



# Taiwan Hon Chuan Enterprise Co., Ltd

## Audit Committee Charter

Date : 2020.03.23 (Amended)

- Article 1** This Charter is adopted pursuant to Article 3 of the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies.
- Article 2** Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by this Corporation when the Audit Committee ("the Committee") exercises its powers shall be handled in accordance with this Charter.
- Article 3** The main function of the Audit Committee is to supervise the following matters:
- (1) Fair presentation of the financial reports of this Corporation.
  - (2) The hiring (and dismissal), independence, and performance of certificated public accountants of this Corporation.
  - (3) The effective implementation of the internal control system of this Corporation.
  - (4) Compliance with relevant laws and regulations by this Corporation.
  - (5) Management of the existing or potential risks of this Corporation.
- Article 4** The Committee shall be composed of the entire number of independent directors. It shall not be fewer than three (3) persons in number, one (1) of whom shall be the convener, and at least one (1) of whom shall have accounting or financial expertise.

The independent director members of the Committee shall serve a three (3)-year term, and may be reelected to further terms. When the number of the independent director members on the Committee falls below that prescribed in the preceding paragraph or in the articles of incorporation due to an independent director's dismissal for any reason, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within sixty (60) days from the date of the occurrence to hold a by-



election to fill the vacancies.

**Article 5** Powers conferred by the Securities and Exchange Act, the Company Act, and any other law to be exercised by supervisors, excepting those set forth in Article 14-4, paragraph 4 of the Securities and Exchange Act, shall be exercised by the Committee.

The provisions of Article 14-4, paragraph 4 of the Securities and Exchange Act, in regard to the Company Act as concerns the actions of supervisors or their role as representatives of a company, apply *mutatis mutandis* to the independent director members of the Committee.

**Article 6** The powers of the Committee are as follows:

- (1) The adoption of or amendments to the 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) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- (4) Matters in which a director is an interested party.
- (5) Asset transactions or derivatives trading of a material nature.
- (6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- (7) The offering, issuance, or private placement of equity-type securities.
- (8) The hiring or dismissal of a certified public accountant, or their compensation.
- (9) The appointment or discharge of a financial, accounting, or internal audit officer.
- (10) Annual and semi-annual financial reports.
- (11) Other material matters as may be required by this Corporation or by the competent authority.

The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the Board of Directors for a resolution.

Any matter in the paragraph 1, with the exception of subparagraph 10, that



has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire Board of Directors.

"The entire membership," as used herein, shall be counted as the number of members actually in office at the given time.

The convener of the Committee shall represent the Committee to the public.

**Article 7** The Committee shall convene at least once quarterly, and may call a meeting at its discretion whenever necessary.

In calling a meeting of the Committee, a notice of the reasons for convening the meeting shall be given to each independent director member at least seven (7) days in advance. In emergency circumstances, however, the meeting may be called on shorter notice.

A member of the Committee shall be elected as the convener and meeting chair by and from the entire membership of the Committee. When the convener is on leave or unable to convene a meeting for any reason, the convener shall appoint another independent director member on the Committee as acting convener; if the convener does not make such an appointment, one independent director member of the Committee shall be elected by and from the other independent director members of the Committee to serve as convener.

The Committee may request the managers of relevant departments, internal audit officers, certified public accountants, attorneys, or other personnel of this Corporation to attend the meeting as nonvoting participants and provide pertinent and necessary information, provided that they shall leave the meeting when deliberation or voting takes place.

When the Committee calls a meeting, it shall furnish the members of the Committee present at the meeting with relevant materials for reference as necessary.



**Article 8** When a meeting of the Committee is held, an attendance book shall be made available for signing-in by the independent director members in attendance, and thereafter made available for reference.

Independent director members shall attend meetings of the Committee in person; if an independent director member is unable to attend in person, the independent director member may appoint another independent director member as proxy to attend the meeting. Attendance via telecommunications is deemed as attendance in person.

A member of the Committee that appoints another independent director member as proxy to attend a meeting of the Committee shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda.

Resolutions at meetings of the Committee shall be adopted with the approval of one half or more of the entire membership. The result of a vote shall be made known immediately and recorded in writing.

If for a legitimate reason it is impossible to hold a meeting of the Committee, matters on the meeting agenda shall be adopted with the consent of two thirds or more of the entire Board of Directors. Nevertheless, a written opinion indicating approval or disapproval shall be obtained from each independent director member with respect to the matters under Article 6, paragraph 1, subparagraph 10.

The proxy under paragraph 2 may accept a proxy from one (1) person only.

**Article 9** Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:

- (1) The session, time, and place of the meeting.
- (2) The name of the meeting chair.
- (3) Attendance by the independent director members, including the names and the number of members present, excused, and absent.
- (4) The names and titles of those attending the meeting as non-voting participants.



- (5) The name of the minute taker.
- (6) The matters reported at the meeting.
- (7) Agenda items: For each proposal, the method of resolution and the result; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; the name of any independent director that is an interested party as referred to in article 11 paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and any objections or reservations expressed.
- (8) Extraordinary motions: The name of the mover; the method of resolution and the result for each motion; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; the name of any independent director that is an interested party as referred to in article 11 paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons why the director was required or not required to enter recusal, and the status of their recusal; and any objections or reservations expressed.
- (9) Other matters required to be recorded.

The attendance book constitutes part of the minutes for each meeting of the Committee and shall be appropriately preserved during the existence of the Company.

The minutes of a Committee meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within twenty (20) days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes of paragraph 1 may be produced and distributed in electronic form.

**Article 10** The Committee's meeting agenda shall be drafted by the convener. Other members may also put forward proposals for discussion by the Committee.



**Article 11** If an independent director member of the Audit Committee has a personal interest in any agenda item, the director shall explain the essential content of the interest. If the director's personal interest is likely to prejudice the interest of the Company, the director member may not participate in discussion and voting, and shall recuse himself or herself from the discussion and voting, and also may not exercise voting rights as a proxy for any other independent director member.

Where the spouse or a blood relative within the second degree of kinship of an independent director is an interested party with respect to an agenda item as described in the preceding paragraph, such director shall be deemed to be an interested party with respect to that agenda item.

Where a matter is unable to be resolved at a committee meeting for the reason stated in paragraph 1, the fact shall be reported to the Board of Directors and the matter shall be resolved by the Board instead.

**Article 11-1** The Company shall record on audio or video tape the entire proceedings of a Committee meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Committee meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where a Committee meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the Company.

**Article 12** The Committee may resolve to retain the service of an attorney, certified public accountant, or other professionals to provide advice with respect to matters in connection with Article 6. The costs of their services shall be borne by this Corporation.

**Article 13** The Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed in this Charter; they shall be accountable to the Board of Directors and shall submit their proposals to be resolved by the Board.



**Article 14** The Committee shall conduct periodic reviews of matters relating to this Charter and present the results for amendment by the Board of Directors.

The execution of tasks relating to resolutions adopted by the Committee may be delegated to the convener or other Committee members for follow-up, with a written or verbal report to be presented to the Committee during the implementation period. When necessary, the matter shall be presented for ratification or a report made at the next meeting of the Committee.

**Article 15** This Charter and any amendments hereto shall come into force after adoption by a resolution of the Board of Directors.