

Holtek Semiconductor Inc

Ethical Corporate Management Best Practice Principles

Last Revision: July 25, 2022

- Article 1** Holtek Semiconductor Inc. ("the Company"), in order to establish a corporate culture of integrity and ensure sound development, has formulated these guidelines based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and relevant legal provisions for compliance.
- These guidelines apply to the Company, its subsidiaries, and other institutions or entities under substantial control of the Company, collectively referred to as the "Group Enterprises and Organizations."
- Article 2** The Company's directors, managers, employees, appointees, or person having substantial control ("Substantial Controllers") 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 ("unethical conduct") for purposes of acquiring or maintaining benefits.
- 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 the directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 3** "Benefits" in these 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/TPEX 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 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.
- Article 6** The Company has established prevention programs to implement its business philosophy and policies.
- When establishing the prevention programs, the company shall comply with relevant laws and regulations of the territory where the company and business group are operating.
- Article 7** The Company 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 the adequacy and effectiveness on a regular basis.
- It is advisable for the Company to refer to prevailing domestic and foreign standards or guidelines in establishing the prevention programs, which shall 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 The Company shall request its 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.

The Company and the respective business group shall clearly specify in their rules and external documents and on the company 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.

The Company 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.

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

Prior to 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 policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 9 When conducting business, the Company and its directors, managers, employees, mandataries, and Substantial Controllers 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 10 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and its directors, managers, employees, mandataries, and Substantial Controllers shall comply with the “Political Donations Act” and 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 directors, managers, employees, mandataries, and Substantial Controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 12 The Company and its directors, managers, employees, mandataries, and Substantial Controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.

Article 13 The directors, managers, employees, mandataries, and Substantial Controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent Unethical Conduct, to consistently review the results of the preventive measures, and to continually make adjustments so as to ensure thorough implementation of ethical corporate management policies.

To achieve sound ethical corporate management, the Company shall establish a dedicated Resource Management Center that is 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 on a regular basis (at least once a year):

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. Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly 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 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 14 The Company and its directors, managers, employees, mandataries, and Substantial Controllers shall comply with laws and regulations and the Prevention Programs when conducting business.

Article 15 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, supervisors, managers, and other stakeholders attending or present at board meetings 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 Board meetings of the Company, 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 Company, the concerned person may not participate in voting on the proposal 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's directors, managers, employees, mandataries, and Substantial Controllers 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 16

(1) General Norms of Acceptance Standards:

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. Gifts received due to engagements, weddings, childbirths, housewarming, employment, promotions, retirement, resignations, departures, or the illness, injury, or death of oneself, a spouse, or immediate family members shall be valued based on the actual circumstances or customary practices.
7. Other instances that comply with the Company's regulations

(2) When Company personnel encounter situations where others directly or indirectly offer or promise money, gifts, presents, commissions, positions, services, privileges, rebates, facilitation fees, hospitality, entertainment, or other benefits, except in cases specified in the preceding article, the following procedures shall be followed:

1. If the provider or promisor has no work-related interests with the recipient, the recipient shall report to their immediate supervisor and notify the Administration Department within 3 days of receiving the benefit
2. If the provider or promisor has a work-related interest with the recipient, the benefit must be returned or refused. The matter shall also be reported to the recipient's immediate supervisor and the Administration Department. If the benefit cannot be returned, it must be handed over to the Administration Department within three days of receipt. The Administration Department shall assess the nature and value of the item and propose appropriate actions, such as returning it, accepting it with payment, donating it to the Company, transferring it to a charitable organization, or other suitable measures. These recommendations shall be executed upon approval by the General Manager.

The term "work-related interest," as mentioned in the preceding paragraph, refers to any of the following circumstances:

1. Parties with a business relationship, supervisory or command relationship, or those involved in subsidies or rewards.
2. Parties seeking, engaging in, or having entered into contracts such as procurement,

sales, or other agreements.

3. Others who may be positively or negatively affected by the Company's decisions, execution, or non-execution of its business activities.

(3) Procedures for Handling Legal Political Contributions:

1. Ensure compliance with the political contribution regulations of the recipient's country, including limits on contribution amounts and permissible forms.
2. Political contributions must be recorded in accordance with applicable laws and relevant accounting procedures.
3. When providing political contributions, avoid engaging in business dealings, applying for permits, or conducting other activities involving government agencies that may affect the Company's interests.

