

President Chain Store Corporation
Corporate Governance Best Practice Principles
(Translation)

Last amended on February 24th, 2022

Amended on July 31th, 2024

Chapter I: General Principles

Article 1 – Purpose

In order to establish the best practice principle, PCSC adopts the principles set by Taiwan Stock Exchange Corporation (TWSE) and the GreTai Securities Market (GTSM), who jointly developed these Principles to be followed by TWSE and GTSM listed companies, assisting them in establishing sound corporate governance systems and promote sound development of the securities market.

Article 2 – Principles of Corporate Governance

When setting up the corporate governance system, in addition to complying with relevant laws, regulations, articles of incorporation, contracts signed with the TWSE or GTSM, and other relevant regulations, a TWSE/GTSM listed company shall follow the following principles:

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

Article 3 – Establishment of Internal Control System

PCSC follows the Criteria Governing Establishment of Internal Control Systems and takes into consideration the overall operational activities of PCSC and subsidiaries to design and fully implement an internal control system, and conduct continuing reviews of the system, in order to ensure the continued effectiveness of the design and implementation in light of changes in PCSC's internal and external environment.

If the company has elected independent directors, the adoption or amendment of its internal control system shall be submitted to the board of directors for approval by resolution unless an approval has been obtained from the competent authority; when an independent director has a dissenting opinion or qualified opinion, it shall be noted in the minutes of the directors meeting; however, if the company has established an audit committee in accordance with the Securities and Exchange Act, the adoption or amendment to its internal control system shall be subject to the consent of one-half or

more of all audit committee members and be submitted to the board of directors for a resolution.

PCSC performs full self-assessments of the internal control system. The board of directors and management review the results of the self-assessments by each department at least annually and the reports of the internal audit department on a quarterly basis. The audit committee or supervisors also attend to and supervise these matters. PCSC has established an audit committee in accordance with the Securities and Exchange Act, the assessments of the effectiveness of the internal control system are subject to the consent of one-half or more of all audit committee members and submitted to the board of directors for approval.

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

To put the internal control system into effect, strengthen the professional abilities of the agent of the internal auditor and to further improve and maintain the quality and implementing result of the audit, PCSC has a deputy in place for the internal auditing personnel.

The qualification requirements on the internal auditor set out in Article 11, paragraph 6 of the Criteria Governing Establishment of Internal Control System by Public Reporting Companies and Articles 16, 17, and 18 of the same Criteria shall apply *mutatis mutandis* to the deputy as referred to in the preceding paragraph.

Article 3-1 –Personnel responsible for corporate governance affairs

PCSC is advised to have an adequate number of corporate governance personnel with appropriate qualifications based on the size of the company, business situations and management needs, and shall appoint in accordance with the requirements of the competent authorities, TWSE or TPEx a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs. Said officer shall be a qualified, practice-eligible lawyer or accountant or have been in a managerial position for at least three years in a securities, financial, or futures related institution or a public company in handling legal affairs, legal compliance, internal audit, financial affairs, stock affairs, or corporate governance affairs.

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

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

Chapter II: Protection of Shareholders' Rights and Interests

Section 1: Encouraging Shareholders to Participate in Corporate Governance

Article 4 – Protection of Shareholders' Rights PCSC takes the protection of shareholders' rights and interests as its foremost goal and treat all shareholders fairly. PCSC establishes a corporate governance system which ensures shareholders' rights of being fully informed of, participating in and making decisions over important matters of the company.

Article 5 – Convening Shareholders Meetings and Providing Meeting Rules PCSC convenes shareholders meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. PCSC implements resolutions adopted by shareholders meetings in accordance with the rules for the meetings.

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

Article 6 – Arranging Agenda and Procedure for Shareholders Meetings by the Board The board of directors of PCSC properly arranges the agenda items and procedures for shareholders meetings, and formulates the principles and procedures for shareholder nominations of directors and supervisors and submissions of shareholder proposals. The board also properly handles the proposals duly submitted by shareholders. Arrangements are 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 are imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend.

Shareholders are granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders meeting called by the board of directors, it is advisable that the board chairperson chair the meeting, that a majority of the directors and at least one supervisor 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.

