

Yuanta Securities Co., Ltd.

Corporate Governance Best-Practice Principles

Approved at the 2nd meeting of the 6th Board of Directors on August 21, 2007
Amended and approved at the 5th meeting of the 6th Board of Directors on November 29, 2007
Amended and approved at the 39th meeting of the 6th Board of Directors on June 24, 2010
Amended and approved at the 17th meeting of the 7th Board of Directors on August 25, 2011
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Chapter 1 General Principles

- Article 1 In order to establish an effective corporate governance framework, the Company enacts its own Corporate Governance Best-Practice Principles in reference to the “Corporate Governance Best-Practice Principles for Securities Firms” and related regulations.
- Article 2 The Company shall establish the corporate governance system in accordance with laws and its Articles of Incorporation, and shall follow the following principles:
- I. Protect the rights and interests of shareholders.
 - II. Strengthen the functions of the Board of Directors.
 - III. Practice the functions of the Audit Committee.
 - IV. Respect the rights and interests of stakeholders.
 - V. Enhance information transparency.
- Article 3 The Company shall, following the “Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets” and also the “Criteria Governing Internal Control Systems of Securities Firms” and “Risk Management Best-Practice Principles for Securities Firms” set forth by Taiwan Stock Exchange Corporation (“TWSE”) and other securities institutions jointly, and taking into consideration the overall operational activities of itself and its subsidiaries, design and fully implement its internal control system (including the risk management system) and conduct continuing reviews on the system in order to ensure the continued effectiveness of its design and implementation in response to changes in the Company’s internal and external environment.

The Company shall duly perform the self-assessments on its internal control system (including the risk management system). The Board of Directors and management shall review the results of the self-assessments by each department at least annually and the audit reports by the internal audit department on a quarterly basis. The Audit Committee shall also attend to and supervise these matters. Directors shall periodically hold discussions with their internal auditors about the reviews of internal control system deficiencies. A record of such discussions shall be kept, and the discussions shall be followed up and implemented and reported to the Board of Directors. The Company shall establish channels and mechanisms of communication between its independent directors, Audit Committee and chief internal auditors, and the convener of the Audit Committee meeting shall report the communication situation between him/her and the independent directors and chief internal auditors at the Board of Directors meeting performing the functions on behalf of a shareholders' meeting.

The Company's management shall pay special attention to the internal audit and risk management units and personnel, fully empower them and urge them to conduct audits effectively, to evaluate deficiencies of the internal control system (including the risk management 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 carry out a sound corporate governance system.

The material loss which may be caused to the Company as a result of the management's refusal to adopt any suggestions proposed by the Company's internal auditors and compliance officers on correction of significant deficiencies or violations to the internal controls, if any, shall be reported to the competent authority immediately.

The appointment, dismissal, transfer, performance evaluation and reward & punishment of the Company's internal auditors shall be reported by the chief internal auditor, and subject to approval by the Chairman.

Article 3-1 The Company shall have an adequate number of corporate governance personnel with appropriate qualifications based on the size, business overview and management needs of the Company, and shall appoint one chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. The said officer shall be qualified as an attorney-at-law or a certified public accountant, or have been in a managerial position handling legal affairs, legal compliance, internal audit, financial affairs, shareholder service, or corporate governance affairs for at least three years in a securities, financial, or futures related institution or a public company.

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

- I. Handling matters related to Board of Directors meetings and shareholders meetings according to laws.
- II. Producing minutes of Board of Directors meetings and shareholders meetings.
- III. Assistance in onboarding and continuing education of the directors (including independent directors).
- IV. Provision of information required for performance of duties by the directors (including independent directors).
- V. Assisting the directors (including independent directors) with compliance affairs.
- VI. Reporting to the Board of Directors the results of examination as to whether the qualifications of independent directors at the time of their nomination and

election and during their term of office conform to applicable laws and regulations.

VII. In the event of a resignation or change of director, the resigning director or the juristic person shareholder represented by such director shall give immediate notice to the Company and its chief corporate governance officer. The Company or the chief corporate governance officer shall proceed in accordance with applicable laws and regulations upon receipt of the notice.

VIII. Other matters set out in the Articles of Incorporation or contracts.

Article 3-2 In promoting sustainable development initiatives, the Company shall, in its corporate management guidelines and business operations, take into consideration the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also pay special attention to the environment, society and corporate governance. The Company shall, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to the Company's operations and establish relevant risk management policies and procedures accordingly in accordance with applicable laws and/or regulations. The Board of Directors shall appoint executive management to deal economic, environmental, and social issues resulting from the business operations of the Company, and to report the handling status to the Board of Directors. The handling procedures and the relevant responsible person shall be concrete and clear. The Company shall take into consideration the correlation between the development of domestic and international sustainable development issues and corporate core business operations, and the effect of the whole operation of the Company and the group to which it belongs on stakeholders, in establishing their policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development programs, which shall be approved by the Board of Directors which exercises the function on behalf of a shareholders meeting. If a proposal is sustainable development related, the Company shall review and consider including it in the Board of Directors meeting agenda which it exercises the functional duties and powers on behalf of shareholders. It is advisable to establish sustainable development policies under the preceding paragraph for the short, mid, and long term, respectively, and set annual goals and establish a tracking and evaluation mechanism for continuous review and revision.

