

HFC

Ethical Corporate Management Practice Principles

2023.05.04

Article 1 Purpose of adoption and scope of application

To foster a corporate culture and sound development of ethical management, the Company adopts the Principles for compliance in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and applicable laws and regulations.

Article 2 Prohibition against unethical conduct

In the course of engaging in commercial activities, the Company's directors, managers, employees, mandataries or persons with substantial control (hereinafter substantial controllers) shall neither directly or indirectly offer, promise, request or accept any improper benefits nor commit unethical acts including breach of ethics, illegality or breach of fiduciary duty (hereinafter unethical conduct) for the purpose of acquiring or maintaining benefits.

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

Article 3 Types of benefits

Benefits referred to in the Principles may refer to any valuable things, including money, endowments, commissions, positions, services, preferential treatments or rebates in whatever form or name, but those received or given occasionally in accordance with accepted social customs and unlikely to adversely affect specific rights and obligations shall be excluded.

Article 4 Judicial compliance

The Company shall comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Statute, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, the TWSE/GTSM listing rules or other applicable laws and regulations governing commercial activities, as the underlying basic premise to facilitate ethical management.

Article 5 Policy making

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base all policies on the principles of good faith and obtain approval from the board of directors, and establish good corporate governance and risk control and management mechanisms so as to create an operational environment for sustainable development.

Article 6 Prevention programs

The Company shall, in making the ethical management policy, clearly and thoroughly specify the concrete ethical management practices and the programs against unethical conduct (hereinafter prevention programs), including procedures, guidelines and training.

The Company shall, when establishing the prevention programs, comply with applicable laws and regulations of the territory where the Company and its business group are operating.

In the course of developing the prevention programs, the Company is advised to negotiate with staff, labor unions members, important trading counterparties or other stakeholders.

Article 7 Scope of prevention programs

The Company shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.

The Company may refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall at least include preventive measures against the followings:

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;

5. Infringement of business secrets, trademark rights, patent rights, copyrights and other intellectual property rights;

6. Engaging in unfair competitive practices; and

7. Damage directly or indirectly caused to the rights or interests, health or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or merchandising of products and services.

Article 8 Commitment and enforcement

The Company shall request its 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 and its business group shall expressly specify in its articles of incorporation and in its external documents and on the company website the ethical management policy and the commitment by the board of directors and the senior management to proactive implementation of the ethical management policy and shall commit to full enforcement in internal management and commercial activities.

The Company shall compile documented information on the ethical management policy, statement, commitment and implementation mentioned in the first and second paragraphs and retain said information properly.

Article 9 Ethical management in commercial activities

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial dealings, the Company shall take into consideration the legality of its agents/dealers, suppliers, clients or other trading counterparties and whether any of them are involved in unethical conduct and shall avoid any dealings with persons so involved.

When entering into contracts with its agents/dealers, suppliers, clients or other trading counterparties, the Company shall include in such contractual

terms requiring compliance with the ethical management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 10 Prohibition against offering and accepting bribery

When conducting business, the Company and its directors, managers, employees, mandataries and substantial controllers shall not directly or indirectly offer, promise, request or accept any improper benefits in whatever form to or from its clients, agents/dealers, contractors, suppliers, public servants or other stakeholders.

Article 11 Prohibition against illegal political donations

When directly or indirectly offering a donation to any political party or organization or individual participating in political activities, the Company and its directors, managers, employees, mandataries and substantial controllers shall comply with the Political Donations Act and its internal operational procedures and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 Prohibition against improper charitable donations and sponsorships

When making or offering donations and sponsorships, the Company and its directors, managers, employees, mandataries and substantial controllers shall comply with relevant laws and regulations and internal operational procedures and shall not surreptitiously engage in bribery.

Article 13 Prohibition against unreasonable presents or hospitality or other improper benefits

The Company and its directors, managers, employees, mandataries and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents or hospitality or other improper benefits to establish business relationships or influence commercial transactions.

Article 14 Prohibition against infringement of intellectual property rights

The Company and its directors, managers, employees, mandataries and substantial controllers shall observe applicable laws and regulations governing intellectual property (IP), its internal procedures and the contractual provisions and shall not use, disclose, dispose, damage or

infringe intellectual property rights (IPR) without a prior consent given by the IPR holder.

Article 15 Prohibition against unfair competition

The Company shall engage in business activities in accordance with applicable laws and regulations governing competition and shall not fix prices, make rigged bids, establish output restrictions or quotas or share or divide markets by allocating consumers, suppliers, territories or lines of commerce.

Article 16 Preventing products or services from damaging stakeholders

The Company and its directors, managers, employees, mandataries and substantial controllers shall observe applicable laws and regulations and international standards governing its products and services which it shall observe to ensure the information transparency 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 also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders and carry out the policy in its operations, 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 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 in principle recall such products or suspend such services immediately.

