# HSING TA CEMENT CO., LTD.

| Category | **Ethical Corporate Management Best-Practice Principles** | Formulated by | Board of Directors | Document No. | HOAC011 |
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| Procedures | | Date of Issuance | June 21, 2018 | Page | 1／7 |

| Version | Revision | | | Description of Revision | Drafted by | Reviewed by | Approved by | Date |
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| | Revision No. | Page | Article(s) | | | | | |
| A | | | | Newly enacted | Regulation Formulation Taskforce | Yang, Te-Hsiung | Board of Directors | March 29, 2013 |
| A | 1 | 2/7<br>3/7<br>4/7<br>5/7<br>6/7<br>7/7 | Articles 2, 6, 7, 10, 11, 16, 17, 20, 21, 23, 24, 27 | (1) Revised pursuant to FSC Letter No. 1030039898.<br>(2) Revised pursuant to FSC Letter No. 10200531121 to align with the establishment of the Audit Committee replacing the functions of supervisors, and amendments made accordingly to relevant wording.<br>(3) Adjustment of article numbering. | Regulation Formulation Taskforce | Yang, Chih-Hsiung | Board of Directors | May 9, 2018 |
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Article 1 (Purpose and Scope of Application)

To foster a corporate culture of ethical management and sound development, the Company hereby adopts these Principles for compliance.

These Principles shall apply to all subsidiaries of the Company, foundations to which the Company's direct or indirect cumulative donations exceed fifty percent (50%) of the total funds, and any other group enterprises or organizations over which the Company exercises substantial control (hereinafter collectively referred to as the "Group Enterprises and Organizations").

Article 2 (Prohibition of Unethical Conduct)

When engaging in business activities, directors, managerial officers, employees, appointees, or persons with substantial control over the Company (hereinafter collectively referred to as "persons with substantial control") shall not directly or indirectly offer, promise, request, or accept any improper benefit, nor engage in other unethical conduct such as acts in breach of integrity, illegality, or fiduciary duty, for the purpose of obtaining or maintaining benefits (hereinafter referred to as "unethical conduct").

The counterparties of the foregoing acts include public officials, political candidates, political parties or their members, as well as directors, managerial officers, employees, persons with substantial control, or other stakeholders of any public or private enterprise or institution.

Article 3 (Forms of Benefit)

The term "benefit" as referred to in these Principles means any item of value, including but not limited to money, gifts, commissions, positions, services, preferential treatment, or kickbacks, in any form or under any name. However, legitimate and occasional social courtesy that does not affect specific rights or obligations shall be excluded.

Article 4 (Compliance with Laws and Regulations)

The Company shall comply with the *Company Act*, *Securities and Exchange Act*, *Business Accounting Act*, *Political Donations Act*, *Anti-Corruption Act*, *Government Procurement Act*, *Act on Recusal of Public Servants Due to Conflicts of Interest*, relevant TWSE/TPEx regulations, and other laws governing business conduct as the fundamental basis for ethical corporate management.

Article 5 (Policy)

The Company shall adhere to the principles of integrity, transparency, and responsibility, formulate policies based on ethical management, and establish sound corporate governance and risk control mechanisms to create a sustainable business environment.

Article 6 (Prevention Programs)

In accordance with the operational philosophy and policies stated in the preceding Article, the Company shall proactively establish prevention programs against unethical conduct, and where necessary, formulate operating procedures, codes of conduct, and educational training.

The prevention programs established by the Company shall comply with applicable laws and regulations governing the Company and its Group Enterprises and Organizations.

During the formulation of prevention programs, the Company is encouraged to communicate with employees, labor unions, significant business counterparties, or other stakeholders.

Article 7 (Scope of Prevention Programs)

When formulating prevention programs, the Company shall analyze business activities within its operational scope that are at a higher risk of unethical conduct and strengthen relevant preventive measures.

The prevention programs established by the Company shall at least include preventive measures for the following types of conduct:

1. Offering and acceptance of bribes.
2. Providing illegal political donations.
3. Improper charitable donations or sponsorships.
4. Offering or accepting unreasonable gifts, h ospitality, or other improper benefits.
5. Infringement of trade secrets, trademarks, patents, copyrights, or other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Causing direct or indirect harm to the rights, health, or safety of consumers or other stakeholders during the research and development, procurement, production, provision, or sale of products and services.

Article 8 (Commitment and Implementation)

The Company and its Group Enterprises and Organizations shall clearly state their ethical corporate management policies in their internal regulations and external documents. The Board of Directors and managerial officers shall actively fulfill their commitment to implementing ethical corporate management policies and ensure that such policies are effectively executed in internal management and business operations.

