

# Implementation of ethical management

Excerpted from pp.65~69 of the 2022 Annual Report

## ( VIII ) Implementation of ethical management:

Item	Operations			Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor
	Yes	No	Brief description	
I. Formulation of ethical management policies and plans				(I)-(III)It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(I) Has the company formulated an ethical management policy approved by the board of directors and disclosed the policy and practice of ethical management in its regulations and public documents? Are the board of directors and the senior management committed to actively implementing the policy?	(I) V		(I) 1. The Board of Directors of the Company formulates the “Ethical Corporate Management Best Practice Principles”, the “Code of Ethical Conduct”, the “Insider Trading Prevention Management Procedures”, and the “Procedures for Handling Material Inside Information” to specify the matters to be paid attention to by all employees of the Company in the implementation of business; Adhering to the business philosophy of integrity, transparency, and responsibility, we comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, the regulations on listing on Taiwan Stock Exchange and Taipei Exchange, and other laws and regulations on business conduct, to enhance our ethical management. The Company's Rules of the Procedure for Board of Directors Meetings has specified a mechanism for directors to recuse themselves from discussion and voting on proposals in board meetings, in which their person interest is involved, and we also specify the punishments for employees receiving improper gifts in the work rules and the labor contract, as the basis for implementing ethical management.  2. Before new directors and top-level managers take office, we raise their awareness of the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, and the Procedures for Handling Material Inside Information, and laws on insider trading and insider equity at companies listed on Taipei Exchange or the emerging stock market and matters to be noted; require them to sign major ethics statements, including the Declaration of No Violation of Integrity Principles, the Institutional Director/Independent Director Confidentiality Agreement, and the Insider Trading Prevention Confidentiality Agreement. In addition, we request independent directors to issue the Independent Director Nominee Statement, the Independent Director Statement upon Elected, and the Independent Director Statement in Office; the Company issued the Independent Director Checklist upon Elected and in Office as required.  3. The Company arranges courses related to ethical management every year, and the Administrative Management Department raised new and existing directors, managers, and employees' awareness of applicable laws and regulations at least once every year and send presentation files to all directors, managers, and employees, and disclose the implementation results on the Company's website and in this annual report.	
(II) Has the company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities with high risk of unethical conduct within the business scope and formulated a prevention plan accordingly, at least covering the prevention measures for the acts under each subparagraph under Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	(II) V		(II) The Company has clearly stipulated in the Ethical Corporate Management Best Practice Principles that directors, managers, employees, or persons with substantive control over the Company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty and disclosed it on the Company's intranet for all employees follow accordingly. The Company's auditors have included business activities at a high risk of unethical conduct, including level-by-level delegation and job substitution, credit management, compliance during operations, return and exchange, discount, and client complaint response, in the annual audit plan and implemented it accordingly.	

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(III) Has the company clearly specified operating procedures, guidelines for conduct, and a violation punishment and complaint system in the unethical conduct prevention plan and duly implemented them? Does the company regularly review and revise said plan?	(III) V		<p>The scope of the prevention program under Article 7 of the Company's Ethical Corporate Management Best Practice Principles:</p> <p>The Company shall establish an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate the business activities at a high risk of unethical conduct within the business scope, as per which it shall formulate a prevention program accordingly and regularly review the appropriateness and effectiveness of the prevention program.</p> <p>The Company's prevention program shall at least cover preventive measures for the acts below:</p> <ol style="list-style-type: none"> <li>I. Offering and acceptance of bribes.</li> <li>II. Illegal political donations.</li> <li>III. Improper charitable donations or sponsorship.</li> <li>IV. Offering or acceptance of unreasonable gifts, hospitality, or other improper benefits.</li> <li>V. Misappropriation of trade secrets or infringement of trademarks, patents, copyrights, or other intellectual property rights.</li> <li>VI. Engaging in unfair competitive practices.</li> <li>VII. Damage directly or indirectly caused to rights or interest, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacturing, provision, or sale of products and services.</li> </ol> <p>(III) The Company has specified in the unethical conduct prevention program the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, the Procedures for Handling Material Inside Information, and the Whistleblowing System Management Regulations to clearly define illegal acts as well as the reporting channels and processing procedures in the event of any violations. The disciplinary actions are taken in accordance with the work rules and are included in the annual audit plan per year to review the Company's compliance. In addition, we review the above management regulations annually and amend them immediately, if necessary, to conform to practice.</p>	
II. Implementation of ethical management				(I)-(V) It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(I) Does the company evaluate each counterparty's records for ethics? Has the company specified the terms of ethical conduct in each contract signed with each counterparty?	(I) V		(I) Before engaging in formal business activities with business partners, we conduct evaluations of their ethical conduct and other indicators and require them to include ethical management in the contract terms or clearly define integrity requirements after we proceed to work with them, to show their compliance with our regulations on integrity.	
(II) Has the company established a dedicated (concurrent) unit under the board of directors to conduct ethical corporate management, regularly (at least once a year) report to the board of directors on its ethical management policies and prevention plans for unethical conduct, and supervise the implementation?	(II) V		(II) We offer courses on ethical management every year, and the Administrative Management Department is responsible for offering relevant ethical management courses and holding awareness-raising events each year. The heads of various departments assist in promoting ethical management policies and prevention programs. The audit unit regularly audits the implementation of our ethical management and reports on its implementation to the Board of Directors, with the last such report being on October 26, 2022, from which the implementation results have since been disclosed on the website and in this annual report.	
(III) Has the company formulated policies to prevent conflicts of interest, provided appropriate methods for stating one's conflicts of interest, and implemented them appropriately?	(III) V		(III) The Company has formulated the Rules of the Procedure for Board of Directors Meetings, the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, and the Procedures for Handling Material Inside Information as per law to cope with directors' managers' or employees' interest conflicting with the Company's. We also raise their awareness in this regard from time to time. In the case of a conflict of interest in the Company's business, such personnel should inform their supervisors in advance and avoid such a conflict. The Whistleblowing Mechanism Management Regulations are adopted as a reference for the reporting channels and handling procedures in the event of any violations.	
(IV) Has the company established an effective accounting system and an internal control system for the implementation of ethical management and assigned the internal audit unit to formulate	(IV) V		(IV) The Company has established an effective accounting system and an internal control system in accordance with the Ethical Corporate Management Best Practice Principles. We implement the systems based on the principle of integrity and review them at any time to ensure that they continue to be effective. The auditors regularly audit the compliance with the systems in the	

