

## **Wistron NeWeb Corporation**

### **Corporate Governance Best-Practice Principles**

#### **Chapter 1      General Principles**

Article 1      These Corporate Governance Best-Practice Principles (herein referred to as “Principles”) are established in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” to foster a sound corporate governance system and establish an effective corporate governance framework. The Principles are also disclosed 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 competent authority and other relevant regulations, WNC shall follow the following principles:

1.    Protect the rights and interests of shareholders.
2.    Strengthen the powers of the Board of Directors.
3.    Respect the rights and interests of stakeholders.
4.    Enhance information transparency.

Article 3      WNC shall follow the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and review it at all times, in order to ensure the continued effectiveness of its design and implementation in light of changes in WNC’s internal and external environment.

WNC shall perform full self-assessments of its internal control system. Its 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 shall regularly hold discussions with 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.

The management of WNC shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, evaluate problems of the internal control system and assess the efficiency of operations to ensure that such system can be carried out effectively on an on-going basis and may 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 at WNC must be reported to the Board of Directors or be submitted by the chief auditor to the Chairman for approval.

Article 3-1      WNC shall have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situation and management needs, and shall appoint a chief corporate governance officer (approved by the board of directors) 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 handling legal affairs, internal auditing affairs, financial affairs, stock affairs, or corporate governance affairs.

The corporate governance affairs mentioned in the preceding paragraph shall 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
4.    Furnishing directors with information required for business execution

5. Assisting directors with legal compliance
6. Other matters set out in the Articles of Incorporation or contracts

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

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

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

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

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

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

Article 6 The Board of Directors of WNC shall properly arrange shareholders meeting discussion topics and procedures, and formulate the principles and procedures for shareholder nominations of directors and submissions of shareholder proposals. The Board of Directors shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to process attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those demonstrating eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.

For the shareholders meetings that are convened by the Board of Directors, the board chairperson shall chair the meeting, a majority of the directors (including at least one independent director) and convener of the audit committee shall attend the meeting in person, and at least one member of other functional committees shall attend as a representative. Attendance details should be recorded in the shareholders meeting minutes.

Article 7 WNC shall encourage its shareholders to actively participate in its corporate governance and hold shareholders meetings on the premise of legal, effective and safe proceedings. WNC shall seek all ways and means, including fully exploiting technologies for information disclosure, and shall upload annual reports, meeting notices, handbooks and supplementary information of shareholders' meetings in both Chinese and English concurrently, and shall adopt electronic voting, so as to enhance the attendance rate of shareholders at the shareholders meeting and ensure the exercise of shareholders' rights by shareholders at the shareholders meeting in accordance with laws.

The raising of extraordinary motions and amendments to original proposals should be avoided.

WNC shall arrange for their shareholders to vote by poll on the proposals included in the shareholders meeting agenda one by one and enter the voting results, namely the numbers of votes cast "For" and "Against" and the number of "Abstentions" for each proposal, after the shareholders meeting on the same day that it is held, on the Market Observation Post System.

Article 8 WNC shall, in accordance with the Company Act and other applicable laws and regulations, record in the shareholders meeting minutes the date and place of the meeting, the name of the chairman, 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, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors.

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

Article 9 The chairman of the shareholders meetings shall be fully familiar and comply with the rules governing the proceedings of the shareholders meetings established by WNC. The chairman 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 chairman declares the adjournment of the meeting in a manner in violation of rules governing the proceedings of the shareholders meetings, the members of the Board of Directors other than the chairman of the shareholders meeting shall promptly assist the attending shareholders at the shareholders meeting in electing a new chairman 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 WNC shall place high importance on the right to know of shareholders', prevent insider trading, and faithfully comply with the applicable regulations regarding information disclosure to provide, regularly and timely, shareholders with information relating to financial conditions and operations, insider shareholdings, and corporate governance status at WNC by utilizing the Market Observation Post System or the website established by WNC.

To treat all shareholders equally, WNC shall concurrently disclose the information referred to in the preceding paragraph in English as well as Chinese.

