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Chapter 1 General Principles

Article 1 In order to establish a sound corporate governance system, Taiwan Liposome Company (the “Company”) hereby establishes these Corporate Governance Best Practice Principles (the “Principles”) with reference to the “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” jointly promulgated by the Taiwan Stock Exchange Corporation (the “TWSE”) and the Taipei Exchange (the “TPEX”). The Company shall establish an effective corporate governance framework with reference to these Principles and disclose them through the Market Observation Post System (the “MOPS”).

Article 2 In addition to compliance with applicable laws, regulations, and its articles of incorporation, and with the contract(s) signed with the TPEX and other relevant regulations, the Company shall establish the corporate governance system on the basis of the principles listed below:

1. Establishing an effective corporate governance structure.
2. Protecting the shareholders’ rights and interests.
3. Enhancing the powers and duties of the Board of Directors (the “Board”).
4. Fulfilling the Audit Committee function.
5. Respecting the stakeholder(s)’ rights and interests.
6. Enhancing the transparency of information.

Article 3 The Company shall design and implement an internal control system in accordance with the Criteria Governing Establishment of Internal Control Systems by Public Companies, and taking the overall operational activities of the Company and its subsidiaries into consideration. In order to ensure the continuing effectiveness of the design and implementation of the system, and in response to any change(s) in the Company’s internal and external environment, the Company shall review the system from time to time.

In addition to the self evaluation of the implementation of the internal control system by the Company, the Board and the management team shall review the results of the self-evaluations conducted by each department at least annually and the reports of the internal audit department on a quarterly basis. The Audit Committee shall also attend to and supervise these matters. The Directors and Audit Committee shall periodically



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hold discussions with the internal auditors to review deficiencies in the internal control system. A record of the discussions shall be kept, and the discussions shall be followed up on, improvements implemented, and a report submitted to the Board. It is advisable for the Company to establish channels and mechanisms of communication between the independent director, the Audit Committee.

The management team shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, to evaluate problems with 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 and the management team to perform their duties effectively so as to ensure a sound corporate governance system.

It is advisable for the director of internal auditors to report the appointment, review and compensation of the Company's internal auditors to the Board of Directors or to the chairman for approval.

Article 3-1 The Company may, depending on the Company's scale, operation and management, appoint suitable and appropriate corporate governance personnel(s) to be in charge of corporate governance matters and it shall designate a senior officer to be in charge of supervision as the highest rank office with respect to corporate governance pursuant to the requirements of the competent authorities, the TWSE or the TPEX. The aforementioned officer shall be a qualified lawyer or accountant or have at least three years' management experience gained at a securities, financial or futures institution or as a supervisor in charge of legal, compliance, internal auditing, financial, or shareholders services matters or a corporate governance unit at a public company.

The corporate governance matters described in the aforementioned paragraph shall at least include the items described below:

1. Handling matters relating to the Board meetings and shareholders' meetings in accordance with applicable laws.
2. Preparing meeting minutes for Board meetings and shareholders' meetings.
3. Assisting the Directors with taking office and with their continuing education



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matters.

4. Furnishing information required for the performance of duties by directors and the Audit Committee.
5. Assisting the Directors with compliance with laws and regulations.
6. Other matters set out in the articles of incorporation or contracts of the Company.

Chapter 2 Protection of Shareholders' Rights and Interests

Section 1 Encouraging Shareholders to Participate in Corporate Governance

Article 4 The Company's corporate governance system shall be designed to protect shareholders' rights and interests and shall treat all shareholders equally.

The Company shall establish a corporate governance system which ensures shareholders' rights to be fully informed of, participate in and make decisions about important matters of the Company.

Article 5 The Company shall convene shareholders' meetings in accordance with the Company Act and relevant laws and regulations, and provide comprehensive rules for such meetings. The Company shall faithfully implement resolutions adopted at shareholders meetings in accordance with the aforementioned rules for the meetings.

Resolutions adopted at the shareholders' meetings of the Company shall be in compliance with laws, regulations and the articles of incorporation of the Company.

Article 6 The Board of the Company shall properly arrange the agenda items and procedures for shareholders' meetings, and establish the principles and procedures for shareholder nominations of directors and submission of shareholders' proposals. The Board shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold shareholders' meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registrations. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. The shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.

