

# Continental Holdings Corporation

## Corporate Governance Guidelines

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### Revision History

Sequent No.	Date	Version	Description
0	Nov 14, 2022	1.0	First release.

### Chapter I General

- Article 1 In accordance with the Company's business philosophy of integrity and transparency and on the ground of strengthening the Board of Directors, protection of shareholders' rights and interests, and respect of stakeholders' rights and interests, the Company formulated these Corporate Governance Guidelines to enhance its corporate governance system.
- Article 2 The Company's corporate governance system shall be governed by these Guidelines, unless otherwise specified by laws and regulations, the Company's Articles of Incorporation, or a resolution of shareholders' meeting.
- Article 3 The Company shall follow the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and take into consideration the overall operational activities of itself and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of its design and implementation in light of changes in the company's internal and external environment.
- Article 4 Based on its size, business situation, and management needs, the Company may appoint an adequate number of corporate governance personnel, and a corporate governance officer as the most senior officer in charge of corporate governance affairs.
- The qualifications of the aforementioned corporate governance officer, the contents of relevant corporate governance affairs, and relevant matters shall comply with the "Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers" of Taiwan Stock Exchange Corporation ("TWSE"), unless otherwise specified by laws or regulations.

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

- Article 5 The corporate governance system of the Company shall protect shareholders' rights and interests, and ensure fair and equal treatment of all shareholders.
- Article 6 The Company shall convene shareholders' meetings in accordance with the Company Law and relevant laws and regulations, and establish rules of procedure for such meetings. Matters that require a resolution of shareholders' meeting shall be faithfully proceeded in accordance with the rules of procedure.

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The contents of resolutions adopted by shareholders' meetings shall comply with laws, regulations and the Company's Articles of Incorporation.

Article 7 The Board of Directors shall properly arrange the agenda items and procedures of shareholders' meetings, and properly handle the proposals duly submitted by shareholders; arrangements shall also be made to hold shareholders' meetings at a convenient location, with sufficient time allowed and suitable number of personnel assigned to handle the registration process for shareholders' attendance.

For a shareholders' meeting called by the Board of Directors, it is advisable that the Chairperson of the Board chair the meeting, that a majority of the board directors (including at least one independent director) and the convener of the Audit Committee attend the meeting in person, and that at least one member of each other functional committees attend as representative. Details of attendance shall be recorded in the shareholders meeting minutes.

Article 8 The Company encourages shareholders' participation in corporate governance. A professional stock transfer agency is engaged to handle shareholders' meeting matters to ensure that shareholders' meetings are convened in a legal, effective and secure manner.

The Company adopts technology-based means for information disclosure. The annual reports, annual financial statements, as well as the meeting notices, agenda and supplemental information for shareholders' meetings are uploaded online. The Company also adopts electronic voting to increase shareholders' attendance at shareholders' meetings and to ensure that shareholders can exercise their rights at such meetings.

The proposals on the agenda may be voted on one by one during the shareholders' meeting. It is advisable to upload the voting results to the online reporting system as designated by TWSE on the same day after the conclusion of the meeting.

Article 9 The Company shall, in accordance with the Company Act and related laws and regulations, record in the shareholders' meeting minutes the date and venue, the name of the chairperson, the voting method for adopting the resolutions, and a summary of the essential points and conclusions of the proceedings. For the election of board directors, the voting method adopted and the total number of votes received for each of elected directors shall be recorded.

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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 website.

Article 10 The chairperson of shareholders' meetings shall comply with the rules of procedure for shareholders' meetings. The chairperson must also ensure the proper progress of the proceedings and may not adjourn the meeting at will.

Article 11 The Company places high importance on the shareholder right to know and complies faithfully with the applicable regulations on information disclosure. The Company's finances, business, insiders' shareholdings, and corporate governance situation shall be disclosed in a regular and timely manner through the Market Observation Post System ("MOPS") or the Company's website.

To protect the rights and interests of shareholders and ensure their equitable treatment, the Company has adopted internal rules prohibiting insiders from using nonpublic information to trade in securities.

Article 12 Shareholders are entitled to profit distributions by the Company. To protect the investment rights and interests of shareholders, the shareholders' meeting may, in accordance with the law, examine the statements and books prepared and submitted by the Board of Directors and the reports submitted by the Audit Committee, and may approve the distribution of profits or deficit off-setting plans by shareholders' resolution. The shareholders' meeting may appoint an inspector to carry out the aforementioned examination.

