

# **Compal Electronics Inc. and Subsidiaries Thereof Procedures for Ethical Management and Guidelines for Conduct**

## Article 1 Purpose of Adoption and Scope of Application

This Corporation engages in commercial activities following the principles of fairness, honesty, faithfulness, and transparency, and in order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter referred to as the "Procedures and Guidelines") are adopted pursuant to the provisions of the "Ethical Corporate Management Best Practice Principles of this Corporation" and the applicable laws and regulations of the places where this Corporation and its business groups and organizations operate, with a view to providing all personnel of this Corporation with clear directions for the performance of their duties.

The scope of application of these Procedures and Guidelines includes the subsidiaries of this Corporation, any incorporated foundation in which this Corporation's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Corporation.

## Article 2 Applicable Subjects

For the purposes of these Procedures and Guidelines, the term "personnel of this Corporation" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control, of this Corporation or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of this Corporation through a third party shall be presumed to be an act performed by the personnel of this Corporation.

## Article 3 Unethical Conduct

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of this Corporation, in the course of their duties, directly or indirectly provide, promise, request, or accept improper benefits or commit a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or retaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or private-owned enterprises or institutions and their directors, supervisors, managerial officers, employees, persons having substantial control, or

other interested parties.

#### Article 4 Types of Benefits

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitating payment, entertainment, dining, or any other item of value in various forms or names.

#### Article 5 Responsible Unit

Policies are jointly established by relevant departments. The Auditing Office is responsible for supervising the execution and reporting to the board of directors periodically.

The responsible unit shall be in charge of the following matters.

1. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this Corporation's operations and business.
3. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope that may be at a higher risk for unethical conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policies.
5. Planning a violation-reporting system and ensuring its operating effectiveness.
6. Assisting the board of directors and 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 operating procedures

#### Article 6 Restriction on Offering or Accepting Improper Benefits

Except for the following circumstances, for the act of offering, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the given personnel of this Corporation performing such act shall comply with the provisions of the Ethical Corporate Management Best Practice Principles of this Corporation and these Procedures and Guidelines, and the relevant procedures shall have been

implemented.

1. The act is performed to meet business needs and is in accordance with local courtesy, convention, or custom during domestic (or foreign) visits, reception of guests, promotion of business, and communication and coordination.
2. The act is performed for the ordinary social activities that are attended or others are invited to hold in line with accepted social custom, 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 or visit 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 from the management.
6. Other actions comply with the rules of this Corporation.

#### Article 7 Procedures for Handling Acceptance of Improper Benefits

Except for the circumstances set forth in the preceding article, when any personnel of this Corporation are provided with or are promised for, either directly or indirectly, any benefits as specified in Article 4 by a third party, such matter shall be handled in accordance with the following procedures:

1. Where there is no relationship of interest between the party providing or offering the benefit and the official duties of this Corporation's personnel, the personnel shall report to their immediate supervisor within 3 days from the date of the acceptance of the benefit, and the responsible unit shall be informed whenever necessary.
2. Where a relationship of interest exists between the party providing or offering the benefit and the official duties of the personnel of this Corporation, then the personnel shall return or refuse to accept the benefit, and shall report to his or her immediate supervisor and inform the responsible unit. In case where the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall report such matter to the responsible unit for handling.

A relationship of interest existing between the party providing or offering the benefit and the official duties of this Corporation's personnel, as described in the preceding paragraph, refers to one of the following circumstances:

1. Where the two parties have commercial dealings, a relationship of

direction and supervision, or subsidies (or rewards) for expenses.

2. Where a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.
3. Other circumstances where the performance or non-performance of a decision made by this Corporation necessary for the business will result in a beneficial or adverse impact.

The responsible unit of the Corporation 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 another appropriate manner. The proposal shall be implemented after being reported and approved by the General Manager and the Chairman of the Corporation

#### Article 8 Restriction on Facilitating Payments and Handling Procedure Thereof

This Corporation shall not provide or promise any facilitating payment.

In case where any personnel of this Corporation provide or promise a facilitating payment under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and shall notify the responsible unit.