For a shareholders' meeting called by the Board, it is advisable that the chairperson of the Board chair the meeting, that a majority of the directors (including at least one



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independent director) and the convener of the Audit Committee attend in person, and that at least one member of each functional committee(s) attend as representative of that committee. The details of attendance shall be recorded in the shareholders' meeting minutes.

Article 7 The Company shall encourage its shareholders to actively participate in corporate governance and shall engage a professional shareholder services agent to handle shareholders' meeting matters, so that the shareholders' meetings can proceed on a legal, effective and secure basis. The Company shall seek all ways and means to enhance shareholders' attendance rates at shareholders' meetings and ensure their exercise of rights at such meetings in accordance with laws, including fully exploiting technologies for information disclosure and casting votes, and it is advisable for the Company to upload the annual report, annual financial statements, notices, agendas and supplementary information relating to shareholders' meetings in both Chinese and English concurrently, and it is required to adopt an electronic voting system.

It is advisable for the Company to avoid submitting Ad Hoc motions and amendments to the original proposal(s).

It is advisable for the Company to arrange for the shareholders to vote on each separate proposal(s) in the shareholders' meeting agenda, and following the 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, on the MOPS.

Article 8 The Company shall, in accordance with the Company Act and other applicable laws and regulations, record in the shareholders' meeting minutes the date and place of the meeting, the name of the 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, the meeting minutes shall record the method of voting adopted and the total number of votes for the elected directors.

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

Article 9 The chairperson of the shareholders' meeting shall be fully familiar and comply with the rules governing the proceedings of the shareholders' meetings established by the



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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 and rights of the majority of shareholders, if the chairperson declares the adjournment of a meeting in a manner that violates the rules governing the proceedings of the shareholders' meetings, the members of the Board other than the chairperson of the shareholders' meeting shall 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 aforementioned meeting in accordance with legal procedures.

Article 10 The Company shall place high importance on the shareholders' right to know, and shall faithfully comply with applicable regulations governing information disclosure in order to provide shareholders with regular and timely information on the Company's financial conditions and operations, insider shareholder, and corporate governance status through the MOPS or the Company's website.

In order to treat all shareholders equally, the disclosure of information described in the preceding paragraph may be concurrently made in English.

In order to protect shareholders' rights and interests and ensure their equal treatment, the Company shall adopt internal policy prohibiting Company insider(s) from trading securities using information not disclosed to the public.

The aforementioned internal policy may include the control mechanism for the Company's insiders' securities transactions after the date on which the insider in question acknowledges the Company's financial reports or relevant business operation results.

Article 11 The shareholders shall be entitled to receive profit distributions made by the Company. In order to ensure the investment interests of the shareholders, the shareholders' meeting may, pursuant to Article 184 of the Company Act, examine the statements and books prepared and submitted by the Board and the reports submitted by the Audit Committee, and may decide profit distributions and deficit offsetting plans by resolution. In order to proceed with the aforementioned examination, the shareholders' meeting may appoint an inspector.



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The shareholders may, pursuant to Article 245 of the Company Act, apply with the court to select an inspector in examining the accounting record, assets, specific matters, specific transaction documents and records of the Company.

The Board, Audit Committee, and managerial officer(s) shall fully cooperate in the examination conducted by the inspector(s) in the preceding two paragraphs without any obstruction, rejection or circumvention.

Article 12 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 regulations and establish operating procedures in relation to these material financial and business transactions which shall be reported on and approved at the shareholders' meeting so as to protect the interests of the shareholders.

When the Company is involved in a merger, acquisition or public tender offer, in addition to proceeding in accordance with the applicable laws and regulations, the Company shall not only pay attention to the fairness, rationality etc. of the plan for and transaction of the merger, acquisition or public tender offer, but to information disclosure and the soundness of the Company's financial structure thereafter.

The relevant personnel of the Company handling the matters in the preceding paragraph shall pay attention to the occurrence of any conflicts of interests and the possible need for recusal.

Article 13 In order to protect the interests of the shareholders, the Company shall designate personnel exclusively dedicated to handling shareholder proposals, inquiries, and disputes.

The Company shall properly deal with any legal action duly instituted by shareholder(s) in which it is claimed that shareholders' rights and interests were damaged by a resolution adopted at a shareholders' meeting or a Board 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 director(s), or manager(s) in performing their duties.

The Company should adopt internal procedures for appropriate handling of matters referred to in the preceding two paragraphs, and keep relevant written records for future



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reference and incorporate the procedures into the Company's internal control system for management purposes.