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

The rules mentioned in the previous paragraph shall include stock trading management measures that take effect on the day internal personnel of listed companies obtain the company's financial reports or information on the company's business performance, including but not limited to measures stating that WNC directors shall not trade their stocks within 30 days before the announcement of the Annual Report or within 15 days before the announcement of a quarterly financial statement.

Article 11 The shareholders shall be entitled to profit distributions by WNC. 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, and may decide, by resolution, profit distributions and deficit off-setting plans. 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 and assets, particulars, documents and records of specific transaction of WNC.

The Board of Directors, audit committee, and managers of WNC shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any obstruction, rejection or circumvention.

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, WNC 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 WNC 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.

The relevant personnel of WNC handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

## **Section 2 Establishing a Mechanism for Interaction with Shareholders**

Article 13 In order to protect the interests of the shareholders, WNC shall designate personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders.

WNC 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 or managers of applicable laws, regulations or WNC's articles of incorporation in performing their duties.

WNC shall adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, maintain relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

Article 13-1 The board of directors of WNC is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding of the development of WNC'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 WNC together with officers/managers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

### **Section 3 Corporate Governance Relationships between WNC and Its Affiliated Enterprises**

Article 14 WNC shall clearly identify the allocation of its management objectives, authorities, and responsibilities over personnel, assets and financial matters of its affiliated enterprises, and shall properly carry out risk evaluation and establish appropriate firewalls.

Article 15 Unless otherwise provided by the laws and regulations, a manager of WNC 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 WNC's operations shall explain the major content of such actions at the shareholders meeting and obtain the relevant consent.

Article 16 WNC shall establish sound objectives and a system for the management of 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 WNC and its affiliated enterprises enter into inter-company 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 shall be prohibited.

All transactions or contracts made by and between WNC and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph and tunneling of profits is strictly prohibited.

Article 18 A corporate shareholder having controlling power over WNC 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 WNC to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by WNC 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 for the best interest of all shareholders and in good faith and exercise the fiduciary duty and duty of care of a director.
3. It shall comply with relevant laws, regulations and the articles of incorporation of WNC 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 WNC by methods of unfair

competition such as monopolizing corporate procurement or foreclosing sales channels.

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

Article 19 WNC 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 WNC, and its ultimate control persons.

WNC shall disclose periodically important information about its shareholders holding more than 10 percent of the outstanding shares of WNC 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 five percent or more of the outstanding shares of WNC or the shareholding stake thereof is on the top 10 list, provided however that WNC may set up a lower shareholding threshold according to the actual shareholding stake that may control WNC.

### **Chapter 3 Enhancing the Function of Board of Directors**

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

Article 20 The Board of Directors of WNC 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 WNC.

Regarding the structure of the Board of Directors, WNC 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. Directors concurrently serving as company officers/managers shall not exceed one-third of the total number of the board members, and an appropriate policy on diversity based on WNC's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience

All members of the Board shall have the necessary knowledge, skill, and experience 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 WNC 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, encourage shareholder participation, 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 WNC.

Where the number of directors falls below five due to the release of director(s) for any reason, WNC

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, WNC 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 WNC 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 WNC shall specify in its Articles of Incorporation that it adopts the candidate nomination system for elections of directors pursuant to the regulations of competent authorities, to carefully review the qualifications, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates nominated, and handle the election in accordance with Article 192-1 of the Company Act.

Article 23 Clear distinctions shall be drawn between the responsibilities and duties of the chairman of the board of WNC and those of its general manager.

If it is necessary to set up a functional committee, the responsibilities and duties of the committee shall be clearly defined.

## **Section 2 Independent Director System**

Article 24 WNC shall appoint at least two independent directors in accordance with its articles of incorporation and the number of independent directors shall be no less than one-third of the total number of directors. Independent directors shall serve no 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, an independent director shall not hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in WNC.

If WNC and WNC's group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director or managerial officer as a candidate for an independent director of the other, WNC 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, WNC 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 WNC, any foundation to which WNC'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 WNC.

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 regulations of the competent authority.

Article 25 (Deleted)

Article 26 WNC or other board members shall not restrict or obstruct the performance of duties by the independent directors.

