

HTC Corporation
Guidelines for Corporate Governance

The following sets out HTC's governance policies and practices as developed by the Board of Directors to ensure that the Board will have authority independent of Company management to oversee, assess, and evaluate the Company's business operations, to make decisions related thereto, and to generally fulfill its responsibilities to shareholders and society.

The Board may review and amend these guidelines from time to time as it deems necessary in order for HTC to achieve these objectives.

1. Mandate

HTC's main corporate governance goals are as follows:

- a. To appropriately and effectively distribute rights and responsibilities among the Board of Directors, management, and shareholders to establish and maintain management accountability to HTC's owners.
- b. To establish a framework through which management and the Board will set and attain Company objectives and evaluate performance.
- c. To create and maintain a culture that promotes responsible business practices using the highest standards of integrity.
- d. To encourage the efficient and accountable use of resources.

2. Role of the Board

Shareholders elect the Board to oversee management and to assure that long-term shareholder interests are served. The Board oversees, reviews and approves HTC's business and organizational objectives. In addition, the Board oversees the HTC's business affairs and integrity, determines the Company's mission and long-term strategy with management, conducts an annual CEO evaluation, oversees CEO succession planning, establishes internal audit for financial reporting, and assesses company risks and strategies for risk mitigation.

The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders, including employees, customers, suppliers, government, and the public.

3. Board Committee

The Board has one committee: a Compensation Committee. The Compensation Committee is led by the Chairperson of the Board. The Compensation Committee is responsible for reviewing

general employee compensation policy and conducting an annual evaluation of the performance of each of the Board's members and Supervisors.

4. Board Composition and Selection; Independent Directors

4.1 Board Size.

The Board will be composed of 5 members. The Board periodically evaluates whether a larger or smaller number of directors would be preferable.

4.2 Selection of Board Members and Supervisors.

4.2.1 The Company's shareholders elect Board members and Supervisors every three years, except where elections are required to fill vacancies. The Chairperson of the Board is responsible for recommending candidates for nomination and election to the Board director. The Board and its Chairperson shall review the applicable skills and characteristics required of Board nominees and Supervisor nominees in the context of current Board composition and Company circumstances. In making their recommendations to the Board, the Chairperson of the Board considers, among other things, the qualifications of individual director and supervisor candidates in light of the Supervisor and Board Membership Criteria described below. The Chairperson of the Board uses a variety of sources, including executive search firms and shareholder recommendations, to identify director candidates. The Chairperson of the Board retains any search firms and approves payment of their fees.

4.2.2 Pursuant to the Company Act of the Republic of China, shareholders whose ownership is equal to or greater than 1% of Company stock are entitled to nominate director candidates. Shareholders wanting to suggest director candidates should submit their suggestions in writing to the attention of the Company, providing the candidate's name and qualifications for service as a Board member, a document signed by the candidate indicating the candidate's willingness to serve, if elected, and evidence of the shareholder's ownership is equal to or greater than 1% of Company stock.

4.2.3 The Board nominates director candidates and supervisor candidates for election by the shareholders and fills any vacancies that occur between shareholder elections pursuant to the Company's Bylaws.

4.3 Supervisor and Board Membership Criteria.

Supervisor and Board membership criteria are as detailed in Exhibit A.

4.4. Board Composition – Mix of Management and Independent Directors.

The Board intends that, except during periods of temporary vacancies, at least two members or one fifth of its directors will be independent. In determining the independence of a director, the Board will apply the definition of "independent director" as defined by the Taiwan Stock Exchange, as well as any applicable laws and

regulations. The Board will also consider all other relevant facts and circumstances bearing on independence.

4.5 Term Limits.

The Board does not believe it should limit the number of terms for which an individual may serve as a director or supervisor. Directors and Supervisors who have served for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with and understanding of the Company's history, policies, and objectives. The Board believes that, as an alternative to term limits, it can ensure that the Board continues to evolve and adopt new viewpoints through the evaluation and nomination process described in these guidelines.

4.6 Director's Resignation

Any director who is being indicted due to ethic charges or is being held responsible for integrity issues, should offer to resign from the Board. The Board will then evaluate whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria.

4.7 Selection of the CEO and Chairperson of the Board.

The Board selects the Company's CEO and Chairperson of the Board in the manner that it determines to be in the best interests of the Company's shareholders. The Board does not have a policy as to whether the Chairperson of the Board should be an independent director, a non-management director, or a member of management. Instead, the Board selects the Company's CEO and Chairperson of the Board in the manner that it determines to be in the best interests of the Company's shareholders.