Article 7 – Encouraging Shareholders to Participate in Corporate Governance

PCSC encourages its shareholders to actively participate in corporate governance. PCSC engages a professional shareholder services agent to handle shareholders meeting matters, so that shareholders meetings can proceed on a legal, effective and secure basis. PCSC seeks all ways and means, including fully exploiting technologies for information disclosure and casting votes, to enhance shareholders' attendance rates at shareholders meetings and ensure their exercise of rights at such meetings in accordance with law.

Shareholders of PCSC can execute their rights by using electronic voting or in writing at shareholders meeting. PCSC adopts candidates nomination system in accordance with the Articles of Incorporation.

PCSC arranges for 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 TWSE.

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

Article 8 – Shareholders Meeting Minutes

PCSC, in accordance with the Company Act and other applicable laws and regulations, records in the shareholders meeting minutes the date and place of the meeting, the name of the chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. With respect to the election of directors and supervisors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the elected directors or supervisors. The shareholders meeting minutes shall be properly and perpetually kept by the company during its legal existence, and should be sufficiently disclosed on the company's website.

Article 9 – The Chairperson of the Shareholders Meetings Shall Be Fully Familiar and

Comply with the Rules Governing the Proceedings of the Shareholders Meetings Established by the Company

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

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

Article 10 – Placing High Importance on the Shareholder Right to Know

PCSC places 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, a TWSE/TPEX listed company shall adopt internal rules prohibiting company insiders from trading securities using information not disclosed to the market.

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

Article 11 – Shareholders Shall Be Entitled to Profit Distribution by the Company

The shareholders shall be entitled to profit distributions by the company. In order to ensure the investment interests of shareholders, the shareholders meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the board of directors and the reports submitted by the audit committee or supervisors, and may decide profit distributions and deficit off-setting plans by resolution. In order to proceed with the above examination, the shareholders meeting may appoint an inspector. The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting records and assets of the company.

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

Article 12 – Material Financial and Business Transaction Shall Be Reported to and Approved by the Shareholders Meeting

In entering into material financial and business transactions such as acquisition or disposal of assets, lending funds, and making endorsements or providing guarantees, PCSC proceeds in accordance with the applicable laws and/or regulations and establishes operating procedures in relation to these material financial and business transactions which are reported to and approved by the shareholders meeting so as to protect the interests of the shareholders.

When PCSC is involved in a management buyout, in addition to proceeding in accordance with the applicable laws and/or regulations, PCSC 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 management or major shareholders of PCSC who participate in the merger and acquisition shall ensure that the members of the audit committee reviewing the aforementioned merger and acquisition have complied with Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies. Furthermore, the said management or major shareholders shall not be as related parties of the counterparty in the said merger transaction or have interests that may affect their independence or the design and implementation of related procedures, and that the relevant information has been fully disclosed in accordance with relevant laws and regulations. An independent legal counsel shall be engaged to issue a legal opinion.

The qualifications of the aforementioned legal counsel shall comply with Article 3 of

the Regulations Governing Appointment of Independent Directors and Matters Needing Attention for Public Companies and shall not be a related party of the counterparty in the merger transaction or have interests that may affect their independence.

The relevant personnel of PCSC handling the matters of merger and acquisition shall pay attention to the occurrence of any conflicts of interest and the need for recusal.

Article 13 – Designating Personnel Dedicated to Handling Shareholder Proposals

In order to protect the interests of the shareholders, PCSC designates personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes. PCSC properly deals with any legal action duly instituted by shareholders in which it is claimed that shareholder rights and interests were damaged by a resolution adopted at a shareholders meeting or a board of directors meeting in violation of applicable laws, regulations, or the company's articles of incorporation, or that such damage was caused by a breach of applicable laws, regulations or the company's articles of incorporation by any directors, supervisors or managers in performing their duties.

Section 2 Establishing a Mechanism for Interaction with Shareholders

Article 13-1: The Board of Directors is Responsible for Establishing a Mechanism for Interaction with Shareholders

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

Article 13-2: Efficient Communication with Shareholders to Gain Their Support

In addition to communicating with shareholders through shareholders meetings and encouraging shareholders to participate in such meetings, the board of directors of PCSC together with officers and independent directors shall engage with shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound company policies explicitly, in order to gain shareholders' support.

