall also be recorded in board meeting minutes.

Article 33

For the purpose of sounding decision functions and strengthening management mechanisms, the board of directors of a TWSE/TPEx listed company, in consideration of the scale of board of directors and the number of independent directors, may set up functional committees, and expressly provide in the articles of incorporation.

Functional committees shall be responsible to the board and submit the proposals to the board of directors for resolution. Audit Committee that has a supervisory role in accordance with the Securities and Exchange Act, the Company Act, and other laws and regulations is not subject to this requirement.

Functional committees shall stipulate the exercise of the powers and regulations and submit them for resolution and approval by the board of directors. The content of the exercise of the powers and regulations shall include at least the authority and responsibility of the committee, the process of exercising the powers (organization status, qualifications of the members, the process of exercising the powers, etc.), and the annual review and assessment of the policy of updating the rules of authority.

Article 34

The Audit Committee shall consist entirely of independent directors, with no less than three members. One member shall be the convener, and at least one member shall have a background in accounting or finance.

The following items shall be approved by at least one half of the Audit Committee members and submitted to the Board of Directors for resolution:

1. Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act.
2. Assessment of internal control system effectiveness

3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. Matters involving the personal interests of the directors.
5. Major asset or derivative trading.
6. Public offering, issuance or private offering of equity securities.
7. Appointment, discharge or remuneration of the certified public accountant.
8. Appointment or removal of chief officers of finance, accounting and internal audit.
9. Annual financial reports that signed or sealed by the chairman, manager and accounting officer, and second quarter financial reports that must be audited and attested by a CPA.
10. Other significant issues regulated by the Company or competent authorities.

Except for Subparagraph 9, if any other subparagraphs in the preceding paragraphs are not approved by more than one-half of the Audit Committee members, then they must be approved by more than two-thirds of the entire board of directors, without the restrictions in the preceding paragraph. The decision shall be recorded in meeting minutes.

The meeting of the Audit Committee shall be recorded as meeting minutes and issued to all independent directors within 20 days after the meeting. The meeting minutes shall be listed as key files of the Bank and retained as such over the Bank's existence.

The Company Act, the Securities and Exchange Act, other laws, and these Principles regulating supervisors shall be applicable for members of the Audit Committee.

Article 35

The Remuneration Committee of the Bank shall determine the performance evaluation benchmark and remuneration standards for managers and business staffs and remuneration structure and system for the board directors. This committee shall consist of 3 to 5 members appointed by resolution of the board of directors, and shall involve independent directors and be convened by independent directors.

The performance evaluation benchmark and remuneration standard for the managers and business staffs, and the remuneration structure and system for the directors shall be based on the following principles:

1. The Bank shall adopt the performance evaluation and remuneration standards or remuneration structure and system based on future risk-adjusted performance and in line with the Bank's long-term overall profitability and shareholders' interests.
2. The remuneration and reward system shall not entice any director, manager, or business staff to engage in any act exceeding the Bank's risk appetite in pursuit of remuneration. The Committee also shall regularly review the remuneration and reward system and performance in order to ensure their consistency with the Bank's risk appetite.
3. The time for payment of remuneration shall be set based on future risk-adjusted profitability in order to avoid the inappropriate circumstance of sustaining loss after the payment of remuneration. A significant percentage of the remuneration/reward shall be paid by a deferred method or an equity-related method.
4. When assessing the individual contribution of a director, manager and business staff to the Bank's profits, the Bank shall conduct an overall analysis of the interbank to clarify whether such profits resulted from an overall advantage such as the use of the lower capital cost of the Bank, in order to effectively assess the contributions that come from individual persons.
5. The stipulations on severance pay between the Bank and its directors, managers and

business staffs shall be adopted based on realized performance, in order to avoid improper circumstances such as receiving high severance pay after a short term of employment.

6. The Bank shall fully disclose to shareholders the adopted principles, methods, and goals of the aforementioned performance evaluation and remuneration standards or structure and system.

The business staffs governed by these Principles are those persons whose remuneration or performance evaluation is based on the sale of various financial products or services.

Article 35-1

The Bank shall establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place and into the Bank 's internal control system for management purposes.

Article 36

The Bank should engage a professional and competent legal counsel to provide adequate legal consultation services to the Bank, or to assist the directors and the management to improve their knowledge of the law, and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

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

The audit committee or an independent director may retain the service of legal counsel, CPA, or other professionals on behalf of the Bank to conduct a necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of the Bank.

Article 37

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

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

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

The Bank shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Bank. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the auditor during the review, and concrete measures for improvement or prevention suggested by the auditor, the Bank shall faithfully implement improvement actions. The Bank should establish channels and mechanisms of communication between the independent directors or audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the Bank's internal control system for management purposes.