4.8 Other Boards.

No independent director may serve on the board of directors of more than three public companies other than HTC. In calculating service on a public company board, service on a board of a parent and its substantially owned subsidiary counts as service on a single board. The Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors.

4.9. Responsibilities of The Board of Directors, the Independent Directors and Supervisors.

4.9.1 The primary responsibilities of the Board of Directors are oversight, counseling and direction to the management of the company in the interest of and for the benefit of the company's stockholders. Details of the Board's responsibilities are listed in Exhibit B.

4.9.2 The Board of Directors delegates to the CEO, working with the other executive officers of the company, the authority and responsibility for managing the business of the company in a manner consistent with the standards and practices of the company, and in accordance with any specific plans, instructions or directions of the Board. The CEO and management are responsible to seek the advice and, in appropriate situations, the approval of the Board with respect to the actions to be undertaken by the Company as illustrated in Exhibit B.

4.9.3 The responsibility of a Supervisor is to oversee the Company's accounting and internal auditing processes. Details of the Supervisor's responsibilities is listed in Exhibit C

5. Board Meetings; Involvement of Senior Management and Independent Advisors

5.1 Board Meetings – Frequency.

The Board will hold four regularly scheduled meetings per year and additional special meetings as necessary. Each director is expected to attend both scheduled and special meetings, except where unusual circumstances make attendance impractical. The Board may also hold informal meetings as it deems necessary to review and discuss the Company's business performance.

5.2 Board Meetings – Agendas.

The Chairperson of the Board will set the agenda for each Board meeting, taking into account suggestions from other members of the Board. The agenda for each Board meeting will be distributed in advance to each director.

5.3 Advance Distribution of Materials.

Except for the special meetings which are being held under urgent circumstances, all information relevant to the Board's understanding of matters to be discussed at an upcoming Board meetings should be distributed in writing or electronically to all members in advance, whenever feasible and appropriate but at least seven days before the meeting. Each director is expected to review this information in advance of the meeting to facilitate the efficient use of meeting time. In preparing this information, management should ensure that the materials are as concise as possible, yet give directors sufficient information to make informed decisions.

5.4 Access to Employees.

The Board should have access to Company employees to ensure that directors can ask all questions and obtain information necessary to fulfill their duties. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered.

5.5 Access to Independent Advisors.

The Board, its committee and the Supervisor have the right at any time to retain independent outside auditors and financial, legal, or other advisors, and the Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

6. Communications with Shareholders

- 6.1** Shareholders may contact an individual director, the Board as a group, or a specified Board committee or group, including the independent directors as a group, by mail or e-mail.
- 6.2** Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. The Company will initially receive and process communications before forwarding them to the addressee.
- 6.3** Communications also may be directed to other departments within the Company. However, where the Company determines specific shareholder communications to be primarily commercial in nature, related to an improper or irrelevant topic, or that requests general information about the Company, they will generally not be forwarded to the addressee.

7. Performance Evaluation; Succession Planning

7.1 CEO Evaluation.

The Compensation Committee shall conduct a review of the performance of the CEO at least once a year. The Compensation Committee establishes the evaluation process and determines the criteria on which the performance of the CEO is evaluated.

7.2 Succession Planning.

As part of the annual CEO evaluation process, the Compensation Committee will also plan for CEO succession, as well as to develop plans for interim succession for the CEO in the event of an unexpected occurrence or when CEO fails the evaluation. Succession planning should be reviewed by the Board.

8. Compensation

8.1 Board Compensation Review.

Generally, the Board believes that the level of director compensation should be based on time spent carrying out Board and committee responsibilities and be competitive with comparable companies. Director compensation will be decided and adjusted by the Chairperson of the Board.

8.2 Compensation of Director.

Director compensation will be paid by cash at the beginning of each calendar quarter.

9. Committees

The Board has one committee: a Compensation Committee. The Board may add new committees or remove existing committees as it deems necessary in the fulfillment of its

responsibilities. Each committee will perform its duties as assigned by the Board in compliance with Company Bylaws and the Committee's charter. The duties of Compensation Committee are briefly described below:

Compensation Committee.

