

AXIOMTEK CO., LTD.

Operating Procedures and Conduct Principles for Ethical Corporate Management

Article 1 Purpose and scope of application

Axiomtek Co., Ltd. (hereinafter referred to as “the Company”) has been engaged in business activities on the basis of fairness, honesty, trustworthiness and transparency. In order to fully implement the policy of ethical management and actively prevent any unethical conduct, the Company has stipulated the “Operating Procedure and Conduct Principles for Ethical Corporate Management” (hereinafter referred to as “the Ethical Corporate Management”) specifically specifying the guidelines on business conducts for personnel of the Company in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”, the “Practice Principles for Ethical Corporate Management” of the Company, and relevant laws and regulations applicable to the location where the enterprise and the organization of the Company and its subsidiaries are operating. “The Ethical Corporate Management” shall be applicable to the Company and its subsidiaries as well as other legal entities (hereinafter referred to as “the Group” together with the Group and all subsidiaries) such as institutions, corporations, enterprises and organizations over which the Company carries substantial controlling power.

Article 2 Applicable candidates

The term “the personnel of the Company” in “the Ethical Corporate Management” refers to Directors, Supervisors, professional managers, employees, appointees and any individuals with the substantial control capability within the enterprise and the organization of the Company and the Group. Any personnel of the Company shall be presumed to have committed an unethical conduct upon offered, promised and demanded or accepting any unentitled interests by or from a third party.

Article 3 Unethical conduct

The term “unethical conduct” in “the Ethical Corporate Management” refers to the conduct of the personnel of the Company - during the course of carrying out the business, directly or indirectly for the purpose of acquiring or maintaining interests - in offering, promising, demanding or accepting any unentitled interests to/for/by/from a third party; or in engaging in any activities unethical or illegal, breaches of good faith or fiduciary duty.

The term “third party” involved in an abovementioned unethical conduct refers to public officials, political candidates, members of/for a political party, as well as Directors, Supervisors, professional managers, employees, appointees, any individuals with the substantial control capability, or other stakeholders within any public and private enterprises or institutions.

Article 4 Forms of interests

The term “interests” in “the Ethical Corporate Management” refers to money, gratuity, gift, commission, position, service, preferential treatment, rebate, facilitation payment, hospitality, entertainment, and other valuable thing in any shape of forms or under any guise of names.

Article 5 Competent Unit and duties

The Company shall designate the Human Resources Department as the solely responsible unit under the board of directors and in charge of the amendment, implementation, interpretation, and advisory services with respect to the 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 to the board of directors (at least once a year):

1. To assist the incorporation of ethical and moral values into business strategy of the Company as well as to stipulate relevant prevention measures against corruption and malfeasance to ensure ethical management of the Company in accordance with the legal system.
2. To analyze and evaluate the risk of dishonesty within the scope of its business regularly, and to stipulate programs on the prevention of unethical conduct as well as to stipulate in each program standard operating procedures and conduct principles relevant to business undertaken.
3. To plan the internal organization, structure and responsibility as well as to deploy mutual supervision and balance mechanism for business activities within the business scope that may engage in a higher risk of unethical conduct.
4. To promote and coordinate trainings on the advocacy of ethical management policy.
5. To plan the prosecution system to ensure the effectiveness of the implementation.
6. To assist the Board of Directors and the management level in auditing and evaluating the effective operation of the preventive measures established for the execution of ethical management as well as to carry out regular reporting on the particulars about the compliance of relevant business processes.
7. To produce and properly preserve the documented information on the policy of ethical management and its statement of compliance, implementation of commitments and implementation.

Article 6 Prohibition of the provision or acceptance of unentitled interests

When directly or indirectly offering, promising, demanding or accepting any unentitled interests as specified in Article 4, the personnel of the Company shall comply with the provisions of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies” and “the Ethical Corporate Management” as well as handle the matter according to the relevant procedures unless otherwise under the following circumstances:

1. Any conducts based on business needs during the visit at home or abroad, the reception of foreign guests, the business promotion, communication and coordination, that are in line with local courtesies, practice or custom.
2. Any social activities that the personnel participates in or invites others to participate in that are based on normal social customs, business purposes, or relation building.
3. Any specific business activities or factory touring that the personnel participates in or invites others to participate in because of business needs where activity details had been clearly set out beforehand

such as cost bearing methods, number of participants, accommodation class and period.

