

Capital Securities Corporation

Operational Procedures and Guidelines of Ethical Corporate Management Best Practice

Date of establishment: March 29, 2012

Amendment for the 1st instance: January 28, 2015

Amendment for the 2nd instance: March 28, 2016

Amendment for the 3rd instance: March 26, 2020

- Article 1 Purpose and Applicability
The Company engages itself in business activities on the principles of fairness, honesty, trustworthiness, and transparency. To enforce its integrity policy and to proactively prevent against dishonest acts, these Guidelines are established pursuant to Article 21 of the Company's Integrity Code of Conduct to substantially govern matters that shall be paid attention to by the Company's staff while performing tasks. These Guidelines are applicable to the subsidiaries of the Company, corporations with direct or indirect donations accumulatively exceeding 50%, and other groups, enterprises, and organizations such as institutions or corporations with substantial control over the Company.
- Article 2 Applicability
The Company's staff herein refers to the directors, managers, employees, and people with substantial control of the Company and enterprises and organizations within the Group.
When money, gifts, presents, commissions, positions, service, preferred treatment, discounts, kickbacks, facilitation payment, receptions, entertainment and other interests are provided by a third party on behalf of the Company's staff, it is considered as an act of the Company's staff.
- Article 3 Dishonest Act
Dishonest act herein refers to the Company's staff, while performing tasks in order to gain or maintain interests, directly or indirectly providing, accepting, promising, or requesting any unjustified interest or engaging in any other act that is dishonest, illegal, or against the entrusted obligation. The counterparts of the acts mentioned in the foregoing include civil servants, political candidates, political parties or partisans, and any public or private enterprises or institutions and their directors, supervisors, managers, employees, people with substantial control, or other stakeholders.
- Article 4 Type of Interest
Interest herein refers to anything of value, including money, gift, present, commission, position, service, preferred treatment, kickbacks, facilitation payment, reception, entertainment, and others.

Article 5

Responsible Unit and Responsibilities

The Company has the Integrity Management Committee in place to take charge of establishing and supervising the implementation of the integrity policy and preventive solutions and to address mainly the following and periodically (at least once a year) to the Board of Directors.

- I. To help combine honesty and moral values as part of the Company's operational strategy and to prepare related preventive measures to ensure honest operations as required by law.
- II. To periodically analyze and evaluate risks of dishonest acts within the scope of operation and to accordingly establish solutions to prevent against dishonest acts and establish task-related standard operating procedures and behavioral guides within respective solutions.
- III. To plan internal organization, configuration, and job responsibilities and to have mutual check and balance mechanisms in place for operational activities at relatively high risks of dishonest acts within the scope of operation.
- IV. To promote and coordinate communication and training on the integrity policy.
- V. To plan a whistleblowing system that helps ensure effective implementation.
- VI. To help the Board of Directors and the management inspect and evaluate whether preventive measures established to ensure honest operations have been working effectively and to evaluate related operating procedures periodically for compliance, with a report produced.
- VII. To prepare and properly retain related documentation information such as the integrity policy and its compliance statement, consolidation commitment, and implementation status, etc.

Article 6

No Offering or Accepting of Unjustified Interests

When the Company's staff, directly or indirectly, provides, accepts, promises, or requests money, gifts, service, preferred treatment, receptions, entertainments and other interests, except for each of the following circumstances, shall meet the requirements of the Company's Integrity Code of Conduct and those herein and follow related procedures.

- I. They meet the requirements of local laws and regulations.
- II. They are done in accordance with local etiquettes, practices, or customs to meet commercial needs while on domestic (international) tours, receiving guests, promoting business, and communicating or coordinating.
- III. They are normal social activities held as part of normal social etiquettes, for commercial purpose, for boosting connections, or where other people are invited.
- IV. They are specific business activities or factory visits, among others,

where customers are invited or the Company's people are invited to meet business needs, with how the costs are shared, the number of participants, the accommodations, and duration, among others, defined for the above-mentioned activities.

- V. They are folklore festive events available for participation by the general public.
- VI. They are the rewards, aids, condolences, or consolations from the supervisor.
- VII. They are part of the social etiquettes and customs or meet other requirements of the Company.

Article 7

Handling Procedure for Acceptance of Unjustified Interests

When the Company's staff meets someone that, directly or indirectly, provides or promises to give money, gifts, service, preferred treatment, receptions, entertainments and other interests, except for each of the circumstances stated in each sub-paragraph of the preceding article, the procedure below shall be followed:

- I. When the person providing or making the said promise is not a stakeholder in the staff's job responsibilities, it shall be reported to the supervisor he/she reports to directly within three days of acceptance and the Responsible Unit of the Company shall be informed if necessary.
- II. When the person providing or making the said promise is a stakeholder in the staff's job responsibilities, it shall be returned or rejected and be reported to the supervisor he/she reports to directly and the Responsible Unit of the Company shall be informed; when it is impossible to be returned, it shall be handed over the Responsible Unit of the Company within three days of acceptance.