The Bank shall evaluate the independence and suitability of the CPA engaged by regularly, and no less frequently than once annually. In the event that the Bank engages

the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Bank shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

Article 38

The Bank shall convene the board of directors on a regular basis. However, a board of directors' meeting may be called at any time in the event of an emergency. The regular board of directors of the Bank shall plan and formulate issues in advance, notify all directors as required, and provide sufficient meeting materials.

The Bank shall formulate rules for procedure of board of directors and report to the shareholders meeting to enhance the operational efficiency and decision-making ability of the board of directors.

A director who is of the opinion that the meeting materials provided are insufficient may order the board meetings unit to replenish.

If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of board meetings.

Article 39

Directors shall exercise a high degree of self-discipline.

If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, they shall be evaded by themselves and may not join the discussion and voting, nor act as other agents to exercise their voting rights. Directors should also be self-disciplined and have to support each other.

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

Article 40

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

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced according to the relevant regulations of the competent authority:

1. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
2. The matter was not approved by the audit committee, but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business

conditions of the Bank and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 41

The staffs are responsible for the board meetings of the Bank shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

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

Meeting minutes may be produced, distributed, and preserved by electronic means.

The Bank shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the recordings for at least 5 years, in electronic form or otherwise.

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

Where a board of directors meeting is held via teleconference or video conference, the audio or video recordings of the meeting form a part of the meeting minutes and shall be preserved permanently.

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

Article 42

The Bank shall be elected three to five managing directors in accordance with the Company Act and the articles of incorporation. The managing directors shall include a minimum of one independent director, and the independent director(s) shall not be less than one-fifth of the aggregate total of managing director seats.

During the adjournment of the board of directors of the Bank, the board of managing directors may exercise the powers of the board of directors. However, when material interest of the bank is involved, the matter shall be disposed of by a resolution of the board of directors.

Article 43

The Bank shall ask the appropriate Bank's department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and

receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

Article 43-1

The secretarial office of the Board of the Bank is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situations and management needs, and to appoint the unit senior officer as the chief corporate governance officer to be in charge of corporate governance affairs.

The appointment and dismissal of chief corporate governance officer of preceding paragraph shall required for a resolution by the board of directors.

The Bank shall comply with these Principles in appointing its chief corporate governance officer, unless otherwise provided under the regulations of the competent authorities.

Article 43-2

Corporate governance affairs described in the first paragraph of the preceding article shall cover, at a minimum, the following:

1. Handling of matters relating to board of directors meetings and shareholders meetings in compliance with law;
2. Preparation of minutes of the board of directors meetings and shareholders meetings;
3. Assistance in onboarding and continuing education of the directors;
4. Provision of information required for performance of duties by the directors;
5. Assistance in the directors' compliance of law; and
6. Other matters described or established in the articles of incorporation or under contract.

Article 43-3

A chief corporate governance officer is a manager of the company and shall comply with sections governing managers of the Company Act and the Securities and Exchange Act. In case of a chief corporate governance officer shall be ensured the officer is effectively performing the duties required in the capacity of both the chief corporate governance officer and the concurrent position, and there shall be no conflicts of interest or violations of the internal control system.

Article 43-4

A chief corporate governance officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs as specified in Article 43-2.

Article 43-5

The Bank shall arrange continuing professional education (CPE) for its chief corporate governance officer.

A newly appointed chief corporate governance officer shall complete a minimum of 18 CPE hours within the year from the person's appointment and a minimum of 12 CPE hours per year in each following year. The continuing education scope, continuing education system and other continuing education affairs shall be governed by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.

Article 43-6

In case of resignation or dismissal of the chief corporate governance officer, the Bank shall appoint another person as its chief corporate governance officer within one month of the occurrence of that fact.

Article 44

Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator and exercise their powers. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

Any resolution of the board of directors that involves the Bank's business development or a major policy direction shall be carefully considered and may not affect the implementation and operation of corporate governance.

Article 45

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

Upon discovering a likelihood that the Bank would suffer material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, in accordance with the foregoing paragraph.

Article 46

The ratio of the total shares held by all the directors of the board shall comply with applicable laws. Restrictions on the transferring of directors' shares, and the establishment, removal, and change of pledges shall comply with applicable regulations. Furthermore, information shall be fully disclosed.

Article 46-1

The Bank shall enter into a liability insurance contract with the insurance company to cover the Bank's directors with respect to liabilities resulting from exercising their duties . The Bank shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for directors, at the next board meeting.

Article 46-2

The Bank's directors should continue to participate in training courses on finance, risk management, business, commerce, accounting, law, anti-money laundering and combating the financing of terrorism (AML/CFT), corporate social responsibility, which cover subjects relating to corporate governance. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

Chapter V Fulfill the function of Audit Committee

Article 47

The member of audit committee of Bank must have the professional knowledge, work experiences and attitude with integrity, practical, impartial judgment. The member shall evaluate whether he or she has sufficient time and energy for the work of audit committee.