Article 9 (Ethical Business Practices)

The Company shall conduct business based on the principles of ethical management, fairness, and transparency.

Before engaging in any business transactions, the Company shall consider the legality and integrity of agents, suppliers, customers, or other business counterparties and avoid dealings with those involved in unethical conduct.

Contracts entered into by the Company with agents, suppliers, customers, or other business counterparties shall include clauses requiring compliance with the Company's ethical management policies and granting the Company the right to terminate or rescind the contract at any time if the counterparty engages in unethical conduct.

Article 10 (Prohibition of Bribery and Acceptance of Bribes)

The Company, its directors, managerial officers, employees, appointees, and persons with substantial control shall not, in the course of business operations, directly or indirectly offer, promise, request, or accept any form of improper benefit from customers, agents, contractors, suppliers, public officials, or other stakeholders.

Article 11 (Prohibition of Illegal Political Donations)

The Company, its directors, managerial officers, employees, appointees, and persons with substantial control shall ensure that any political donations made directly or indirectly to political parties, organizations, or individuals participating in political activities comply with the *Political Donations Act* and relevant internal procedures of the Company, and shall not be made to obtain commercial benefits or trading advantages.

Article 12 (Prohibition of Improper Charitable Donations or Sponsorships)

The Company, its directors, managerial officers, employees, appointees, and persons with substantial control shall ensure that all charitable donations or sponsorships comply with relevant laws and internal procedures, and shall not be used as a means of bribery in disguise.

Article 13 (Prohibition of Unreasonable Gifts, Hospitality, or Other Improper Benefits)

The Company, its directors, managerial officers, employees, appointees, and persons with substantial control shall not directly or indirectly offer or accept any unreasonable gifts, hospitality, or other improper benefits intended to establish business relationships or influence commercial transactions.

Article 14 (Prohibition of Infringement of Intellectual Property Rights)

The Company, its directors, managerial officers, employees, appointees, and persons with substantial control shall comply with applicable laws and regulations on intellectual property rights, internal procedures, and contractual obligations. Without the consent of the owner of such rights, no person shall use, disclose, dispose of, damage, or otherwise infringe upon the intellectual property rights of others.

Article 15 (Prohibition of Unfair Competition)

The Company shall conduct its business in accordance with relevant competition laws and regulations, and shall not engage in acts such as price fixing, bid rigging, production or quota restriction, or market sharing or division through the allocation of customers, suppliers, operating territories, or types of business.

Article 16 (Prevention of Harm to Stakeholders by Products or Services)

The Company, its directors, managerial officers, employees, appointees, and persons with substantial control shall, in the research and development, procurement, manufacturing, provision, or sale of products and services, comply with applicable laws and international standards to ensure product and service transparency and safety. The Company shall establish and, when appropriate, disclose policies for protecting the rights and interests of consumers and other stakeholders, and implement such policies in its business operations to prevent products or services from directly or indirectly harming the rights, health, or safety of consumers or other stakeholders. Where there is sufficient evidence to indicate that a product or service may endanger the health or safety of consumers or other stakeholders, the Company shall, in principle, promptly recall the affected product or suspend the provision of such service.

Article 17 (Organization and Responsibilities)

The Company’s directors, managerial officers, employees, appointees, and persons with substantial control shall exercise the duty of care of a good administrator to supervise the prevention of unethical conduct, regularly review implementation results, and make continuous improvements to ensure the effective execution of the Company’s ethical corporate management policies.

To strengthen the management of ethical corporate conduct, the Company may establish a dedicated unit under the Board of Directors responsible for formulating and supervising the implementation of ethical corporate management policies and prevention programs, and for reporting to the Board of Directors on a regular basis.

Article 18 (Compliance with Laws in Business Operations)

In the course of business operations, the Company’s directors, managerial officers, employees, appointees, and persons with substantial control shall comply with applicable laws and regulations as well as the established prevention programs.

Article 19 (Avoidance of Conflicts of Interest)

The Company shall establish policies to prevent conflicts of interest, identify, monitor, and manage the risks of unethical conduct that may arise from such conflicts, and provide appropriate channels for directors, managerial officers, and other stakeholders attending or sitting in on board meetings to voluntarily disclose any potential conflicts of interest with the Company.

Where a director, managerial officer, or other stakeholder attending or sitting in on a board meeting has an interest in a proposal submitted to the Board of Directors, he or she shall explain the material aspects of the interest at that meeting. If there is a likelihood of harm to the Company’s interest, the individual shall not participate in the discussion or voting, and shall recuse himself or herself during both. Moreover, such person shall not exercise voting rights on behalf of another director. Directors shall also practice self-discipline and refrain from improper mutual support.