WNC 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 WNC, and shall also take the overall operational risks of WNC 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 WNC may, in consideration of the company's scale and type of operations and the number of its board members, set up functional committees.
- 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 WNC for exercise of power by the committee.
- Article 28 The audit committee of WNC shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number; one shall be the convener, and at least one 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 competent authority.
- Article 28-1 WNC shall establish a remuneration committee, and more than half of the committee members shall 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 28-2 WNC shall establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. 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 WNC's internal control system for management purposes.
- Article 29 To improve the quality of its financial reports, WNC 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 annual continuing education shall proceed following the schedule of the principal accounting officer.
- Accounting personnel members 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 institutions for principal accounting officers.
- WNC 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 WNC. 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, WNC shall faithfully implement improvement actions. WNC shall establish channels and mechanisms of communication between the audit committee and the attesting CPA and incorporate procedures for that purpose into WNC's internal control system for management purposes.
- WNC shall evaluate the independence and suitability of the CPA engaged by WNC regularly and no less frequently than once annually. In the event that WNC engages the same CPA without replacement

for seven years consecutively, or if the CPA is subject to disciplinary actions or other circumstances prejudicial to the independence of the CPA, WNC shall evaluate the necessity of replacing the CPA and shall submit to the board the conclusion of such review.

Article 30 WNC shall engage a professional and competent legal counsel to provide adequate legal consultation services to WNC or assist the Board of Directors and management personnel to improve their knowledge of the law. This is for the purposes of preventing any infraction of laws or regulations by WNC or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

In the event that the directors 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 WNC 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 WNC to conduct the necessary audit or provide consultation on matters in relation to the exercise of their power, at the expense of WNC.

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

Article 31 The Board of Directors of WNC 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 seven days before the scheduled date. Sufficient meeting material shall also be prepared and enclosed in the meeting notice. If the meeting material is deemed inadequate, a director may ask the unit in-charge to provide more information or request a postponement of the meeting with the consent of the Board of Directors.

WNC 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 The directors shall exercise a high degree of self-discipline. If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, 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 WNC, the director shall voluntarily recuse from participating in discussion and voting, for himself or herself or as proxy for another director. 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 The independent directors of WNC must attend a board meeting in person without being represented by a non-independent director via proxy when the meeting is convened for considering any of the matters submitted to the board pursuant to Article 14-3 of the Securities and Exchange Act. 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 justifiable reasons exist for failure to so comply, 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; or
2. The matter was not approved by the audit committee (if WNC has set up an audit committee), but had the consent of more than two-thirds of all directors.

During the proceeding of the board meetings, managers from the relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make report on the current business conditions of WNC and respond to inquiries raised by the directors. Where necessary, CPA, legal counsel or other professionals may be invited to sit in at the meetings to assist the directors in



understanding the conditions of WNC 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 WNC 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 WNC.

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

A company shall record on audio or video tape the entire proceedings of a Board of Directors meeting, and preserve the recordings for at least five 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 WNC, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35

WNC shall submit the following matters to its Board of Directors for discussion:

1. Corporate business plan.
2. Annual and semi-annual financial reports. However, those semi-annual financial reports that are not required by regulations to be audited by a CPA shall be excluded.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
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 for 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 submitted to 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, the Board of Directors may delegate others to exercise its power when it is in recess according to laws or regulations, or its articles of incorporation. The delegation however shall be specific with regard to the level, content or matters of authorization, and general authorization is not permitted.

Article 36

WNC 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 conduct corporate affairs with loyalty and perform this duty of care as a good administrator. In conducting the affairs of WNC, they shall exercise their power with a high level of self-discipline and prudential attitude. Unless matters are otherwise reserved for approvals in shareholders meetings by law or in the articles of incorporation of WNC, they shall ensure that all matters be handled according to the resolutions of Board of Directors.

WNC shall formulate Regulations Governing Board Performance Evaluation as well as related procedures for said evaluation, and shall also conduct regularly scheduled performance assessments of the board of directors and individual directors each year. The performance assessment of the board of directors shall 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

The performance assessments of board members shall include 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, and recognition of the duties of directors
2. Their degree of participation in the company's operations
3. Their management of internal relationships and communication
4. Their professionalism and continuing professional education
5. Internal controls

WNC shall conduct performance assessments on functional committees, and said assessments shall 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 committees
3. Improvement in the quality of decision making by the functional committees
4. The composition of the functional committees, and election and appointment of committee members
5. Internal control

**Article 37-1** The Board of Directors shall evaluate and monitor the business direction and performance of WNC's intellectual property in accordance with the following aspects to ensure that WNC uses a management cycle of "Planning, Implementation, Evaluation, and Action" to establish an intellectual property management system.