Article 3-3 For the purpose of managing sustainable development, the Company may create a governance structure for promotion of sustainable development, and establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the Board of Directors on a quarterly basis.

Article 3-4 The Company shall carry out the following information security protection matters pursuant relevant laws and regulations:

- I. Designate the personnel and the department to handle overall planning and to coordinate and liaise with all relevant departments.
- II. Periodically evaluate the core business systems and equipment, take appropriate measures based on the evaluation findings, and report to the Board of Directors, to ensure business continuity and operational resilience.
- III. In the sustainability report, annual report, financial report, or Company website, disclose the resources required for the continuity of operation of the Company's

core business systems and equipment for the fiscal year and the items implemented in the annual budget or education and training or other related programs.

Chapter 2 Protection of Shareholders' Rights and Interests

Section 1 Encouraging Shareholders to Participate in Corporate Governance

Article 4 The Company's corporate governance system shall protect shareholders' interests and rights.

The Company shall establish a corporate governance system which will ensure shareholders' rights of being fully informed of, participating in and making decisions over material matters of the Company.

Article 5 The Company shall place high importance on the shareholders' right to know, duly comply with applicable regulations regarding information disclosure in connection with the Company's financial conditions, operations, insider shareholdings and corporate governance status, and provide shareholders with messages through the MOPS or the website established by the Company in a timely manner.

The Company may also disclose the information referred to in the preceding paragraph in English simultaneously.

To protect the shareholders' interests and rights, the Company shall adopt internal rules prohibiting the Company's insiders from trading securities with the information not disclosed to the market.

Article 6 The shareholders shall be entitled to profit distributions by the Company. In order to ensure the investment rights and 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, 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 appoint an inspector in examining the accounting records, assets situation, particulars, documents and records of specific transaction of the Company.

The Board of Directors, Audit Committee and managers of the Company shall fully cooperate in the examination conducted by the inspectors referred to in the preceding two paragraphs without any interference, rejection or evasion.

Article 7 In entering into material financial and business conducts such as acquisition or disposal of assets, financial derivatives trading, lending of funds to others, and making endorsements or providing guarantees for others, the Company shall proceed in accordance with the applicable laws and/or regulations, establish related operating procedures and report the same to a shareholders' meeting for approval to protect the shareholders' interests and rights.

When the Company 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 pay attention to the fairness and rationality, etc., of the plan and transaction of the merger, acquisition or public tender offer, as well as the information disclosure and soundness of the Company's future financial structure.

When the management or a major shareholder of the Company is involved in a merger

or acquisition, a legal opinion by independent lawyer shall be issued to review if members of the audit committee to review the merger and acquisition in the preceding paragraph have met the regulations of Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies(hereinafter referred to as the “Regulations of Compliance Matters”), to ensure they are not a related party to a counterparty of the merger and acquisition transaction or do not have such interest that would influence their independence, whether the design and implementation of the relevant procedure meet the applicable laws, and if a full disclosure has been made in accordance with the applicable laws.

Qualifications of the lawyer in the preceding paragraph shall meet the requirements in Article 3 of the Regulations of Compliance Matters, and the lawyer should not be a related party to a counterparty of the merger and acquisition transaction or should not have such interest that would influence their independence.

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

It is advisable that the Company shall take into account the investment portfolio issuer’s corporate governance status as reference when executing the investment.

Article 8 In order to protect the shareholders’ interests and rights, the Company designates the shareholder service agent department dedicated to handling shareholders’ proposals, inquiries, and disputes. Any matters which cannot be resolved by the shareholder service agent department shall be referred to the competent department or personnel of the Company for proper handling.

The Company shall properly deal with any legal action initiated by shareholders according to laws in which it is claimed that shareholders’ interests and rights are damaged by a resolution adopted at a Board of Directors meeting in violation of applicable laws and regulations, or the Company’s Articles of Incorporation, or due to any violation of applicable laws and regulations or the Company’s Articles of Incorporation by any directors or managers in performing their duties.

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

Article 9 The functions of the Company's shareholders meeting shall be performed by the Board of Directors in accordance with the Company Act and Financial Holding Company Act.

Section 2 Corporate Governance Relationships between the Company and Its Related Parties

Article 10 The Company 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 duly carry out risk assessments and establish appropriate firewalls.

Article 11 Unless otherwise provided by the laws and regulations, a manager of the Company may not serve as a manager of its affiliated enterprises concurrently.

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

Article 12 The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment on major banks they deal with, customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 13 When the Company and its related parties enter into transactions, the rules governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Pricing terms and payment method shall be definitively stipulated in such rules, and transactions not at arm's length and improper channeling of interests shall be prohibited.

The content of the written agreement mentioned in the preceding paragraph shall include regulatory procedures governing transactions such as trading, acquisition and disposal of assets, loans of funds, and provision of endorsements and guarantee etc. Relevant material transactions shall be approved by a resolution of the board of directors meeting exercising the function duties and powers of a shareholders' meeting.

