

# The Ethical Corporate Management Best Practice Principles

Approved by the Board on April 30, 2014 (13<sup>th</sup> meeting of the 9<sup>th</sup> board)

- Article 1 The Ethical Corporate Management Best Practice Principles (“Principles”) is promulgated to assist the Company to foster a corporate culture of ethical management and sound development.  
The Company promulgates its own ethical corporate management best practice principles applicable to its subsidiary business groups and organizations, any foundation to which the Company's direct or indirect contribution of funds exceeds 50% of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company.
- Article 2 When engaging in commercial activities, directors, supervisors, managers, employees of the Company or persons having substantial control over the Company (Substantial Controllers) shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (Unethical Conduct) for purposes of acquiring or maintaining benefits.  
Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and the directors, supervisors, managers, employees or substantial controllers or other interested parties.
- Article 3 “Benefits” in the Principles means any valuable thing, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 4 The Company shall abide by the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM-listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Article 5 The Company shall comply with the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Article 6 The Company shall, in accordance with the operational philosophies and policies prescribed in the preceding article, establish in its own ethical corporate management best practice principle comprehensive programs to avoid Unethical

Conduct (Precautionary Scheme), including operational procedures, guidelines, and training.

When establishing the Precautionary Scheme, the Company shall comply with relevant laws and regulations of the operation sites.

In the course of developing the Prevention Program, the Company is advised to negotiate with staff, labor unions or members of other representative institutions, and consult or negotiate with relevant interested parties.

Article 7 When establishing the Precautionary Scheme, the Company shall analyze which business activities within its business scope that may be at a higher risk of being involved in an Unethical Conduct, and strengthen the preventive measures.

The Precautionary Scheme established by the company shall at least include precautionary measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.

Article 8 The Company and its respective Business Group shall clearly specify ethical corporate management policies in their rules and external documents. The Board and the management level shall undertake to rigorously and thoroughly enforce such policies for internal management and external commercial activities.

Article 9 The Company shall engage in commercial activities in a fair and transparent manner.

Prior to any commercial transactions, the Company shall take into consideration the legality of its agents, suppliers, clients or other trading counterparties, and its records of Unethical Conduct, if any. It is advisable not to have any dealings with persons who have any records of Unethical Conduct.

When entering into contracts with other parties, the Company shall include in such contracts provisions demanding ethical corporate management policy compliance and that in the event the trading counterparties are suspected of engaging in Unethical Conduct, the company may terminate or cancel the contracts at any time.

Article 10 When conducting business, the Company and its directors, supervisors, managers, employees and Substantial Controllers, shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, including rebates, commissions, grease payments, or offer or accept improper benefits in other ways to or from clients, agents, contractors, suppliers, public servants, or other interested parties, unless the laws of the territories where the companies operate permit so.

Article 11 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, supervisors, managers, employees and Substantial Controllers, shall comply with

the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 When making or offering donations and sponsorship, the Company and its directors, supervisors, managers, employees and Substantial Controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 The Company and its directors, supervisors, managers, employees and Substantial Controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Article 14 The Board of the Company shall exercise the due care of good administrators to urge the Company to prevent Unethical Conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company is advised to form a dedicated unit to be in charge of establishing and enforcing the ethical corporate management policies and Prevention Program and reporting to the Board on a regular basis.

Article 15 The Company and the directors, supervisors, managers, employees and Substantial Controllers shall comply with laws and regulations and the Prevention Program when conducting business.

Article 16 The Company shall promulgate policies for preventing conflicts of interests and offer appropriate means for directors, supervisors and managers to voluntarily explain whether their interests would potentially conflict with those of the Company.

The Company's directors shall exercise a high degree of self-discipline, a director may present his opinion and answer relevant questions, but is prohibited from participating in discussion of or voting on any proposal where the director or the juristic person that the director represents is an interested party, and such participation is likely to prejudice the interests of the Company; neither shall a director vote on such proposal as a proxy of another director in such circumstances. The directors shall practice self-discipline and must not support one another in improper dealings.

The Company's directors, supervisors and managers shall not take advantage of their positions in the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 17 The Company shall establish effective accounting systems and internal control systems for business activities which may at a higher risk of being involved in an Unethical Conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

Article 18 The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, supervisors, managers, employees, and Substantial Controllers on how to conduct business. The procedures and guidelines should at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of Unethical Conduct.
7. Handling procedures for violations of the Principles.
8. Disciplinary measures on offenders.

Article 19 The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, and Substantial Controllers and invite the company's commercial transaction counterparties so they understand the company's resolve to implement ethical corporate management, the related policies, Precautionary Scheme and the consequences of committing Unethical Conduct.

The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 20 The Company shall have in place a formal channel for receiving reports on Unethical Conduct and keep the reporter's identity and content of the report confidential.

The Company shall establish a well-defined disciplinary and complaint system to handle violation of the ethical corporate management rules, and immediately disclose on the company's internal website the offender's job title, name, date the violation was committed, violating act and how the matter was handled.

Article 21 The Company shall disclose the status of the enforcement of their own ethical corporate management best practice principles on their company websites, annual reports and prospectuses.

Article 22 The Company shall, at all times, monitor the development of relevant local and international regulations concerning ethical corporate management, and encourage directors, supervisors, managers and employees to make suggestions so as to review and improve their ethical corporate management best practice principles and achieve better results from implementing the principles.

Article 23 The ethical corporate management best practice principles shall be implemented

after the Board grants the approval, and shall be reported at a shareholders' meeting. The same procedure shall be followed when the principles have been revised.