Section 3: Corporate Governance Relationships Between the Company and Its Related Party

Article 14 – Establishing Firewalls

PCSC clearly identifies the objectives and the division of authority and responsibility between itself and affiliates with respect to management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 – Manager May Not Serve as a Manager of Affiliates Unless otherwise provided by the laws and regulations, a manager of PCSC may not serve as a manager of its affiliated enterprises, with the exception when more than one half of the board approved the motion during board meeting while more than one half of board members attend the meeting.

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 16 – Establishing Sound Objectives and Systems for Management of Finance, Operations, and Accounting

PCSC establishes sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. PCSC shall further, together with its affiliates, properly conduct an overall risk assessment of major banks they deal with and customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.

Article 17 – Fair Dealing and Reasonableness of Business Transactions Between PCSC and Affiliates

When PCSC and its related party and shareholders enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. Price and payment terms shall be definitively stipulated when contracts are signed, and non-arm's length transactions and improper channeling of profits shall be prohibited.

The aforementioned written agreement under preceding paragraph of this Article shall include the management procedures for purchase and sale transactions, acquisition or disposal of assets, lending of funds, and endorsement guarantees, etc. Significant transactions shall be approved by the board of directors and reported to the shareholders' meeting.

Article 18 – List of Provisions Complying by Corporate Shareholders

A corporate shareholder having controlling power over PCSC 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 in good faith and for the best interest of all shareholders and shall exercise the fiduciary duty and duty of care of a director or supervisor.
3. It shall comply with relevant laws, regulations and the articles of incorporation of the company in nominating directors or supervisors 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.

Article 19 – Major Shareholders and the List of Ultimate Controlling Parties

PCSC retains at all times a register of major shareholders who own a relatively high percentage of shares and have controlling power, and of the persons with ultimate control over those major shareholders.

PCSC discloses 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.

Chapter III: Enhancing the Function of Board of Directors

Section 1: Structure of Board of Directors

Article 20 – Abilities of the board

The board of directors of PCSC is responsible to the shareholders meetings. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the board of directors complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings.

The structure of PCSC's board of directors shall be determined by choosing an

appropriate number of board members, not less than five, in consideration of its business scale, the shareholdings of its major shareholders, and practical operational needs. It is advisable that the average annual attendance rate (excluding attendance by proxy) of each director who actually attends the board of directors be at least 80%.

Article 21 – A TWSE/GTSM Listed Company Shall Establish a Fair, Just, and Open Procedure for the Election of Directors

PCSC establishes 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 the competent authority otherwise 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.

When the number of directors falls below five due to the discharge of a director for any reason, the company shall hold a by-election for director at the following shareholders meeting. When 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 PCSC complies 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 – Candidate Nomination System for Elections of Directors Pursuant to the Company Act

PCSC specifies in the articles of incorporation that PCSC adopts the candidate nomination system for elections of directors pursuant to the Company Act. PCSC reviews 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. PCSC provides the results of the review to shareholders for their reference, so that qualified directors will be elected.

Article 23 – Clear Distinctions of Responsibilities and Duties between Chairman and

General Manager

PCSC draws clear distinctions between the responsibilities and duties of the chairperson of the board and the general manager.

Section 2: Independent Director System

Article 24 – Appointment of Independent Directors in Accordance with Articles of Incorporation

PCSC appoints independent directors in accordance with its articles of incorporation. They shall be 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.

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

PCSC 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, PCSC, 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, PCSC discloses 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 TWSE/GTSM listed company, any foundation to which the TWSE/GTSM listed 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 discharged 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 discharged, the company shall

convene a special shareholders meeting to hold a by-election within 60 days from the date on which the vacancies arose.

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

Article 25 – Resolutions to Be Approved by the Board of Directors

PCSC submits 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 a supervisor.
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, discharge, or compensation of an attesting CPA.
8. The appointment or discharge of a financial, accounting, or internal auditing officer.
9. Any other material matter so required by the competent authority.

Article 26 – Scope of Duties of the Independent Directors

PCSC stipulates 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.

PCSC stipulates the remuneration of the directors in its articles of incorporation or approve the same in a shareholders meeting. The remuneration of the directors fully reflects the personal performance and the long-term management performance of the company, and also takes 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.

