

# 公司治理實務守則

## Corporate Governance Practice Principles

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## **KKCompany Technologies Inc.**

### **Corporate Governance Practice Principles**

#### **Chapter I General Principles**

Article 1 In order to establish sound corporate governance system and promote sound development of the securities market, the KKCompany Technologies Inc.(hereinafter referred to as “KKCompany”, or “We”, or “Us”) has formulated the corporate governance principles (hereinafter referred to as “these Principles”) by referring to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” of the Taiwan Stock Exchange Corporation (hereinafter referred to as the “TWSE”). We have established an effective corporate governance framework and disclosed them through the Market Observation Post System (MOPS).

Article 2 When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE, and other relevant regulations, KKCompany shall follow the following principles:

1. Protect the rights and interests of shareholders.
2. Strengthen the powers of the board of directors.
3. Fulfill the function of supervisors.
4. Respect the rights and interests of stakeholders.
5. Enhance information transparency.

Article 3 KKCompany shall follow the Criteria Governing Establishment of Internal Control Systems by Public Reporting Companies and take into consideration the overall operational activities of us and our subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of our design and implementation in light of changes in the company's internal and external environment.

KKCompany shall perform full self-assessments of the internal control system. The board of directors and management shall review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The Audit Committee or supervisors shall also attend to and supervise these matters. Directors and supervisors shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors. KKCompany is advised to establish channels and mechanisms of communication

between their independent directors, Audit Committees or supervisors, and chief internal auditors, and the convener of the Audit Committee or supervisors shall report the communications between members of the Audit Committees or supervisors and chief internal auditors at the shareholders' meeting.

The management of KKCompany shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems of the internal control system and assess the efficiency of its operations to ensure that the system can operate effectively on an on-going basis, and to assist the board of directors and the management to perform their duties effectively so as to ensure a sound corporate governance system.

Appointment, dismissal, evaluation and review, salary and compensation of internal auditors of KKCompany shall be reported to the board of directors or shall be submitted by the chief auditor to the board chairperson for approval.

Article 3-1

KKCompany 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 shall appoint in accordance with the requirements of the competent authorities, TWSE a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said 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, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

It is required that the corporate governance affairs mentioned in the preceding paragraph include at least the following items:

1. Handling matters relating to board meetings and shareholders meetings according to laws;
2. Producing minutes of board meetings and shareholders meetings
3. Assisting in onboarding and continuous development of directors and supervisors;
4. Furnishing information required for business execution by directors and supervisors;
5. Assisting directors and supervisors with legal compliance;
6. Reporting to the board of directors on the inspection results regarding the qualifications of independent directors in accordance with relevant laws and regulations during the nomination, election, and tenure;
7. Handling matters related to the change of directors;
8. Other matters set out in the articles of incorporation or contracts.

**Chapter II      Protection of Shareholders' Rights and Interests**

**Section 1      Encouraging Shareholders to Participate in Corporate Governance**

Article 4      The corporate governance system of KKCompany shall be designed to protect shareholders' rights and interests and treat all shareholders equitably.

KKCompany shall establish a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.

Article 5      KKCompany shall convene shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. KKCompany shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

Resolutions adopted by shareholders meetings of KKCompany shall comply with laws, regulations and articles of incorporation.

Article 6      The board of directors of KKCompany shall properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and supervisors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, advisably with videoconferencing available and sufficient time allowed and sufficient number of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors (including at least one independent director) and convener of the Audit Committee, or at least one supervisor, attend in person, and that at least one member of other functional committees attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7      KKCompany shall encourage its shareholders to actively participate in corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. KKCompany shall seek all ways and means, including fully exploiting technologies for information disclosure, to upload annual reports, annual financial statements, notices, agendas and

supplementary information of shareholders meetings in both Chinese and English concurrently, and shall adopt electronic voting, in order to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with laws.

KKCompany is advised to avoid raising extraordinary motions and amendments to original proposals at a shareholders meeting.

KKCompany 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 the MOPS.

Article 8

KKCompany, in accordance with the Company Act and other applicable laws and regulations, shall record in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors and supervisors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors or supervisors.

The shareholders meeting minutes shall be properly and perpetually kept by the company during its legal existence, and should be sufficiently disclosed on the company's website.

