

COSMO ELECTRONICS CORPORATION

Procedures for Ethical Management and Guidelines for Conduct

Formulated on Jan 5, 2015
First amended on April 10, 2019
Second Version

Article 1. Aims and scope of these Procedures & Guidelines

The Corporation engages in commercial activities following the principles of fairness, honesty, faithfulness and transparency. In order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures for Ethical Management and Guidelines for Conduct (hereinafter “**Procedures & Guidelines**”) are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies with a view to providing all personnel of the Corporation with clear directions in the execution of their duties.

These **Procedures & Guidelines** are binding upon the Corporation and its subsidiaries, the foundations endowed directly or indirectly more than 50% of the fund in total by the Corporation and other institutions or legal persons over which the Corporation has substantial control.

Article 2. Definition and presumption of the personnel of the corporation

Under these **Procedures & Guidelines**, the term “personnel of the Corporation” refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control of the Corporation or its group enterprises and organizations.

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

Article 3. Definitions of unethical conduct and counterparty

Under these **Procedures & Guidelines**, “unethical conduct” means the fact that any of the personnel of the Corporation, in the execution of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics or fiduciary duty or any transgression for the purposes of acquiring or maintaining the benefits.

A “counterparty” of the unethical conduct referred to in the preceding paragraph may 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, any substantial controllers or other interested parties.

Article 4. Types of benefits

Under these Procedures and Guidelines, the term “benefit” 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, except for items which are offered on occasions of normal social conduct where it is not possible to affect certain specific rights or duties.

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Article 5. Organizations and responsibilities

The Corporation's Board of Directors shall exercise the due care of good administrators to urge the company 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, the amendment, implementation, interpretation and advisory services with respect to these **Procedures & Guidelines**, the recording and filing of the reports and the monitoring of the implementation shall be reported to the Board regularly.

Article 6. Legal compliance

As the basis of ethical corporate management, the Corporation abides by and complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other regulations on listed and OTC companies or on business conduct.

Article 7. Exceptions to improper benefits

All personnel of the Corporation shall comply with these **Procedures & Guidelines** and relevant procedures in regard of the following matters:

- (1) Situations where the transfer of the benefits does not infringe local laws and regulations applicable to the place of business.
- (2) 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 during the communication and coordination.
- (3) 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.
- (4) 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.
- (5) Attendance at folk festivals open to and invite the attendance of the general public.
- (6) Rewards, emergency assistance, condolence payments or honorariums from the management.
- (7) Money, property or other benefits offered to or accepted from their relatives or friends in a manner that is in compliance with normal social conduct.
- (8) Properties received due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, severance, or the injury, illness or death of the recipient or the recipient's spouse or lineal relative shall comply with relevant operating procedures of the Corporation.
- (9) Other conduct that complies with the rules of the Corporation.

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Article 8. Preventive measures against accepting improper gifts, entertainment or other unjust interests

If any person, whether directly or indirectly, provides or promises to provide any money, gratuity, service, preferential treatment, entertainment, dining or any types of benefits, unless being any exception as set forth in the subparagraphs of the preceding paragraph, personnel of the Corporation shall follow the procedures as below:

- (1) If there is no relationship of interest between the party providing or offering the benefits and the official duties of the personnel of the Corporation, 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 benefits and the official duties of the personnel of the Corporation, the personnel shall return or refuse the benefit, and shall report to his/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 unit for handling.

“A relationship of interest between the party providing or offering the benefits and the official duties of the personnel of the Corporation”, 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 Corporation’s business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The responsible unit of the Corporation shall make a proposal, based on the nature and value of the benefit under paragraph 1, that it should 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.

Article 9. Preventive measures against the offer or promise of facilitating payments

The Corporation shall neither provide nor promise any facilitating payment.

If any of the personnel of the Corporation 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

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recurrence. In cases that involve alleged illegality, the responsible unit shall also immediately report to relevant judicial agencies.