Article 13-1 Any shareholder having controlling power over the Company shall comply with the following provisions:

- I. Its representative shall follow the relevant regulations implemented by the Company with respect to exercise of rights and participation in resolution, so that the representative may perform the fiduciary duty and duty of care as a director in good faith and for the best interest of all shareholders.
- II. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
- III. It shall not restrict or impede the Company's business operation in the manner resulting in unfair competition.
- IV. The juristic person representative appointed by it to serve as a director shall meet the Company's requirements for professional qualifications. It is not advisable to re-appoint such representative arbitrarily.

If a controlling shareholder of the Company's parent company wishes to communicate and liaise with the Company, it shall do so through the representative under subparagraph 4 of the preceding paragraph, and shall emphasize the following principles:

- I. The representative may invite a managerial officer(s) of the Company to accompany him or her to communicate with the controlling shareholder when necessary, and the Company shall keep a record of the communication.
- II. If the controlling shareholder has any suggestion regarding a proposal to be put to the Board of Directors or an operational policy of the Company, its representative shall present it only to the board of directors or functional committee for exchange and discussion.
- III. If a controlling shareholder or its representative learns any material information of the Company in the course of communication or liaison, it shall fulfill the obligation of confidentiality with respect to such information until it is publicly disclosed, and shall scrupulously comply with the provisions of Article 157-1 of the Securities and Exchange Act regarding insider trading.

Chapter 3 Enhancing the Functions of the Board of Directors

Section 1 Structure of the Board of Directors

Article 14 The Company's Board of Directors shall direct the Company's strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements under its corporate governance system shall ensure that, the Board of Directors will exercising its authority in compliance with laws, regulations and the Company's Articles of Incorporation.

The structure of the Company's Board of Directors shall be determined by choosing an appropriate number of Board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders and operational needs in practice. When appointing the independent directors, the Company shall diligently take into account the reasonable composition of professional expertise and the objective conditions which would allow independent directors to exercise their duties independently.

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

- I. Basic requirements and values: gender (desirable for the number of female directors up to one-third), age, nationality, and culture etc.
- II. Professional knowledge and skills: professional background (e.g., law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

All members of the Board of Directors shall possess the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors as a whole shall possess the following abilities:

- I. Ability to make operational judgments.
- II. Ability to perform accounting and financial analysis.
- III. Ability to conduct operational management.
- IV. Ability to conduct crisis management.
- V. Professional knowledge about securities and financial derivatives.
- VI. International market perspective.
- VII. Ability of leadership.
- VIII. Ability to make strategic decisions.
- IX. Knowledge and ability of risk management.

The Board of Directors shall be aware of the risks which the Company is dealing with (e.g. market risk, credit risk, liquidity risk, operational risk, legal risk, reputation risk, and any other risk related to the Company's operations), in order to ensure the effectiveness of the Company's risk management and bear the ultimate liability for risk management.

Article 15 In order to achieve the corporate governance goals, the Board of Directors shall perform the following major duties:

- I. Establishment of an effective and adequate internal control system.

- II. Selection and supervision of the managers.
- III. Review on the Company's management policies and business plans, and supervision of the implementation thereof.
- IV. Review on the Company's financial goals, and supervision of the fulfillment thereof.
- V. Supervision of the Company's operating results.
- VI. Performance evaluation and remuneration standards of the managers and sales personnel, and the structure and system of director's remuneration.
- VII. Supervision and resolution of the risks which the Company is dealing with.
- VIII. Assurance of the Company's compliance with laws.
- IX. Planning of the Company's future development orientation.
- X. Establishment and maintenance of the Company's positive corporate identity, and fulfillment of its social responsibility.
- XI. Selection of the experts including CPAs or attorneys-at-law.
- XII. Protection of investors' rights and interests.

Article 16 The Company's directors shall be appointed by the parent company, Yuanta Financial Holding Co., Ltd., in accordance with laws.

Unless otherwise approved by the competent authority, a spousal relationship or a familial relationship within the second degree of kinship may not exist among a majority of the directors of the Company.

When the number of directors falls below five, or the director's vacancy attains one-third of the number of directors set in the Articles of Incorporation, due to the dismissal of any director with cause, the Company shall report to the parent company and request the parent company to appoint the directors pursuant to laws.

Article 17 At the beginning of a director to hold the position, he/she shall issue the "Self-Check Summary Table for Directors' Initial Appointment" to help the Company verify that the directors already satisfy the qualifications required by laws and fully understand their duties as directors.

Article 18 The division of responsibilities and duties among the Board of Directors, Chairman and president shall follow the Company's "Regulations Governing Division of Responsibilities and Duties", "Division of Responsibilities and Duties Chart" and "Chart of Responsibilities Delegated".

It is inappropriate for the Chairman to also act as the president or an equivalent position at the same time, unless with the approval from the competent authority under the "Regulations Governing Responsible Persons and Associated Persons of Securities Firms". If the Chairman and president are the same person, spouses of each other, or relatives within the first degree of kinship, it is advisable to increase the number of independent directors.

The Company with functional committee shall clearly define the responsibilities and duties of the committee.

Section 2 Independent Director System

Article 19 The Company shall appoint more than two independent directors in accordance with its Articles of Incorporation. The independent directors shall also be no less than one-third of the whole directors.

The independent directors shall possess professional knowledge and follow the restrictions posed on their shareholdings. Unless otherwise provided by applicable laws and regulations, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor for more than five companies. Independent directors shall also maintain independence within the scope of their directorial duties, and avoid having any direct or indirect interest with the Company.

