

HFC

Procedures for Ethical Management and Guidelines for Conduct

2020.03.18

Article 1 Purpose of adoption and scope of application

The Company engages in commercial activities following the principles of fairness, honesty, faithfulness and transparency. In order to fully implement the ethical management policy and proactively prevent unethical conduct, the Company adopts the Procedures for Ethical Management and Guidelines for Conduct (hereinafter the Procedures and Guidelines) pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for HFC and applicable laws and regulations of the location where the Company is operating with a view to providing each and every personnel of the Company (hereinafter Personnel) with clear directions for the performance of their duties.

Article 2 Applicable subjects

Personnel as specified in the Procedures and Guidelines refer to the Company's directors, managers, employees, mandataries and persons with substantial control and those of the Company's affiliated enterprises and organizations.

Any improper benefit offered, promised, requested or received by a third party on behalf of Personnel shall be presumed to be an act of Personnel.

Article 3 Unethical conduct

Unethical conduct as specified in the Procedures and Guidelines refers to that Personnel, in the course of their duties for the purpose of acquiring or maintaining benefits, directly or indirectly provides, accepts, promises or requests improper benefits or commits breach of ethics, illegality or breach of fiduciary duty.

Parties as specified in the preceding paragraph include civil servants, political candidates, political parties or their members as well as any state-run or private-owned enterprises or institutions and their directors, supervisors, managers, employees, persons with substantial control or other stakeholders.

Article 4 Types of benefits

Benefits as specified in the Procedures and Guidelines may refer to any money, gratuity, present, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining and any item of value in whatever form or name.

Article 5 Units in charge

The Company appoints the business planning and administration department responsible in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the implementation. The audit office responsible for supervising and reporting to the board of directors (at least once a year):

1. Assisting in incorporation ethics and moral values into the corporate business strategy and adopting appropriate anti-corruption and anti-malfeasance prevention measures to ensure ethical management in compliance with the requirements of laws and regulations;
2. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly programs to prevent unethical conduct, and setting out in each program the standard operating procedures and conduct guidelines with respect to the company's operations and business;
3. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms of mutual supervision of the business activities within the business scope that are possibly at a higher risk for unethical conduct;
4. Promoting and coordinating awareness and training activities with respect to the ethics policy;
5. Developing a whistle-blowing system and ensuring its operating effectiveness; and
6. Assisting the board and the management in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are

effectively operating and preparing reports on the regular assessment of compliance with ethical management in its operating procedures.

7. Documented information in connection with the ethical management policy and its statement of compliance, commitment to enactment and implementation is filed and well stored.

Article 6 Prohibition against providing or accepting improper benefits

Except under any of the following circumstances, Personnel shall, when directly or indirectly providing, accepting, promising or requesting any benefits as specified in Article 4, comply with the Ethical Corporate Management Best Practice Principles for HFC and the Procedures and Guidelines and must have accomplished the relevant procedures as required:

1. Those undertaken to meet business needs and is in accordance with local courtesies, convention or custom during domestic (or foreign) visits, reception of guests, promotion of business and communication and coordination;
2. Those based on ordinary social activities that are attended or others are invited to hold in line with accepted social customs, commercial purposes or developing relationships;
3. Invitations to guests or attendance at commercial activities or factory visits in relation to business needs, when the method of fee payment, number of participants, class of accommodations and the time period for the event and visits have been specified in advance;
4. Attendance at folk festivals that are open to and invite the attendance of the general public;
5. Rewards, emergency assistance, condolence payments or honorariums given by the management;
6. Accepted social customs or those comply with the articles of incorporation.

Article 7 Procedures for handling the acceptance of improper benefits

Except under any of the circumstances set forth in the preceding paragraph, when Personnel is/are provided with or promised, either directly or indirectly, any benefits as specified in Article 4 by a third party, the matter shall be handled in accordance with the following procedures:

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of Personnel, the Personnel shall report to their (his/her) immediate supervisor within 3 days from the acceptance of the benefit and the audit office of the Company shall be notified if necessary; and
2. If a relationship of interest does not exist between the party providing or offering the benefit and the official duties of Personnel, the Personnel shall return or refuse the benefit and shall report to his/her (their) immediate supervisor and notify the audit office of the Company. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the Personnel shall refer the matter to the audit office of the Company for handling.

“A relationship of interest between the party providing or offering the benefit and the official duties of Personnel”, as referred to in the preceding paragraph, refers to one of the following circumstances:

1. When the two parties have commercial dealings, a relationship of direction and supervision or subsidies (or rewards) for expenses;
2. When a contracting, trading or other contractual relationship is being sought, is in progress or has been established; and
3. Other circumstances in which a decision regarding the Company’s business or the execution or non-execution of business will result in a beneficial or adverse impact. .

The audit office of the Company shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it be returned, accepted on payment, given to the public, donated to charity or handled in any appropriate manner. The proposal shall be implemented after being reported to and approved by Chairperson.

Article 8 Prohibition against and procedures for handling facilitating payments

The Company shall neither provide nor promise any facilitating payment.

