

Holtek Semiconductor Inc

Sustainable Development Best Practice Principles

Chapter 1: General Overview

Article1: In order to fulfill the corporate social responsibility initiatives and to promote economic, environmental, and social advancement for purposes of sustainable development, Holtek hereby adopts the Principles of the “Sustainable Development Best Practice Principles to manage company’s economic, environmental and social impacts.

The scope of this principle cover operating activities of the Company and its subsidiaries.

Article2: The Company should actively fulfill the sustainable development in the course of the business operations so as to follow international development trends and to contribute to the economic development of the country, to improve the quality of life of employees, the community and society by acting as responsible corporate citizens, and to enhance competitive edges built on sustainable development.

Article3: In fulfilling sustainable development, the Company should, give due consideration to the rights and interests of stakeholders and, while pursuing sustainable operations and profits, also give due consideration to the environment, society and corporate governance. The Company should, in accordance with the materiality principle, conduct risk assessments of environmental, social and corporate governance issues pertaining to company operations and establish the relevant risk management policy or strategy

Article4: To implement sustainable development initiatives, the Company is advised to follow the principles below:

- (1) Exercise corporate governance.
- (2) Foster a sustainable environment.
- (3) Preserve public welfare.
- (4) Enhance disclosure of sustainable development information.

Article5: The Company should take into consideration the correlation between the

developments of domestic and international sustainable development principles and corporate core business operations, and the effect of the operation of the Company and its respective business groups as a whole on stakeholders, in establishing the policies, systems or relevant management guidelines, and concrete promotion plans for sustainable development programs. When a shareholder proposes a motion involving sustainable development, the company's board of directors is advised to review and consider including it in the shareholders meeting agenda.

Chapter 2: Exercising Corporate Governance

Article6: The Company is advised to follow the Corporate Governance Best Practice 81 Principles for TWSE/GTSM Listed Companies, the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, and the Code of Ethical Conduct for TWSE/GTSM Listed Companies to establish effective corporate governance frameworks and relevant ethical standards so as to enhance corporate governance.

Article7: The directors of the company shall exercise the due care of good administrators to urge the company to perform its sustainable development, examine the results of the implementation thereof from time to time and continually make adjustments so as to ensure the thorough implementation of its sustainable development policies. The board of directors of the company may include the following matters when the company promote its sustainable development goals:

- (1) Identifying the company's sustainable development mission or vision, and declaring its sustainable development policy, systems or relevant management guidelines.
- (2) Making Sustainable Development Policy as the guiding principle of the company's operations and development, and ratifying concrete promotional plans for sustainable development initiatives.
- (3) Enhancing the timeliness and accuracy of the disclosure of sustainable development information.

The board of directors should appoint executive-level positions with responsibility for economic, environmental, and social issues resulting from the business operations of the Company, and to report the status of the handling to the board of directors.

Article8: The Company is advised to, on a regular basis, organize education and training on the implementation of sustainable development, including promotion of

the matters prescribed in Paragraph 2 of the preceding article.

Article9: For the purpose of managing sustainable development initiatives, the Company is advised to establish an exclusively (or concurrently) dedicated unit to be in charge of proposing and enforcing the sustainable development policies, systems, or relevant management guidelines, and concrete promotional plans and to report on the same to the board of directors on a periodic basis.

The Company is advised to adopt reasonable remuneration policies, to ensure that remuneration arrangements support the strategic aims of the organization, and align with the interests of stakeholders.

It is advised that the employee performance evaluation system be combined with sustainable development policies, and that a clear and effective incentive and discipline system be established.

Article10: The Company should, based on respect for the rights and interests of stakeholders, identify stakeholders of the company, and establish a designated section for stakeholders on the company website; understand the reasonable expectations and demands of stakeholders through proper communication with them, and adequately respond to the important sustainable development issues which they are concerned about.

Chapter 3: Fostering Sustainable Environment

Article11: The Company should follow relevant environmental laws, regulations and international standards to properly protect the environment and should endeavor to promote a sustainable environment when engaging in business operations and internal management.

Article12: The Company is advised to endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment to improve sustainability of natural resources.