Article 9

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

In order to protect the interests of most shareholders, if the chairperson declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, it is advisable for the members of the board of directors other than the chairperson of the shareholders meeting to promptly assist the attending shareholders at the shareholders meeting in electing a new chairperson of the shareholders meeting to continue the proceedings of the meeting, by a resolution to be adopted by a majority of the votes represented by the shareholders attending the said meeting in accordance with the legal procedures.

Article 10

KKCompany 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 with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the company.

To treat all shareholders equally, it is advisable that the company concurrently disclose the information under the preceding paragraph in English.

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

It is advisable that the rules mentioned in the preceding paragraph include stock trading control measures from the date insiders of KKCompany become aware of the contents of the company's financial reports or relevant results. Measures include, without limitation, those prohibiting a director from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports.

Article 10-1 It is advisable that KKCompany report at a general shareholder meeting the remuneration received by directors, including the remuneration policy, individual remuneration package, amount, and association with outcomes of performance reviews.

Article 11 The shareholders shall be entitled to profit distributions by the company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the Audit Committee or supervisors, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector.

The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records, assets, particulars, documents and records of specific transaction of the company.

The board of directors, Audit Committee or supervisors, and managers of KKCompany shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any circumvention, obstruction or rejection.

Article 12 In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, KKCompany 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 KKCompany is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and/or regulations, it shall not only pay attention to the fairness, rationality, etc. of the plan and transaction of the merger, acquisition or public tender offer, but information disclosure and the

soundness of the company's financial structure thereafter.

If KKCompany's management or major shareholders participate in the merger, the Audit Committee shall review whether the members of the Audit Committee for the aforementioned merger comply with the provisions of Article 3 of the Regulations Governing the Appointment of Independent Directors of Public Companies and shall not have any relationships with the counterparty of the merger and acquisition transaction as a related party or have any conflicts of interest that may affect independence. The review shall also ensure that the design and execution of relevant procedures comply with relevant laws and regulations and that information is fully disclosed in accordance with relevant laws and regulations. An independent lawyer shall provide a legal opinion for this purpose.

The qualifications of the aforementioned lawyer shall comply with the provisions of Article 3 of the Regulations Governing the Appointment of Independent Directors of Public Companies and shall not have any relationships with the counterparty of the merger and acquisition transaction as a related party or have any conflicts of interest that may affect independence.

The relevant personnel of KKCompany handling the matters in the merger, acquisition or public tender offer shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13

In order to protect the interests of the shareholders, KKCompany shall designate personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders.

KKCompany shall properly deal with matters arising from any action instituted by shareholders pursuant to the applicable laws claiming damage to such shareholders' rights and interests caused by the resolution adopted in its shareholders meetings or the board of directors meetings in violation of the applicable laws, regulations or its articles of incorporation, or claiming a breach by its directors, Audit Committee members or managers of applicable laws, regulations or the company's articles of incorporation in performing their duties.

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

**Section 2**

**Establishing a Mechanism for Interaction with Shareholders**

Article 13-1

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

Article 13-2 In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the board of directors of KKCompany together with officers 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.

**Section 3 Corporate Governance Relationships between KKCompany and Its Related Parties**

Article 14 KKCompany shall clearly identify the objectives and the division of authority and responsibility between it and its affiliated enterprises, with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 Unless otherwise provided by the laws and regulations, a manager of KKCompany may not serve as a manager of its affiliated enterprises.

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

Article 16 KKCompany shall establish a sound management objective and system for finance, operations and accounting in accordance with the relevant laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk evaluation of the major banks they are dealing with, their customers and their suppliers, and carry out the necessary control mechanism to reduce credit risks.

Article 17 When KKCompany and its related parties or shareholders enter into inter-company finance or business transactions, a written agreement governing the relevant financial and business operations between each other 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 and improper channeling of profits shall be prohibited.

The proceeding agreements shall include the management procedures for transactions such as purchase and sale of goods, acquisition or disposal of assets, loans and endorsements, and significant transactions shall be approved by the Board of Directors, agreed upon by the Shareholders' Meeting or reported accordingly.

Article 18 A corporate shareholder having controlling power over KKCompany 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 KKCompany to conduct any business which is contrary to normal business practice or not profitable.
- 2、 Its representative shall follow the rules implemented by its company 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 or audit committee members.