By a stakeholder in job responsibilities as indicated in the preceding paragraph, it refers to one of the following conditions:

- I. Business interactions, command/supervision, or subsidies (rewards)
- II. Pending, ongoing, or established undertaking, trading, or other contractual relationships
- III. Other preferred or disadvantageous impacts as a result of the business decisions or their implementation or not of the Company The Responsible Unit of the Company shall provide advice such as return, pay for it, confiscate, forward it to a charity institution, or others, depending on the nature and value of the property involved as stated in Paragraph 1; it shall be enforced after it has been reported to and approved by the Chairman.

Article 8

No Facilitation Payment and Handling Procedure

The Company may not provide or promise any facilitation payment. In the event that facilitation payment is provided or promised by the Company's staff due to threat or menaces, it shall be recorded and

reported to the supervisor that he/she reports to directly and the Responsible Unit of the Company shall be notified.

The Responsible Unit of the Company shall handle the issue immediately upon receipt of the notice mentioned in the preceding paragraph and discuss related circumstances in order to reduce the risk of recurrence. In the event that illegal acts are involved, the judicial authority shall be informed immediately, too.

Article 9

Handling Procedure for Political Contributions

To provide political contributions, the table of “the levels to which authority is delegated for general expenditures” of the Company and the requirements below shall be followed:

- I. One shall confirm that applicable laws and regulations for political contributions in the country of the recipient of political contributions are followed, including the ceiling and format of political contributions provided, etc.
- II. There shall be written records of the decision.
- III. Political contributions shall be kept in books as required by law and in compliance with related accounting procedures.
- IV. When providing political contributions, business interactions, applications for permits, or other matters involving the Company’s interests with related government agencies shall be avoided.

Article 10

Handling Procedure for Charity Donations or Sponsorships

To provide charity donations or sponsorships, the table of “the levels to which authority is delegated for general expenditures” of the Company and the requirements below shall be followed:

- I. The requirements of local laws and regulations shall be met.
- II. There shall be written records of the decision.
- III. The recipient of the charity donations shall be a charity institution; no disguised bribery is allowed.
- IV. The feedback from the sponsorship is defined and reasonable; no business counterpart of the Company or someone involved in interests with the Company’s staff is allowed.
- V. After charity donations or sponsorships, where the money goes shall answer to the purpose of the donation.

Article 11

Avoidance of Conflicting Interests

The Company’s directors shall adhere to the highest standards of self-discipline. For matters discussed in meetings of the Board of Directors that are conflicting with their own interests or the interests of the legal entities they represent to likely undermine the interests of the Company, they may state opinions and answer questions but may not join in discussions and the voting session and shall excuse themselves during discussions and voting, and may not exercise voting rights on behalf of

other directors. The directors shall demonstrate self-discipline among themselves, too, without improper mutual support.

The director's spouse, blood relatives within the second degree of kinship, or companies controlled by or affiliated with the director that are stakeholders in matters discussed in the meeting are considered as that the specific director is a stakeholder in the said matters.

While performing business tasks, upon discovery of interests conflicting with their own or those of the corporation they represent or the possibility for themselves, their spouse, parent, child, or stakeholder to receive illegitimate interests, the Company's staff shall report related information to the head of their department and the Responsible Unit in the Company at the same time and the head of their department shall provide proper guidance.

The Company's staff may not use resources of the Company to business activities outside the Company and may not have their performance at work affected as a result of participating in external business activities.

- Article 12 Organization and Responsibility of Confidentiality Mechanism
Respective departments and offices of the Company shall pay attention to the management, storage, and confidentiality of business secrets of the Company within their jurisdiction.
- Article 13 No Disclosure of Business Secrets
The Company's staff may not disclose business secrets of the Company that they become aware of to others and may not pry or collect business secrets of the Company not relevant to their functions.
- Article 14 No Insider Trading
The Company's staff shall follow the requirements of the Securities Exchange Act and may not engage themselves in insider trading taking advantage of the information they are aware of and yet to be released to the public and may not disclose it to others in order to prevent others from engaging in insider trading with the said yet-to-be-published information.
- Article 15 Confidentiality Agreement
Other institutions or staff involved in the Company's mergers, severance, acquisitions, and assignment of shares, important memorandums of understanding, strategic alliances, other business collaboration projects, or important contracts shall sign the Confidentiality Agreement with the Company to undertake that they will not disclose business secrets of the Company or other important information they become aware of to other people and may not use the said information unless with permission from the Company.