Article 10. Preventive measures against paying illegal political contributions

Political contributions by the Corporation shall be made in accordance with the following provisions. Such contributions may be made only after them being reported to the supervisors in charge for approval and subsequently approved according to the authority matrix:

- (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, activities such as commercial dealings, applications for permits and other matters involving the interests of the Corporation with related government agencies shall be avoided.

Article 11. Preventive measures against making improper charitable donations or sponsorships

Charitable donations or sponsorships by the Corporation shall be made in accordance with the following provisions. Such donations may be made only after them being reported to the supervisors in charge for approval and subsequently approved according to the authority matrix:

- (1) It shall be ascertained that the donation or sponsorship complies with the laws of the place of 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 Corporation's commercial dealings or a party with which any of the personnel of the Corporation has a relationship of interest.
- (5) After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

Article 12. Policy of the prevention of conflict of interests

Any of the directors, supervisors, managers and other stakeholders attending or present at board meetings of the Corporation shall reply and may express their opinions to the Board, shall recuse themselves from any discussion or voting and may not participate in the discussion or vote on the

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proposals or exercise voting rights by proxy on behalf of another director if there is a possibility of conflict of interests between the Corporation and themselves or the legal persons they represent and that such conflict would likely prejudice the interests of the Corporation. The directors shall practice self-discipline and may not support one another in improper dealings.

If in the course of conducting company business, any of the personnel of the Corporation discovers that a potential conflict of interests exists involving themselves or the legal persons 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, he/she shall report such matters to both his/her immediate supervisor and the responsible unit. The immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Corporation may use company resources on commercial activities other than those of the Corporation, nor may their job performance be affected by their involvement in the commercial activities other than those of the Corporation.

Article 13. Non-disclosure regulations of confidential and sensitive business information obtained in the execution of the duty

The Corporation assigns the Department of Management as the special unit to formulate and implement procedures for managing, preserving and maintaining the confidentiality of the Corporation's trade secrets, and it shall also conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.

All personnel of the Corporation shall faithfully follow the operational directions pertaining to the Corporation's trade secrets and may not disclose to any other party any trade secrets of the Corporation of which they have learned, nor may they inquire about or collect any trade secrets irrelevant to their individual duties.

Article 14. Prohibition on insider trading

All personnel of the Corporation shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. The personnel are also prohibited from divulging undisclosed information to any other parties in order to prevent them from using such information to engage in insider trading.

Article 15. Establishment of effective accounting and internal control systems

The Corporation shall establish effective systems of accounting and internal control for business activities possibly at a higher risk of being involved in an unethical conduct and may not have under-the-table accounts or keep any secret accounts. The Corporation shall conduct reviews

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regularly so as to ensure that the design and enforcement of the systems are showing results.

Internal auditors of the Corporation shall regularly check and review the compliance of the system with corporate regulations, put down such results in writing in the form of an audit report, and report to the Board of Directors.

Article 16. Non-disclosure regulations for participants of the Corporation's partnership programs or major contracts

Any organization or person outside of the Corporation that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plans or the signing of a major contract by the Corporation is required not to disclose to any other party any trade secret or other material information of the Corporation acquired as a result and may not use such information without the prior consent of the Corporation.

Article 17. Disclosure of ethical management policy

The Corporation shall disclose its policy of ethical management in its internal rules and directions, annual reports, on the Corporation's websites and in other promotional material and shall make timely announcements of the policy in the events held for outside parties such as product launches and investor roadshows in order to make its suppliers, customers and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 18. Preventive measures against bribery

Any personnel of the Corporation, when engaging in commercial activities, shall make a statement to the trading counterparty about the Corporation's ethical management policy and the related rules, and shall clearly refuse to provide, promise, request or accept, directly or indirectly, any improper benefits in whatever form or name, including rebate, commission, facilitating payment and any other improper benefits. But if the conduct complies with the laws of the place of business, this shall not apply.