Personnel shall, when providing or promising a facilitating payment under threat or intimidation, document the process and report to their immediate supervisor and shall inform the audit office as well.

Upon receipt of the report under the preceding paragraph, the audit office shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. Upon a case involving alleged illegality, the audit office shall report to the judicial authority immediately.

Article 9 Procedures for handling political contributions

The Company shall, when offering political contributions, obey the following provisions and must have reported to the board of directors for approval as required:

1. The Company shall ascertain that the political contribution complies with applicable laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a contribution may be made;
2. A written record of the decision-making process shall be kept;
3. Accounts entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment; and
4. In making political contributions, commercial dealings with, applications for permits or carrying out other matters involving the interests of the Company with related government agencies shall be avoided.

Article 10 Procedures for handling charitable donations or sponsorships

The Company shall, in offering charitable donations or sponsorships, observe the Company's responsibilities classification of managerial affairs sheet and the following provisions in advance:

1. The Company shall ascertain compliance with laws and regulations in the location where the Company is operating;

2. A written record of the decision-making process shall be kept;
3. A charitable donation shall be a valid charitable institution and shall not be a disguised form of bribery;
4. The return of any sponsorship shall be specific and reasonable and the subject of the sponsorship shall exclude a counterparty of the Company's commercial dealings or a third party that is related to the duties of Personnel; and
5. After a charitable donation or sponsorship has been given, the Company shall ascertain that the destination to which the money flows is consistent with the purpose of the contribution.

Article 11 Recusal

When a Company director, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, officer or other stakeholder shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, shall not participate in the discussion or vote on that proposal, shall recuse himself/herself from any discussion and voting and shall not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves and shall not support one other in an inappropriate manner.

If the spouse of a director, a relative of a director within the second degree of kinship, or a company controlled by a director that has a stake in the proposal at the meeting mentioned in the preceding paragraph, the director will be deemed having a stake in the said proposal.

Personnel shall, if discovering a potential conflict of interest concerns themselves or the juristic person that they represent, or that they or their spouse, parents, children or other stakeholders are likely to obtain improper benefits in the course of their duties, report the relevant matters to both their immediate supervisor and the audit office where the immediate supervisor shall give proper instructions.

No Personnel shall use the Company's resources on commercial activities other than those of the Company nor shall Personnel's job performance be affected by his/her involvement in commercial activities other than those of the Company.

Article 12 Special unit in charge of confidentiality regime and its responsibilities

The Company shall set up a special unit charged with formulating and implementing procedures for managing, preserving and maintaining the confidentiality of the Company's trade secrets, trademarks, patents and works and other intellectual properties and it shall also conduct periodic reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

Personnel shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and shall not disclose to any other party any trade secrets, trademarks, patents and works and other intellectual properties of the Company they have learned, nor shall they inquire about or collect any trade secrets, trademarks, patents and other intellectual properties of the Company unrelated to their individual duties.

Article 13 Prohibition against unfair competition

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and shall not engage in unfair competition.

Article 14 Preventing products or services from damaging stakeholders

The Company shall collect and understand applicable laws and regulations and international standards governing its products and services which it shall observe and shall gather and publish the guidelines to cause Personnel to ensure the transparency of information about and the safety of its products and services in the course of research and development, procurement, manufacture, provision or merchandising of its products and services.

The Company shall adopt and publish on its website a policy to protect the rights and interests of consumers and other stakeholders with a view to preventing its products and services from directly or indirectly damaging the rights and interests, health and safety of consumers or other stakeholders. Where there are media reports or sufficient facts to determine that its products or services are likely to pose any hazard to the

safety or health of consumers or other stakeholders, the Company shall recall such products or suspend such services within the shortest time and shall verify the facts and submit a review and improvement plan.

The audit office of the Company shall report to the board of directors the event as referred in the preceding paragraph, actions taken and subsequent reviews and corrective measures taken.

Article 15 Prohibition against insider trading and nondisclosure agreement

Personnel shall adhere to the provisions of the Securities and Exchange Act and shall neither take advantages of undisclosed information of which they have learned to engage in insider trading nor divulge undisclosed information to a third party to prevent others from using it to engage in insider trading.

Any organization or individual unaffiliated to the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan or the signing of a major contract by the Company shall be required to sign a nondisclosure agreement in which they commit not to disclose to a third party any trade secret or other material information of the Company acquired as a result and that they shall not use such information without a prior consent given by the Company.

Article 16 Compliance and announcement of policy of ethical management to outside parties

The Company shall request their directors and senior management to issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company shall disclose its policy of ethical management in its internal rules and annual reports, on the Company's website and in other promotional materials and shall make timely announcements of the policy in events held for outside parties such as product launches and investor press conferences, in order to make its suppliers, clients or other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17 Ethical management evaluation prior to development of commercial relationships

Before developing a commercial relationship with another party, such as an agent, supplier, client or other counterparty in commercial dealings, the Company shall evaluate the legality of and ethical management policy of the party and ascertain whether the party has a record of involvement in unethical conduct in order to ensure that such party conducts business in a fair and transparent manner and will not request, offer or take bribery.

