



# **Sino-American Silicon Products Inc.**

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

### **Article 1 (Purpose)**

To establish a sound corporate governance system and to promote the integrity of the securities market, Sino-American Silicon Products Inc. (hereinafter the “Company”) hereby adopt these Principles to follow in accordance with the Corporate governance best-practice principles for TWSE/GTSM listed companies and relevant regulations and disclose them through the Market Observatory Post System (MOPS).

### **Article 2 (Principles of Corporate Governance)**

The company shall follow the relevant laws and regulations to set up the corporate governance system by complying with the following principles:

1. Establish an effective corporate governance framework.
2. Protect the rights and interests of shareholders.
3. Strengthen the powers of the board of directors.
4. Fulfill the function of the audit committee.
5. Respect the rights and interests of stakeholders.
6. Enhance information transparency.

### **Article 3 (Establishment of Internal Control System)**

The company 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 also attend to and supervise these matters. The company is advised to establish channels and mechanisms of communication between their independent directors, audit committees, and chief internal auditors. Directors and the audit committee shall periodically hold discussions with their internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, and the discussions shall be followed up, improvements implemented, and a report submitted to the board of directors.

### **Article 4**

The management of the company 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.

## **Article 5**

The company shall have a deputy in place for the internal auditing personnel and meet the qualification requirements on the internal auditor set out in the Criteria Governing Establishment of Internal Control System by Public Reporting Companies so as to strengthen the professional abilities of the agent of the internal auditor.

## **Article 6**

When implementing the corporate governance system, the company shall take the protection of shareholders' rights and interests as its foremost goal and treat all shareholders fairly.

The company shall convene shareholders meetings in accordance with the Company Law and relevant laws and regulations and provide comprehensive rules for such meetings. The company shall faithfully implement resolutions adopted by shareholders meetings in accordance with the rules for the meetings. Resolutions adopted by shareholders meetings of the company shall comply with laws, regulations and articles of incorporation.

## **Article 7**

The board of directors of the company shall properly arrange the agenda items and procedures for shareholders meetings, and formulate the principles and procedures for shareholder nominations of directors and independent directors and submissions of shareholder proposals. The board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements. For a shareholders meeting called by the board of directors, it is advisable that , that a majority of the directors and at least one independent director attend in person, and that at least one member of each functional committee attend as representative. Attendance details should be recorded in the shareholders meeting minutes.

The company shall encourage its shareholders to actively participate in corporate governance. It is advisable that the company engage a professional shareholder services agent to handle shareholders meeting matters, and hold shareholders meetings on the premise of legal, effective and safe proceedings. The company shall seek all ways and means, including fully exploiting technologies for information disclosure, 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 company that employs electronic voting at a shareholders meeting is advised to avoid raising of extraordinary motions and amendments to original proposals.



The company is advised to arrange for their shareholders to vote on each separate proposal in the shareholders meeting agenda, and following conclusion of the meeting, to enter the voting results the same day, namely the numbers of votes cast For and Against and the number of Abstentions, through the Internet information reporting system designated by the TWSE or the GTSM.

If the company distributes souvenirs at its shareholders meeting, it shall not practice differential treatment or discrimination.

## **Article 8 (Minutes of Shareholders Meeting)**

The listed company 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 or independent directors.

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

### **Article 8-1**

The company shall place high importance on the shareholder right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders with regular and timely information on company financial conditions and operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the company.

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

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

### **Article 8-2**

The company is advised to specify in its articles of incorporation that it adopts the candidate nomination system for elections of independent directors pursuant to the Company Act, and to review in advance the qualifications, education, working experience, background and the existence of any other matters set forth in Article 30 of the Company Act with respect to the independent director candidates recommended by the shareholders or directors, and the company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to the shareholders for their reference, so that qualified independent directors will be elected.



## **Article 9 (Shareholders' Entitlement to Rights of Corporate Profit Distributions)**

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 audit 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 board of directors and managers of the company shall fully cooperate in the examination conducted by the inspectors in the aforesaid two paragraphs without any obstruction, rejection or circumvention.

## **Article 10 (Reporting to and Approval of Shareholders Meeting Required in Material Financial and Business Transactions)**

In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, the company 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 the company involves in a management buyout, in addition to proceeding in accordance with the applicable laws and/or regulations, it is advisable to establish an objective and independent committee to review the rationality of the acquisition price and the acquisition plan, as well as pay attention to the regulations regarding the information disclosure.