(4) Procedures for handling legitimate charity donations or sponsorships:

1. It should comply with the laws and regulations of the place of operation.
2. The objects of public welfare charitable donations should be public welfare charitable educational institutions, and should not be used as disguised bribes.
3. The rewards that can be obtained from sponsorship must be clear and reasonable, and must not be the company's business dealings or persons with interests in the company's personnel.
4. After making a charitable donation or sponsorship, the company should confirm that the purpose of the money flow is consistent with the purpose of the donation.

(5) Confidentiality Regulations for Proprietary and Commercially Sensitive Information

Acquired Through Business Activities:

1. Company personnel must strictly adhere to the Company's policies on the management, preservation, and confidentiality of trade secrets, trademarks, patents, copyrights, and other intellectual property. Disclosure of any such information to third parties is prohibited. Additionally, personnel must not inquire about or collect trade secrets, trademarks, patents, copyrights, or other intellectual property unrelated to their job responsibilities.
2. Company personnel must comply with the Securities and Exchange Act, refraining from using non-public information for insider trading or disclosing such information to others, thereby preventing others from engaging in insider trading using said information.
3. The General Manager's Office is the designated unit responsible for formulating and implementing the procedures for managing, preserving, and safeguarding the Company's trade secrets, trademarks, patents, copyrights, and other intellectual property.

(6) Prohibition of Facilitation Payments and Handling Procedures:

1. The Company shall not offer or promise any facilitation payments.
2. If Company personnel, under threat or coercion, provide or promise facilitation payments, they must document the process and report it to their immediate supervisor and the Administration Department. The Administration Department shall promptly notify law enforcement and judicial authorities.

(7) Regulations and Handling Procedures for Transactions with Suppliers, Customers, and Business Partners:

1. Before establishing a business relationship, the Company must evaluate the legitimacy, integrity management policies, and any history of dishonest practices of agents, suppliers, customers, or other business partners to ensure that their business operations are fair, transparent, and do not involve the offering, requesting, or acceptance of bribes.
 2. During business transactions, Company personnel must inform business partners of the Company's integrity management policies and related regulations, and clearly refuse any form or type of improper benefits, whether direct or indirect, offered or requested.
 3. Company personnel should avoid engaging in business transactions with agents, suppliers, customers, or other business partners involved in dishonest practices. If any such dishonesty is discovered in business dealings or collaborations, the Company must immediately cease all commercial relations with the entity and blacklist them as a rejected partner to enforce the Company's integrity management policies.
- (8) Disciplinary Actions for Violators:
1. Upon discovering or receiving reports of Company personnel engaging in dishonest or improper conduct, the Company shall promptly investigate the facts. If the investigation confirms that the accused has violated relevant laws or the Company's integrity management policies and regulations, the individual shall be required to cease the improper behavior immediately. Appropriate actions shall be taken, including reporting to the competent authorities, referring the matter to judicial agencies for investigation, or pursuing legal action to seek damages, thereby protecting the Company's reputation and interests.
 2. If a reported violation is confirmed, the Company shall instruct relevant departments to review the internal control systems and operational procedures and propose corrective actions to prevent the recurrence of similar incidents.
 3. The responsible unit shall report the details of the incident, the handling measures, and the follow-up reviews and corrective actions to the Board of Directors.
 4. If Company personnel discover that others are committing dishonest acts against the Company involving illegal activities, the Company shall notify judicial or prosecutorial authorities of the relevant facts. If such acts involve public agencies or officials, the Company shall also notify government anti-corruption agencies.

Article 17 The Company and its directors, managers, employees, mandataries, and Substantial Controllers 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 18 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 customers, suppliers, territories, or lines of commerce.

Article 19 In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managers, employees, mandataries, and Substantial Controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services, 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 the company's products or services are likely to pose any hazard to the safety and health of consumers or other stakeholders, the company shall, in principle, recall those products or suspend the services immediately.

Article 20 The company 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 the company 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 The chairperson, general manager, or senior management of the company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on a regular basis.

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

The company 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 22 The Company shall adopt a whistleblowing system and an independent mailbox or hotline to allow internal and external personnel of the Company to submit reports. Measures shall be taken to ensure confidentiality of the identity of whistleblowers and the content of reported cases to ensure the personal safety of the whistleblower.

Article 23 The Company shall disclose the status of implementation on the Company's website, annual reports, and prospectuses.

Article 24 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management 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 25 These Principles, and any amendments hereto, shall be implemented after adoption by resolution of the Board of Directors.