

## **Phison Electronics Corporation**

### **Rules of Procedure for Meetings of Board of Directors**

- Article 1 supervision and management, the Rules of Procedure for Meetings of Board of Directors (hereinafter the "Board") are adopted pursuant to Article 2 of the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2 The meeting policy of the Company's Board of Directors, the main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for Board meetings shall be handled in accordance with these rules herein.
- Article 3 The Company's Board meetings shall be convened at least once every quarter. A notice specifying the reason for convening a Board meeting shall be sent to all directors and supervisors seven (7) days before the scheduled meeting day; however, that a Board meeting may be convened on short notice in the event of emergency. Board meetings of the Company may be called through written notice, email, or fax.
- The matters described in the subparagraphs under Paragraph 1, Article 12 of these Rules shall be set out in the meeting notice and may not be raised by an extraordinary motion, except in an emergency or for good reason.
- Article 4 The Company's Shareholders Service Dept. is designated to handle the administrative matters relating to the Company's Board meetings.
- The agenda working unit shall prepare agenda items for Board meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting.
- A director of the opinion that the pre-meeting materials provided are insufficiently comprehensive may request the agenda working group to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the Board.
- Article 5 When a meeting of the board of directors is held, an attendance book shall be made ready for signature by directors attending the meeting and thereafter made available for future reference.
- All board directors shall attend board meetings in person; if attendance in person is not possible, they may, pursuant to the company's articles of association, appoint another director to attend as their proxy. Attendance via video-conference is deemed as attendance in person.

When a director commissions other directors to attend directors meeting by proxy, a letter of authorization shall be presented, and the scope of responsibilities and obligations based on the purpose of the meeting shall be stated.

A proxy under paragraph 2 may accept a proxy from one person only.

Article 6 A board of directors meeting shall be held at the location and during the business hours of the company, or at a place and time convenient to all directors and suitable for holding such a meeting.

Article 7 Meetings of the board of directors shall be called and chaired by the Chairperson of the board. However, the first meeting of each newly elected Board shall be called and chaired by the director who received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if there are two or more directors so entitled to call the meeting, they shall choose one person by and from among themselves to do so.

In case the Chairperson of the board of directors is on leave or absent or cannot exercise his power and authority for any cause, his representative shall be selected according to Article 208 of the Company Act.

Article 8 When the board of directors convenes, the deliberative entity shall prepare the relevant materials for the directors of the meeting to inquire at any time.

When holding a meeting of the board, the Company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the company may also invite certificated public accountants, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

When the meeting time arrives and over one-half all Board directors are present, the meeting chairperson may announce convening of the meeting; When the meeting time arrives and one-half all Board directors are not present, the meeting chairperson may announce postponement of the meeting time, provided that only two postponements may be made.

If the quorum is still not met after two such delays, the meeting chairperson shall re-call the meeting following the procedures provided in Article 3, paragraph 2.

The term all Board directors as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2 shall be calculated as the number of directors then in office.

Article 9 The Company shall record on audio or video tape the entire proceedings of a Board meeting, and preserve the recordings for at least five years, in electronic

form.

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

Where a board of directors meeting is held via 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 10 Agenda items for board of directors meetings shall include at least the following:

1. Reports:

- (i) Minutes of the last meeting and actions arising.
- (ii) Reporting on important financial and business matters.
- (iii) Reporting on internal audit activities.
- (iv) Other important matters to be reported.

2. Discussions:

- (i) Items discussed and continued from the last meeting.
- (ii) Items for discussion at this meeting.

3. Extemporaneous Motions

Article 11 A Board meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

The meeting chairperson may not declare the meeting closed without the approval of a majority of directors present at the meeting.

If at any time during the proceeding of a Board meeting the directors sitting at the meeting are not over half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the meeting chairperson shall declare a suspension of meeting, in which case paragraph 3 of Article 8 shall apply mutatis mutandis.

Article 12 The following matters should be discussed by the board of directors of the company:

- 1. The company's operating plan.
- 2. Annual and semi-annual financial reports signed or sealed by the Chairperson, Manager, and Accounting Manager. Semi-annual financial reports which, under relevant laws and regulations, need not be audited and attested by a certified public accountant (CPA).
- 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and assessment of the effectiveness of the internal control system.

4. 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, and endorsements or guarantees for others.
5. Offering, issuance, or private placement of any equity-type securities.
6. Appointment or discharge of a financial, accounting, or internal audit officer.
7. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the following board of directors meeting for retroactive recognition.
8. Any matter that, under Article 14-3 of the Act or any other law, regulation, or by law, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.