The Compensation Committee shall stay informed as to market levels of compensation and, based on evaluations, will establish the general policy of compensation levels and systems as well as the compensation of CEO, the executives, and the employees. The Compensation Committee is also responsible for conducting an annual evaluation of the performance of the CEO, each of the Board members and the Supervisors.

10. Miscellaneous

10.1 Director Orientation and Continuing Education.

The Chairperson of the Board and management are responsible for director orientation programs as well as continuing education programs to assist directors in maintaining skills necessary or appropriate for the performance of their duties.

- a. Orientation programs are designed to familiarize new directors with the Company's businesses, strategies, and policies and to assist new directors in developing the skills and knowledge required for their service.
- b. Continuing education programs for Board members may include internally developed materials and presentations, programs presented by third parties at the Company, financial and administrative support for attendance at qualified university or other independent programs, and any continuing education programs required by the Company Bylaws.

Exhibit A
Supervisor and Board Membership Criteria

No.	Checklist	Supervisor	Director	Independent Director
1	<p>A person in any of the following circumstances may not serve as a director or supervisor:</p> <ol style="list-style-type: none"> 1. Having committed a crime, and has been found guilty by a final and unappealable judgment, and where five years have not yet passed since execution of the sentence was complete; 2. Having committed the offence of fraud, breach of trust, or misappropriation and subsequently punished with imprisonment for a term of more than one year, and where two years have not yet passed since execution of the sentence was complete; 3. Having been found guilty by a final and unappealable court judgment of misappropriating public funds while in the public service, and where two years have not yet passed since execution of the sentence was complete; 4. Having been declared bankrupt, and his or her rights have not been reinstated 5. A financial institution has refused to honor the person's negotiable instruments and has not resumed honoring them; or 6. Having no legal capacity or limited legal capacity 	V	V	V
2	A director shall not serve concurrently as a supervisor	V	V	V
3	A supervisor shall not be concurrently employed by the company	V		
4	At least one of the supervisors shall have a domicile in the Republic of China.	V		
5	<p>Except where the Competent Authority has granted approval, the following relationships may not exist among more than half of a company's directors:</p> <ol style="list-style-type: none"> 1. A spousal relationship. 2. A familial relationship within the second degree of kinship. 		V	V
6	Except where the Competent Authority has granted approval, a company shall have at least	V	V	V

Exhibit A
Supervisor and Board Membership Criteria

No.	Checklist	Supervisor	Director	Independent Director
	<p>one or more supervisors, or one or more supervisors and directors, among whom no following relationship exists:</p> <ol style="list-style-type: none"> 1. A spousal relationship. 2. A familial relationship within the second degree of kinship. 			
7	Independent director may not concurrently serve as an independent director of more than three public companies other than HTC.			V
8	<p>An independent director shall meet one of the following professional qualification requirements, together with at least five years work experience:</p> <ol style="list-style-type: none"> 1. An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university; 2. A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company. 3. Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company. 			V
9	<p>During the two years before being elected or during the term of office, the independent director may not have been or be any of the following:</p> <ol style="list-style-type: none"> 1. An employee of the company or any of its affiliates. 2. A director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 			V

Exhibit A
Supervisor and Board Membership Criteria

No.	Checklist	Supervisor	Director	Independent Director
	<p>percent of the voting shares.</p> <p>3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.</p> <p>4. A spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.</p> <p>5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.</p> <p>6. A director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.</p> <p>7. A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.</p> <p>The requirement of the preceding paragraph in relation to "during the two years before being elected" does not apply where an independent director has served as an independent director of the company or any of its affiliates, or of a specified company or institution that has a financial or business relationship with the company, as stated in subparagraph 2 or 6 of the</p>			

Exhibit A
Supervisor and Board Membership Criteria

No.	Checklist	Supervisor	Director	Independent Director
	<p>preceding paragraph, but is currently no longer in that position.</p> <p>The term "specified company or institution" as used in paragraph 1, subparagraph 6, means a company or institution that has one of the following relationships with the company:</p> <ol style="list-style-type: none"> 1. It holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company; 2. It holds shares, together with those held by any of its directors, supervisors, and shareholders holding more than 10 percent of the total number of shares, in an aggregate total of 30 percent or more of the total number of issued shares of the public company, and there is a record of financial or business transactions between it and the public company. The shareholdings of any of the aforesaid persons include the shares held by the spouse or any minor child of the person or by the person under others' names. 3. It, together with any of its affiliates, serves as a source of 30 percent or more of the operating revenue of the public company. 4. It, together with any of its affiliates, serves as a source of 50 percent or more of the total volume or total purchase amount of principal raw materials (those that account for 30 percent or more of total procurement costs, and are indispensable and key raw materials in product manufacturing) or principal products (those accounting for 30 percent or more of total operating revenue) of the public company. 			