Article 19. Rules and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct

All personnel of the Corporation shall avoid business transactions with an agent, supplier, customer or any other counterparty in a transaction who gets involved in unethical conduct.

When the counterparty or partner in co-operation is found to have engaged in unethical conduct, the Corporation may terminate or rescind the contract at any time in order to implement its ethical management policy.

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Article 20. Handling of personnel involved in unethical conduct

When discovering or receiving complaints about unethical conduct of its personnel, the Corporation shall immediately verify the facts. If a person being informed on is confirmed to have indeed violated the applicable laws and regulations or the Corporation's policy and rules of ethical management, the Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Corporation will commence legal proceedings and seek damages to defend its reputation and its rights and interests.

The Corporation shall internally establish and publicly announce on its website and the internet, or provide through an independent external institution, an independent mailbox or hotline for insiders and outsiders of the Corporation to submit reports. A whistleblower shall at least furnish the following information:

- (1) The whistleblower's name and ID number and an address, telephone number and e-mail address where he/she can be reached
- (2) The reported party's name or other information sufficient to distinguish its identifying features
- (3) Specific facts available for investigation

The personnel of the Corporation handling whistleblowing matters shall state in writing that they will keep the whistleblowers' identity and contents of information confidential. The Corporation also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing. The responsible unit of the Corporation shall observe the following procedures when handling whistleblowing matters:

- (1) Such information shall be reported to the department head if involving the rank and file, and to an independent director or supervisor if involving a director or a senior executive.
- (2) The responsible unit of the 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 legal compliance or other related departments.
- (3) If a person being informed on is confirmed to have indeed violated the applicable laws and regulations or the Corporation's policy and rules of ethical management, the Corporation shall immediately require the violator to cease the conduct and shall make an appropriate disposition. When necessary, the Corporation will commence legal proceedings and seek damages to defend 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 over 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, the Corporation shall charge relevant units with the

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tasks of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence in future.

- (6) The responsible unit of the Corporation shall submit to the Board of Directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.

Article 21. Course of action in the event of unethical conduct by others towards the Corporation

If any of the personnel of the Corporation discovers that another party has engaged in unethical conduct towards the Corporation and such unethical conduct involves alleged illegality, the Corporation shall respond and proceed with the case pursuant to relevant laws, regulations or its corporate rules.

Article 22. Assessments and disciplinary measures against violators

The Corporation shall link ethical management to employee performance assessments and its human resources policy and establish clear and effective systems for rewards, penalties and complaints. If any of the personnel of the Corporation seriously violates the rules or directions for ethical conduct, the violator shall be handled in accordance with relevant laws and regulations or the Corporation's HR procedures.

Article 23. Training programs and internal education

The Corporation shall periodically organize training and awareness programs for directors, supervisors, managers, employees and substantial controllers and invite the counterparties of commercial transactions with the Corporation so that they understand the Corporation's resolve to implement ethical corporate management, its related policies, prevention programs and the consequences of committing unethical conduct.

Article 24. Information disclosure

The Corporation shall disclose the progress on the implementation of its Ethical Corporate Management Best Practice Principles on its websites, annual reports and prospectuses.

Article 25. Reviews and amendments to the Procedures & Guidelines

The Corporation shall at all times follow the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers and employees to make suggestions, based on which these adopted **Procedures & Guidelines** will be reviewed and improved, with a view to enhancing the efficacy of the ethical management of the Corporation.

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Article 26. Implementation

These **Procedures & Guidelines** shall be implemented once being adopted by the Board of Directors. So shall the amendments to these **Procedures & Guidelines**.

When submitting these **Procedures & Guidelines** to the Board for discussion, the Board shall take into full consideration each independent director's opinion. Any objection or reservation of any independent director shall be noted in the minutes of the board meeting. If an independent director cannot attend the board meeting in person to state such opinions, unless with good cause, a written opinion shall be submitted in advance and noted in the minutes of the board meeting.