Section 2 Establishing a Mechanism for Interaction with Shareholders

Article 13-1 The Board is responsible for establishing a mechanism for interaction with shareholders to enhance mutual understanding regarding the development of the Company's objective(s).

Article 13-2 In addition to communicating with the shareholders through shareholders' meetings and encouraging shareholders to participate in such meetings, the Board together with managers and independent directors shall engage with the shareholders in an efficient manner to ascertain shareholders' views and concerns, and expound on company policies explicitly, in order to gain shareholders' support.

Section 3 Corporate Governance Relationship between the Company and its Affiliated Enterprise(s)

Article 14 The Company shall clearly identify the objectives and the division of authority and responsibility between the Company and the Company's affiliated enterprise(s) with respect to the management of personnel, assets, and financial matters, and shall properly carry out risk assessments and establish appropriate firewalls.

Article 15 Unless otherwise provided in the relevant laws and regulations, the managers of the Company shall not serve as managers of the Company's affiliated enterprises.
A director who engages in any transaction for himself/herself 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 The Company shall establish sound objectives and systems for management of finance, operations, and accounting in accordance with applicable laws and regulations. The Company shall further, together with its affiliated enterprise(s), 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(s).

Article 17 When the Company and its affiliated enterprise(s) enter into inter-company business transactions, a written agreement governing the relevant financial and business



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operations between them shall be made in accordance with the principles of fair dealing and reasonableness. Price and payment terms shall be definitely stipulated when contracts are signed, and non-arm's length transactions shall be prohibited.

All transactions or contracts made by and between the Company and its affiliated person(s) and shareholder(s) shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.

Article 18 A corporate shareholder having controlling power over the Company must comply with the provisions listed below:

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 practices or is not profitable.
2. Its representative shall follow the rules implemented by the 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.
3. It shall comply with relevant laws, regulations, and the articles of incorporation of the Company in nominating directors and shall not act beyond the scope of the authority granted by the shareholders' meeting or Board meeting.
4. It shall not improperly intervene in corporate policy making or obstruct corporate management activities.
5. It shall not restrict or impede the management or production of the Company by methods of unfair competition such as monopolizing corporate procurement or foreclosing sales channels.
6. The representative that is designated when a corporate shareholder has been elected as a director shall meet the Company's requirements for professional qualifications. The corporate shareholder shall not arbitrarily replace the representative.

Article 19 The Company shall retain 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.



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

The term major shareholder as described in the first paragraph refers to those who own 5 percent or more of the outstanding shares of the company or those whose shareholding stake is on the top 10 list, provided however that the Company may set a lower shareholding threshold according to the actual shareholding stake that may control the Company.

Chapter 3 Enhancing the Functions of the Board

Section 1 Structure of the Board

Article 20 The Board of the Company shall direct Company strategies, supervise the management, and be responsible to the Company and shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board complies with laws, regulations, its articles of incorporation, and the resolutions of its shareholders meetings.

The structure of the Board shall be determined by choosing an appropriate number of Board members, not less than five, in consideration of the Company's business scale, the shareholdings of the Company's major shareholders, and practical operational needs. The composition of the Board shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as Company officers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

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

All Board members must have the knowledge, skills, and experience necessary to



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perform their duties. To achieve the goal of ideal corporate governance, members of the Board shall possess the following abilities:

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

Article 21 The Company shall, according to the principles for the protection of shareholders' rights and interests and equitable treatment of shareholders, establish a fair, just, and open procedure for the election of directors, encourage shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect shareholders' views.

Unless otherwise approved by the competent authority, a spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the directors of the Company.

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 to choose new director(s).

The aggregate shareholding percentage of all of the directors of the Company shall be in compliance with laws and regulations. The restrictions on share transfers by each director and the creation, release, or changes of any pledges over the shares held by each director shall be subject to applicable laws and regulations, and the relevant information shall be fully disclosed.

Article 22 The Company shall specify in the articles of incorporation that it has adopted the candidate nomination system for elections of directors pursuant to the laws and



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regulations promulgated by the competent authorities. The Company may review in advance the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to the director candidates recommended by shareholders or directors, and it shall handle the process pursuant to Article 192-1 of the Company Act.

The Board shall assess carefully the qualifications and other matters listed in the preceding paragraph and the willingness of a candidate to act as director after it is so elected, before proposing a roster of director candidates as required.