- Article 16 Compliance and Declaration of Integrity Policy
The Company shall require that its directors and high-ranking management issue a statement on complying with the integrity policy and include in its hiring criteria that the employees are required to follow the integrity policy. The Company shall, in its internal rules, annual report, official website, and other documents, disclose its integrity policy and declare it adequately during product launch conferences and investors conferences, among other external activities so that its suppliers, customers and business-related institutions and personnel have a better understanding of the Company's integrity philosophy and regulations.
- Article 17 Integrity Assessment prior to Conclusion of Business Relationship
Before creating a business relationship, the Company shall evaluate the legitimacy, integrity policy, and presence of dishonest act records or not of the dealer, the supplier, the customer, or any other business counterpart first in order to ensure fair and transparent business operation approaches and that no bribery will be requested, provided, or accepted. While performing the said evaluation in the preceding paragraph, the Company may adopt an appropriate audit procedure by which the business counterparts are examined against the following matters in order to understand the status of ethical corporate management.
- I. The country, operation site, organization and structure, operational policy, and payment location of the enterprise
 - II. Whether there is the integrity policy in place for the enterprise
 - III. Whether the enterprise has had any record of bribery or illegal political contributions, among other dishonest acts at the Judicial Yuan over the past year or not
- Article 18 Clarifying Integrity Policy to Business Counterpart
While doing business, the Company's staff shall explain to the counterpart the Company's integrity policy and applicable requirements and explicitly reject illegitimate interests provided, promised, requested, or accepted, directly or indirectly, in any form or any name, including kickbacks, commissions, facilitation payment, or illegitimate interests provided or accepted through other means.
- Article 19 Avoidance of Transactions with Dishonest Operators
The Company's staff shall avoid business transactions with dealers, supplies, customers, or other counterparts known for their unethical corporate management and once dishonest conditions are found with any such counterpart, business interactions shall be discontinued immediately and such counterparts will be rejected in order to fulfill the Company's integrity policy.

Article 20

Ethical Corporate Management Defined in Contract

When the Company signs a contract with others, it will fully understand the ethical corporate management status of the counterpart and include compliance with ethical corporate management and the following matters as part of the contract terms and conditions if necessary:

- I. When a party is aware of the violation of someone by accepting commissions, kickbacks, or other interests that are banned in the contract, the status of the said someone, how such interests are provided, promised, requested, or accepted, the value or other interests shall be made known to the other party immediately, with related evidence provided and cooperate during investigation conducted by the other party. In the event that a party is harmed as such, damages may be requested from the other party and they may be deducted from the contract value that is due.
- II. Either party may terminate the contract unconditionally at any time if the other party is found to have been involved in dishonest acts.
- III. Specific and reasonable payment terms and conditions shall be defined, including the payment location, method, and applicable taxation laws and regulations that need to be fulfilled, etc. The requirements of the competent authority, however, are to be followed if they are available.

Article 21

Management of Company's Staff Involved in Dishonest Acts

Upon discovering or receiving reports of dishonest acts involving the Company's staff, the Company shall investigate and get related facts. If it is proven that there are indeed violations of applicable laws or the Company's integrity policy and requirements, the violator shall be asked immediately to stop related acts and appropriate dispositions shall be imposed and, if necessary, it shall be reported to the competent authority or turned in to the judicial authority to be investigated or damages may be requested through legal proceedings in order to protect the reputation and rights of the Company.

Once reported matters are found to be true, taking into consideration the contributions to corporate governance, the whistleblower will be adequately rewarded according to applicable personnel rules of the Company.

For dishonest acts that have taken place, related units shall be empowered to discuss related internal control systems and operating procedures and to propose improvement measures in order to stop the same acts from happening again.

The Responsible Unit of the Company shall report to the Board of Directors dishonest acts, how they are handled, and the subsequent discussion and improvement measures.

Article 22

Management of Dishonest Acts of Others Against the Company

In the event of any dishonest act of others against the Company, if such act

involves illegal acts, the Company's staff shall report related facts to the judicial or prosecution authority; if a public agency or a civil servant is involved, the Agency against Corruption of the government shall be notified.

Article 23

Creation of Reward, Penalty, and Complaint System and Disciplinary Disposition

The Company shall include ethical corporate management as part of its employee performance rating and human resources policy and set up defined and effective rewards and penalties and complaints systems. For its staff involved in severe dishonest acts, the Company shall dismiss them in compliance with applicable laws and regulations or the Company's personnel policy.

The Company shall disclose on the internal website of the Company the information of the violator, such as the title, name, date of violation, details of violation, and handling status.

Article 24

Enforcement

These Guidelines shall enter into force after having been adopted by the Board of Directors shall be presented during the Shareholders' Meeting; the same shall apply to the revisions.