- 3、 It shall comply with relevant laws, regulations and the articles of incorporation of KKCompany 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 or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
- 6、 The representative that is designated when a corporate shareholder has been elected as a director shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporation shareholder's representative is inappropriate

Article 19 KKCompany shall ensure the command at any time of information on the identity of major shareholders, who own a higher percentage of shares and have an actual control over KKCompany, and its ultimate control persons.

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

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

### **Chapter III Enhancing the Function of Board of Directors**

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

Article 20 The board of directors of KKCompany shall direct company strategies, supervise the management, and be responsible to the company and shareholders. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders meetings of the company.

Regarding the structure of the board of directors, KKCompany shall determine an appropriate number of board members not less than five persons, in consideration of its business scale, the shareholding of its major shareholders and practical operational needs.

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and formulating an appropriate policy on diversity based on KKCompany's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- 1、 Basic requirements and values: Gender, age, nationality, and culture. The ratio of female director is advised to reach one-third.
- 2、 Professional knowledge and skills: A professional background (e.g. law, accounting, industry, finance, marketing, and technology), professional skills, and industry experience.

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

Article 21

KKCompany shall, according to the principles for the protection of shareholder rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, and shall adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless otherwise the competent authority 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 KKCompany.

Where the number of directors falls below five due to the release of director(s) for any reason, KKCompany shall hold a by-election for director at the next following shareholders meeting. Where the number of directors falls short by one-third of the total number prescribed by the articles of incorporation, KKCompany shall convene

a special shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).

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

Article 22 KKCompany shall comply with the competent authority's regulation, and specify in its articles of incorporation that it adopts the candidate nomination system for elections of directors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.

Article 23 Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the board of the company and those of its general manager. It is inappropriate for the chairperson to also act as the general manager or other equivalent position (highest managerial position). KKCompany shall clearly define the responsibilities and duties of the functional committees.

## **Section 2 Independent Director System**

Article 24 KKCompany shall appoint independent directors in accordance with its articles of incorporation. They shall be not less than two in number and it is advisable that the ratio of independent directors to be no less than one-third of the total number of directors. The independent directors may not serve more than three consecutive terms.

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

If KKCompany and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, KKCompany shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, KKCompany shall

disclose the number of votes cast in favor of the elected independent director.

The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of KKCompany, any foundation to which the company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by KKCompany. Change of status between independent directors and non-independent directors during their term of office is prohibited.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the independent directors shall be set forth in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations of the Taiwan Stock Exchange or GreTai Securities Market.

Article 25

The following matters shall be submitted to the board of directors for approval by resolution as provided in the Securities and Exchange Act; when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting:

- 1、Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- 2、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.
- 3、A matter bearing on the personal interest of a director.
- 4、A material asset or derivatives transaction.
- 5、A material monetary loan, endorsement, or provision of guarantee.
- 6、The offering, issuance, or private placement of any equity-type securities.
- 7、The hiring or release of a certifying CPA, or the compensation given thereto.
- 8、The appointment or discharge of a financial, accounting, or internal auditing officer.
- 9、Any other material matter so required by the competent authority.

Article 26

KKCompany shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. KKCompany or other board members shall not obstruct, reject or circumvent the performance of duties by the independent directors.

KKCompany shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of KKCompany, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

### **Section 3      Functional Committees**

Article 27      For the purpose of developing supervision functions and strengthening management mechanisms, the board of directors of KKCompany may, taking into account the company's scale and type of operations and the number of its board members, set up audit, nomination, risk management or any other functional committees, and based on the beliefs in corporate social responsibility and sustainable operation, set up an environmental protection, corporate social responsibility, or other committees, and have them stipulated in the articles of incorporation.

Functional committees shall be responsible to the board of directors and submit the proposals to the board of directors for approval; provided that the performance of supervisor's duties by the audit committee pursuant to Article 14-4, paragraph 4 of the Securities and Exchange Act shall be excluded.

Functional committees shall adopt an organizational charter to be approved by the board of directors. The organizational charter shall contain the number, term of office, and power of committee members, as well as the meeting rules and resources to be provided by KKCompany for exercise of power by the committee.

Article 28      KKCompany establishes an audit committee.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

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

Article 28-1      KKCompany is advised to establish and announce channels for anonymous whistleblowing and whistleblower protection mechanisms. The unit that handles complaints shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes.