The relevant personnel of the company handling the matters in the preceding paragraph shall pay attention to the event of conflict of interest and the avoidance from the same.

## **Article 11**

It would be advisable for the company to designate personnel exclusively dedicated to handling proposals by, inquiries from, and disputes relating to its shareholders. The company 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 the company's articles of incorporation in performing their duties. It is advisable that the company adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and that it keep relevant written records for future reference and incorporate the procedures in its internal control system for management purposes.

## **Article 12 (Establishment of Appropriate Firewalls)**



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 properly carry out risk assessments and establish appropriate firewalls.

### **Article 13**

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 consent.

### **Article 14 (Establishment of Sound Finance, Operation and Accounting Management Systems)**

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

### **Article 15**

The company 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 the company and its affiliated persons and shareholders shall follow the principles set forth in the preceding paragraph and tunneling of profits is strictly prohibited.

### **Article 16**

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

1. It shall bear a duty of good faith to other shareholders and shall not directly or indirectly cause the company to conduct any business which is contrary to normal business practice or not profitable.
2. Its representative shall follow the rules implemented by its company with respect to the exercise of rights and participation of resolution, so that at a shareholders meeting, the representative shall exercise his/her voting right for the best interest of all shareholders and in good faith and exercise the fiduciary duty and duty of care of a director or independent director.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the



company in nominating directors and shall not act beyond the authority granted by the shareholders meeting or board meeting.

4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director or independent director shall meet the company's requirements for professional qualifications. Arbitrary replacement of the corporate shareholder's representative is inappropriate.

## **Article 17**

The company 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 the company, and its ultimate control persons.

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

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

## **Article 18 (Capabilities Required to be Possessed by Board of Directors)**

The board of directors of the company shall be responsible to the shareholders meetings. Procedures and arrangement relating to corporate governance shall ensure that, in exercising its authority, the board of directors will comply with laws, regulations, articles of incorporation, and the resolutions of shareholders meetings of the company. Regarding the structure of the board of directors, the company 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 and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
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 knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities:

1. Ability to make operational judgment.
2. Ability to perform accounting and financial analysis.
3. Ability to conduct management administration.
4. Ability to conduct crisis management.
5. Knowledge of the industry.
6. An international market perspective.
7. Ability to lead.
8. Ability to make policy decisions.

#### **Article 19 (Establishment of Fair, Just, and Open Procedures for Election of Directors)**

The company shall establish a fair, just, and open procedure for the election of directors, and shall adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless otherwise the competent authority grants an approval, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the company.

Where the number of directors falls below five due to the release of director(s) for any reason, the company 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, the company 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 the company 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 20 (Provision of Candidate Nomination System in Articles of Incorporation for Elections of Directors)**

The company is advised to specify in its Articles of Incorporation that it adopts the candidate nomination system for elections of directors pursuant to the Company Act, and to review in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates recommended by shareholders or directors, and the company may not arbitrarily add requirements for documentation of other qualifications. It is advised to provide the results of the review to shareholders for their reference, so that qualified directors will be elected.



## **Article 21 (Clear Distinction between Responsibilities and Duties of Chairman of Board of Directors, and General Manager)**

Clear distinctions shall be drawn between the responsibilities and duties of the chairperson of the board of the company and those of its general manager.

It is inappropriate for the chairperson to also act as the general manager. If the chairperson also acts as the general manager or the chairperson and general manager are spouses or relatives within one degree of consanguinity, it is advisable that the number of independent directors be increased. If it is necessary to set up a functional committee, the responsibilities and duties of the committee shall be clearly defined.

## **Article 22 (Appointment of Independent Directors According to Articles of Incorporation)**

The company shall appoint independent directors in accordance with its articles of incorporation not less than two in number and not less than one-fifth of the total number of directors.

Independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company.

The company shall, in accordance with Article 192-1 of the Company Act, adopt a candidate nomination system for election of the independent directors and expressly stipulate such system in the articles of incorporation; and the shareholders shall elect the directors from among the nominees listed in the roster of director candidates. Independent and non-independent directors shall be elected at the same time but on separate ballots pursuant to Article 198 of the Company Act.

If the company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the company 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, the company 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 the company, any foundation to which the company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the company.