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relevant audit plans based on the assessment results of the risk of unethical conduct and audit the compliance with the unethical conduct prevention plan accordingly or commissioned a CPA to perform such audits?			preceding paragraph and prepare an audit report and submit it to the Board of Directors. The Company's internal audit unit has formulated relevant audit plans based on the risk assessment results and audited and prevented unethical conduct accordingly. No unethical conduct occurred in the Company during 2022.																																					
(V) Does the company regularly hold internal and external education and training on ethical management?	(V) V		<p>(V) 1. The Company regularly offers courses on the code of conduct, corporate governance, and other ethical management issues and raises directors', managers', new employees' and in-service staff's awareness, and arrange for relevant personnel to receive internal and external training courses depending on the needs.</p> <p>2. The Company has a total of seven directors (including three independent directors) on the 8th board. All of them as well as the Corporate Governance Officer, the Financial Accounting Officer, and auditors (their substitutes) have completed the 2022 required hours of training for new or re-elected directors on corporate governance, ethical management, risk management, and business management in accordance with laws and regulations. This is in compliance with the Corporate Governance Best Practice Principles.</p> <p>3. We reported to the Board of Directors on the operation and implementation of ethical management on October 26, 2022.</p> <p>(1) The Company's education and training system is divided into internal training, external training, and on-the-job training. During 2022, we offered internal and external education and training (including laws and regulations, laws on insider-short-swing trading as well as changes in equity, ethical corporate management, code of ethical conduct, work rules, production management, production operation training, on-the-job training on safety and health, and internal control), with a total of 2,458 people (directors excluded), 4,714 man-hours, and an average of 20.95 hours per person.</p> <p>(2) During 2022, directors, managers, and employees participated in internal and external training courses and awareness-raising events on ethical management and ethical conduct for 337 hours with a total of 268 people. The details are as listed in the table below. It is aligned with the provisions of the Corporate Governance Best Practice Principles. And the above execution results shall be disclosed on the Company's website <a href="https://reurl.cc/MRXl8m">https://reurl.cc/MRXl8m</a>.</p> <table><tr><th>Internal/External training</th><th>Category of course</th><th>Number of people</th><th>Number of hours</th></tr><tr><td>External training</td><td>Internal audit</td><td>21</td><td>14</td></tr><tr><td>External training</td><td>Corporate governance</td><td>11</td><td>62</td></tr><tr><td>External training</td><td>Risk management</td><td>36</td><td>60</td></tr><tr><td>External training</td><td>Discussion on Taxation and Laws</td><td>26</td><td>96</td></tr><tr><td>External training</td><td>Discussion on the Labor Incident Act</td><td>2</td><td>12</td></tr><tr><td>Internal training</td><td>IATF 16949:2016 Advanced Course</td><td>21</td><td>14</td></tr><tr><td>Internal awareness-raising event</td><td>We raised the new and the existing directors' and managers' awareness of laws on changes in insiders' and their related parties' equity, inside and short-swing trading disgorgement, stock price manipulation, and acquisition of a large number of equity and treasury shares in February, March, April, July and October of 2022. Directors and insiders are not allowed to trade their stocks during the closed period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of each quarterly financial report.</td><td>111</td><td>Adopting a written form and supervisor's meeting publicity</td></tr><tr><td>Internal awareness-raising event</td><td>In February, 2022, the instructors of Ministry of Justice and the internal department raised awareness for the existing managers' and employees' of the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, the Procedures for Handling Material Inside Information, and the Whistleblowing System Management Regulations in February 2022.</td><td>40</td><td>79</td></tr></table>	Internal/External training	Category of course	Number of people	Number of hours	External training	Internal audit	21	14	External training	Corporate governance	11	62	External training	Risk management	36	60	External training	Discussion on Taxation and Laws	26	96	External training	Discussion on the Labor Incident Act	2	12	Internal training	IATF 16949:2016 Advanced Course	21	14	Internal awareness-raising event	We raised the new and the existing directors' and managers' awareness of laws on changes in insiders' and their related parties' equity, inside and short-swing trading disgorgement, stock price manipulation, and acquisition of a large number of equity and treasury shares in February, March, April, July and October of 2022. 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<p>III. Implementation of the Company's whistleblowing system</p> <p>(I) Has the company formulated a specific whistleblowing and reward system, established a convenient whistleblowing method, and assigned appropriate personnel to handle the party accused?</p> <p>(II) Has the company formulated standard operating procedures for investigation of reported cases, the follow-up measures to be taken after the investigation is completed, and a confidentiality mechanism?</p> <p>(III) Does the company take measures to protect whistleblowers from being mistreated due to their whistleblowing behavior?</p>	<p>(I) V</p> <p>(II) V</p> <p>(III) V</p>		<p>(I) The Company has a complaint hotline and a complaint email as complaint channels. Employees can anonymously file complaints about any violations of integrity by phone or email or to auditors, the human resources personnel, or the management. In order to ensure the effective operation of the whistle blowing mechanism, in August 2022, the <a href="mailto:whistleblowing_mailbox_whistleblower@e-ttmc.com.tw">whistleblowing mailbox whistleblower@e-ttmc.com.tw</a> was appointed as an independent director (the committee member of the Audit Committee) and the audit were received simultaneously.