Article 48

The member of audit committee must have the professional knowledge and be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of the Bank and the functions, duties, and operation of each department, shall attend meetings of the board of directors to supervise their operations and to state his/her opinions when appropriate so as to grasp or discover any abnormal situation early on.

Article 49

The audit committee shall supervise the implementation of the operations of the Bank, and the performance of duties by directors and managers, and so as to reduce the financial and operational risks of the Bank.

Where a director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the Bank, an independent director member of the audit committee shall act as the representative of the Bank.

Article 50

The audit committee or its members may investigate the operational and financial conditions of the Bank from time to time, and the relevant departments in the Bank shall provide the books or documents that will be needed for the director's review.

When reviewing the finance or operations of the Bank, the audit committee or its members may retain attorneys or CPAs on behalf of the Bank to perform the review; however, the Bank shall inform the relevant persons of their confidentiality obligations. The board of directors or managers shall submit reports in accordance with the request of the audit committee or its members and shall not for any reason circumvent, obstruct, or refuse the inspection of the audit committee or its members.

When the audit committee or its members performs his/her duties, the Bank shall provide necessary assistance as needed by the audit committee or its members, and the reasonable expenses that the audit committee or its members needs shall be borne by the Bank.

Article 51

For the audit committee to timely discover any possible irregular conduct in the Bank, the Bank shall establish a channel for the audit committee to communicate with the employees, shareholders and stakeholders.

Upon discovering any irregular conduct, the audit committee or its members shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.

When an independent director or president, an officer of the finance, accounting, CPA and internal audit officer, resigns or is removed from his/her position, the audit committee shall investigate the reasons.

In the event that the audit committee neglects his/her duties and therefore causes harm to

the Bank, the audit committee shall be liable to the Bank.

Article 52

Based on the overall interests of the Bank and shareholders, any member of the audit committee exercise their supervisory powers, those who have the necessary opinions to exchange opinions may hold meetings on a regular or irregular basis. The minutes for each meeting of the Committee shall be preserved permanently.

Article 53

In order to play the supervisory function of the audit committee, members of the audit committee should exercise their authority and be independent.

When any member of the audit committee exercise their individual supervisory powers at different times, the related departments may not demand that they carry out examinations in a consistent uniform manner, nor may they refuse to once again provide data.

Chapter VI Respect the rights and interests of stakeholders.

Article 54

The Bank shall maintain channels of communication with its customers, creditors, employees, consumers, suppliers, community, or other stakeholders of the Bank, respect and safeguard their legal rights and interests, and designate a stakeholders section on its website.

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

The Bank shall provide sufficient information to customers within the scope of the law to know of the operational conditions of the Bank When any of their legal rights or interest is harmed, the Bank shall respond with a responsible attitude and assist through proper means.

Article 55

The Bank shall prompt subsidiaries to set up consumer protection guidelines that include explain how complaints and disputes are to be handled.

The Bank should set a consumer protection policy that includes at least the handling mechanism for after consumer complaints and suddenly major consumer events.

Article 56

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

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

Chapter VII Enhance information transparency

Article 57

Disclosure of information is a major responsibility of the Bank. The Bank shall perform its obligations faithfully in accordance with the relevant laws and articles of incorporation.

Article 58

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

Article 59

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

The Bank shall appoint acting spokespersons who shall represent the Bank, when the spokesperson cannot perform his/her duties, in making statements.

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

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

Article 60

In order to keep shareholders and stakeholders fully informed, the Bank shall utilize the convenience of the Internet and set up a website containing the information regarding the Bank's finances, operations, and corporate governance. The Bank should furnish the financial, corporate governance, and other relevant information in English in order to meet the needs of foreign investors.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 61

The Bank shall hold an investor conference in compliance with the regulations of the competent authority, and shall keep an audio or video record of the meeting, and provided for inquiry through the website established by the Bank or through other channels.

Article 62

The Bank shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and the competent authority regulations:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
3. Structure, professionalism and independence of the board of directors.

4. Responsibility of the board of directors and managerial officers.
5. Composition, duties and independence of the audit committee.
6. Composition, duties and operation of the remuneration committee and other functional committees.
7. The remuneration paid to the directors, president and executive vice president in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors shall be disclosed.
8. The progress of training of directors.
9. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
10. Disclosure of major risk exposure.
11. Information on related party transactions(including the credit informations with stakeholders).
12. Capital adequacy disclosures.
13. Details of the events subject to information disclosure required by law and regulations.
14. The enforcement of corporate governance, differences between the corporate governance principles implemented by the Bank and these Principles, and the reason for the differences.
15. Plans and measures for improving corporate governance.
16. Information about risk management.
17. Other information regarding corporate governance.

Chapter VIII Supplementary Provisions

Article 63

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

Article 64

Any matters not adequately provided for herein shall be subject to the Bank and the competent authority regulations concerned.

Article 65

These Principles, and any amendments hereto, shall come into in force after adoption by a resolution of the board of directors.