When PCSC, under its articles of incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation are made after the allocation of legal reserve and before the distribution of director and supervisor compensation and employee bonuses, and PCSC provides in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.

Section 3: Audit Committee and Other Functional Committees

Article 27 – Setting Up Functional Committees

For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors of PCSC, in consideration of the size of its board and the number of its independent directors, sets up functional committees for auditing, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, sets 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 their 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 numbers, terms of office, and powers 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 28 – Setting Up Audit Committee

PCSC establishes an audit committee which 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. PCSC 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.

Article 25 herein does not apply to the following matters, which shall be subject to the consent of at least one half 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, discharge, or compensation of an attesting CPA.
9. The appointment or discharge 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.

The matters listed above, except #10, can be consented by more than 2/3 of the board of directors, if not consent of at least one half of all audit committee members, and are not limited to the rules described in the paragraph above. The board meeting minutes should record the resolutions of the Audit Committee.

The resolutions and discussions of Audit Committee should be made into meeting minutes which should be signed or approved by the chairman and the note taker and sent to independent directors within 20 days. The meeting minutes should be treated as important corporate records, and kept safe permanently during the life of the company. Meeting minutes may be produced, distributed, and preserved by electronic means.

Article 28-1 – Setting Up Remuneration Committee

PCSC establishes 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. Prescribing and periodically reviewing the policies, systems, standards, and

structures for performance evaluation and remuneration for directors, supervisors and managerial officers.

2. Periodically evaluating and prescribing the remuneration of directors, supervisors, 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 assessments and remuneration of directors, supervisors 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 bonuses for the short-term performance of its directors and senior management and the time at which the variable part of remuneration is paid.

Article 29 – Professional, Responsible, and Independent CPA

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

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

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

PCSC 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, the supervisor or audit committee, and the attesting CPA, and to incorporate procedures for that purpose into the company's internal control system for management purposes.

PCSC shall evaluate the independence and suitability of the CPA engaged by reference to audit quality indicators (AQIs) , 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 30 – Providing Adequate Legal Consultation Service to the Company

PCSC shall engage a professional and competent legal counsel to provide adequate legal consultation services to the company, or to assist the directors, the supervisors and the management to improve their knowledge of the law, for the purposes of preventing any infraction of laws or regulations by the company or its staff and ensuring that corporate governance matters proceed pursuant to the relevant legal framework and the prescribed procedures.

When, as a result of performing their lawful duties, directors, supervisors or the management are involved in litigation or a dispute with shareholders, the company shall retain a legal counsel to provide assistance as circumstances require.

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

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

Article 31- Convening Board Meetings

The board of directors of PCSC 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 the meeting shall be sent to each director and supervisor no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the meeting notice. If the meeting materials are 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.

PCSC shall adopt rules of procedure for board meetings, which shall follow 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 announcements, and other matters for compliance.

Article 32 – Directors Shall Exercise a 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. Matters requiring the voluntary recusal of a director shall be clearly set forth in the rules of procedure for board meetings.

Article 33 – Independent Directors and the Board of Directors

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 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.
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 34 – Board Meeting Minutes

Staff personnel of PCSC attending board meetings shall collect and correctly record the meeting minutes in detail, as well as a summary, the method of resolution, and voting results of all the proposals submitted to the board meeting in accordance with relevant regulations.

The minutes of the board of directors meetings shall be signed by the chairperson and secretary of the meeting and sent to each director and supervisor within 20 days after the meeting. The director attendance records shall be made part of the meeting minutes, treated as important corporate records, and kept safe permanently during the life of the company.

Meeting minutes may be produced, distributed, and preserved by electronic means. The company shall record on audio or video tape the entire proceedings of a board of directors meeting and preserve the 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.

When a resolution of the board of directors violates laws, regulations, the 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 35 – Matters to Be Submitted to the Board of Directors

PCSC submits the following matters to its board of directors for discussion:

1. Corporate business plans.
2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports which, under relevant laws and regulations, need not be CPA audited and attested.
3. Adoption or amendment to an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
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. 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, when the board of directors is in recess, it may delegate the exercise of its power to others in accordance with law, regulations, or its articles of incorporation. However, the level of delegation or the content or matters to be delegated shall be clearly specified, and general authorization is not permitted.