4. Any folk festivals in which the personnel participates are also open to the general public.
5. Any rewards, deliverances, condolences or honorariums from the upper management.
6. Any gifts with a market value not exceeding NTD 50,000 received by the personnel due to engagement, marriage, maternity, relocation, assumption of a job, promotion, transfer, retirement, resignation, or demission; or any gifts received by the personnel due to injury, illness, or death of the personnel himself, his spouse or immediate family member, that are in compliance with the provisions of the Company.
7. Any other matters in compliance with the provisions of the Company.

Article 7 Handling procedure for the acceptance of unentitled interests

Unless otherwise under the circumstances as stipulated in aforementioned Articles, when directly or indirectly offered, promised, demanded or accepted any unethical interests as specified in Article 4, the personnel of the Company shall handle the matter according to the following procedures:

1. If the third party who offering or promising to the personnel of the Company bears no interest in the business conducted by the personnel, the personnel shall within three days of receiving the interest report to his direct supervisor and, if necessary, inform the Component Unit of the Company.
2. If the third party who offering or promising to the personnel of the Company bear specific interest in the business conducted by the personnel, the personnel shall return or refuse the interest as well as report to his direct supervisor and inform Component Unit of the Company; if the interest cannot be returned, it shall, within three days from the date of receipt, be handed in to the Component Unit for processing.

The aforementioned "bearing specific interest in the business conducted by the personnel" refers to one of the following circumstances:

- A. The third party and the personnel have remained business contacts, relating to each other in the relations of command/supervision or expenditure supplement/incentive.
- B. The third party and the personnel have been seeking, engaged or entered into a contract of authorization, sale or other contractual relations.
- C. Any other circumstances where the third party may be favorably or adversely affected by the decision of implementation or non-implementation of a certain business.

Depending on the nature and value of the interest offered or promised as stated under paragraph 1 above, the Competent Unit of the Company shall propose to return, pay for the acceptance of, or confiscate the interest, redirect the interest to a charitable organization, among other appropriate advices, as well as shall report to the President for approval.

Article 8 Prohibition of and handling procedure for facilitation payment

The Company shall not offer or promise any facilitation payment.

If the personnel of the Company has offered or promised any facilitation payment by threat or intimidation, he shall detail such a process while reporting to his direct supervisor and notifying the Competent Unit of the Company.

Upon notification of such an incident, the Competent Unit of the Company shall immediately handle the matter and review relevant circumstances to reduce the risk of recurrence. If any illegal acts were found involved, they shall be immediately reported to a judicial authority.

Article 9 Handling procedure for political contributions

The Company may offer political contributions which shall be reported to the President for approval if its amount does not exceed NTD 0.5 million or to the Board of Directors for approval if its amount is over NTD 0.5 million and which shall be brought to the attention of the Competent Unit of the Company. Political contributions shall be handled in accordance with the following provisions:

1. Laws and regulations related to political contributions in the country where a political contribution has been designated shall be upheld, including the limits, forms, etc. of political contributions.
2. Any decision on political contributions shall be documented in writing.
3. Any political contributions shall be recorded in the book in accordance with relevant laws and regulations and accounting procedures.
4. The offering of political contributions shall be excluded from any matters involving business dealings with relevant government agencies, applications of permit/license, or the interest of the Company, etc.

Article 10 Handling procedure for charitable donations or sponsorships

The Company may offer charitable donations or sponsorships which shall be reported to the President for approval if its amount does not exceed NTD 0.5 million or to the Board of Directors for approval if its amount is over NTD 0.5 million and which shall be brought to the attention of the Competent Unit of the Company. Charitable donations or sponsorships shall be handled in accordance with the following provisions:

1. Laws and regulations related to charitable donations or sponsorships in the country where a charitable donation or sponsorship has been designated shall be upheld.
2. Any decision on charitable donations or sponsorships shall be documented in writing.
3. The beneficiary of charitable donations shall be a charity, rather than any party else in disguise of a charitable donation for bribery.
4. The feedback as a result of the sponsorship shall be clear and reasonable, rather than involving any parties in business dealing with the Company or in joint interest with the personnel of the Company.
5. It shall be verified that the purpose of a charitable donation or sponsorship is to match that of the application of the money donated.