</p> <p>(II) The Company has established relevant operation procedures in the "Whistleblowing System Management Measures".</p> <p>(III) As per the Company's Ethical Corporate Management Best Practice Principles and Code of Ethical Conduct, we accept anonymous reports in accordance with the Whistleblowing System Management Regulations and keep each whistleblower's identity and the content of the report confidential to safeguard their personal safety.</p>	<p>(I)- (III)It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>IV. Enhanced information disclosures</p> <p>Has the company disclosed the content of its Corporate Governance Best Practice Principles and the effectiveness of the implementation of the principles on its website and the MOPS?</p>	V		<p>We have disclosed the Ethical Corporate Management Best Practice Principles and the Code of Ethical Conduct on the MOPS; in the Articles of Incorporation and Important Internal Regulations under the Investor section on the official website, we have disclosed the Ethical Corporate Management Best Practice Principles, the Code of Ethical Conduct, the Insider Trading Prevention Management Procedures, and the Procedures for Handling Material Inside Information. We also disclosed the implementation situation and results in the Ethical Management section. We published the Employee Code of Conduct and cases of punishments for violations on the Company's intranet to raise employees' awareness.</p>	<p>It is aligned with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.</p>
<p>V. If the company has formulated its own Ethical Corporate Management Best Practice Principles as per the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please specify the difference between its operation and the principles:</p> <p>The Company, in accordance with the relevant internal control measures of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and after deliberation and approval by the Board of Directors, has established the "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct". On October 26, 2022 and December 8, 2022, we revised the "Insider Trading Prevention Processing Procedures" and "Internal Important Information Processing Procedures". On February 18, 2022, we additionally revised Article 10 of the "Corporate Governance Best Practice Principles". The Company shall attach importance to the right of shareholders to know and guard against the relevant provisions of insider trading, and on January 14, 2022, revise the "Management Measures for Whistleblowing", and establish a good corporate governance and risk control mechanism based on the business philosophy of integrity, fairness, transparency, self-discipline and responsibility, so as to seek the sustainable development of the Company. Therefore, there is no difference.</p>				
<p>VI. Other important information that facilitates the understanding of the company's ethical management (e.g., reviewing and amending the company's corporate governance best practice principles):</p> <p>Adhering to the business philosophy of integrity, transparency, and responsibility, we fulfill our responsibilities for compliance with laws and regulations to the public sector, for honest transactions to suppliers and clients, and for ethical management to our shareholders; prevent our directors, managers, or employees from violating the principles of ethical management to prevent any unethical conduct from causing damage to our goodwill or leading to any legal liabilities. The details are specified below:</p> <p>(I) Responsibilities for compliance with laws and regulations to the public sector: We comply with the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Act on Recusal of Public Servants Due to Conflicts of Interest, and other laws and regulations on taxation, to duly implement ethical management. Responsibilities for honest transactions to suppliers and clients: We have drawn up the Supplier Sustainability Declaration, the Warranty for Non-Use of Hazardous Substances, and the Conflict Mineral Policy Statement, to clearly require our suppliers and contractors to cooperate with the Company in implementing our sustainable development policy and commitment and environment, safety, and health policy. If a supplier/contractor violates any policy, which has caused a significant impact on the environment and society, we may terminate the partnership with the supplier/contractor at any time. They should also cooperate with the Company in conducting relevant inspections, regular inspections, and audits and are not allowed to, directly or indirectly, offer the Company's employees rebates, commissions, improper gifts, rewards, etc, which may undermine our ethical management.</p> <p>(II) Responsibilities for ethical management to our shareholders: We treat our shareholders sincerely and faithfully. In addition to respecting their opinions, complaints, and formal resolutions, we disclose correct information in real time to safeguard their rights and interest.</p> <p>(III) To prevent directors, managers or employees from taking any actions in violation of good faith: We have formulated the "Ethical Corporate Management Best Practice Principles", the "Code of Ethical Conduct, the Insider Trading Prevention Management Procedures", the "Procedures for Handling Material Inside Information", "Corporate Governance Best Practice Principles" and established various internal control and internal audit systems. The internal auditors regularly audit such systems and then prepare audit reports and submit them to the Board of Directors, while regularly evaluating employees' morality and ethics, performing duties faithfully for directors, supervisors, managers, or employees from time to time, and raising their awareness of laws and regulations to prevent them from acting in their own interest or that of a third party in violation of laws or in any way that would harm the Company's assets, or</p>				