The vacancy in the Company's independent directors, if any, shall be reported to the parent company immediately and appointed by the parent company pursuant to laws.

The Company's independent directors are not allowed to hold the position for more than three consecutive terms.

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, and other requirements to be met with regard to the independent directors shall follow the "Securities and Exchange Act", "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and the rules and regulations of TWSE or Taipei Exchange ("TPEX").

Article 20 The Company shall stipulate the scope of duties of the independent directors and empower them with manpower and physical support related to the exercise of their power. The Company or any other members of the Board of Directors shall not obstruct, reject or circumvent the independent directors' performance of duties.

The Company shall set forth the remuneration to directors according to applicable laws and regulations. A reasonable level of remuneration different from that to the general directors may be prescribed for independent directors.

When the Company, under its Articles of Incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of surplus earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director and employee profit-sharing compensation, and the Company shall provide in the Articles of Incorporation the method to be adopted for distributing surplus earnings when reversal of the special reserve is added into the undistributed surplus earnings.

Section 3 Functional Committees

Article 21 For the purpose of developing supervisory functions and strengthening management mechanisms, the Company's Board of Directors, in consideration of the Company's scale, business nature and number of the Board members, may set up the functional committees for auditing, remuneration, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, sustainability committees, working panels or units with equivalent function, carry out periodic analysis and evaluation of the matters listed below, formulate countermeasures and present them to the board of directors, and expressly state the same in the Articles of Incorporation.

I. Environmental, social, and corporate governance related risks pertaining to the Company's operations.

II. Operating continuation and resilience of core operating systems and equipment.

The functional committees, working panels or units with equivalent function shall be

responsible to the Board of Directors and submit their proposals to the Board of Directors for resolution, provided that the performance of supervisor's duties by the Audit Committee under the Securities and Exchange Act, Company Act and other laws shall be excluded.

Functional committees, working panels or units with equivalent function shall adopt an organizational charter to be approved by the Board of Directors. The organizational charter shall, at least, contain the number of members, terms of office and duties of committee members, as well as the rules for procedures of meeting and resources to be provided by the Company for exercise of power by the committee.

Article 22 The Company establishes the Audit Committee and enacts the "Audit Committee Organizational Charter". The Audit Committee shall consist of the entire independent directors who shall be no less than three persons, one of whom shall be convener, at least one of whom shall have accounting or financial expertise and at least one of whom shall have securities and financial derivatives expertise.

The exercise of power by the 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 22-1 The Company shall establish the Remuneration Committee, which shall be primarily dedicated to adopting the performance evaluation standards and remuneration standards for managers and the structure and system of director's remuneration. It is advisable that a majority of the members of the Committee shall be independent directors.

Performance evaluation and remuneration standards of the Company's managers, and the structure and system of director's remuneration shall be set forth in the following manners:

- I. The Company shall adopt performance evaluation and remuneration standards or a remuneration structure and system, pursuant to the future risk-adjusted performance, and in line with the Company's long-term overall profitability and shareholders' interests.
- II. The remuneration and reward system shall not entice any director or manager to conduct any acts beyond the Company's risk appetite to pursue the remuneration. The Company shall, on a periodic basis, review the remuneration and reward system and performance in order to ensure their consistency with the Company's risk appetite.
- III. The time for payment of remuneration by the Company shall be set based on future risk-adjusted profitability in order to avoid the inappropriate circumstance where the Company suffers 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.
- IV. When the Company assesses the contribution of a director or manager to the Company's profit, it shall conduct an overall analysis on the securities industry to clarify whether such profit results from an overall advantage, such as the use of the lower capital cost of the Company, in order to effectively assess the contributions that come from the individual person.
- V. The agreement on severance pay between the Company and its directors and managers shall be adopted based on realized performance, in order to avoid improper circumstances, such as receipt of high severance pay after a short term

of appointment or employment.

- VI. The Company shall fully disclose to shareholders the principles, methods, and goals for adopting the said performance evaluation and remuneration standards or remuneration structure and system.

The remuneration system for sales personnel shall follow the “Principles to be met by Remuneration System for Sales Personnel” approved upon resolution by the Company's Board of Directors.

- Article 22-2 The Company shall establish and announce whistleblowing methods for internal staff and external individuals, and create a whistleblower protection system. This system shall have related internal operating procedures and be included in the internal control system for control and management.

The contents referred to in the preceding paragraph shall at least cover the following:

- I. Create and announce the mailbox and hotline for internal whistleblowing, or appoint an external independent organization to provide the mailbox and hotline for internal and external whistleblowing.
- II. Appoint the staff or unit dedicated to accepting whistleblowing cases.
- III. Record and preserve the acceptance of whistleblowing cases, how the cases are processed, the results, and the production of related documents.
- IV. Keep the whistleblower's identity and details of the whistleblowing case in confidence.
- V. Adopt the measures for protection of the whistleblower's rights and interests from any inappropriate treatment because of the whistleblowing.

Anonymous whistleblowing cases without identifying the real name and address of the whistleblower, or without providing specific information, may be rejected.