Upon receiving the report described in the preceding paragraph, the responsible unit shall take immediate action and conduct a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

#### Article 9 Procedures for Handling Political Contributions

Political contributions provided by this Corporation shall be made in accordance with the following provisions, reported to the General manager and the Chairman of the Corporation in charge for approval, and a notification given to the responsible unit, and when the amount of a contribution is as the donation provisions of the board of directors of the Corporation or more, it shall be made only after being reported to and approved by the board of directors:

1. It shall be confirmed that the political contribution is in compliance with the 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 made.
3. Account entries shall be recorded for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
4. To provide political contributions, matters related to the commercial dealings,

applications for permits, or other matters involving the interests of this Corporation with the relevant government agencies shall be prevented.

#### Article 10 Procedures for Handling Charitable Donations or Sponsorships

Charitable donations or sponsorships by this Corporation shall be provided in accordance with the following provisions and reported to the General Manager and the Chairman of the Corporation in charge for approval, and a notice shall be given to the responsible unit. When the donation or sponsorship amount reaches the criteria specified in the Rules and Procedures for Board of Directors of the Corporation, such amount shall only be executed after the approval of the board of directors:

1. It shall be confirmed that the donation or sponsorship is in compliance with the laws and regulations of the country where this Corporation is doing business.
2. A written record of the decision making process shall be kept.
3. A charitable donation shall be given to a valid charitable institution and may not be a disguised form of bribery.
4. The returns received from any sponsorship shall be specific and reasonable, and the subject of the sponsorship shall not be a counterparty in business relationship with this Corporation or a party with which any personnel of this Corporation has a relationship of interest.
5. After a charitable donation or sponsorship has been given, it shall be confirmed that the destination to which the money flows is consistent with the purpose of the contribution.

#### Article 11 Recusal of Conflict of Interest

When a Company director, supervisor, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a conflict of interest in a proposal at the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of such conflict of interest in the meeting and. In case where there is a likelihood that the interests of this Corporation are prejudiced, such personnel shall not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and shall not exercise voting rights as proxy on behalf of another director. The directors shall exercise self-discipline for themselves, and shall not support each other in an inappropriate manner.

During the execution of company duties, in case where any personnel of this Corporation discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain

improper benefits, the personnel shall report relevant matters to his or her immediate supervisor and the responsible unit of the Corporation, and the immediate supervisor shall provide appropriate guidance to the personnel. Personnel of this Corporation shall not use company resources on commercial activities other than those of this Corporation, and the work performance of the personnel of the Corporation shall not be affected by his or her involvement in the commercial activities other than those of this Corporation.

#### Article 12 Dedicated unit in Charge of Confidentiality Regime and Responsibilities Thereof

This Corporation shall set up a dedicated unit in charge of the formulating and implementing procedures for managing, preserving, and maintaining the confidentiality of this Corporation's trade secrets, trademarks, patents, works and other intellectual properties, and it shall also conduct periodical reviews on the results of implementation in order to ensure that the confidentiality procedures continue to be effective.

All personnel of this Corporation shall properly comply the relevant operational rules of intellectual properties described in the preceding paragraph and shall not disclose any trade secrets, trademarks, patents, works, and other intellectual properties of this Corporation learned to others, and shall not inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of this Corporation irreverent to their individual duties.

#### Article 13 Restriction on Unfair Competition

This Corporation shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

#### Article 14 Prevention of Product of Service Damages

This Corporation shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of this Corporation to ensure the transparency of information about, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

This Corporation adopts and publishes on its website the policies on the protection of the rights and benefits of interested parties to prevent its products and services

from directly or indirectly damaging the rights and benefits, health, and safety of interested parties.

Article 15 Restriction on Inside Trading and Non-disclosure Agreement

All personnel of the Corporation shall comply with the regulations specified in the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel shall not disclose any undisclosed information to others, in order to prevent others from using such information to engage in insider trading.

Any organization or person outside of this Corporation 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 this Corporation shall be required to sign a non-disclosure agreement in which they undertake not to disclose any trade secret or other material information of this Corporation acquired as a result to others, and that they shall not use such information without the consent of this Corporation.

Article 16 Announcement of Policies on Ethical Management to External

This Corporation shall disclose its policies on ethical management in its internal rules, annual reports, on the Corporation's websites, 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, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17 Ethical Management Assessment Prior to Development of Business Relationships

Before developing a business relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, this Corporation shall evaluate the legality and ethical management policy of such party and determine whether such party has any record of involvement in unethical conducts, in order to confirm that the party conducts business in a fair and transparent manner and makes no requests, offers, or receives bribes.

When this Corporation performs the assessment described in the preceding paragraph, it may 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 knowledge of its ethical management.