- Article 28-2 KKCompany is advised to establish an nominating committee and issue organizing rules thereof, which sets forth that the majority members thereof are advised to be independent directors, and the chairman shall be independent director.
- Article 28-3 KKCompany establishes a remuneration committee, and it is advisable that more than half of the committee members be independent directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded over the Counter.
- Article 29 To improve the quality of its financial reports, KKCompany 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 company internal training activities or may be professional courses offered by professional development institution for principal accounting officers.  
KKCompany shall select a professional, responsible and independent CPA to be its external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the company. With regard to the irregularity or deficiency timely discovered and disclosed by the auditor during the review, and the concrete measures for improvement or prevention suggested by the auditor, the company shall faithfully implement improvement actions. KKCompany is advised to establish channels and mechanisms of communication between the incorporate procedures for that purpose into the company's internal control system for management purposes °  
KKCompany shall refer to Audit Quality Indicators (AQIs) to evaluate the independence of the CPA engaged by KKCompany regularly and no less frequently than once annually. In the event that KKCompany engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary actions or other circumstances prejudicial to the independence of the CPA, KKCompany shall review the necessity of replacing the CPA, and shall submit to the board the conclusion of such review.

Article 30 KKCompany is advised to engage a professional and competent legal counsel to provide adequate legal consultation services to KKCompany, or to assist the directors, the audit committee members and the management to improve their knowledge of the law, for the purposes of preventing any infraction by KKCompany or its staff of laws or regulations, and ensuring the corporate governance matters will proceed pursuant to the relevant legal framework and the prescribed procedures.

In the event that the directors, audit committee members or the management are involved in litigation as result of performing his or her duties as provided by the law or arising from shareholders disputes, depending on the circumstances KKCompany shall retain a legal counsel to provide assistance.

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

#### **Section 4 Rules for the Proceedings of Board Meetings and the Decision-Making**

##### **Procedures**

Article 31 The board of directors of KKCompany shall meet at least once every quarter, or convene at any time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of meeting shall be sent to each director no later than 7 days before the scheduled date.

KKCompany shall adopt the rules of proceedings for board meetings and follow the provisions in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcement, and other matters for compliance.

Article 32 A director shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of KKCompany, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. The director also may not act as another director's proxy to exercise voting rights on that matter. The matters that a director shall voluntarily recuse from voting shall be clearly set forth in the rules for the proceedings of board meetings.

Article 33

When a board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, an independent director of KKCompany 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 and filed on the MOPS two hours before the beginning of trading hours on the first business day after the date of the board meeting:

- 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 (if the company has set up an 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 company 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 KKCompany for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation or voting takes place.

Article 34

Staff personnel of KKCompany attending board meetings shall collect and correctly record the meeting minutes in detail, and the summary, 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 chairman and secretary of the meeting and be sent to each director within 20 days after the meeting. The director attendance records shall become a part of the meeting minutes, and be treated as important corporate records and be kept safe permanently during the life of KKCompany.

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

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

Article 35

KKCompany shall submit the following matters to its board of directors for discussion:

- 1、Corporate business plans.
- 2、Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
- 3、Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and evaluation of effectiveness of an internal control system.
- 4、Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the 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, and endorsements or guarantees for others.
- 5、The offering, issuance, or private placement of any equity-type securities.
- 6、The performance assessment and the standard of remuneration of the managerial officers.
- 7、The structure and system of director's remuneration.
- 8、The appointment or discharge of a financial, accounting, or internal audit officer
- 9、A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
- 10、Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be approved by resolution at a meeting of the board of directors, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the board of directors for discussion under the preceding paragraph, 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.

Article 36 KKCompany shall ask the appropriate corporate department or personnel to handle matters and implement actions pursuant to the board of directors' resolutions in a way consistent with the program schedule and objectives. It shall also follow up on these matters and faithfully review their implementation.  
The board of directors shall ensure full control of the implementation and progress of these matters and make a report in subsequent meetings so as to ensure that the board's management decisions are faithfully implemented.