The Company’s directors, managerial officers, employees, appointees, and persons with substantial control shall not use their positions or influence within the Company to obtain improper benefits for themselves, their spouses, parents, children, or any other parties.

Article 20 (Accounting and Internal Control)

The Company shall establish effective accounting systems and internal control mechanisms for business activities with a higher risk of unethical conduct, and shall not maintain off-the-book accounts or secret accounts. Such systems shall be reviewed on an ongoing basis to ensure their design and implementation remain effective.

The internal audit unit shall periodically examine the compliance status of the aforementioned systems and prepare audit reports for submission to the Board of Directors. The Company may engage certified public accountants to conduct audits or, when necessary, appoint other professionals to provide assistance.

Article 21 (Operating Procedures and Code of Conduct)

In accordance with Article 6, the Company shall establish operating procedures and a code of conduct to regulate the business conduct of its directors, managerial officers, employees, and persons with substantial control. The content shall at least include the following:

1. Criteria for determining the offering or acceptance of improper benefits.
2. Procedures for handling lawful political donations.
3. Procedures and monetary limits for making legitimate charitable donations or sponsorships.
4. Rules governing the avoidance of conflicts of interest in the performance of duties, and procedures for reporting and handling such conflicts.
5. Confidentiality rules for business secrets and sensitive commercial information acquired in the course of business.
6. Regulations and handling procedures for suppliers, customers, and business counterparties involved in unethical conduct.
7. Procedures for handling discovered violations of the Company's Ethical Corporate Management Principles.
8. Disciplinary measures to be imposed for violations.

Article 22 (Education, Training, and Performance Evaluation)

The chairman, president, or senior management of the Company shall communicate the importance of integrity to directors, employees, and appointees in a timely manner.

The Company shall conduct educational programs and awareness campaigns for directors, managerial officers, employees, appointees, and persons with substantial control as appropriate, and ensure that business counterparties fully understand the Company's determination, policies, prevention programs, and the consequences of violating the principles of ethical corporate management.

The Company shall integrate its ethical corporate management policies into employee performance evaluation and human resources policies, and establish clear and effective reward and disciplinary systems.

Article 23 (Whistleblowing System)

The Company shall establish a concrete whistleblowing system and ensure its effective implementation. The system shall at least include the following:

1. Establishment and public announcement of an internal independent mailbox or hotline, or the engagement of an external independent institution to provide such reporting channels, available to both internal and external personnel.
2. Designation of responsible personnel or units to handle reported cases. If a report involves a director or senior management, it shall be submitted to the independent directors, and standard operating procedures for reporting and investigation shall be established.
3. Procedures for recordkeeping and retention of case acceptance, investigation processes, findings, and related documentation.
4. Confidentiality of the identity of the whistleblower and the reported content.
5. Measures to protect the whistleblower from improper retaliation or unfair treatment as a result of the report.
6. Reward mechanisms for whistleblowers.

If, after investigation, the responsible personnel or unit discovers a significant violation or finds that the Company faces a potential material loss, a report shall be promptly prepared and submitted in writing to the independent directors.

Article 24 (Disciplinary Actions and Appeals))

The Company shall clearly define and publish disciplinary actions and appeal procedures for violations of the ethical corporate management requirements, and shall promptly disclose on its internal website the violator's title, name, date and details of the violation, and the status of the handling of such violation. However, any person who violates the Company's ethical corporate management requirements may file an appeal with the Company simultaneously.

Article 25 (Information Disclosure)

The Company shall, when appropriate, establish evaluation mechanisms to assess the effectiveness of its ethical corporate management policies and their implementation results.

The Company shall disclose, through its website, annual reports, and public prospectuses, the specific measures adopted, their implementation, and results of promoting ethical management, and shall also disclose the contents of these Ethical Corporate Management Best-Practice Principles on the Market Observation Post System (MOPS).

Article 26 (Review and Amendment of Ethical Management Policies and Measures)

The Company shall constantly monitor the development of ethical corporate management standards domestically and abroad, and shall encourage directors, managerial officers, and employees to propose suggestions for reviewing and improving the Company's ethical management policies and measures to enhance the effectiveness of their implementation.

Article 27 (Implementation)

These Ethical Corporate Management Best-Practice Principles shall be implemented after being approved by the Board of Directors and shall be reported to the shareholders' meeting. The same procedure shall apply to any amendments thereto.