Article 13 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 shareholders' rights and interests.

In the event that the Company is involved in a merger, acquisition or public tender offer, in addition to compliance with applicable laws and regulations, the Company should pay attention to the fairness, reasonableness, and information disclosure, as well as the soundness of the financial structure of the Company following the transaction.

The relevant personnel of the Company involved in the abovementioned matters should be aware of conflict of interest and the need for recusal.

- Article 14 To protect shareholders' rights and interests, the Company may appoint specific personnel to properly handle shareholders' suggestions, inquiries, and comments. If any shareholder's rights or interests were damaged due to violation of any law, regulations, or the Articles of Incorporation of the Company by any resolution of the shareholders or the Board of Directors, or by any director or officer when performing their duties, the Company should properly handle any lawsuit duly filed by the shareholder.

### **Chapter III Corporate Governance Regarding Relationships Between the Company and Its Affiliated Enterprises**

- Article 15 The Company and its affiliated enterprises shall clearly identify the objectives and the division of authorities and responsibilities between it and its affiliated enterprises for their personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.
- Article 16 Unless otherwise approved by the Board of Directors in accordance with the law, no officer may concurrently serve as an officer of other for-profit business.  
A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure its approval.
- Article 17 The Company should establish robust financial, business and accounting management objectives and systems in accordance with applicable law and regulations, and should work with its affiliates to appropriately conduct comprehensive risk assessment on major banks, customers, and suppliers and implement necessary internal control mechanisms so as to reduce credit risks.
- Article 18 The Company should, based on the principles of fairness and reasonableness, establish written regulations governing financial and business operations between the Company and its affiliates with which it has business dealings. Price and payment terms shall be clearly stipulated when there are transactions between them, and non-arm's length transactions are strictly prohibited.  
Any transaction or contract between the Company and its related party or shareholder(s)

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should be conducted in accordance with the foregoing principle, and tunneling is strictly prohibited.

Article 19 A corporate shareholder having controlling power over the Company shall comply with the following provisions:

1. Shall not directly or indirectly cause the Company to conduct any business that is contrary to normal business practice or the Company's interests.
2. Shall comply with the rules of the Company with respect to the exercise of rights and participation in resolutions.
3. Shall comply with relevant laws, regulations and the Company's Articles of Incorporation in nominating directors.
4. Shall not intervene improperly in corporate policy-making or obstruct corporate management activities.
5. Shall not restrict or impede the Company's management or production operations by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.

Article 20 The Company shall periodically disclose shareholders that owns 5% or more of outstanding shares, or who are in the top 10 list of shareholders, including their names, number of shares, and shareholding ratio for other shareholders to monitor the shareholding of the Company.

## Chapter IV Strengthening the Functions of the Board of Directors

### Section 1 Structure of the Board of Directors

Article 21 The composition of the Board of Directors shall comply with regulatory requirements and take diversity into consideration. The Company shall adopt appropriate diversity principle on the basis of the Company's business operations, business model, and development needs. It is advisable to include, but not limited to, the following two major dimensions:

1. Basic conditions and values: gender, age, nationality, and cultural background.
2. Professional knowledge and skills: Professional background (e.g. law, accounting, industry, finance, marketing, or technology), professional skills, and industry experiences.

All members of the Board shall have the knowledge, skills, and competence

necessary to perform their duties. To achieve the ideal corporate governance, the Board of Directors as a whole shall possess the following capabilities:

1. Ability to make operational judgments,
2. Ability to perform accounting and financial analysis,
3. Ability to manage business operations,
4. Ability to handle crisis management,
5. Knowledge of the industry,
6. An international market perspective,
7. Leadership,
8. Ability for decision-making.

Article 22 The Company shall establish a fair, just, and open procedure for the election of board directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Law in order to fully reflect shareholders' views.

Article 23 The aggregate shareholding ratio of all board directors shall comply with the laws and regulations. Restrictions on share transfer and the creation, release, or change of any pledge over the shares held by each director, and the disclosure of relevant information shall be subject to relevant laws and regulations.

Article 24 The duties of the Chairman and CEO should be distinctly separated.  
The chairman and the CEO should not be the same person.  
The Company shall clearly define the responsibilities and duties of its functional committees.