Article 11 Avoidance of conflict of interest

If the meeting matters of the Board of Directors present a conflict of interest, either to himself or to the legal person he represents, a Director, a professional manager, or a stakeholder shall, at the board meeting, explain the important contents of his interest while excusing himself from the discussion and voting of the resolution proposals on behalf of himself or other Directors if his interest may jeopardize that of the Company. Directors shall also govern themselves with self-discipline without supporting each other in a conflict of interest.

The directors' spouse, within second-degree relatives, or a company that has a controlling affiliation with the director, who is interested in the matter at the preceding meeting shall be deemed to have their own interests in the matter.

In the execution of the business for the Company, the personal of the Company shall report relevant matters to his direct supervisor for advice and to the Component Unit of the Company if he should find that himself or the legal person he represents might be in a conflict of interest or that unentitled interests might be accrued to himself, his spouse or children or parents, or an relevant stakeholder.

The personnel of the Company shall not apply any resources of the Company to any commercial activities other than for the Company and shall not adversely affect his performance due to his participation in business activities other than for the Company.

Article 12 Organization and responsibility of confidentiality mechanism

The Legal Department of the Company is to be designated as the Component Unit in charge of the stipulation and implementation of the operating procedures of management, preservation and confidentiality of intellectual properties such as business secrets, trademarks, patents and copyrights of the Company. It shall review the implementation results on a regular basis to ensure the continuity of the effectiveness of the operating procedures.

Strictly abiding by the relevant operating procedures for the preceding intellectual properties, the personal of the Company shall not disclose any information about the intellectual properties such as business secrets, trademarks, patents and copyrights of the Company, as well as shall not inquire about or collect any information - irrelevant to his position - about the intellectual properties such as business secrets, trademarks, patents and copyrights of the Company.

Article 13 Prohibition of unfair competition

Guided under the Fair Trade Act and relevant laws and regulations on competition, the Company shall engage in business activities with fairness during competition without sharing or dividing markets by ways of fixed price, tender manipulation, constraint of production and distribution, or allocation of customers, suppliers, operating areas or business sectors.

Article 14 Prevention of impairment to stakeholders by products or services

Regarding the relevant laws and regulations and international standards with which the products and services provided by the Company shall comply, the Company shall proceed to collect, study, summarize and post matters of importance so that the personnel of the Company can follow as required accordingly throughout the process of research and development, procurement, manufacturing, supply, sales and distribution to ensure the transparency about and security of the products and services provided.

The Company has stipulated and publically disclosed on the Company website policies on the protection of the interest of consumers or other stakeholders, lest the interest, health and safety of the consumers and other stakeholders should be impaired directly or indirectly by the products and services.

Upon the coverage of an incident by news media or the verification of an incident where the safety and health of the consumers and other stakeholders might be impaired by the products and services of the Company, the Company shall recover the products or cease its services within 30 days while investigating the incident and proposing plans for rectification and improvement.

The Component Unit of the Company shall report to the Board of Directors about the aforementioned incident, measures in handling the incident, and subsequent measures for rectification and improvement.

Article 15 Prohibition of insider trading and imposition of confidentiality agreement

The personnel of the Company shall comply with the requirements of the *Securities and Exchange Act* without engaging himself in or facilitating others to engage in the insider trading by taking advantage of or disclosing to others of any undisclosed information at hand.

Any institutions or personnel who have involved in the merger, severance, acquisition and share transferring, important memorandum, strategic alliance, among other business cooperative plans or important contracts related to the Company shall enter into a confidentiality agreement with the Company while undertaking not to disclose to others any trade secret or other critical information about the Company. Under no circumstances shall such information be used unless otherwise approved by the Company.

Article 16 Follow and declare the policy of ethical management

The Company shall require directors and senior management to issue a statement of compliance with the policy of ethical management, and require employees to comply with the policy of ethical management under the terms of employment.

The Company shall disclose its ethical management policies not only on the Company website, in its internal regulations, annual reports, or other government propaganda, but also at public activities such as product presentation, investor update briefing, etc., so that its suppliers, customers or other relevant business organizations and personnel may clearly understand the philosophy and norms of the ethical management of the Company.

Article 17 Assessment of the ethical management of a counter party prior to the establishment of mutual business relations

Prior to the establishment of mutual business relations with a potential company, the Company shall first assess the legality, ethical management, and any records of unethical conducts (if any) of its agents, suppliers, customers or other business counterparties of the subject company to ensure that the fairness and transparency of the business management of the Company without any demand, offering or acceptance of bribes.