## **Section 5 Fiduciary Duty, Duty of Care and Responsibility of Directors**

Article 37 Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of KKCompany, they shall exercise their powers with a high level of self-discipline and prudence. 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.  
It is advisable that KKCompany formulate rules and procedures for board of directors performance assessments, and that in addition to conducting yearly and regularly scheduled performance assessments of the board of directors, functional committees, and individual directors through self-assessment, or peer-to-peer assessments, KKCompany may also conduct the performance assessment by engaging outside professional institutions, or in any other appropriate manner. It is advisable that the performance assessment of the board of directors include the following aspects, and that appropriate assessment indicators be developed in consideration of the company's needs:

- 1 、 The degree of participation in the company's operations.
- 2 、 Improvement in the quality of decision making by the board of directors.
- 3 、 The composition and structure of the board of directors.
- 4 、 The election of the directors and their continuing professional education.
- 5 、 Internal controls.

It is advisable that KKCompany conduct performance assessments of board members (self-assessments or peer-to-peer assessments), which includes the following aspects, with appropriate adjustments made on the basis of the

company's needs:

- 1、 Their grasp of the company's goals and missions.
- 2、 Their recognition of director's duties.
- 3、 Their degree of participation in the company's operations.
- 4、 Their management of internal relationships and communication.
- 5、 Their professionalism and continuing professional education.
- 6、 Internal controls.

It is advisable that the performance assessment of a functional committee cover the following aspects, subject to changes according to the company's needs:

- 1、 Their degree of participation in the company's operations.
- 2、 Their recognition of the duties of the functional committee.
- 3、 Improvement in the quality of decision making by the functional committee.
- 4、 The composition of the functional committee, and election and appointment of committee members.
- 5、 Internal control.

KKCompany is advised to submit the results of performance assessments to the board of directors and use them as reference in determining compensation for individual directors, their nomination and additional office term.

Article 37-1

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

Article 37-2

The board of directors is advised to evaluate and monitor the following aspects of KKCompany's direction of operation and performance in connection with intellectual properties, to ensure KKCompany develops an intellectual property regulatory system in accordance with the Plan-Do-Check-Act cycle:

- 1、 Formulating policies, objectives and systems for intellectual property management related to operating strategies.
- 2、 Establishing, implementing, and maintaining management systems for the acquisition, protection, maintenance, and use of intellectual property based on scale and forms.
- 3、 Determining and providing the resources needed to effectively implement and maintain the intellectual property management system.
- 4、 Observing internal and external risks or opportunities related to intellectual property management and take corresponding measures.
- 5、 Planning and implementing a continuous improvement mechanism to ensure that the operation and effectiveness of the intellectual property management system meets KKCompany's expectations.

Article 38 If a resolution of the board of directors violates law, regulations or KKCompany's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of an audit committee member 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 any threat of KKCompany suffering material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, or an audit committee member in accordance with the foregoing paragraph.

Article 39 KKCompany shall take out directors liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to KKCompany and shareholders arising from the wrongdoings or negligence of a director.

KKCompany 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 40 Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE Listed Companies, which cover subjects relating to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of the law.

#### **Chapter IV Empowering the audit committee**

Article 41 KKCompany shall stipulate a fair, just, and open procedure for the election of the independent directors, and shall adopt a cumulative voting mechanism pursuant to the Company Act to fully reflect the opinions of the shareholders.

KKCompany shall take into consideration the needs of overall business operations and comply with the rules of the TWSE in setting the minimum number of supervisors.

The aggregate shareholding percentage of all of the independent directors of KKCompany shall comply with laws and regulations. Restrictions on share transfers by each independent director and the creation, release, or changes in pledges of shares held by each independent director shall comply with the relevant laws and regulations, and the relevant information shall be fully disclosed.