The regulations under the Subparagraph 5 of Paragraph 2 shall not apply to a whistleblowing case that, based on the findings of investigations, contains false claims and malicious accusations against the Company or its staff.

- Article 22-3 When the Company establishes a sustainability committee or other functional committees, working panels or units with equivalent function under Article 21, to enhance sustainability-related risk evaluation and analysis, information disclosure, and countermeasures, it may make appropriate use of the functions of external experts by the following means:

- I. Select and appoint them to participate on a routine basis in the day-to-day operation of the committee or working panel.
- II. According to actual needs, engage them to provide professional evaluation reports or opinions, and to attend and report to board of directors meetings when necessary.

- Article 23 The Company shall select as its external auditor a professional, responsible, and independent attesting Certified Public Accountant (“CPA”), who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the CPA during the review, and the suggested concrete measures for improvement or prevention, the Company shall faithfully implement improvement actions. It is advisable that the Company establish channels and mechanisms of communication between the independent directors or the Audit Committee, and the attesting CPA, and to incorporate procedures for that purpose into the Company's internal control system

for control and management.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly by referring to the Audit Quality Indicators (no less frequently than once annually). In the event that the Company 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 Company shall evaluate the necessity of replacing the CPA and submit its conclusion to the Board of Directors.

Article 24 It is advisable that the Company engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the Board of Directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the Company or its staff 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 Company shall retain a legal counsel to provide assistance as circumstances require.

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

Article 25 (Deleted)

Article 26 The Company shall establish certain crisis management policies and procedures dedicated to coping with any unexpected events and conditions, in order to have the damages caused to the Company, if any, controlled effectively.

Section 4 Rules Governing Procedures for Board of Directors Meetings and Decision-Making Procedures

Article 27 For the business needs, the Board of Directors shall convene a meeting on a monthly basis, provided that in the case of emergency, the meeting may be convened at any time. The Articles of Incorporation shall expressly state that to convene a Board of Directors meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date of the meeting. Adequate meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are deemed inadequate, a director may request to provide more information or request a postponement of the meeting with a resolution of the Board of Directors.

The Company shall adopt Rules Governing Procedures for Board of Directors Meetings, which shall follow the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" with regard to the main agenda items, operational procedures, matters required to be recorded in the meeting minutes, public announcements, and other compliance requirements.

Article 28 The Company's directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director has an interest with respect to any proposal for a Board of Directors meeting, the director shall state the essential contents of such interest at the meeting. When the interest is likely to prejudice the rights or interests of the Company, 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 directors shall

practice self-discipline and refrain from supporting one another in improper dealings.

The matters with regard to which a director shall voluntarily abstain from voting shall be clearly set forth in the Rules Governing Procedures for Board of Directors Meetings. The Company shall also set forth the requirements under which shareholders, directors and other stakeholders may apply for the recusal of directors with regard to specific proposals in the Rules. The requirements shall include applicants' qualifications, application process, review process, and the time limit and method for giving a response. Whether the subject of the application shall recuse him or herself shall be decided by a resolution of the Board of Directors. Prior to such resolution, the subject shall not participate or act as proxy for another person in voting on the proposal.

Article 29 When discussing material financial and business conducts such as internal control system, acquisition or disposal of assets, making endorsements or providing guarantees for others, the Board of Directors shall adequately take into account the opinion of the Audit Committee and each independent director. Their assenting or dissenting opinions and the reasons for the dissent shall be recorded in the minutes of the Board of Directors meeting.

When convening a Board of Directors meeting, the Company may, subject to the agenda, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants.

Where necessary, a CPA, legal counsel or other professional may be invited to sit in and speak at the meeting 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 and voting takes place.

Article 30 When a Board of Directors meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the "Securities and Exchange Act", the Company's independent directors shall attend the meeting in person, and may not appoint any non-independent director to act as his/her 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 of Directors meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the Board of Directors 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, resolutions made by the Board of Directors shall be noted in the meeting minutes, and filed for publicly announcement on the website designated by the competent authority within two days after the date of the Board of Directors meeting:

- I. An independent director has a dissenting or qualified opinion which is on record or stated in a written statement.
- II. The matter is not approved by the Audit Committee, but is approved by more than two-thirds of all directors.

During a Board of Directors 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 current conditions of the Company for the purpose of adopting an appropriate resolution, provided that they shall leave the meeting when deliberation and voting takes place.

Article 31 Staff personnel of the Company attending Board of Directors meetings 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 of Directors meeting in accordance with relevant regulations. In case a director has an interest in a proposal, the name of such director and the specific reason why he or she should abstain from discussion and voting, or not to abstain, shall be stated in the Company's meeting minutes.

The Board of Directors' meeting minute shall be signed or sealed by the chairperson and minutes taker of the meeting and sent to each director within 20 days after the meeting. The attendance book of a Board of Directors meeting shall be made part of the meeting minutes, treated as important corporate records and appropriately preserved permanently during the existence of the Company.

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

The Company shall record on audio or video tape the entire proceedings of a Board of Directors meeting and preserve the records for at least 5 years, by electronic means 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 records 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 record 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 or the Company's Articles of Incorporation, and thus causes damages to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for such damages.