Exhibit B
Responsibilities of the Board of Directors

Subject to the provisions of the HTC Corporate Governance Guidelines, the matters listed below shall be raised for resolution at the Board of directors' meeting:

1. Review corporate business plan.
2. Review long-term corporate business strategy.
3. Review annual and semi-annual financial reports.
4. Screening and approval of the corporate budget.
5. Screening and approval of the following acquisition or disposal of the assets of the Company:
 - a. Securities: in an amount equal to or greater than 20 percent of paid-in capital of the Company or NT\$300 million, or with a related party of the Company.
 - b. Real Property:
 - (1) for use in business operations: in an amount equal to or greater than 20 percent of paid-in capital of the Company or NT\$300 million, or acquire from a related party of the Company.
 - (2) Not for use in business operations: all transactions.
 - c. Other fixed assets:
 - (1) for use in business operations: in an amount equal to or greater than NT\$300 million, or with a related party.
 - (2) Not for use in business operations: all transactions
 - d. Membership Certificates: with a related party.
 - e. Intangible Assets and other material assets: in an amount equal to or greater than 20 percent of paid-in capital of the Company or NT\$300 million, or with a related party of the Company.
 - f. Review any other acquisition or disposal which is approved and reported by the Chairperson of the Board.
6. Electing Chairperson of the Board.
7. Delegation to the Compensation Committee for the appointment, dismissal, regularly evaluating the performance of, and approving the compensation of the CEO and President.
8. Delegation to the Compensation Committee for the planning for succession of the CEO and President.
9. The recruit, dismissal or remuneration of a certifying certified public accountant.
10. The appointment or discharge of a financial, accounting, or internal audit officer.
11. Lift restrictions regarding non-competition by directors and key managers.
12. Convene regular shareholders' meeting.
13. Convene a special meeting of shareholders when the number of vacancies of directors equals to one third of the total number of directors, or in case the loss incurred by the Company aggregates to one half of its paid-in capital.
14. Nominate the candidates of the independent director and supervisor.
15. Propose the amendments of the Article of the Incorporation.
16. The distribution of dividends and bonuses.
17. Capitalize legal reserve by issuing new shares.
18. Buy back the Company's own shares.
19. Proposal the adoption or amendment of the Rules of Procedure for Shareholders' Meeting.
20. Adoption or amendment of the Rules of Procedure for Board's Meeting.

21. Decide the target date for distribution of dividends.
22. Decide the target date for suspension of the share transfer registration before the convention of a regular shareholders' meeting.
23. Adoption or amendment of an internal control system.
24. Adoption or amendment of any procedure for handling financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others.
25. The offering, issuance, or private placement of any equity-type securities.
26. Establish branches at home country and abroad.
27. Apply to the court for reorganization.
28. Enter into a share subscription right agreement with employees.
29. Adoption or amendment of “Rules for Donations Out of Income”, and the proposal of the donation required to be approved by the Board pursuant to the Rules.
30. Proposal of Employee Special Bonus program.
31. Adoption or amendment of Annual Audit Plan.

Exhibit C
Responsibilities of the Supervisors

The responsibilities of the Supervisors are listed as below:

1. Audit the corporate business plan, the annual financial reports and the surplus earning distribution or loss off-setting proposals provided by the board of directors not later than the 30th day prior to the meeting date of a general meeting of shareholders.
2. Supervise the execution of business operations of the company, and at any time or from time to time investigate the business and financial conditions of the company, examine the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon.
3. Audit the various statements, reports and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the meeting of shareholders.
4. Inspect and comment the matter of accepting property other than cash by subscribers, when HTC issues new shares other than to the public.
5. Review the internal audit and follow-up reports provided by internal auditors by the end of the month next following the completion of the audit items.
6. Review the procedure and the director's dissenting opinion of it, such as acquisition or disposal of assets, internal control system, derivatives trading, loans of funds to others, and endorsements or guarantees for others and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each supervisor.
7. Approved and recognized HTC to acquire real property from a related party.
8. Act as the representative of HTC to transacts sales with, or borrows money from or conducts any legal act with a director.