

**Yuanta Financial Holding Company**  
**Procedures for Integrity Management and Guidelines for Conduct**

*Approved by the Board of Directors on December 27, 2011 (22nd meeting of the 5th board)*

*Amendments approved on March 30, 2015 (28th meeting of the 6th board)*

*Amendments approved on January 23, 2019 (36<sup>th</sup> meeting of the 7<sup>th</sup> board)*

**Article 1 (Purpose and Scope of Application)**

This Company 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 Integrity Management and Guidelines for Conduct (hereinafter, "Procedures and Guidelines") are adopted pursuant to the provisions of the Yuanta Financial Holding Company Integrity Management Guidelines and the applicable laws and regulations of the places where the Company 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 Company" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control, of the Company or its group enterprises and organizations.

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

**Article 3 (Unethical Conduct)**

For the purposes of these Procedures and Guidelines, "unethical conduct" means that any personnel of this Company, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

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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 whatever form or name.

#### **Article 5 (Responsible Unit)**

This Corporation shall designate the Sustainability Committee as the solely responsible unit (hereinafter, "responsible unit") under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to these Procedures and Guidelines, the recording and filing of reports, and the monitoring of implementation. The responsible unit shall be in charge of the following matters and also submit regular reports to the board of directors:

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 programs to prevent unethical conduct and setting out in each program 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 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.

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## **Article 6 (Prohibition Against Providing or Accepting Improper Benefits)**

Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of the given personnel of the Company shall comply with the provisions of the Yuanta Financial Holding Company Integrity Management Guidelines and these Procedures and Guidelines, and the relevant procedures shall have been carried out:

1. The conduct is undertaken 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 conduct has its basis in 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. Adherence to social customs or other types of conduct in compliance with the Company's guidelines.

## **Article 7 (Procedures for Handling the Acceptance of Improper Benefits)**

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

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of this Company's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the responsible unit shall be notified if necessary.
2. If a relationship of interest does exist between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the responsible unit. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the responsible

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unit for handling.

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

1. When the two parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
2. When a contracting, trading, or other contractual relationship is being sought, is in progress, or has been established.

3. Other circumstances in which a decision regarding the Company's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of the Company 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 Company's President.

#### **Article 8 (Prohibition of and Handling Procedures for Facilitating Payments)**

The Company shall neither provide nor promise any facilitating payment.

If any personnel of the Company provides or promises 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 receipt of the report under the preceding paragraph, the responsible unit shall take immediate action and undertake 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 by the Company shall be made in accordance with the Company's "External Donation Guidelines" as well as the following provisions:

1. It shall be ascertained 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 kept.
3. Account entries shall be made for all political contributions in accordance with applicable laws and regulations and relevant procedures for accounting treatment.
4. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with the related

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government agencies shall be avoided.

#### **Article 10 (Procedures for Handling Charitable Donations or Sponsorships)**

Charitable donations by the Company shall be made in accordance with the Company's "External Donation Guidelines" as well as the following provisions:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the country where the Company 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 as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.

#### **Article 11 (Recusal)**

When a Company director attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, shall state the important aspects of the stake in the meeting and, where there is a likelihood that the interests of the Company would be prejudiced, may not participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and may not exercise voting rights as proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner.

If in the course of conducting company business, any personnel of the Company 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 the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company may use Company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

#### **Article 12 (Organization and Duties of the Confidentiality System & Prohibition Against the Infringement of Intellectual Property Rights)**

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The Company's departments shall carefully monitor all activities which relate to the managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works, and other intellectual properties, and shall not leak information regarding the Company's trade secrets to others, or seek or collect information regarding the Company's trade secrets which does not relate to their position.

In the process of carrying out their duties, the Company's personnel shall adhere to all relevant intellectual property laws, internal operational procedures and contracts; without the express consent of the intellectual property holder, Company personnel shall not use, leak, dispose of, damage, or engage in any behavior which infringes on intellectual property rights.

#### **Article 13 (Prohibition of Unfair Competitive Practices)**

In conducting its business activities, the Company shall adhere to the Fair Trade Act and all relevant competition guidelines.

#### **Article 14 (Protecting the Interests of Stakeholders)**

In its business operations, the Company shall adhere to all relevant laws and international standards, and shall collect and understand information on said laws and standards and provide summaries thereof to Company personnel.

The Company shall establish a designated stakeholders section on its corporate website in order to protect the interests of stakeholders.

In instances where the media reports or facts show that the Company may have damaged the interests of stakeholders, the Company shall investigate the truth of the matter, and shall submit a plan for review and improvements.

The responsible unit at the Company shall ensure that matters referred to in the preceding paragraph, as well as their handling and follow-up procedures, are reported to the board of directors.

#### **Article 15 (Prohibition Against Insider Trading and Confidentiality Agreement)**

The Company's personnel shall adhere to regulations in the Securities and Exchange Act, and shall not make use of nonpublic information to engage in insider trading.

Company personnel also shall not leak such information to others in order to allow them to engage in insider trading.

Any organization or person outside of the Company 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 the Company shall be required to sign a non-disclosure agreement in which they

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undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they may not use such information without the prior consent of the Company.

**Article 16 (Announcement of Policy of Integrity Management to Outside Parties)**

The Company shall disclose its policy of integrity management in its internal rules, annual reports, on the Company'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 integrity management.

**Article 17 (Integrity Management Evaluation Prior to Entering into Commercial Relationships)**

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall evaluate the legality and integrity management policy of the party and ascertain whether the party has a record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the evaluation under 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 integrity 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 adopted an integrity management policy.
3. Whether the enterprise has been found in a court of law to have participated in bribery or illegal political contributions in the last year, or other records of unethical behavior.

**Article 18 (Statement of Integrity Management Policy to Counterparties in Commercial Dealings)**

Any personnel of the Company, when engaging in commercial activities, shall make a statement to the trading counterparty about the Company's integrity management policy and related rules, and shall clearly refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

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### **Article 19 (Avoidance of Commercial Dealings with Unethical Operators)**

All personnel of the Company shall avoid business transactions with an agent, supplier, customer, or other counterparty in commercial interactions that is involved in unethical conduct. When the 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 the Company's integrity management policy.

### **Article 20 (Stipulation of Terms of Integrity Management in Contracts)**

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's integrity management, and shall make observance of the integrity management policy of the Company part of the terms and conditions of the contract, stipulating at the least the following matters:

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify 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 the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim damages from the other party, and may also deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. 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 Conduct by Personnel of the Company)**

As an incentive to insiders and outsiders for informing of unethical or improper conduct, the relevant rules of reporting systems, such as whistleblowing report and investigation, shall be handled in accordance with the Company's Whistleblowing System and Implementation Measures.

### **Article 22 (Unethical Conduct by Others toward the Company)**

If any personnel of the Company discover that another party has engaged in

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unethical conduct towards the Company, and that such unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

**Article 23 (Establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)**

The responsible unit of the Company shall organize periodic training sessions to communicate the importance of ethics to its directors, employees, and mandataries. The Company shall link ethical management to employee performance evaluations and human resources policies, and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of the Company seriously violate its ethical conduct standards, the Company shall dismiss 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 Company.

The Company shall disclose on its intranet information the name and title of the violator, the date and details of the violation, and the actions taken in response.

**Article 24 (Enforcement)**

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

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.

For Group enterprises using these Procedures and Guidelines which have installed supervisors, the supervisors shall be subject, with the necessary changes made, to the same aforementioned Procedures and Guidelines as other directors, managers, employees, and persons having substantial control of the Company.