1. Establish management policies, goals, and systems for intellectual property that are related to WNC's business operation strategies.
2. Establish, implement, and maintain the management systems which WNC uses to obtain, protect, maintain, and utilize its intellectual property in accordance with WNC's business scale and dynamics.
3. Determine and provide the resources required to effectively implement and maintain the management systems for intellectual property.
4. Monitor internal/external risks and opportunities related to intellectual property management and implement response measures.
5. Formulate and implement improvement processes to ensure that the operation and effectiveness of management systems for intellectual property meet the expectations of WNC.

**Article 38** If a resolution of the Board of Directors violates law, regulations or WNC's articles of incorporation, at the request of shareholders holding shares continuously for a year or an independent director, members of the board shall take appropriate measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering any threat of WNC suffering material injury, members of the Board of Directors shall immediately report to the audit committee, an independent director member of the audit

committee in accordance with the foregoing paragraph.

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

WNC 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 shall participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated by competent authority, 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 4 Respecting Stakeholders' Rights**

Article 41 WNC shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community or other stakeholders and shall respect and safeguard their legal rights and designate a stakeholders section on its website.

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

Article 42 WNC shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of WNC and decision-making process. When any of their legal rights or interest is harmed upon, WNC shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 43 WNC 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 WNC concerning employee welfare.

Article 44 In developing its normal business and maximizing the shareholders' interest, WNC shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of WNC.

#### **Chapter 5 Improving Information Transparency**

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

Article 45 Publication of information is the major responsibility of WNC. WNC shall perform its obligations faithfully in accordance with the relevant laws, and related rules of competent authority.

WNC 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 46 In order to enhance the accuracy and timeliness of the material information disclosed, WNC shall appoint spokesperson and acting spokesperson who understand thoroughly WNC's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing WNC in making statements independently.

WNC shall appoint one or more acting spokesperson who shall represent WNC, when the spokesperson cannot perform his/her duties, in making statements independently.

In order to implement the spokesperson system, WNC shall unify the process of making external statements and require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit disclosure thereof by them at will.

WNC shall disclose the relevant information regarding any change to the position of a spokesperson or acting spokesperson upon such change.

Article 47 In order to keep shareholders and stakeholders fully informed, WNC shall utilize the convenience of the Internet and set up a website containing the information regarding WNC's finance, operation and corporate governance. Financial, corporate governance, and other relevant information should be provided in English as well.

To avoid providing 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 to avoid any confusion.

Article 48 WNC shall hold an institutional investor meeting in compliance with the regulations of the competent authority and shall produce an audio or video record of the meeting. The financial and business information disclosed in the institutional investor meeting shall be disclosed on the Market Observation Post System and provided for inquiry through the website established by WNC or other channels in accordance with rules of competent authorities.

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

Article 49 WNC shall establish a designated section on its website to disclose and update from time to time the following information regarding corporate governance:

1. Information on its Board of Directors (e.g. the background and responsibilities of each board member as well as the details and implementation status of the diversification policy for the composition of the Board).
2. Information on its functional committees (e.g. the background and responsibilities of the members of each committee).
3. Rules and regulations relating to corporate governance (e.g. the Articles of Incorporation, rules and procedures relating to board meetings, rules and regulations relating to functional committees, and other relevant regulations).
4. Important information relating to corporate governance (e.g. information on the appointment of a corporate governance officer).

## **Chapter 6 Supplementary Provisions**

Article 50 WNC shall at all times monitor domestic and international development of corporate governance and thereby review and improve WNC's corporate governance mechanism so as to enhance the performance of corporate governance.

Article 51 These Corporate Governance Best-Practice Principles of WNC shall be implemented after the Board of Directors grants the approval. The same procedure shall be followed when they have been amended.

Article 52 The first version was approved on March 19, 2014.  
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