

# TSC Auto ID Technology Co., Ltd.

## Procedures for Ethical Management and Guidelines for Conduct

### **Article 1. (Purpose of Adoption)**

1. The 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 Ethical Management and Guidelines for Conduct are adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the Company's "Ethical Corporate Management Best Practice Principles," with a view to providing all personnel of the Company clear direction in the performance of their duties.

### **Article 2. (Applicable Subjects)**

1. For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, supervisor, managerial officer, employee, mandatary or person having substantial control of the Company and its group enterprises and organizations.
2. 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)**

1. For the purposes of these Procedures and Guidelines, "unethical conduct" refers to instances in which any personnel of the 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.
2. 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 their directors, supervisors, managers, employees or substantial controllers or other stakeholders.

### **Article 4. (Type 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 and Duties)**

The Company shall designate the chief corporate governance officer as the sole responsible unit (hereinafter, the "responsible unit") under the Board of Directors and provide it with sufficient resources and competent personnel to be 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 (at least once a year) 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. Analyzing and assessing on a regular basis the risk of involvement in unethical conduct within the business scope, adopting accordingly 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. Planning 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 effective, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.
7. Preparing and retaining properly documented information such as ethical management policies and compliance statements, situations concerning the performance of undertakings and enforcement etc.

#### **Article 6. (Prohibition against providing or accepting improper benefits)**

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 “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, the Company’s “Ethical Corporate Management Best Practice Principles” and these Procedures and Guidelines, except in the following instances:

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 customs, 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. Money, property, or other benefits with a market value of NT\$3,000 or less offered to or accepted from a person other than relatives or friends; or gifts of property with a total market value of NT\$6,000 or less given by another party to the majority of the personnel of the Company, provided that the total market value of the property offered to the same counterparty or coming from the same source within a single fiscal year shall be limited to NT\$10,000.
7. Money, property or other benefits with a market value of NT\$6,000 or less offered to or received from a person other than relatives or friends due to engagement, marriage, maternity, relocation, assumption of a position, promotion or transfer, retirement, resignation, or severance, or the injury, illness, or death of the recipient or the recipient's spouse or lineal relative.
8. Other conduct that complies with the rules of the Company.

#### **Article 7. (Procedures for handling the acceptance of improper benefits)**

1. 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:

If there is no relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, the personnel shall report to their immediate supervisor within three days from the acceptance of the benefit, and the Company's 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 Company's responsible unit. When the benefit cannot be returned, then within three days from the acceptance of the benefit, the personnel shall refer the matter to the Company's responsible unit for handling. A relationship of interest between the party providing or offering the benefit and the official duties of the Company's personnel, as referred to in the preceding paragraph, refers to one of the following circumstances:
  - (1) When both parties have commercial dealings, a relationship of direction and supervision, or subsidies (or rewards) for expenses.
  - (2) When a contracting or trading relationship has been established or during the process of establishing one.
  - (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.
3. 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, and execute the proposal only upon approval of the General Manager.

#### **Article 8. (Prohibition of and handling procedure for facilitating payments)**

1. The Company shall neither provide nor promise any facilitating payment.
2. 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 Company's responsible unit.
3. Upon receipt of the report under the preceding paragraph, the Company's 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)**

The Company and the Group choose not to make political donations by adhering to a politically neutral stance. The Company's personnel shall not talk about politics or engage in political activities during working hours or in the workplace, or post posters, promotional materials or propaganda for political activities.

#### **Article 10. (Procedures for handling charitable donations or sponsorships)**

Charitable donations or sponsorships by the Company shall be made in accordance with the following manners, reported to the Chairman for approval, and a notification given to the responsible unit; when the amount of a contribution attains NT\$1 million or more, it shall be made only after being reported to and approved by the Board of Directors:

1. It shall comply 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. The Company shall not surreptitiously engage in 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.
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 11. (Recusal)**

1. 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, supervisors, 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 discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, 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.
2. Where the spouse or a relative by blood within the second degree of kinship of a director, or a company which has a controlling or subordinate relation with a director, is an interested party with respect to said agenda item, such director shall be deemed to be an interested party with respect to that agenda item.
3. 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.
4. 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. (Special unit in charge of confidentiality mechanism and its responsibilities)**

1. The related departments shall be responsible for managing, preserving, and maintaining the confidentiality of the Company's trade secrets, trademarks, patents, works and other intellectual properties in accordance with the operating procedures formulated by the related departments subject to their business types and work rules, and shall conduct periodical reviews on the results of implementation to ensure the sustained effectiveness of the confidentiality procedures.
2. All personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.

### **Article 13. (Prohibition against unfair competition)**

The Company shall follow the Fair Trade Act and applicable competition laws and regulations when engaging in business activities, 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 14. (Prevention of products or services impairing stakeholders)**

1. The Company shall collect and understand the applicable laws and regulations and international standards governing its products and services which it shall observe and gather and publish all guidelines to cause personnel of the Company to ensure the transparency of information on, and safety of, the products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.
2. The Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers or other stakeholders to prevent its products and services from directly or indirectly damaging the rights and interests, health, or safety of consumers or other stakeholders.
3. Where there are media reports or 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, verify the facts and present a review and improvement plan. The responsible unit of the Company shall report such instances as outlined in the preceding paragraph, as well as the responses, subsequent review and corrective measures taken to the Board of Directors.