Change of status between independent directors and non-independent directors during their term of office is prohibited.

If an independent director is released for any reason, resulting in a number of directors lower than that required under paragraph 1 or the articles of incorporation, a by-election for independent director shall be held at the next shareholders meeting. In the event that all the independent directors have been released, the company shall convene a special shareholders meeting to hold a





by-election within 60 days from the date on which the vacancies arose.

Where the company has created the position of managing director, the managing directors shall include no less than one independent director, and no less than one-fifth of the managing director seats shall be held by independent directors.

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

### **Article 23 (Matters Required to be Submitted to Board of Directors for Resolution and Adoption)**

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

1. Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
3. A matter bearing on the personal interest of a director or an independent director.
4. A material asset or derivatives transaction.
5. A material monetary loan, endorsement, or provision of guarantee.
6. The offering, issuance, or private placement of any equity-type securities.
7. The hiring or release of a certifying CPA, or the compensation given thereto.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

### **Article 24 (Express Stipulation of the Scope of Duties of Independent Directors)**

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

The company shall stipulate the remuneration of the directors in its articles of incorporation or approve the same in a shareholders meeting. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.



## **Article 25 (Setting up of Functional Committees)**

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of the company, in consideration of the size of its board and the number of its independent directors, may set up functional committees for auditing, nomination, 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, or other committees, and expressly provide for them in the articles of incorporation.

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

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

## **Article 26 (Establishment of Either Audit Committee or Supervisor)**

The company shall establish either an audit committee or a supervisor.

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

For the company that has established an audit committee, the provisions regarding supervisors in the Securities and Exchange Act, the Company Act, other laws and regulations, and these Principles shall apply mutatis mutandis to the audit committee.

For the company that has established an audit committee, Article 25 herein does not apply to the following matters, which shall be subject to the consent of at least one half or more of all audit committee members and be submitted to the board of directors for a resolution:

1. Adoption or amendment of internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or discharge of an attesting CPA, or the compensation given thereto.
9. The appointment or release of a financial, accounting, or internal auditing officer.
10. Annual and semi-annual financial reports.



11. Any other material matter so required by the company or the competent authority.

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

#### **Article 27 (Requirement of Establishing a Remuneration Committee)**

The company shall establish a remuneration committee. 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.

The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the board of directors.

1. Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.
2. Periodically evaluate and prescribe the remuneration of directors and managerial officers.

When performing the official powers of the preceding paragraph, the remuneration committee shall follow the principles listed below:

1. With respect to the performance assessment and remuneration of directors and managerial personnel of the company, it shall refer to the typical pay levels adopted by peer companies, and take into consideration the reasonableness of the correlation between remuneration and individual performance, the company's business performance, and future risk exposure.
2. It shall not produce an incentive for the directors or managerial officers to engage in activity to pursue remuneration exceeding the risks that the company may tolerate.
3. It shall take into consideration the characteristics of the industry and the nature of the company's business when determining the ratio of bonus payout based on the short-term performance of its directors and senior management and the time for payment of the variable part of remuneration.

#### **Article 27-1**

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

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



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

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

#### **Article 28 (Professional, Responsible and Independent Certified Public Accountants)**

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

The company shall evaluate the independence and suitability of the CPA engaged by the company regularly, and 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 29 (Competent Legal Counsel to Provide Adequate Legal Services to the Company)**

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 directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction by the company or its staff of laws or regulations, and ensuring the corporate governance matters will proceed pursuant to the relevant legal framework and the prescribed procedures.

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

#### **Article 30 (Convening of Board Meetings)**

The board of directors of the company shall meet at least once every quarter, or convene at any



time in case of emergency. To convene a board meeting, a meeting notice which specifies the purposes of meeting shall be sent to each director no later than 7 days before the scheduled date. 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.

The company 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 31 (Requirement for Directors to Exercise High Degree of Self-Discipline)**

Company 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 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.

### **Article 32 (Independent Directors and Board Meetings)**

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

In any of the following circumstances, decisions made by the board of directors shall be noted in the meeting minutes, and in addition, publicly announced and filed on the MOPS 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 the company has set up an audit committee), but had the consent of more than two-thirds of all directors.