Article13: The Company is advised to establish proper environment management systems based on the characteristics of their industries. Such systems should include the following tasks:

- (1) Collecting sufficient and up-to-date information to evaluate the impact of the Company's business operations on the natural environment.

- (2) Establishing measurable goals for environmental sustainability, and examining whether the development of such goals should be maintained and whether it is still relevant on a regular basis.
- (3) Adopting enforcement measures such as concrete plans or action plans, and examining the results of their operation on a regular basis.

Article14: The Company is advised to establish a dedicated unit or assign dedicated personnel for drafting, promoting, and maintaining relevant environment management systems and concrete action plans, and should hold environment education courses for their managerial officers and other employees on a periodic basis.

Article15: The Company is advised to take into account the effect of business operations on ecological efficiency, promote and advocate the concept of sustainable consumption, and conduct research and development, procurement, production, operations, and services in accordance with the following principles to reduce the impact on the natural environment and human beings from their business operations:

- (1) Reduce resource and energy consumption of products and services.
- (2) Reduce emission of pollutants, toxins and waste, and dispose of waste properly.
- (3) Improve the recyclability and reusability of raw materials or products
- (4) Maximize the sustainability of renewable resources.
- (5) Enhance the durability of products.
- (6) Improve the effectiveness of products and services

Article16: To improve water use efficiency, the Company should properly and sustainably use water resources and establish relevant management measures. The Company should construct and improve environmental protection treatment facilities to avoid polluting water, air and land, and use their best efforts to reduce adverse impact on human health and the environment by adopting the best practical pollution prevention and control measures.

Article17: The Company is advised to assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures. The Company is advised to adopt standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which should include the following:

- (1) Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the company.
- (2) Indirect greenhouse gas emissions: emissions resulting from the generation of externally purchased or acquired electricity, heating, or steam.
- (3) Other indirect emissions: Emissions from corporate activities; emissions that are not indirect energy emissions; but originate from sources owned or controlled by other companies.

The Company is advised to compile statistics on greenhouse gas emissions, volume of water consumption and total weight of waste and to establish policies for energy conservation, carbon and greenhouse gas reduction, reduction of water consumption or management of other wastes. The companies' carbon reduction strategies should include obtaining carbon credits and be promoted accordingly to minimize the impact of their business operations on climate change.

Chapter 4: Preserving Public Welfare

Article18: The Company should comply with relevant laws and regulations, and the international bill of Human Rights, with respect to rights such as gender equality, the right to work, and prohibition of discrimination.

The Company should comply with the internationally recognized human rights of labor, including the freedom of association, the right of collective bargaining, caring for vulnerable groups, prohibiting the use of child labor, eliminating all forms of forced labor, eliminating recruitment and employment discrimination, and should ensure that their human resource policies do not contain differential treatments based on gender, race, socioeconomic status, age, or marital and family status, so as to achieve equality and fairness in employment, hiring conditions, remuneration, benefits, training, evaluation, and promotion opportunities.

The Company should provide an effective and appropriate grievance mechanism with respect to matters adversely impacting the rights and interests of the labor force, in order to ensure equality and transparency of the grievance process. Channels through which a grievance may be raised should be clear, convenient, and unobstructed. The Company should respond to any employee's grievance in an appropriate manner.

Article19: The Company should provide information for their employees so that the employees have knowledge of the labor laws and the rights they enjoy in the

countries where the companies have business operations.

Article20: The Company is advised to provide safe and healthful work environments for their employees, including necessary health and first-aid facilities and should endeavor to curb dangers to employees' safety and health and to prevent occupational accidents.

The Company is advised to organize training on safety and health for their employees on a regular basis.

Article21: The Company is advised to create an environment conducive to the development of their employees' careers and establish effective training programs to foster career skills.

The Company should appropriately reflect the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and achieve the objective of sustainable operations.

Article22: The Company should establish a platform to facilitate regular two-way communication between the management and the employees for the employees to obtain relevant information on and express their opinions on the company's operations, management and decisions.

The Company should respect the employee representatives' rights to bargain for the working conditions, and should provide the employees with necessary information and hardware equipment, in order to improve the negotiation and cooperation among employers, employees and employee representatives. The Company should, by reasonable means, inform employees of operation changes that might have material impacts.