## **Section 2 Independent Directors**

Article 25 The Company shall appoint independent directors in accordance with its Articles of Incorporation. The requirements of an independent director's professional qualifications, restriction on shareholding and concurrent positions held, determination of independence, method of nomination and election, exercise of powers and other matters shall be governed by applicable laws and regulations including Securities and Exchange Act, "Regulations Governing Appointment of Independent directors and Compliance Matters for Public Companies", and the rules and regulations of TWSE. Change of status between independent directors and non-independent directors during their term of office is prohibited.

### Section 3 Functional Committees

- Article 26 For the purpose of developing supervisory functions and strengthening management mechanisms, the Company has set up the Audit Committee and the Compensation Committee under the Board of Directors. Other functional committees may also be set up to enhance effectiveness and quality of the Board of Directors' supervision and decision-making.
- The functional committees shall be accountable to the Board of Directors and submit their proposals to the Board of Directors for approval, however, the exercise of supervisor's powers by the Audit Committee in accordance with the law is not subject to the Board of Directors' approval.
- Functional committees shall formulate an organizational charter to be approved by the Board of Directors. The organizational charter shall contain the number of committee members, terms of office, powers of the committee, the rules of procedure, and resources to be provided by the Company for the exercise of its powers.
- Article 27 The exercise of powers by the Audit Committee and its independent directors and related matters shall be governed by applicable laws and regulations including the Securities and Exchange Act, the "Regulations Governing the Exercise of Powers by Audit Committees of Public Companies", as well as the rules and regulations of TWSE.
- Article 28 The requirements of professional qualifications for the Compensation Committee's members, the exercise of powers by the committee, the adoption of the organizational charter, and related matters for the Compensation Committee shall be governed by applicable laws and regulations including the Securities and Exchange Act, the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange", as well as the rules and regulations of TWSE.
- Article 29 The Company shall engage a professional, responsible and independently certified CPA as its independent auditor to regularly review the financial conditions and internal controls of the Company. With regard to any irregularity or deficiency discovered and disclosed in a timely manner by the independent auditor during the audit process, as well as concrete measures for improvement or fraud prevention, the



Company should thoroughly review and take improvement actions. The Company should maintain open communication channels among the independent directors, Audit Committee, and the auditor.

The Audit Committee should regularly evaluate the independence and competence of the independent auditor. If the Company engages the same CPA as independent auditor for consecutive 7 years, or such CPA is subject to any disciplinary action or there is any other circumstances prejudicial to the CPA's independence, the Company should assess whether it is necessary to change the independent auditor, and report the assessment result to the Board of Directors.

### **Section 4 Rules of Procedure and Decision-Making Process for Board Meetings**

**Article 30** The Board of Directors shall meet at least once every quarter, or convene ad hoc in case of emergency.

The Company shall formulate the rules of procedure for Board meetings, which shall follow the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" with respect to major content of deliberations, operation procedures, matters to be recorded in the meeting minutes, public announcements, and other matters for compliance.

**Article 31** Directors shall exercise a high degree of self-discipline. If a director or a company person represented by the director has any conflict of interest with respect to any proposal in a board meeting, the director shall elaborate material contents of the conflict of interest to the Board at the same meeting. If such conflict of interest might prejudice the Company's interests, the director shall not participate in the discussion or voting on that proposal and shall be recused during the discussion and voting process of such proposal. Such director may not act as another director's proxy to exercise voting rights on that matter, either.

The matters concerning the self-recusal of a director shall be clearly stipulated in the rules of procedure for Board meetings.

**Article 32** When a Board meeting is convened, in view of the agenda items, personnel from relevant departments or subsidiaries may be notified to attend the Board meeting. If necessary, CPAs, legal counsel, or other professionals may also be invited to attend Board meetings to provide information or opinions. However, they should leave the

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meeting when the Board's deliberations and voting take place.

Article 33 The Board Secretary should correctly record all report items, and a summary of the deliberations of proposals, the method of voting, and the resolution for each agenda item in the meeting minutes in accordance with relevant regulations.

Article 34 When the Board of Directors is in recess, it may delegate the exercise of its powers to others in accordance with the law, regulations, or the Articles of Incorporation. The level of authorization and the content or matters to be delegated shall be clearly specified.