During a board meeting, managers from relevant departments who are not directors may, in view of the meeting agenda, sit in at the meetings, make reports on the current business conditions of the company and respond to inquiries raised by the directors. Where necessary, a CPA, legal counsel, or other professional may be invited to sit in at the meetings to assist the directors in understanding the conditions of the company for the purpose of adopting an appropriate



resolution, provided that they shall leave the meeting when deliberation or voting takes place.

### **Article 33 (Meeting Minute for Board of Directors)**

Staff personnel of the company 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 the company.

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 5 years, in electronic form or otherwise.

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

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

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

### **Article 34 (Matters Requiring Discussion at Board Meetings)**

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

1. Corporate business plan.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, to the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others.
5. The offering, issuance, or private placement of any equity-type securities.
6. The performance assessment and the standard of remuneration of the managerial officers.
7. The structure and system of director's remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.



9. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next board meeting for retroactive recognition.
10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by resolution at a shareholders meeting or to be 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 as provided in the previous 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 35**

The company 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.

### **Article 36 (Fulfillment of Duty of Loyalty While Conducting Corporate Affairs and Duty of Care as a Good Administrator by Members of Board of Directors)**

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 the company, 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 the company, they shall ensure that all matters be handled according to the resolutions of board of directors.

Where resolutions of the board of directors involve business development of the company and significant policy direction, the board or directors shall make careful consideration and may not affect the implementation and effectiveness of corporate governance.

Independent directors shall perform their duties in accordance with relevant laws, regulations and the company's articles of incorporation so as to protect the interest of the company and shareholders.

It is advisable that the company formulate rules and procedures for board of directors performance assessments, and that each year it conduct regularly scheduled performance assessments of the board of directors, functional committees, and individual directors through self-assessment, peer-to-peer assessments, engaging outside professional institutions, or in any





other appropriate manner. It is advisable that the performance assessment of the board of directors (functional committees) include the following aspects, and that appropriate assessment indicators be developed in consideration of the company's needs:

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

It is advisable that performance assessments of board members (self-assessments or peer-to-peer assessments) 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.
2. Their recognition of director's duties.
3. Their degree of participation in the company's operations.
4. Their management of internal relationships and communication.
5. Their professionalism and continuing professional education.
6. Internal controls.

The company's board of directors shall consider adjusting its composition based on the results of performance assessments.

#### **Article 37 (Establishment of Management Succession Plan)**

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

#### **Article 38 (Discontinuance of Implementing Resolution at the Request of Shareholders or Independent Directors or at the Notice of Supervisors to Board of Directors)**

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

Upon discovering any threat of the company suffering material injury, members of the board of directors shall immediately report to the audit committee or an independent director member of the audit committee in accordance with the foregoing paragraph.





#### **Article 39 (Liability Insurance for Directors)**

According to the articles of incorporation or resolution adopted in the shareholders meeting, the company may 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 the company and shareholders arising from the wrongdoings or negligence of a director.

#### **Article 40 (Participation in Continuing Education of Board Directors)**

Members of the board of directors are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors of the company, 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.

#### **Article 41 (To be Familiar with Relevant Laws and Regulations, Understanding the Rights, Obligations and Duties of Corporate Directors by an Auditor)**

An auditor shall be familiar with the relevant laws and regulations, understand the rights, obligations, and duties of directors of the company and the functions, duties, and operation of each department, and attend meetings of the board of directors to supervise the operations and to state his/her opinions when appropriate so as to control or discover any abnormal situation early on.

The company shall stipulate the independent director's remuneration in its articles of incorporation or by an approval in a shareholders meeting.

#### **Article 42 (To Oversee the Implementation of Corporate Operation and the Performance of Duties of Directors and Managers by an Auditor)**

An auditor shall supervise the implementation of the operations of the company, and the performance of duties by directors and managers, and care the enforcement of the internal control system so as to reduce the financial and operational risks of the company.

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

#### **Article 43 (To Investigate the Operational and Financial Conditions of the Company from Time to Time by an Auditor)**



An auditor shall investigate the operational and financial conditions of the company from time to time, and the relevant departments in the company shall provide the books or documents that will be needed for the audit committee's review.

When reviewing the finance or operations of the company, an auditor may retain attorneys or CPAs on behalf of the company to perform the review; however, the company shall inform the relevant persons of their confidentiality obligations.

The board of directors or managers shall submit reports in accordance with the request of the auditor and shall not for any reason obstruct, circumvent, or refuse the inspection of the audit committee.