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(IV)			engaging in insider trading with important information they learn from work. To enable new employees to understand the Company's determination to operate in good faith, ethical management policies, prevention programs, and the consequences of unethical conduct, they must pass the Company's pre-employment training test.	

- (IX) If the company has formulated the corporate governance best practice principles or relevant regulations, it shall disclose where to access it:
- Corporate governance best practice principles or relevant regulations:  
In accordance with the relevant regulations formulated by the Financial Supervisory Commission (FSC), we have formulated: (1) Internal Control System Manual, (2) Procedures for Asset Acquisition and Disposal, (3) Operating Procedures for Endorsements and Guarantees, (4) Operating Procedures for Loaning of Funds to Others, (5) Corporate Governance Best Practice Principles, (6) Ethical Corporate Management Best Practice Principles, (7) Code of Ethical Conduct and Rules of the Procedure for Board of Directors Meetings, (8) Rules of Procedure for Shareholders' Meetings, (9) Rules of Election of Directors, (10) Remuneration Committee Charter, (11) Organizational Regulations of the Audit Committee, (12) Insider Trading Prevention Management Procedures, (13) Procedures for Handling Material Inside Information, (14) Related-Party Transaction Management Regulations, (15) Level-by-Level Delegation Regulations and Level-by-Level Delegation Table, (16) Subsidiary Monitoring and Management Procedures, (17) Rules of the Performance Evaluation of the Board of Directors, (18) Standard Operating Procedures for Handling Directors' Requests, (19) Risk Management Committee Charter, (20) Risk Management Policies and Procedures, and (21) Sustainable Development Best Practice Principles.
  - They are available on:
    - (1) Rules and Regulations on Formulation of Corporate Governance Principles under Corporate Governance on the MOPS (<http://mops.twse.com.tw/mops/web/index>) for the public to download.
    - (2) The Articles of Incorporation and Important Internal Regulations under Corporate Governance under the Investor section on the Company's website (<https://www.e-ttmc.com.tw/chinese/index.html>) for the public to download.
- (X) Other important information that may facilitate the understanding of the operation of corporate governance:  
See "Implementation of Corporate Governance on Page 32".  
See "Implementation of Ethical Management on Page 65" of this annual report and "Corporate Governance and Implementation" and "Ethical Management" under the Investor section on the Company's website (<https://www.e-ttmc.com.tw/chinese/index.html>).
- (XI) Matters that shall be disclosed regarding the implementation of the internal control system:
- The Statement of the Internal Control System is available on Page 70 of this annual report.
  - For those who appointed a CPA to review the internal control system, the CPA's review report shall be disclosed:  
None.