Article 35 Resolutions of the Board of Directors shall be executed by the appropriate corporate department(s) or personnel in a manner consistent with the planned schedule and objectives. The Board of Directors shall also follow up on those matters and thoroughly review their implementation.

The Board of Directors shall remain informed of all implementation progress to ensure the proper execution of the Board's business decisions.

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

Article 36 Directors shall conduct the Company's business in a faithful manner and with the duty of care of a good administrator. They should also exercise their powers with a high level of self-discipline and prudence.

The Company will regularly conduct performance assessments on the Board, functional committees and individual directors through self-assessment, peer evaluation, external professional institution's assessment, or other appropriate methods, and submit the results of performance assessments to the Board as a basis for review and improvements and as reference for selection or nomination of directors.

Article 37 The Company may establish a succession plan for the management team. To ensure operational sustainability, the Board shall periodically review and evaluate the development and implementation of the succession plan.

Article 38 If a resolution of the Board of Directors violates the law, regulations, or the Articles of Incorporation, at the request of shareholder(s) holding shares continuously for a year or an independent director to discontinue the implementation of the resolution, members of the Board shall take appropriate actions or cease the implementation of such resolution as soon as practicable.

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If a director finds that the Company might suffer material damage, the matter should be immediately reported to the Audit Committee, or independent director members on the Audit Committee.

Article 39 The Company will take out liability insurance for directors to cover potential legal liabilities resulting from their performance of director duties during their term in office.

The content of the aforementioned liability insurance policy shall be approved by the Board of Directors.

Article 40 Directors are advised to participate in training courses on corporate governance topics such as finance, risk management, business, commerce, law, accounting, or corporate social responsibility, internal control system, or responsibilities for financial reports, etc. in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.”

Article 41 The Company shall engage a professional and competent legal counsel to provide appropriate legal advices, or to assist the Board of Directors and the management team to enhance their legal knowledge, to prevent violations of the law by the Company or its personnel, and to ensure that corporate governance operates under relevant legal framework and procedures.

When, as a result of performing their lawful duties, any director or member of the management is involved in litigation or a dispute with shareholder(s), the company shall retain a legal counsel to provide assistance as circumstances require.

## Chapter V The Rights and Interests of Stakeholders

Article 42 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and set up a stakeholder’s section on its corporate website.

Article 43 The Company shall establish channels of communication with its employees, and encourage employees to communicate directly with the management so as to reflect employees’ opinions on management matters, financial conditions, and major decisions concerning employees’ interests.

Article 44 In developing its business and maximizing shareholders' interests, the Company should also concern about consumer rights and interests, community environmental protection, public interest issues, and take corporate social responsibility seriously.

### **Chapter VI Improving Information Transparency**

Article 45 The Company shall faithfully carry out its obligations of information disclosure in accordance with relevant laws and regulations and TWSE's rules and regulations. The Company shall establish an Internet-based reporting system for public information disclosure, designate personnel responsible for gathering and disclosing Company's information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information.

Article 46 To implement the spokesperson system, the Company should establish a unified external communication procedure and require the management and employees to maintain confidentiality of financial and business secrets, and not to disclose Company information without permission.

Any change of the spokesperson or the deputy spokesperson shall be publicly announced immediately.

Article 47 In order to keep shareholders and stakeholders well informed, the Company shall set up a website to provide the company's financial, operational, and corporate governance information. The financial information, corporate governance, and other information should also be available in English.

The aforesaid website shall be maintained by designated personnel to ensure that the information is accurate and updated in a timely manner.

Article 48 The Company shall hold investor conferences in compliance with the regulations of TWSE, and keep audio or video records of the conferences. The financial and business information disclosed in an investor conference shall be disclosed on the MOPS in accordance with TWSE rules, and be available for search on the Company's website or other appropriate channel.

Article 49 The Company shall disclose and continue to update relevant information on corporate governance in accordance with relevant laws and regulations and TWSE rules and regulations.

The Company may, based on the actual implementation status of corporate

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governance, disclose in an appropriate manner its concrete plans and measures for improving its corporate governance.

### **Chapter VII Supplementary Provisions**

- Article 50      The Company shall consistently monitor domestic and international developments in corporate governance as a basis for the review and improvement of its own corporate governance system, so as to enhance the effectiveness of corporate governance.
- Article 51      These Guidelines, as well as the amendments thereof, should be effective upon approval of the Board of Directors.