Article 17 Organization and responsibilities

The Company's directors, managers, employees, mandataries and substantial controllers shall exercise the due care of good administrators to urge the Company to prevent unethical conduct and shall at all times review the results of enforcement and continuously improve them so as to ensure the thorough implementation of its ethical management policy.

To foster sound administration of ethical management, concerned department should jointly formulate policy of ethical corporate management, with the

audit office responsible for supervising and reporting to the board of directors (at least once a year):

1. Assisting in incorporating ethics and moral values in corporate business strategies 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 corporate management are effectively operating and preparing reports on the regular assessment of compliance with ethical management in its operating procedures.

Article 18 Judicial compliance in duties

The Company's directors, managers, employees, mandataries and substantial controllers shall comply with laws and regulations and prevention programs in the course of their duties.

Article 19 Recusal

The Company shall adopt policies for preventing conflicts of interest to identify, monitor and manage risks possibly resulting from unethical conduct and shall also offer appropriate channels for its directors, managers and other stakeholders attending or present at the board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given board meeting concerns the personal interest of, or the interest of juristic person represented by, any of the Company's directors, managers and other stakeholders attending or present at board meetings, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his/her participation is likely to prejudice the interest of the Company, such party shall not participate in discussion of or voting on the proposal; moreover, he/she shall recuse himself/herself from such discussion or the voting and shall not exercise voting rights as proxy for another director. Each director shall practice self-discipline and shall not support one another in improper dealings.

The Company's directors, managers, employees, mandataries and substantial controllers shall not take advantages of their positions or influence in the Company to obtain improper benefits for themselves, their spouse, parents, children or any other party.

Article 20 Accounting and internal control

The Company shall establish effective accounting and internal control systems for business activities possibly at a higher risk of being involved in unethical conduct. It is prohibited for the Company to own any under-the-table accounts or retain any secret accounts. The Company shall at all times review the foregoing systems so as to ensure the ongoing effectiveness of the design and enforcement thereof.

The Company's internal audit unit shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

The results of examination in the preceding paragraph shall be reported to senior management and the ethical management dedicated unit and put down in writing in the form of an audit report to be submitted to the board of directors.

Article 21 Procedures and guidelines

The Company shall establish procedures and guidelines in accordance with Article 6 to guide its directors, managers, employees, mandataries and substantial controllers on how to conduct business and the content of the foregoing shall at least cover the matters as follows:

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 sponsorships;
4. Rules for avoiding work-related conflicts of interest 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 22 Training and evaluation

The Company's chairperson, general manager or senior management shall communicate the importance of ethics to its directors, employees and mandataries on a regular basis.

The Company shall periodically organize training and awareness programs for its directors, managers, employees, mandataries and substantial controllers and shall invite its counterparties in commercial dealings so they understand the Company's resolve to ethical management, the ethical management policy, the prevention programs and the consequences of unethical conduct.

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

Article 23 Whistle-blowing system

The Company shall adopt a concrete whistle-blowing system and fully enforce it and the content thereof shall include at least the followings:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow the Company's insiders and outsiders to submit reports;
2. Dedicated personnel or unit appointed to handle whistle-blowing systems. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted;
3. Documentation of case acceptance, investigation processes, investigation results and relevant documents;
4. Confidentiality of the identity of whistleblowers and the content of reported cases;
5. Measures for protecting whistleblowers from improper disciplinary actions due to their whistle-blowing;
6. Whistle-blowing incentives measures.

When material misconduct or likelihood of material impairment to the Company comes to its awareness upon investigation, the dedicated staff or unit

in charge of whistle-blowing shall immediately prepare a report and notify the independent directors in writings.

Article 24 Disciplinary and appeal system

The Company shall expressly adopt and publicly publish a well-defined disciplinary and appeal system for handling violations of the ethical management rules and shall immediately disclose on its intranet information on the violator's title and name, the date and details of violation and actions taken.

Article 25 Disclosure of information

The Company shall collect quantitative data about the promotion for ethical management, continuously analyze and assess the effectiveness of promoting the ethical management policy, disclose the measures taken for implementing ethical management, how it has been fulfilled as well as the foregoing quantitative data and the effectiveness of such promotion on its official website and in its annual reports and prospectuses and disclose the content of its ethical corporate management best practice principles on the Market Observation Post System.

Article 26 Reviews and correction of the ethical management policy and measures

The Company shall at all times monitor development of international and national regulations governing ethical management and encourage its directors, managers and employees to make suggestions, based on which the adopted ethical management policy and measures taken will be reviewed and corrected with a view to enhancing the results of enforcing ethical management.

Article 27 Enforcement and amendments

The ethical corporate management best practice principles of the Company shall be implemented after the board of directors grants the approval. The same procedure shall be followed when the principles have been amended.