Article22-1: The Company is advised to treat customers or consumers of its products or services in a fair and reasonable manner, including according to the following principles: fairness and good faith in contracting, duty of care and fiduciary duty, truthfulness in advertising and soliciting, fitness of products or services, notification and disclosure, commensuration between compensation and performance, protection of the right to complain, professionalism of salespersons etc. Said company should also develop the relevant strategies and specific measures for implementation.

Article23: The Company should take responsibility for their products and services, and take marketing ethics seriously. In the process of research and development, procurement, production, operations, and services, the company should ensure the transparency and safety of their products and services. They further should establish and disclose policies on consumer rights and interests, and enforce them in the course of business operations, in order to prevent the products or services from adversely impacting the rights, interests, health, or safety of consumers.

Article24: The Company should ensure the quality of their products and services by following the laws and regulations of the government and relevant standards of their industries.

The Company should follow relevant laws, regulations and international guidelines in regard to customer health and safety and customer privacy involved in, and marketing and labeling of, their products and services and should not deceive, mislead, commit fraud or engage in any other acts which would betray consumers' trust or damage consumers' rights or interests.

Article25: The Company is advised to evaluate and manage all types of risks that could cause interruptions in operations, so as to reduce the impact on consumers and society.

The Company is advised to provide a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, should comply with laws and regulations related to the Personal Information Protection. Act for respecting consumers' rights of privacy and should protect personal data provided by consumers.

Article26: The Company is advised to assess the impact their procurement has on society as well as the environment of the community that they are procuring from, and should cooperate with their suppliers to jointly implement the corporate social responsibility initiative.

The Company is advised to establish supplier management policies and request suppliers to comply with rules governing issues such as environmental protection, occupational safety and health or labor rights. Prior to engaging in commercial dealings, the Company are advised to assess whether there is any record of a supplier's impact on the environment and society, and avoid conducting transactions

with those against corporate social responsibility policy.

When the Company enters into a contract with any of their major suppliers, the content should include terms stipulating mutual compliance with corporate social responsibility policy, and that the contract may be terminated or rescinded any time if the supplier has violated such policy and has caused significant negative impact on the environment and society of the community of the supply source.

Article27: The Company should evaluate the impact of their business operations on the community, and adequately employ personnel from the location of the business operations, to enhance community acceptance.

The Company is advised to, through commercial activities, endowments, volunteering service or other charitable professional services etc., participate in events held by citizen organizations, charities and local government agencies relating to community development and community education to promote community development.

Chapter 5: Enhancing Disclosure of Sustainable Development Information

Article28: The Company should disclose information according to relevant laws, regulations and the Corporate Governance Best Practice Principles and should fully disclose relevant and reliable information relating to their sustainable development initiatives to improve information transparency.

Relevant information relating to sustainable development which the company shall disclose includes:

- (1) The policy, systems or relevant management guidelines, and concrete promotion plans for sustainable development initiatives, as resolved by the board of directors.
- (2) The risks and the impact on the corporate operations and financial condition arising from exercising corporate governance, fostering a sustainable environment and preserving social public welfare.
- (3) Goals and measures for realizing the sustainable environment initiatives established by the companies, and performance in implementation.
- (4) Major stakeholders and their concerns.
- (5) Disclosure of information on major suppliers' management and performance with respect to major environmental and social issues.
- (6) Other information relating to sustainable development initiatives.

Article29: The Company should adopt internationally widely recognized standards or guidelines when producing sustainable development reports, to disclose the status of their implementation of the sustainable development policy. It also is advisable to obtain a third-party assurance or verification for reports to enhance the reliability of the information in the reports. The reports are advised to include:

- (1) The policy, system, or relevant management guidelines and concrete promotion plans for implementing sustainable development initiatives.
- (2) Major stakeholders and their concerns.
- (3) Results and a review of the exercising of corporate governance, fostering of a sustainable environment, preservation of public welfare and promotion of economic development.
- (4) Future improvements and goals.

Article30: The Company should at all times monitor the development of domestic and foreign sustainable development standards and the change of business environment so as to examine and improve their established sustainable development framework and to obtain better results from the implementation of the sustainable development policy.

Chapter 6: Supplementary Provisions

Article31: These principles shall be implemented after being approved by the Board of Directors, and the same shall apply to amendments.