The Company may, when conducting the evaluation as specified in the preceding paragraph, adopt appropriate audit procedures for a review of the counterparty with which it will have commercial dealings with respect to the following matters in order to gain a comprehensive understanding of the counterparty's ethical management status:

1. The enterprise's nationality, location of business operations, organizational structure and management policy, and place where it will make payment;
2. Whether the enterprise has adopted an ethical management policy and the status of its implementation;
3. Whether enterprise's business operations are located in a country with a high risk of corruption;
4. Whether the business operated by the enterprise is in an industry with a high risk of bribery;
5. The long-term business condition and degree of goodwill of the enterprise;
6. Consultation with the enterprise's business partners on their opinion of the enterprise; and
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

Article 18 Ethical management policy stated to counterparties in commercial dealings
Personnel shall, in the course of commercial activities, make a statement to the trading counterparty about the Company's ethical management policy and rules and shall clearly refuse to directly or indirectly provide, promise, request or accept any improper benefit in whatever form or name.

Article 19 Avoidance of commercial dealings with unethical operators
Personnel shall avoid business transactions with an agent, suppliers, client or other counterparty in commercial interactions that is involved in unethical conduct. When the counterparty or partner in cooperation is found to have engaged in unethical conduct, the Personnel shall immediately cease dealing with the counterparty and blacklist it for any further commercial interactions in order to effectively implement the Company's ethical management policy.

Article 20 Ethical management terms specified in contracts
Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management and shall make observance of the ethical management policy of the Company part of the terms and conditions of the contract, stipulating at least the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim from the other party the contract price as damages and may also deduct the full amount of the damages from the contract price payable;
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time; and

3. Specific and reasonable payment terms, including the place and method of payment and the requirements for compliance with related tax laws and regulations.

Article 21 Handling of unethical conduct by personnel of the Company

The Company will, as the incentive for insiders and outsiders to report unethical or unseemly conduct, grant the reward depending on the severity of the circumstances. Any insider shall, if making a false report or malicious accusation, be subject to disciplinary action and shall be removed from office upon severe circumstances.

The Company shall internally establish and publicly announce on its website and intranet or provide through an independent external institution an independent mailbox or hotline for insiders and outsiders of the Company to submit reports.

A whistleblower shall at least furnish the information as follows:

1. Whistleblower's name and ID number and an address, phone number and email address where it can be reached;
2. Informed party's name or profile sufficient to identify his/her personal characteristics; and
3. Specific facts available for investigation.

The dedicated staff in charge of whistle-blowing of the Company shall keep the whistleblowers' identity and the content reported confidential. The Company shall commit to protect whistleblowers from improper disciplinary actions due to their whistle-blowing.

The audit office of the Company shall observe the procedures as follows:

1. An information shall be reported to the department head if involving the rank and file and to an independent director if involving a director or a senior executive;
2. The audit office of the Company and the department head or personnel being reported to in the preceding paragraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department;

3. If a person being informed of is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Company will report the case to the competent authority, refer the case to a judicial institution for investigation, or institute legal proceedings and seek damages to safeguard its reputation and its rights and interests;

4. Documentation of case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a lawsuit in respect of the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation;

5. With respect to a confirmed information, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence; and

6. The audit office of the Company shall submit to the board of directors a report on the whistleblowing case, actions taken and subsequent reviews and corrective measures.

Where the case is verified to lack material facts of violating applicable laws and regulations or the Company's ethical management policy and rules, the case will be closed for filing.

Article 22 Case subject to non-handling

The Company may, under any of the following circumstances, cease handling the case but shall record the case for examination:

1. Where the case lacks material contents or has no name and no contact manner or the content, the name or the contact manner is fake, anonymous or false;

2. Where a whistleblower repeatedly submits a report on a case that has been handled properly and a definite reply has been given, the case will not be accepted, but this

shall not apply to that the whistleblower can supply new evidence proving that the case requires to be reinvestigated; and

3. Where a whistleblower submits a report on a case that is currently under investigation and handled by the Company or by other institutions or has been reported by a third party, the case will not be accepted, but this shall not apply to that other whistleblowers can supply vital evidence beneficial more to the investigation.

Article 23 Actions upon event of unethical conduct towards the Company

If Personnel discover(s) that another party has engaged in unethical conduct towards the Company and such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

Article 24 Internal advocacy and establishment of reward and appeal systems and disciplinary actions

The Company shall organize or encourage Personnel to attend internal and external training with respect to ethical management.

The Company shall integrate ethical management in the employee performance evaluation system and the human resources policy and establish clear and effective systems for rewards and penalties and for appeals.

The Company shall, when discovering Personnel with severe unethical conduct, either dismiss him/her from his/her position or terminate his/her employment in accordance with applicable laws and regulations or the Company's personnel policy and procedures.

The Company shall disclose on its intranet information on the violator's name and title, the date and details of violation and actions taken.

Article 25 Enforcement

The procedures and guidelines of the Company shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the procedures and guidelines have been amended.