Article 23 The clean distinctions shall be drawn between the responsibilities and duties of the chairperson of the Board of the Company and those of the Company's general manager. The chairperson and the general manager or its equivalent shall not be the same person. The Company with functional committee(s) shall clearly define the responsibilities and duties of the committee(s).

Section 2 Independent Director

Article 24 The Company shall elect independent directors in accordance with the Company's articles of incorporation. The number of independent directors shall not be less than two 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. Applicable laws and regulations shall be observed and, in addition, it is not advisable for an independent director to hold office concurrently as a director (including independent director) or supervisor of more than five other TWSE/TPEX listed companies. Independent directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.

If the Company and its group enterprises and organizations, and another company and its group enterprises and organizations nominate for each other any director, supervisor or managerial officer as a candidate for an independent director of the other, the Company shall, at the time it receives the nominations for independent directors, disclose the fact and explain the suitability of the candidate for independent director. If the candidate is elected as an independent director, the Company shall disclose the number of votes cast in favor of the elected independent director.



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The "group enterprises and organizations" in the preceding paragraph comprise the subsidiaries of the Company, any foundation to which the Company's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons that are effectively controlled by the Company.

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

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 TPEX.

Article 25 The Company shall submit the following matters to the Board for approval by resolution as provided in the Securities and Exchange Act. When an independent director has a dissenting opinion or reservation, it shall be noted in the minutes of the directors meeting:

1. Adoption of or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Adoption of or amendment to, pursuant to Article 36-1 of the Securities and Exchange Act, 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 the Audit Committee.
4. A material asset or derivative 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 The Company shall stipulate the scope of duties of the independent directors and



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empower them with manpower and physical support appropriate to the exercise of their power. The Company or other Board members shall not restrict, reject or circumvent the performance of duties by the independent directors.

The Company shall stipulate the remuneration of the directors according to applicable laws and regulations. The remuneration of the directors shall fully reflect the personal performance and the long-term management performance of the Company, and shall also take the overall operational risks of the company into consideration. Different but reasonable remuneration from that of other directors may be set forth for the independent directors.

Section 3 Functional Committees

Article 27 For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of the Company, in consideration of the Company's scale and type of operations and the number of the Board members, may set up functional committees for auditing, remuneration, nomination, risk management or any other functions, and based on concepts of corporate social responsibility and sustainable operation, may set up environmental protection, corporate social responsibility, or other committees, and expressly provide for them in the articles of incorporation.

Functional committees shall be responsible to the Board and submit their proposals to the Board for approval; provided that this provision shall not apply where the Audit Committee is exercising the duties of supervisors in accordance with Article 14-4, Paragraph 4 of the Securities and Exchange Act.

Functional committees shall adopt an organizational charter to be approved by the Board. 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 The Company has established an audit committee. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

The exercise of power by the Audit Committee and independent directors and related matters shall be handled in accordance with the Securities and Exchange Act, the



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Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TPEX.

Article 28-1 The Company shall establish a remuneration committee, of which the majority of members may be the independent directors of the Company. 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.

Article 28-2 It is advisable for the Company to establish a nomination committee, and the majority of the members may be the independent directors of the Company and one of the independent directors shall chair the nomination committee.

Article 28-3 It is advisable for the Company to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the company's internal control system for management purposes.

Article 29 In order to improve the quality of the Company's financial reports, the Company shall establish the position of deputy to its principal accounting officer.

In order 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.

The Company shall select as its external auditor a professional, responsible, and independent attesting CPA, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to any



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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. The Company shall establish channels and mechanisms of communication between the independent directors or the Audit Committee and the attesting CPA, and incorporate procedures for that purpose into the Company's internal control system for management purposes.

The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly, and no less frequently than once annually. In the event that the Company engages the same CPA without replacement for seven consecutive years, 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.

Article 30 The Company shall engage a professional and competent legal counsel to provide adequate legal consultation services to the Company, or to assist the directors and the management to improve their knowledge of the law, for the purposes of preventing any infraction 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 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 the independent director(s) may retain the services of legal counsel, CPAs, 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 and Decision-Making Procedures of Board Meetings

Article 31 The Board shall meet at least once every quarter, or convene at any time in the event of an emergency. To convene a Board meeting, a meeting notice which specifies the purposes of the meeting shall be sent to each director no later than 7 days before the scheduled date. Sufficient meeting materials shall also be prepared and enclosed in the



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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.

