

Capital Securities Corporation

Rules for the Election of Directors

Date of establishment: February 23 1995

Amendment for the 1st instance: May 15, 2002

Amendment for the 2nd instance: June 9, 2006

Amendment for the 3rd instance: June 27, 2012

Amendment for the 4th instance: June 27, 2016

- Article 1 The election of the Company's directors shall, in addition to the regulations related to the Company Act and Securities and Exchange Act as well as the codes set out in the Article of Incorporation, be organized per the Rules.
- Article 2 The Company's directors shall be selected in consideration of the overall composition of the Board.
There may not be more than half of the seats in the Board for which are held by anyone with the relationship of their spouses or a collateral blood relative within the second degree.
- Article 3 The Company's independent directors shall meet the provisions set out in Article 2, 3, and 4 in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."
The election of the Company's independent directors shall meet the provisions set out in Article 5, 6, 7, 8 , and 9 in the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and shall be organized per the procedure of the nomination system set out in Article 24 in the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and Article 192.1 in the "Company Act."
- Article 4 The Company's directors and independent directors who meet the qualifications set out in Article 2 and 3 in the Rules shall be elected in the General Meeting of shareholders.
The registered cumulative voting method shall be used for the election. The number of votes exercisable in respect of one share shall be the same as the number of directors to be elected, and the total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates. A candidate to whom the ballots cast represent a prevailing number of votes shall be deemed a director elect. The election of Directors and Independent Directors shall be held simultaneously and the votes for the candidates to the seats shall be counted separately.
- Article 5 The Company shall prepare a quantity of votes, with their weights filled in, the same as the Board members to be elected and distribute them among shareholders attending the General Meeting. The registration of voters may be substituted with the attendance card IDs printed on the votes.

- Article 6 The election weights for independent and non-independent directors are calculated separately for the number of Company directors as set forth in the Article of Incorporation. Candidates to whom the ballots cast represent a prevailing number of voting rights shall be deemed director elects in that order. Where two or more candidates have won the same number of rights, yet the prescribed quota is exceeded, the winner shall be decided by drawing lots by those with the same rights. The Chairman may draw lots on behalf of those who are not present.
- Article 7 Before the election begins, the Chairman shall designate the scrutineers and tellers responsible for ballot scrutinizing and vote counting, respectively. Provided, scrutineers must be shareholders. The ballot box is to be prepared by the Company and will be opened for examination by the scrutineers prior to voting.
- Article 8 If the candidate is a shareholder, voters shall fill in the "Candidate" column the candidate's name and shareholder's number. If the candidate is a corporate shareholder, voters shall fill in the "Candidate" column the corporate's and its representative's names. If the candidate is not a shareholder, the candidate's name and their ID number shall be filled in.
- Article 9 Under the following circumstances, a vote shall be deemed as invalid:
1. Votes other than those set out in the Rules;
 2. Blank votes casted into the ballot box;
 3. Votes with illegible writing;
 4. The name or shareholder's number of the candidate filled in on the vote are inconsistent with the shareholders' register;
 5. Votes with other written characters in addition to the candidate's name or shareholder's number;
 6. Votes filled in the candidate's name identical with other shareholders, but no shareholder's number is indicated for identification; and
 7. Votes not filled in per Article 9 in the Rules.
- Article 10 The vote counting operation shall be monitored by the scrutineers. The Chairman shall announce, on the site, the list of director and independent director elects.
- Article 11 The Board of the Company shall issue notifications to the directors and independent directors elected.
- Article 12 When the number of directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in the Article of Incorporation, the Company shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies. When the number of independent directors falls below that required under the

proviso of Section 1, Article 14-2 in the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 13 The Rules, and any amendments to it, shall enter into force after a resolution is passed by the General Meeting of Shareholders.