- Article 42      KKCompany shall specify in its articles of incorporation in accordance with the laws and regulations of the competent authorities that it adopts the candidate nomination system for elections of supervisors, carefully review the qualifications of a nominated candidate and the existence of any other matters set forth in Article 30 of the Company Act, and act in accordance with Article 192-1 of the Company Act.
- Article 43      Unless otherwise approved by the competent authority, at least one independent director seat shall have no spousal relationship or familial relationship within the second degree of kinship with another independent director or a director.  
An independent director will preferably be domiciled within the territory of the ROC to allow timely performance of supervisory functions.
- Article 44      An independent director shall be familiar with the relevant laws and regulations, and shall understand the rights, obligations, and duties of directors of KKCompany and the functions, duties, and operation of each department. An independent director 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 45      An independent director shall supervise the implementation of the operations of KKCompany, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of KKCompany.  
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 KKCompany, an independent director member of the audit committee shall act as the representative of the company in the above situation.
- Article 46      An independent director may investigate the operational and financial conditions of KKCompany from time to time, and the relevant departments in KKCompany shall provide the books or documents that will be needed for the independent director's review, transcription or duplication.  
When reviewing the finance or operations of KKCompany, an independent director may retain attorneys or CPAs on behalf of KKCompany to perform the review; however, KKCompany 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 independent directors and shall not for any reason circumvent, obstruct, or refuse the inspection of the independent director.  
When an independent director performs his/her duties, KKCompany shall provide necessary assistance as needed by the independent director, and the reasonable expenses that the independent director needs shall be borne by KKCompany.

Article 47 For independent directors to timely discover any possible irregular conduct in the company, KKCompany shall establish a channel for independent directors to communicate with the employees, shareholders, and stakeholders.

Upon discovering any irregular conduct, an independent director 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 general manager, an officer of the finance, accounting, research and development, or internal audit department, or a CPA resigns or is removed from his/her position, the independent directors shall investigate the reasons.

In the event that an independent director neglects his/her duties and therefore causes harm to KKCompany, the independent director shall be liable to KKCompany.

Article 48 When exercising his/her supervisory power, each independent director of KKCompany may, after taking into consideration the overall interest of KKCompany and shareholders, convene a meeting to exchange opinions among all the independent directors when he or she feels necessary, but in so doing may not obstruct independent directors in exercising their duties.

Article 49 KKCompany shall take out independent directors liability insurance with respect to liabilities resulting from the exercise of duties during their terms, so as to reduce and spread the risk of material harm to KKCompany and shareholders arising from the wrongdoing or negligence of a independent director.

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

Article 50 Upon becoming independent directors and throughout their terms, independent directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies covering subjects relating to corporate governance.

## **Chapter V Respecting Stakeholders' Rights**

Article 51 KKCompany shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of KKCompany, 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 company shall handle the matter in a proper manner and in good faith.

Article 52 KKCompany shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of KKCompany and its decision-making process. When any of their legal rights or interest is harmed, KKCompany shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 53 KKCompany 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 KKCompany concerning employee welfare.

Article 54 In developing its normal business and maximizing the shareholders' interest, KKCompany shall pay attention to consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the company's social responsibility.

## **Chapter VI Improving Information Transparency**

### **Section 1 Enhancing Information Disclosure**

Article 55 Disclosure of information is a major responsibility of KKCompany. KKCompany shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE rules.

KKCompany is advised to publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.

KKCompany 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 56 In order to enhance the accuracy and timeliness of the material information disclosed, KKCompany shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly KKCompany's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing KKCompany in making statements independently. KKCompany shall appoint one or more acting spokespersons who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

In order to implement the spokesperson system, KKCompany 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.

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

Article 57

In order to keep shareholders and stakeholders fully informed, KKCompany shall utilize the convenience of the Internet and set up a website containing the information regarding KKCompany's finances, operations, and corporate governance. It is also advisable for KKCompany to furnish the financial, corporate governance, and other relevant information in English.

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

Article 58

KKCompany shall hold an investor conference in compliance with the regulations of the TWSE, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by KKCompany, or through other channels, in accordance with the TWSE rules.

## **Section 2**

### **Disclosure of Information on Corporate Governance**

Article 59

KKCompany shall dedicate a space on its website to disclose and update from time to time the following information regarding corporate governance:

- 1、 Board of directors: such as resumes and authorities and responsibilities of board members, board member diversification policy and the implementation thereof.
- 2、 Functional committees: such as resumes and authorities and responsibilities of members of each functional committee.
- 3、 Corporate governance bylaws: such as articles of incorporation, procedure of board of directors meetings, charter of each functional committee, and other relevant corporate governance bylaws.
- 4、 Important corporate governance information: such as information of establishment of corporate governance executive officers.

## **Chapter VII**

### **Supplementary Provisions**

Article 60

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



Article 61      The Principles shall be effective after the approval of the board of directors.  
Abovementioned approval procedure shall be applied when KKCompany conducts  
amendment of the Principles.