Article 32 The Company shall submit the following matters to its Board of Directors for discussion:

- I. Corporate business plan.
- II. Annual financial reports, and second quarter financial reports that must be audited and attested by a certified public accountant, which are signed or sealed by the chairman, manager, and accounting officer.
- III. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- IV. Assessment of the effectiveness of the internal control system.
- V. 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.
- VI. A matter bearing on the personal interest of a director or supervisor.
- VII. A material asset or derivatives transaction.
- VIII. A material monetary loan, endorsement, or provision of guarantee.
- IX. The offering, issuance, or private placement of any equity-type securities.

- X. The appointment, dismissal, or remuneration of an attesting CPA.
- XI. The appointment or discharge of a financial, accounting, risk management, compliance or internal audit officer, and the management holding the position as an executive vice president or above.
- XII. Appointment or discharge of the vice president and department managers, and standards for performance evaluation and remuneration of the managers and sales personnel.
- XIII. The structure and system of director's remuneration.
- XIV. Resolution of the matters reviewed or submitted by the Audit Committee or any other functional committees.
- XV. 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 of Directors meeting for retroactive recognition.
- XVI. Review on the changes in accounting policies and accounting estimates subject to the competent authority's approval under Article 10 of the Regulations Governing the Preparation of Financial Reports by Securities Firms.
- XVII. Any matter required by laws or the Articles of Incorporation to be resolved by a shareholders meeting or Board of Directors meeting, or any significant matter as may be prescribed by the competent authority.

The matters set out in the Subparagraphs 2 to 11 of the preceding paragraph, as well as any other significant matters specified by the Company or competent authority shall be subject to the approval of a majority of the Audit Committee's whole members. If a matter set out in said subparagraphs, except for Subparagraph 2, is not approved by a majority of the Audit Committee's whole members, it may be adopted with the approval of two-thirds or more of the whole directors. The resolution of the Audit Committee shall also be recorded in the Board of Directors meeting minutes.

The term "related party" in the Subparagraph 15 of Paragraph 1 means a related party governed by the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation or cumulative donations within one-year period to a single recipient which meet the following circumstances:

- I. At an amount of NT\$100 million or more.
- II. At an amount equal to or greater than 1% of the net operating revenue or 5% of the paid-in capital as stated in the CPA-attested financial report for the most recent year.
- III. At any lower amount specified in any of the Company's other Regulations.

"Within one-year period" as used in the preceding paragraph refers to a period of one year calculated retroactively from the date when the Board of Directors meeting is convened. The amounts duly approved upon resolution by the Board of Directors meeting shall be exempted from inclusion in the calculation.

The Board of Directors' meeting shall be attended by at least one independent director in person. All independent directors shall attend the meeting concerning any matter required to be submitted for a resolution by the Board of Directors under Paragraph 1. If an independent director is unable to attend the meeting in person, he or she shall appoint another independent director to attend the meeting as his or her 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 of Directors meeting in person to voice his or her dissenting or qualified opinion, he or she should provide a written opinion before the Board of Directors 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.

Article 33 The Company's Board of Directors shall set forth the scope of the Board of Directors' powers exercisable by the Chairman with authorization when the Board of Directors is in recess. The contents or scope of the authorization shall be clearly specified, and general authorization is not permitted. Notwithstanding, any matter involving the Company's significant interests shall be still subject to the resolution made by the Board of Directors.

Article 34 The Company shall request the appropriate corporate department or personnel to execute matters pursuant to Board of Directors' resolutions in a manner consistent with the planned schedule and goals. 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 of Directors' management decisions.

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

Article 35 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 the Company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by laws or the Company's Articles of Incorporation for resolution in shareholders' meetings, they shall ensure that all corporate affairs are handled according to the resolutions of Board of Directors.

It is advisable that the Company shall formulate the rules and procedures for the Board of Directors' performance evaluation. Each year, in respect of the Board of Directors, functional committees and individual directors, the Company shall conduct regularly scheduled performance evaluations through self-assessments or peer- assessments, and may also do so through external professional organizations or in any other appropriate manner. A performance evaluation on the Board of Directors and functional committees shall include the following aspects, and appropriate assessment indicators shall be developed in consideration of the Company's needs:

- I. Their degree of participation in the Company's operations.
- II. Improvement in the quality of decision making by the Board of Directors.
- III. The composition and structure of the Board of Directors.
- IV. The election of the directors and their continuing education.
- V. Internal controls.

The performance evaluation s of the Board members (self or peer) shall include the following aspects, with appropriate adjustments made in consideration of the Company's needs:

- I. Their grasp of the Company's goals and missions.
- II. Their recognition of director's duties.
- III. Their degree of participation in the Company's operations.
- IV. Their management of internal relationships and communication.

V. Their professional and continuing education.

VI. Internal controls.

The Board of Directors shall consider adjusting the composition of the Board members based on the performance evaluation results.

Each director shall attend the meetings of the board of directors in person. If a director for some reason is unable to attend a meeting, the director may, as provided in the articles of incorporation, appoint another director to attend on his or her behalf, provided that each time a director does so, he or she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept appointment to act as proxy of one other director only. 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.