The term related party in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term major donation to a non-related party means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term within a 1-year period in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.

At least one independent director shall attend in person any meeting of the Board. With respect to a matter prescribed in Paragraph 1 that must be approved by resolution at a Board meeting, all independent directors shall attend the meeting in person or appoint another independent director to attend the meeting as a proxy. If independent directors have opposing or reserved opinions, these opinions shall be recorded in the Board meeting records; if independent directors cannot personally attend Board meeting to express their opposing or reserved opinion, they shall give a written opinion before the meeting unless they have an appropriate reason and the opinion shall be recorded in the Board meeting records.

Article 13 When the chair at a board meeting is of the opinion that a matter has been sufficiently discussed to a degree of putting to a vote, the meeting chairperson may announce the discussion closed and bring the matter to vote.

When a proposal comes to a vote at a board of directors meeting, if the meeting chairperson puts the matter before all directors present at the meeting and none voices an objection, the matter is deemed approved. If a dissent is put forth upon inquiry made by the meeting chairperson, the matter shall be brought to vote.

All directors present at the meeting in the preceding two paragraphs does not include directors prohibited from exercising voting rights pursuant to Article 15.

The method of voting shall be the meeting chairperson's selection of either of the following; in case an attendee is of dissenting opinion, resolution shall be made upon opinion of a bigger proportion of the attendees.

1. Vote by raising hands
2. Vote by roll call.
3. Vote by ballot.
4. Vote for which the Company opt.

Article 14 Except as otherwise stated in the Securities and Exchange Act or in the Company Act, a resolution on a matter at a Board meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.

When there is an amendment or an alternative to same proposal, the meeting chairperson shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If one of the proposals is approved by vote, the rest is deemed voted down, none of which requires re-vote.

Vote monitoring and counting is appointed by the meeting chairperson when necessary, provided that scrutineer shall be a director.

The result of voting shall be reported on the spot and prepared in the minutes.

Article 15 If any director or a juristic person represented by a director is an interested party with respect to any agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a

director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

When the Board of Directors votes on resolutions, the provisions of Article 180, paragraph 2 of the Company Act is applied *mutatis mutandis* pursuant to Article 206, paragraph 4 of the same Act for directors who are prohibited from exercising their voting rights following the regulation of the preceding 2 paragraphs.

Article 16 Proceedings of the Board meetings shall be recorded in the meeting minutes. The meeting minutes shall record the following:

1. Session (or year), time, and place of meeting.
2. Name of the meeting chairperson.
3. Attendance of directors at the meeting, specifying the names and number of members present, excused, and absent.
4. Names and titles of those attending the meeting as nonvoting participant.
5. Name of minutes taker.
6. Matters reported on.
7. Agenda items: the method and result of the resolution of each proposal; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 and 2 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; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Article 12-4.
8. Extraordinary motions: the name of the mover; the method of resolution and the result for each motion; a summary of the comments made by directors, supervisors, experts, or other persons; the name of any director that is an interested party as referred to in paragraph 1 and 2 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; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
9. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the board of directors shall be stated in the meeting minutes and within two days of the meeting be published on an information reporting website

designated by the competent authority:

1. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
2. Any matter that has not been approved by the audit committee of the Company but has been passed by more than two-thirds of all directors if the Company has an audit committee.

The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the company.

The minutes of a board of directors meeting shall bear the signature or seal of both the meeting chairperson and the minutes taker; a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting and well preserved as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 17 In addition to the matters discussed in Paragraph 1 of Article 12, the board of directors, in accordance with the law or the Company's Articles of Association, may authorize the Chairman to exercise the powers of the Board of Directors. The authorized contents are as follows:

1. Based on the Company's level of authority table
2. Based on Company regulations, system and rules.
3. Appointment of the directors and supervisors in invested companies.
4. Approval of the record date of capital increase or decrease, and the record date of cash dividend distribution.

Article 18 If managing directors were set, the provisions of Article 2, paragraph 2 of Article 3, Articles 4 to 6, Article 8 to 11, and Articles 13 to 16 shall apply to the procedure for meetings of the managing directors of the Company. Provided that if a meeting of managing directors is scheduled to be convened within seven days, the notice to each managing director may be made two days in advance.

Article 19 These rules, and any amendment thereto, shall be adopted after being approved by the Board of the Company.