When an auditor performs his/her duties, the company shall provide necessary assistance as needed by the auditor, and the reasonable expenses that the auditor needs shall be borne by the company.

#### **Article 44 (Establishment of Channels for Auditor to Communicate with Corporate Employees, Shareholders, and Stakeholders)**

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

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

Where any of the independent directors, general managers, officers of finance, accounting, research & development, and internal audit department, or CPAs resigns or is removed from his/her position, the auditors shall further investigate the reason thereof.

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

#### **Article 45 (Independent Exercise of Supervisory Power by Each Auditor)**

When exercising his/her supervisory power, each auditor of the company may, after taking into consideration the overall interest of the company and shareholders, convene a meeting to exchange opinions among all the auditors when he or she feels necessary, but may not by such way obstruct auditors in exercising their duties.

#### **Article 46 (Liability Insurance for Auditors)**

According to the articles of incorporation or resolution adopted in a shareholders meeting, the company may take out liability insurance for auditors 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 the company and shareholders arising from the wrongdoings or negligence of an



auditor.

#### **Article 47 (Participation in Continuing Education of Auditors)**

Auditors are advised to participate in training courses of finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of the company, which cover subjects relating to corporate governance upon becoming supervisors and throughout their terms of occupancy.

#### **Article 48 (Maintenance of Channels for the Company to Communicate with Stakeholders and to Respect and Safeguard Legal Rights Thereof)**

The company 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. It is advisable for the company to designate a stakeholders section on its website.

When the company is involved in a management buyout, it shall monitor the subsequent soundness of the company's financial structure.

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

#### **Article 49 (Provision of Sufficient Information to Banks and Other Creditors)**

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

#### **Article 50 (Establishment of Employee Communication Channels Required)**

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

#### **Article 51 (Corporate Social Responsibility)**

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



## **Article 52 (Information Disclosure and Internet-Based Reporting Systems)**

Publication of information is the major responsibility of the company. The company shall perform its obligations faithfully in accordance with the relevant laws, and related TWSE and GTSM rules.

The company 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 53 (Appointment of One or More Acting Spokesperson Required)**

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

The company shall appoint one or more acting spokesperson who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion.

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

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

## **Article 54 (Setting up of Corporate Governance Website)**

In order to keep shareholders and stakeholders fully informed, the company shall utilize the convenience of the Internet and set up a website containing the information regarding the company's finances, operations, 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 aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, in detail and updated timely.

## **Article 55 (Way of Holding Institutional Investor Meeting)**

The company shall hold an investor conference in compliance with the regulations of the TWSE and GTSM, and shall keep an audio or video record of the meeting. The financial and business information disclosed in the investor conference shall be disclosed on the designated Internet information posting system and provided for inquiry through the website established by the company, or through other channels, in accordance with the TWSE or GTSM rules.



## **Article 56 (Disclosure of Information Regarding Corporate Governance)**

The company shall disclose the following information regarding corporate governance in the fiscal year in accordance with laws and regulations of the TWSE and GTSM.

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders.
3. Structure and independence of the board of directors.
4. Responsibility of the board of directors and managerial officers.
5. Composition, duties and independence of the audit committee.
6. Composition, duties and operation of the remuneration committee.
7. The remuneration paid to the directors, general manager and vice general manager in the most recent fiscal year, the analysis of the percentage of total remuneration to the net profit after tax, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance. Under a specifically special scenario, remuneration of the directors shall be disclosed respectively.
8. The progress of training of directors.
9. The rights of and relationships between the stakeholders.
10. Details of the events subject to information disclosure required by law and regulations.
11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the company and these Principles, and the reason for the differences.
12. Other information regarding corporate governance.

The company is advised, according to the actual performance of the corporate governance system, to disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

## **Article 57 (Monitoring of Domestic and International Development of Corporate Governance )**

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

## **Article 58**

Any incomplete in the principle shall be proceeded in accordance with relative laws and regulations.

## **Article 59**

The company's Corporate Governance Best-Practice Principles, and any amendments to it, shall enter into force after it has been approved by the board of directors.



中美矽晶製品股份有限公司  
SINO-AMERICAN SILICON PRODUCTS INC.

## Article 60

The Principles were enacted on April 15, 2014.

The first amendment falls on August 12, 2014.

The second amendment falls on May 5, 2015.