

# Zig Sheng Industrial Co., Ltd.

## Ethical Corporate Management Best Practice Principles

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for approval on June 22, 2020

### Article 1

(Purpose, basis, scope of application)

In order to establish a corporate culture of ethical management and sound development of this corporation, and to provide a reference framework for the establishment of good business operations, we have established the Best Practice Principles with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM".

The scope of of these Procedures includes the subsidiaries of this Corporation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by this Corporation. ( The following are group companies and organizations ) ◦

### Article 2

(Definition)

#### 1.( 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. ( The following is person having substantial control ) ◦

#### 2.(unethical conduct)

That any personnel of this Corporation, in the course of their duties, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

#### 3.( Unethical objects)

Parties 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, managers, employees or substantial controllers or other stakeholders.

### Article 3

#### (Benefits)

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment ,rebates of any type , in any name, facilitation fees and hospitality. 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

#### (Statute compliance)

This corporation shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

### Article 5

#### (Policy)

1. This corporation shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain approval from the board of directors, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
2. This corporation has adopted the policy of “fairness, honesty, trustworthiness, and transparency in performing business activities and prohibiting this corporation staff from engaging in unethical conducts” for its ethical management, which has been approved by the Board of Directors.

### Article 6

#### (Prevention Programs)

This corporation shall, if necessary, establish specific ethical management practices, including procedures, guidelines for conduct, and education and training, as programs to prevent unethical conducts, which shall comply with the relevant laws and regulations of the places where this corporation and the organizations of the Group operate.

## Article 7

(Scope of prevention programs)

This corporation 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.

At least include preventive measures against the following:

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. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
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 sale of products and services.

## Article 8

(Policy implementation)

This corporation 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.

This corporation and their respective business group shall clearly specify in their rules and external documents and on this corporation website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

This corporation 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

(Requirements for integrity of trading partners)

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

Prior to any commercial transactions, This corporation shall take into consideration the legality of their 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 their agents, suppliers, clients, or other trading counterparties, This corporation shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the companies may at any time terminate or rescind the contracts.

## Article 10

(Requirements for execution of business)

When conducting business, This corporation employee may 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 11

(Requirements for political contributions)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, this corporation employee 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 12

(Requirements for charitable donations or sponsorships)

When making or offering donations and sponsorship, this corporation employee shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

## Article 13

This corporation employee not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

## Article 14

(Protection of trade secrets and intellectual property rights)

1. This corporation shall comply with the laws and regulations, internal procedures and contracts related to the confidentiality of trade secrets and the protection of intellectual property rights such as trademarks, patents and copyrights.
2. The 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 15

(Requirements for fair trade)

This corporation employee 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 customers, suppliers, territories, or lines of commerce.

## Article 16

(Requirements for consumer protection)

In the course of research and development, procurement, manufacture, provision, or sale of products and services, this corporation employee shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They 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 their operations, with a view to preventing their 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 this corporation products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, this corporation shall, in principle, recall those products or suspend the services immediately.

## Article 17

(Organization and responsibility)

This corporation employee shall exercise the due care of good administrators to urge this corporation to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, this corporation employee shall establish a dedicated unit that is under the General Manager's Office and avail itself of adequate resources and staff itself with competent personnel, responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors, at least once a year:

1. Assisting in incorporating ethics and moral values into this corporation 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. 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 this corporation 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 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 18

This corporation employee shall comply with laws and regulations and the prevention programs when conducting business.

#### Article 19

1. This corporation shall adopt policies for preventing conflicts of interest to identify, ( the second item) monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of this corporation.

2. This corporation has formulated the "Prevention of Conflict of Interest Policy" as follows :

(1) 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 board meetings of a this corporation the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the corporation, the concerned person may not participate in discussion of or voting on this 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.

If a director's spouse or relatives within 2nd degree of kinship, or a company in which the director has a controlling interest, has a personal interest in the matter of the meeting, then the director shall be regarded as having a personal interest in the matter.

(2) This corporation directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in this corporation to obtain improper benefits for themselves, their spouses, parents, children or any other person.

## Article 20

### (Internal Control)

This corporation shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit unit of a this corporation 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

This corporation shall establish procedures for ethical management and guidelines for conduct when necessary and shall comply with Article 7 of the Best Practice Principles.

## Article 22

(Training and awareness programs)

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

This corporation shall periodically organize training and awareness programs for directors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand this corporation resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

This corporation shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

## Article 23

This corporation has established a whistleblowing system , the content is as follows :

1. This corporation as an incentive to insiders and outsiders for informing of unethical or unseemly conduct, this Corporation will grant a reward of depending the seriousness of the circumstance concerned. Insiders having made a false report or malicious accusation shall be subject to disciplinary action and be removed from office if the circumstance concerned is material.
2. This Corporation shall internally establish and publicly announce on its website and the intranet, or provide through an independent external institution, an independent mailbox or hotline, for insiders and outsiders of this Corporation to submit reports. A whistleblower shall at least furnish the following information :
  - (1)The whistleblower's name and I.D. number , and an address, telephone number and e-mail address where it can be reached.
  - (2)The informed party's name or other information sufficient to distinguish its identifying features.
  - (3) Specific facts available for investigation.



3. Personnel of this Corporation handling whistle-blowing matters shall represent in writing they will keep the whistleblowers' identity and contents of information confidential and whistleblowing reports may be submitted anonymously. This Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing.

The responsible unit of this Corporation shall observe the following procedure in handling whistleblowing matters:

- (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 responsible 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) If a person being informed of 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 report to the competent authority, refer said person to judicial authority 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 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) With respect to a confirmed information, 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.  
If the situation is serious, it should be reported to the competent authorities or referred to the judicial authorities for investigation if necessary.
- (6) The responsible 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 24

(Disciplinary and Appeal system)

This corporation shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate

disclosure on this corporation internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.

#### Article 25

(Results tracking)

This corporation shall collect quantitative data about the promotion of ethical management and continuously analyze and assess the effectiveness of the promotion of ethical management policy. They shall also disclose the measures taken for implementing ethical corporate management, the status of implementation, the foregoing quantitative data, and the effectiveness of promotion on this corporation websites, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

#### Article 26

(Suggestions and Improved)

This corporation shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage this 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 27

(Enforcement)

When these Procedures and Guidelines are submitted to the board of directors for discussion, each independent director's opinions shall be taken into full consideration, and their objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to each supervisor and reported to the shareholders meeting.