The Company shall adopt rules of procedure for Board meetings, which shall follow the Regulations Governing Procedure for Board of Directors Meeting 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 The 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 recuse themselves 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 When a Board meeting is convened to consider any matter submitted to it pursuant to Article 14-3 of the Securities and Exchange Act, director of the Company shall attend the Board meeting in person, and may not be represented by a non-independent director via proxy. When an independent director has a dissenting opinion or a reservation, it shall be noted in the minutes of the Board meeting; if the independent director cannot attend the Board meeting in person to voice his or her dissenting opinion or reservation, 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 meeting.

Upon occurrence of any of the following event, in addition to recording it in the Board meeting minutes, a public announcement should be submitted to the MOPS two hours 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 opinion or reservation which is on record or stated in a written statement; or



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2. The matter that is not approved by the Audit Committee is approved by 2/3 of the directors.

During a Board meeting, managers from relevant departments who are not directors may, in accordance with 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 The staff personnel of the Company attending Board meetings shall collect and correctly record the meeting minutes in detail, and prepare a summary, note the method of resolution, and record the voting results of all the proposals submitted to the Board meeting in accordance with relevant regulations.

The minutes of the Board meetings shall be signed by the chairperson and secretary of the meeting and sent to each director within 20 days following 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 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 meeting, the relevant audio or video recordings shall be preserved for a further period, in which case the preceding paragraph does not apply.

When a Board meeting is held via videoconference, 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 violates laws, regulations, the articles of incorporation, or a resolution adopted at a shareholders' meeting, and thus causes damage to the Company, dissenting directors whose dissent can be proven by minutes or written statements will not be liable for damages.

Article 35 The Company shall submit the following matters to the Board for discussion:



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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 of or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act, and the assessment of the efficiency of the internal control system.
4. Adoption of or amendment to, 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 for directors' remuneration.
8. The appointment or discharge of a financial, accounting, or internal audit officer.
9. A donation to a related party or a major donation to a non-related party, provided that a public-interest donation of disaster relief for a major natural disaster may be submitted to the next Board meeting for retroactive recognition.
10. Any matter required by Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw to be approved by a resolution at a shareholders' meeting or to be submitted to a Board meeting, or any such significant matter as may be prescribed by the competent authority.

Except for matters that must be submitted to the Board for discussion under the preceding paragraph, when the Board is in recess, it may delegate the exercise of its power to others in accordance with applicable laws and regulations, or the articles of incorporation of the Company. 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 The Company shall ask the appropriate corporate department or personnel to execute matters pursuant to Board resolutions in a manner consistent with the planned schedule



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and objectives. It shall also follow up on those matters and faithfully review their implementation.

The Board 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 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 at shareholders' meetings or in the articles of incorporation, they shall ensure that all matters are handled according to the resolutions of the Board.

The Company has established rules and procedures for Board performance assessments, and each year the Company shall conduct regularly scheduled performance assessments of the Board, functional committee(s), and individual directors through self-assessment, peer-to-peer assessments, engaging outside professional institutions, or in any other appropriate manner. The performance assessment of the Board (or functional committee(s)) includes the following aspects, and appropriate assessment indicators should be developed in consideration of the Company's needs:

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

The performance assessments of Board members (self-assessments or peer-to-peer assessments) include the following aspects, with appropriate adjustments to be made on the basis of the Company's needs:

1. Their grasp of the Company's goals and missions.
2. Their recognition of director's duties.
3. Their degree of participation in the Company's operations.
4. Their management of internal relationships and communication.



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5. Their professionalism and continuing professional education.
6. Internal controls.

It is advisable for the Company to conduct performance assessments of functional committees, including the following aspects of their performances, with appropriate adjustments to be made on the basis of the Company's needs:

1. The degree of participation in the Company's operations.
2. The recognition of the functional committee's duties.
3. Improvement in the quality of the decision making by the functional committee.
4. The election and composition of the functional committee members.
5. Internal controls.

It is advisable for the Company to report the review results to the Board of Directors, and use them as a reference for the compensation and nomination of any individual Director.

Article 37-1 The Company may establish a succession plan for the management. The development and implementation of such plan shall be periodically evaluated by the Board to ensure sustainable operations.

