

# **Nanya Technology Corporation**

## **Ethical Corporate Management Principles**

Amended by the Board of Directors on June 22, 2016

### **Article 1**

The Company has established the “Ethical Corporate Management Principles” (the “Principles”) for a corporate culture of ethical management and sound development.

The Principles are applied to subsidiaries of the Company, institutions or juridical persons which are substantially controlled by the Company.

### **Article 2**

When engaging in commercial activities, Directors, managers, employees, mandataries of the Company or persons having effective control over the Company (hereinafter referred to as the “Applicable Personnel”) shall not directly or indirectly offer, promise to offer, request or accept any improper Benefits (as defined below), or commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty (hereinafter referred to as the “Unethical Conduct”) for purposes of acquiring or maintaining Benefits.

Objects of the Unethical Conduct 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 their Directors, supervisors, managers, employees or effective controllers or other interested parties of the same.

### **Article 3**

“Benefits” in the Principles means any valuable things, 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 comply with 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 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 abide by 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 prescribe the specific ethical management practices and the internal rules of the prevention program in its own ethical corporate management policies. When establishing the prevention program, the Company shall analyze which business activities within the business scope may be at a higher risk of being involved in an Unethical Conduct, and strengthen the preventive measures.

## **Article 7**

The Company shall clearly specify in its rules and external documents the ethical corporate management policies and the commitment by the Board of Directors and the management level on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

## **Article 8**

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

Prior to conducting any commercial transactions, the Company shall take into consideration the legality of its agents, 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, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policies and that in the event the trading counterparties are involved in Unethical Conduct, the Company may at any time terminate or revoke the contracts.

## **Article 9**

When conducting business, the Company and its Applicable Personnel shall not directly or indirectly offer, promise to offer, request, or accept any improper Benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

## **Article 10**

When directly or indirectly offering a donation to political parties or organizations or

individuals participating in political activities, the Company and its Applicable Personnel shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

#### **Article 11**

When making or offering donations and sponsorship, the Company and its Applicable Personnel shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

#### **Article 12**

The Company and its Applicable Personnel 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 13**

The Company and its Applicable Personnel shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

#### **Article 14**

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

#### **Article 15**

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its Applicable Personnel shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, the Company's products and services. The Company and its Applicable Personnel shall also adopt and publish a policy on the protection of the rights and interests of clients or other stakeholders, and carry out the policy in the Company's operations, with a view to preventing the Company's products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders, The company shall, in principle, recall those products or suspend the services immediately.

#### **Article 16**

The Applicable Personnel of the Company shall exercise the due care of good

administrators to urge the Company to prevent from Unethical Conduct, review the results of the preventive measures at any time and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the President Office of the Company is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention program. The President Office is in charge of the following matters, and reporting to the Board of Directors when it is necessary:

1. Assisting in incorporating ethics and moral values into the Company'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 internal regulations to prevent Unethical Conduct and setting out 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 for mutual supervision of the business activities within the business scope which are possibly at a higher risk for Unethical Conduct.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Developing a whistle-blowing system and ensuring its operating effectiveness.
6. Assisting the Board of Directors and management level in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and assessing compliance with ethical management in operating procedures.

#### **Article 17**

The Company and its Applicable Personnel shall comply with laws and regulations and the internal rules of the prevention program when conducting business.

#### **Article 18**

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 means for Directors, managers, and other stakeholders attending or present at the Board of Directors meeting to voluntarily explain whether their interests would potentially conflict with those of the company.

When a proposal at a given Board of Directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the Directors, managers, and other stakeholders attending or present at the Board of Directors meeting of the

Company, the concerned person shall state the important aspects of the relationship of interest at a given Board of Directors meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another Director. The Directors shall practice self-discipline and must not support one another in improper dealings.

The Company and its Applicable Personnel shall not take advantage of their positions or influence in the Company to obtain improper Benefits for themselves, their spouses, parents, children or any other person.

### **Article 19**

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

The internal audit unit of the Company shall periodically examine the Company's compliance with the systems prescribed in the preceding paragraph and prepare audit reports to be submitted to the Board of Directors. The internal audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

### **Article 20**

The Applicable Personnel of the Company shall keep confidential trade secrets and sensitive information in the business, and prohibit the use of the Company's property, confidential information or other non-public information of the Company that cannot be obtained in the market to gain its improper Benefits.

### **Article 21**

The Chairman, President, or senior management of the Company shall communicate the importance of corporate ethics to the Company's Directors, employees and mandataries.

The Company shall organize training and awareness programs for the Applicable Personnel of the Company and may invite the Company's commercial transaction counterparties so they can fully understand the Company's resolve to implement ethical corporate management, the related policies, prevention program and the consequences of committing Unethical Conduct.

The Company shall link its employee performance appraisal system and human

resource policies with the policies of ethical corporate management to establish a related reward and discipline system.

#### **Article 22**

The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

1. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow company insiders and outsiders to submit reports.
2. Dedicated personnel or unit appointed to handle whistle-blowing system. 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 whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
6. Whistle-blowing incentive measures.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the Independent Directors in written form.

#### **Article 23**

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall properly disclose details of the violation, and the actions taken in response internally.

#### **Article 24**

The Company shall continuously analyze and assess the effectiveness of ethical corporate management policies. The Company shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, and the effectiveness of promotion on the company website, annual reports, and prospectuses, and shall disclose content of the Principles on the Market Observation Post System.

#### **Article 25**

The Company shall monitor the development of relevant local and international regulations concerning ethical corporate management from time to time, and

encourage Directors, managers and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

#### **Article 26**

The Principles shall be submitted to the Board of Directors for approval before its implementation. Any amendment is subject to the same procedure.

When the Principles are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions. If an Independent Director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. An Independent Director that cannot attend the Board of Directors meeting in person to express objection or reservations shall provide a written opinion before the Board of Directors meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.