### **Article 15. (Prohibition against insider trading and non-disclosure agreement)**

1. All personnel of the Company 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. Personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent the other party from using such information to engage in insider trading.
2. 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 undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and to not use such information without the prior consent of the Company.

### **Article 16. (Compliance and announcement of the ethical management policy)**

1. The Company shall request their 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.
2. The Company shall disclose its ethical management policy in its internal rules, annual reports, on the Company's official websites, and in other promotional materials.

### **Article 17. (Ethical management evaluation prior to development of commercial relationships)**

1. 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 ethical 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.

2. 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 ethical 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 ethical management policy, and the status of its implementation.
  - (3) Whether the enterprise's business operations are located in a country with a high risk of corruption.
  - (4) Whether the business operated by the enterprise is in an industry with a high risk of bribery.
  - (5) The long-term business condition and degree of goodwill of the enterprise.
  - (6) Consultation with the enterprise's business partners on their opinion of the enterprise.
  - (7) Whether the enterprise has a record of involvement in unethical conduct such as bribery or illegal political contributions.

**Article 18. (Statement of ethical 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 ethical 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.

**Article 19. (Avoidance of transactions with parties engaged in unethical management)**

The Company's personnel 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, all personnel shall immediately cease dealing with the counterparty and blacklist it for any further business interactions in order to effectively implement the Company's ethical management policy.

**Article 20. (Stipulation of terms of ethical 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 ethical management, and shall make sure that the contract includes in its terms and conditions the ethical management policy of the Company, explicitly stipulating the following matters, at least:

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 from the other party specific damages, 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)**

1. The Company shall disclose the mailbox for whistleblowing on the Company's website available to external and internal personnel.
2. A whistleblower shall at least furnish the following information:
  - (1) The whistleblower's actual name, ID card number, and valid contact information. The so-called contact methods include but are not limited to telephone numbers, mailing addresses, and e-mail addresses.
  - (2) The respondent's name or other information that is sufficiently identifiable.
  - (3) The specific content of the reported case, the time of occurrence, and the location of the violation, with specific evidence and relevant information for investigation.
  - (4) Assuming that the whistleblower is anonymous or fails to provide the real name and available contact number, if the accused and contents may be identified specifically and verifiable information is attached, and the accepting unit deems it necessary to investigate, it shall still accept the whistleblowing.
3. Personnel of the Company handling whistleblowing matters shall represent in writing they will keep the whistleblowers' identity and contents of the complaint confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistleblowing.
4. The Company shall observe the following procedure in handling whistleblowing matters:
  - (1) Any whistleblowing case involving general employees shall be reported to the Chairman, and referred to the General Manager, if necessary. If the case involves any directors or senior management with duties equivalent to assistant general manager or higher, the matter shall be reported to the Audit Committee.
  - (2) The Company's accepting unit or investigating unit and the supervisor or personnel receiving the report referred to in the preceding subparagraph shall ascertain the relevant facts immediately, and may, if necessary, engage relevant departments for assistance, or engage external independent professionals to assist in the investigation.
  - (3) If the accused is confirmed to have indeed violated the applicable laws and regulations or the Company's policy and regulations of ethical management, the Company shall immediately require the accused to cease such conduct and shall make an appropriate disposition. When necessary, the Company will report the case to the competent authority and transfer it to judicial agency, or institute legal proceedings and seek damages to safeguard its reputation and 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 in respect to the whistleblowing case before the retention period expires, the relevant information shall continue to be retained until the conclusion of the litigation.
  - (5) If the report is found to be true, the relevant department shall submit a written review and improvement measures, which shall be followed up by the responsible unit until the improvement is completed.
  - (6) After the completion of the investigation, if the respondent is a general employee, the investigation unit shall report to the Chairman in writing and notify the general manager; if the respondent involves a director or senior management with duties equivalent to an assistant general manager or higher, the investigation report shall be submitted to the Company's Audit Committee and the audit unit will make revisions (if any) to the report based on the opinions of the Audit Committee and submit the revised report to the Chairman for approval, and then to the Board of Directors for approval.

**Article 22. (Actions upon event of unethical conduct by others towards the Company)**

If any personnel of the Company discovers that another party has engaged in unethical conduct towards the Company, and 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. (Internal awareness sessions and establishment of a system for rewards, penalties, and complaints, and related disciplinary measures)**

1. The responsible unit of the Company shall organize at least one awareness session each year and arrange for the Chairman, General Manager, or senior management to communicate the importance of ethics to its directors, employees, and mandataries.
2. 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.
3. If any personnel of the Company seriously violates the ethical conduct policy, 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.

**Article 24. (Implementation)**

1. These Procedures, and any amendments hereto, shall be implemented upon approval of the Audit Committee and adoption by resolution of the Board of Directors.
2. When these Procedures are submitted to the Board of Directors for discussion, the Board of Directors shall take into full consideration the opinion of each independent director. Any objections or reservations of any independent director shall be recorded in the minutes of the Board of Directors meeting. An independent director that cannot attend the Board of Directors meeting in person to express objections or reservations shall provide a written opinion before the meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.