Article 37-2 The Board may review and supervise the Company's operations and the following aspects of the performance of the Company's intellectual property, so as to ensure the Company establishes a management cycle based on "plan, execution, check and action" and establishes a management system for the intellectual property:

1. Establishment of policies, goals and systems relating to intellectual property that are relevant to the operational strategy.
2. Establishment, implementation and maintenance of a management system for acquisition, protection, maintenance and utilization of intellectual property depending on the scale and type of the Company.
3. Determining and providing resources that are sufficient for the effective implementation and maintenance of the intellectual management system.
4. Observing the risks or opportunities that are relevant to intellectual property management and taking appropriate measures.
5. Planning and implementing a continuous improvement system so as to ensure the operation and performance of the intellectual management system meets the



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Company's expectations.

Article 38 If a resolution of the Board violates any laws or regulations or the Company's articles of incorporation, then 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 measures or discontinue the implementation of such resolution as soon as possible.

Upon discovering likelihood that the Company would suffer material damage, members of the Board shall immediately report to the Audit Committee or independent members of the Audit Committee in accordance with the preceding paragraph.

Article 39 The Company shall purchase directors' liability insurance with respect to liabilities of the directors resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material damage to the Company and shareholders arising from the wrongdoings or negligence of a director.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for the directors at the next Board meeting.

Article 40 Members of the Board shall 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/TPEX 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 professional abilities and knowledge of law.

Chapter 5 Respecting Stakeholders' Rights and Interests

Article 41 The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholder(s) of the Company, respect and safeguard their legal rights and interests, and designate a stakeholders section on the Company's website.

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



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Article 42 The Company shall provide sufficient information to the banks and 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 interests is harmed, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 43 The Company shall establish channels of communication with employees and encourage employees to communicate directly with the management or directors so as to reflect employees' opinion about the management, financial conditions, and material decisions of the Company concerning employee welfare.

Article 44 In developing the Company's normal business and maximizing the shareholders' rights and interests, the Company shall pay attention to the consumers' interests, environmental protection of the community, and public interest issues, and shall give serious regard to the Company's social responsibility.

Chapter 5 Improving Information Transparency

Section 1 Enhancing Information Disclosure

Article 45 Disclosure of information is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and the related TPEX rules.

It is advisable for the Company to announce and report the annual financial reports within two months of the end of each fiscal year, and to announce and report and financial reports for the first, second and third quarter and the operational status for each month before the due date for making such announcements and reports.

The Company shall establish an internet-based reporting system for public information, appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

Article 46 In order to enhance the accuracy and timeliness of the material information disclosed, the Company shall appoint a spokesperson and acting spokesperson(s) who understand thoroughly the Company's financial and business conditions and who are capable of coordinating among departments for gathering relevant information and representing the



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Company in making statements independently.

The Company 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, the Company 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 In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finances, operations, and corporate governance. It is also advisable for the Company to furnish the financial, corporate governance, and other relevant information in English.

In order to avoid misleading information, the aforementioned website shall be maintained by specific personnel, and the recorded information shall be accurate, detailed and updated on a timely basis.

Article 48 The Company shall hold an investor conference in compliance with the regulations of the TPEX, 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 MOPS and provided for inquiry through the website established by the Company, or through other channels, in accordance with the TPEX rules.

Section 2 Disclosure of Information on Corporate Governance

Article 49 The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations and TWSE or TPEX rules:

1. Corporate governance framework and rules.
2. Ownership structure and the rights and interests of shareholders, including specific and explicit dividend policy.
3. Structure, professional and independence of the Board.



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4. Responsibility of the Board and managerial officers.
5. Composition, duties and independence of the audit committee.
6. Composition, duties and operation of the remuneration committee and other functional committees.
7. The remuneration paid to the directors, general manager and vice general manager in the most recent two years, the analysis of the percentage of total remuneration to net profit after tax in the parent company only financial reports or individual financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operation performance and future risk. Under special individual circumstances, remuneration of individual directors shall be disclosed.
8. The progress of continuous education of directors.
9. The rights, relationships, avenues for complaint, concerns, and appropriate response mechanism regarding stakeholders.
10. Details of the events subject to information disclosure required by law and regulations.
11. The enforcement of corporate governance, differences between the corporate governance principles implemented by the Company and these Principles, and the reason for the differences.
12. Other information regarding corporate governance.

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

Chapter 6 Supplementary Provisions

Article 50 The Company shall at all time 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 The adoption of and amendment to these Principles shall be approved by the Board.