Article 36 – Appropriate Corporate Department or Personnel to Execute Matters Pursuant to the Board of Directors' Resolutions

PCSC asks the appropriate corporate department or personnel to execute matters pursuant to board of directors' resolutions in a manner consistent with the planned schedule and objectives. It shall also follow up on those matters and faithfully review their implementation.

The board of directors shall remain informed of the progress of implementation and receive reports in subsequent meetings to ensure the actual implementation of the board's management decisions.

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

Article 37- Members of the Board of Directors Shall Faithfully Conduct Corporate Affairs and Perform the Duty of Care of a Good Administrator

Members of the board of directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In conducting the affairs of the company, they shall exercise their powers with a high level of self-discipline and prudence. Unless matters are otherwise reserved by law for approval in shareholders meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of board of directors.

Rules and procedures for board of directors performance assessments of PCSC is in accordance with Rules for Performance Evaluation of Board of Directors of PCSC.

Article 37-1 – Establishing a Succession Plan for Management

PCSC establishes a succession plan for the management. The development and

implementation of such plan shall be periodically evaluated by the board of directors to ensure sustainable operation.

Article 38 – Board Shall Take Appropriate Measures or Discontinue the Implementation of Resolutions by Shareholders or Independent Directors

If a resolution of the board of directors violates law, regulations or the company's articles of incorporation, then at the request of shareholders holding shares continuously for a year or an independent director, or at the notice of a supervisor 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 a likelihood that the company would suffer material injury, members of the board of directors shall immediately report to the audit committee, an independent director member of the audit committee, or a supervisor in accordance with the foregoing paragraph.

Article 39 – Liability Insurance for Directors

According to the articles of incorporation or a resolution adopted in the shareholders meeting, PCSC takes out liability insurance for directors with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.

Article 40 – Members of the Board of Directors to Participate in Training Courses

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

Chapter IV: Respecting Stakeholders' Rights

Article 41 – The Company Shall Maintain Channels of Communication With Stakeholders, and Shall Respect and Safeguard Their Legal Rights

PCSC 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.

When a TWSE/GTSM listed 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, the company shall handle the matter in a proper manner and in good faith.

Article 42 – The Company Shall Provide Sufficient Information to Banks and Other Creditors

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

Article 43 – Establishing Channels of Communication With Employees

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

Article 44 – Company's Social Responsibilities

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

Chapter V: Improving Information Transparency

Section 1: Enhancing Information Disclosure

Article 45 – Information Disclosure and Internet-based Reporting System

Disclosure of information is a major responsibility of a TWSE/GTSM listed company. PCSC shall perform its obligations faithfully in accordance with the relevant laws and the related TWSE and GTSM rules.

PCSC establishes 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 – TWSE/GTSM Listed Company Shall Appoint a Spokesperson

In order to enhance the accuracy and timeliness of the material information disclosed, PCSC appoints 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.

PCSC shall appoint one or more acting spokespersons who shall represent the company, when the spokesperson cannot perform his/her duties, in making statements independently, provided that the order of authority is established to avoid any confusion. In order to implement the spokesperson system, PCSC shall unify the process of making external statements. It shall require the management and employees to maintain the confidentiality of financial and operational secrets and prohibit their disclosure of any such information at will.

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

Article 47 – Setting Up Corporate Governance Website

In order to keep shareholders and stakeholders fully informed, PCSC utilizes 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, detailed and updated on a timely basis.

Article 48 – Holding Investor Conferences

PCSC holds 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 49 – Disclosure of Information on Corporate Governance

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

1. Board of directors: such as resumes and authorities and responsibilities of board members, board member diversification policy and the implementation thereof.
2. Functional committees: such as resumes and authorities and responsibilities of members of each functional committee.
3. Corporate governance bylaws: such as articles of incorporation, procedure of board

of directors meetings, charter of each functional committee, and other relevant corporate governance bylaws.

4. Important corporate governance information: such as information of establishment of corporate governance executive officers.

Chapter VI: Supplementary Provisions

Article 50 – Monitoring Domestic and International Developments

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

Article 51 – Establishment and Amendments

The Best Practice Principle is executed after passed by the board of directors; amendments should be passed by the board of directors as well.