Article 35-1 The Company's Board of Directors is advised to evaluate and monitor the following aspects of the direction of operation and performance in connection with intellectual properties, to ensure the Company develops an intellectual property regulatory system in accordance with the "Plan-Do-Check-Act" Cycle:

- I. Formulate intellectual property regulatory policies, goals and systems that are associated with the operational strategies.
- II. Develop, implement and maintain, on the basis of scale and form, its regulatory system governing the acquisition, protection, maintenance and utilization of intellectual properties.
- III. Identify and provide the necessary resources sufficient to ensure effective implementation and maintenance of the intellectual property regulatory system.
- IV. Observe internally and externally the risks and opportunities regarding intellectual property regulation and adopt corresponding measures.
- V. Plan for and implement a continuous improvement mechanism to ensure the operation and effects of the intellectual property regulatory system meet the Company's expectations.

Article 35-2 The Company's board of directors shall scrupulously review the selection and appointment of managerial officers and oversee their suitability to their positions and maintenance of their qualifications. With respect to material issues including information security protection, fair customer treatment, and legal compliance, it shall establish accountability systems as listed below in accordance with the Plan-Do-Check-Act management cycle:

- I. Designate dedicated departments with responsibility for coordination and liaison with relevant departments, and for the overall planning and handling of the various operations.
 - A. Add express provisions to the internal management directions regarding the abovementioned material issues, specifying the exclusive scope of operation of each department.
 - B. For various cross-departmental operations, designate the main responsible and assisting departments, and review the division of tasks at least once a year.
- II. Ensure that there is a separation of powers and duties and a hierarchy of responsibility, and charge senior management with supervising all operational departments.
 - A. Complete the hierarchical structure of responsibility and establish specific

and detailed specifications for the internal authorization and approval levels for the business operations of each dedicated department under the preceding subparagraph.

- B. Assign senior management at or above the level of vice president to directly supervise the heads of the abovementioned departments in the actual execution of day-to-day operations.
 - C. Assign a dedicated person with responsibility for compiling the performance of all relevant departments and for inputting the required information and uploading supporting documents to the securities and futures industry ESG implementation information control system on a quarterly basis.
- III. Regularly evaluate the efficacy of overall implementation and include it in the performance appraisals of relevant business departments and personnel.
- A. The quarterly implementation performance of the preceding paragraph shall be approved by the president before it is input and uploaded. If a dedicated functional committee, working panels or units with equivalent function has been set up, it shall first confirm the correctness of the content.
 - B. The senior management responsible for supervising each department head shall explain to the board of directors the reasons for any failure to achieve predetermined objectives and provide specific plans and supporting evidence such as the expected completion time and anticipated response measures.
 - C. The board of directors shall review annually the performance of the departments in charge of information security protection, fair customer treatment, and legal compliance, and institute rewards and penalties for the responsible officers according to their respective hierarchical and operational classifications if necessary.

Article 35-3 If the chairman of the board for any extended time period performs his or her duties in a remote working mode such as working off-site, at home, or by video conferencing, he or she shall ensure the effective performance of his or her duties.

When the chairman of the board is on leave or cannot exercise his or her powers for any reason, the vice chairman shall act on his or her behalf. If there is no vice chairman, or the vice chairman is also unable to exercise his or her powers, the chairman shall designate one of the directors to act on his or her behalf. In the absence of such a designation, the directors shall elect from among themselves an acting chairman of the board of directors.

The designation or election of an acting chairman under the preceding paragraph shall be subject to the qualifications and restrictions on concurrent appointments set out in the Regulations Governing Responsible Persons and Associated Persons of Securities Firms. The functions and powers exercised during the period of agency by the acting chairman shall not exceed the authority of the chairman of the board, and if there are any other restrictions on such authority, they shall be specified in advance.

Article 36 If a resolution of the Board of Directors violates laws, regulations or the Company's Articles of Incorporation, then at the request of shareholders holding shares continuously for a year or an independent director for discontinuing the implementation of the resolution, the Board members shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering a likelihood that the Company would suffer material losses, the

Board members shall handle in accordance with the preceding paragraph and immediately report to the Audit Committee or an independent director of the Audit Committee.

Article 37 The Company shall take out the liability insurance for the directors with respect to any liabilities incurring by law and resulting from exercising their duties during their terms of office, in order to mitigate and spread the risk of material harm to the Company and shareholders.

The Company shall report the insured amount, coverage, premium rate, and other important contents of the directors liability insurance it has obtained or renewed for directors, at the most recent Board of Directors meeting.

Article 38 The Board members are advised to participate in training courses on finance, risk management, business, commerce, accounting, laws, corporate social responsibility or sustainability which are related to corporate governance held by institutions designated under the Implementation Directions and Study Roadmap for Continuing Education for Directors and Supervisors of Taiwan Securities Association, upon becoming directors and throughout their terms of office. They shall also ensure that the Company's employees at all levels will enhance their professionalism and knowledge of the law.

The annual training courses as stated in the preceding paragraph shall include corporate sustainability courses related to environment (E), society (S), and corporate governance (G).

The numbers of continuing education hours in the preceding two paragraphs shall be subject to "Directions for Director Continuing Education of Yuanta Securities Co., Ltd.".

Article 39 Where a director, for himself/herself or on behalf of others, enters into a sale/purchase, loan transaction, or conducts any other legal act with the Company, the Company's Audit Committee shall jointly decide to appoint the representatives of the Company. The same shall apply if a juristic person shareholder represented by any director enters into a sale/purchase, loan transaction, or conducts any other legal act with the Company.