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 established 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 operation status and reputation of the enterprise.
6. Consultation with the enterprise's business partners for opinions on the enterprise.
7. Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

#### Article 18 Statement of Ethical Management Policies to Counterparties in Business Relationship

Any personnel of this Corporation, when engaging in commercial activities, shall make a statement to the trading counterparty about this Corporation's ethical management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in any form or name, including kickbacks, commission, dredging fees or other ways to provide or accept unjustified claims.

#### Article 19 Avoidance of Commercial Dealings with Unethical Operators

All personnel of this Corporation shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that involves unethical conducts. In case where a 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 business interaction in order to effectively implement this Corporation's ethical management policy.

#### Article 20 Contract Terms on Ethical Management

Before entering into a contract with another party, this Corporation shall gain a thorough understanding on the status of the other party's ethical management, and shall include the ethical management policies of this Corporation in the contract.

The contract shall at least specify the following matters:

1. Where a party of the contract becomes aware that any personnel have violated the terms and conditions related to the restriction of acceptance of commissions,



rebates, or other improper benefits, the party shall immediately inform 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 relevant evidence to the other party and cooperate fully with the investigation. In case where any one party suffers damages due to the above, the party may claim damage indemnification from the other party, and may also deduct such damage indemnification from the contract price payable.

2. Where any one party is discovered to engage in unethical conduct during the performance of its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Establish specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

#### Article 21 Handling of Unethical Conducts by Personnel of this Corporation

The Corporation encourages internal and external personnel to report any unethical or unseemly conducts. In case where internal personnel make a false report or malicious accusation, such personnel shall be subject to disciplinary action and shall be discharged from office if such condition is considered to be major.

This Corporation establishes internally and publicly announce on its website and the intranet, for Company insiders and outsiders to submit reports. A whistleblower shall at least furnish the following information:

1. The name and I.D. number, and an address, telephone number and e-mail address of the reporter for reaching the reporter.
2. The name of the violator or other information sufficient to identify the identification characteristics of the violator.
3. Specific facts available for investigation.

The dedicated unit of this Corporation shall handle the matter according to the following procedure:

1. The information shall be reported to the department head if involving the rank and file and to an independent director or supervisor if involving a director or a senior executive.
2. The dedicated unit of this Corporation and the department head or personnel being reported to in the preceding subparagraph shall immediately verify the facts and, where necessary, with the assistance of the legal compliance or other related department.
3. Where a violator being reported is confirmed to have indeed violated the

applicable laws and regulations or this Corporation's policy and regulations of ethical management, this Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, this Corporation will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.

4. Written documents of report case acceptance, investigation processes and investigation results shall be retained for five years and may be retained electronically. In the event of a suit 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. For the reported matter verified to be true, this Corporation shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
6. The dedicated unit of this Corporation shall submit to the board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.

#### Article 22 Handling of Actions of Unethical Conduct of Others Made Towards this Corporation

If any personnel of this Corporation discover that another party has engaged in unethical conduct towards this Corporation, and such unethical conduct involves alleged illegality, this Corporation shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or a public official is involved, this Corporation shall additionally inform the governmental anti-corruption agency.

#### Article 23 Establishment of Reward/Penalty and Complaint System, and Disciplinary Measures

The dedicated unit of this Corporation shall organize internal awareness sessions each year and arrange the chairperson, general manager, or senior management to communicate the importance of ethics to its directors, employees, and mandataries. The Corporation shall incorporate the ethical management into employee the performance evaluations and human resources policies, and shall establish clear and effective reward/penalty and complaint system.

In case where any personnel of the Corporation seriously violate the ethical conduct, the Corporation shall dismiss or discharge the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Corporation.

The Corporation shall disclose the information on the job title, name, violation date,

violation content and handling status of the violator of unethical conducts on the internal website.

Article 24 Establishment, Amendment, and Implementation

These Procedures and Guidelines, and any amendments hereto, shall be audit by the audit committee, and shall be delivered to board of directors and shall be implemented after adoption by resolution. Same requirements shall be applicable to Amendments thereof.

The provisions of the procedures and guidelines for supervisors are applied to the directors of the independent directors after the establishment of the audit committee.

Article 25 Supplementary Provisions

The provisions of the procedures and guidelines were established and approved by the board of directors for implementation on May 11, 2015 .

The first revision was made and approved by the board of directors for implementation on 11th, August, 2015.