Chapter 4 Respect for Investors' and Stakeholders' Rights and Interests

Article 40 The Company shall maintain channels of communication with banks it deal with, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and protect their lawful rights and interests, and preferably designate a stakeholders section on its website.

In the event of any acquisition by management, the Company shall pay attention to the soundness of the Company's future financial structure.

When a stakeholder's lawful rights or interests is prejudiced, the Company shall handle the matter in a proper manner and in good faith.

Article 41 The Company shall provide sufficient information to banks it deal with and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and their decision-making. When their lawful rights or interest is prejudiced, the Company shall respond with a responsible attitude and assist the creditors in obtaining compensation through proper means.

Article 42 The Company shall not only respect and protect the investors' lawful rights and interests, but shall also conduct its business in good faith and handle transaction disputes properly.

- Article 43 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management, directors so as to reflect employees' opinions about the Company's management, financial conditions, and material decisions concerning employee welfare.
- Article 44 In developing its normal business and maximizing the shareholders' interest, the Company shall pay attention to the investors' right and interests, trading order in the securities exchange market, environmental protection of the community, and public welfare activities, and shall give serious regard to the Company's social responsibility.
- If the Company has investment-related planning, it shall take into account the implementation of corporate governance by the enterprise invested and whether said enterprise fulfills its duty to protect the environment and its social responsibility.
- Article 45 For the Audit Committee to promptly discover any possible corruption in the Company, the Company shall establish a channel for the Audit Committee to communicate with the employees, shareholders and stakeholders.
- Upon discovering any corruption, the Audit Committee shall take appropriate measures promptly to prevent the corruption from expanding, and file a report to the relevant competent authority or agencies if necessary.
- When any independent director, the president, any financial or accounting officer, auditing CPA or internal audit department manager resigns or is removed from his/her position, the Audit Committee shall investigate the reasons.
- Chapter 5 Improving Information Transparency
- Section 1 Enhancing Information Disclosure
- Article 46 The Company shall perform its disclosure obligations faithfully in accordance with the relevant laws and regulations.
- The Company shall establish an online 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 that might affect the decision-making of shareholders and stakeholders.
- Article 47 In order to enhance the accuracy and timeliness of the material information disclosure, the Company shall appoint a spokesperson who understands thoroughly the Company's financial and business conditions or is capable of coordinating among departments for gathering relevant information to solely represent the Company in making statements externally.
- The Company shall appoint one or more acting spokespersons who can solely represent the Company, when the spokesperson cannot perform his/her duties, in making statements externally, provided that the authority shall be specified to avoid any confusion.
- In order to implement the spokesperson system, all members of the Company shall follow the Company's "Unified Speaking Procedure". The management and employees shall maintain the confidentiality of financial and business secrets and shall be prohibited from disclosing any such information arbitrarily.
- Section 2 Disclosure of Information on Corporate Governance
- Article 48 For shareholders and stakeholders' information, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finance, business and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant

information in English.

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

Article 49 The Company shall disclose and update continuously from time to time the following information regarding corporate governance in the fiscal year in accordance with related laws and regulations, and charters set forth by TWSE, TPEX or Taiwan Securities Association:

- I. Corporate governance framework and rules.
- II. Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
- III. Structure, professionalism and independence of the Board of Directors.
- IV. Duties of the Board of Directors and managers.
- V. Composition, duties and independence of the Audit Committee.
- VI. Composition, duties and operation of the Remuneration Committee and other functional committees.
- VII. The remuneration paid to the directors (including independent directors), the president and vice president in the last two fiscal years, the analysis on the percentage of total remuneration to net profit after tax in the parent company only financial reports or 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 (including independent directors) shall be disclosed.
- VIII. The situation of directors taking continuing education.
- IX. Information about risk management.
- X. The rights, channels for complaints, issues concerned, and appropriate response mechanism regarding stakeholders.
- XI. Details of handling the matters subject to information disclosure required by law and regulations.
- XII. Corporate governance operations, and differences between the Company's Corporate Governance Best-Practice Principles and the "Corporate Governance Best-Practice Principles for Securities Firms" and reasons thereof
- XIII. Information about transactions with related parties
- XIV. Disclosure of capital adequacy
- XV. Other information regarding corporate governance.

The Company is advised, in consideration of the actual implementation of the corporate governance, to disclose its specific plans and measures to improve corporate governance system through appropriate means.

Section 3 Enhancing Disclosure of Sustainability Information

Article 50 The Company shall prepare a Sustainability Report (ESG Report) for the preceding fiscal year each year, in accordance with the Rules Governing the Preparation and Filing of Sustainability Reports by Securities Firms.

Chapter 6 Supplementary Provisions

- Article 51 The Company shall at all times monitor domestic and international developments in corporate governance system as a basis for review and improvement of the Company's own corporate governance system, so as to enhance its effectiveness.
- Article 52 The Principles shall be implemented upon approval of the Board of Directors. Subsequent amendments hereto shall be effected in the same manner.

[Disclaimer: This document is a translation from the original Chinese version. In the case of any discrepancy, the original document shall supersede this version.]