In the event of the foregoing assessment, the Company may adopt appropriate auditing/review procedures to learn any particulars about the ethical management of potential business counterparty, including the following matters:

1. The country, the operating location, the organizational structure, the business policy of the company under dealing and the place of payment.

2. Whether the company under dealing has stipulated its ethical management policy and any particulars about the implementation of such a policy.
3. Whether the operating location of the company under dealing falls unto the list of countries of high risk of corruption.
4. Whether the business of the company under dealing inclines to high risk of bribery.
5. The long-term business status and reputation of the company under dealing.
6. Opinions towards the company under dealing via consultation with its business partners.
7. Whether the company under dealing has ever involved in bribery, illegal political contribution or any other unethical conduct.

Article 18 Conveyance about ethical management policy with the company under dealing

During the course of business engagement, the personnel of the Company shall explain the ethical management policies and relevant regulations of the Company to any company under dealing while explicitly refusing to directly or indirectly offer, promise, demand or accept any improper interests in any shape or under any name.

Article 19 Avoidance of business dealing with unethical companies

The personnel of the Company shall refrain from engaging in business transactions with agents, suppliers, customers or other business parties who have involved in unethical conducts. Any business transaction shall be ceased with a company under dealing where the company shall be put on a black list of no-dealing if it is found that the company has committed unethical conducts, so as to fully implement the ethical management policy of the Company.

Article 20 Incorporation of provisions about ethical management into all contracts signed

When signing a contract with other companies, the Company shall fully understand any particulars about the ethical management of those companies as well as shall incorporate into the terms of the contract a provision about the compliance with the ethical management of the Company, including at least the following matters:

1. Upon knowledge of violation a contractual clause about the prohibition of acceptance of commission, kickback/rebate or other unentitled interest by any personnel of either party, either party shall promptly inform the other party of the fact about the identity of the violator, any method/amount/or other unentitled interest of any offer, promise, demand or acceptance, along with any relevant evidence while cooperating in any investigation with the other party. If one particular party has suffered any damage as a result of such a violation, it shall be entitled to any indemnity for its damage as well as to 20 percent of a contractual price, which shall be deducted from any payables to the violating party.
2. During any business activity, either party shall be entitled to unconditionally terminate or cancel a contract if the other party should be found involved in any unethical conduct.
3. Contents about payment shall be stipulated specifically and reasonably, including the place and

method of payment, and all details in compliance with relevant tax laws and regulations.

Article 21 Handling of unethical conduct by any personnel of/towards the Company

The Company encourages internal and external personnel to report any unethical conduct or misconduct and shall reward to a reporter any range from NT\$2,000 to \$200,000 according to the severity of the circumstances of the misconducts. If any internal personnel should commit a false or malicious report, disciplinary action or dismissal from position shall be imposed upon him.

An internal independent mailbox and a dedicated hotline have been set up and posted on the Company's internal and external websites to facilitate the reporting by internal and external personnel.

While reporting a violation, a reporter shall provide at least the following information:

1. The name, citizenship identity number, and address, telephone, e-mail of contact of the reporter. May also report anonymously.
2. The name of the violating party or other information that can lead to the identity of the violator.
3. Any specific evidence for investigation.

Relevant personnel of the Company handling a report shall declare in writing to keep confidential the identity of a reporter and the contents of the report; and the Company shall be committed to protecting the reporter from being improperly disposed of due to the report.

The Component Unit of the Company shall handle whistle-blowing matters in accordance with the following procedures:

1. A department head shall be reported if a reported violation has involved general personal of the company, whereas independent Directors shall be reported if a Director or high-level management has been involved.
2. The Component Unit of the Company or the personnel/supervisor in charge of the aforementioned report shall immediately proceed to the investigation of relevant facts and, if necessary, seek assistance from Legal Department or other relevant units.
3. If it should be confirmed that the personnel being reported has indeed violated relevant laws and regulations or the ethical management policies and regulations of the Company, the violator shall be required to immediately stop the relevant conduct, be properly disposed of, and report to the competent authority and transfer to the judicial organ for investigation if necessary, or be sought after for damages through legal proceedings, so as to maintain the reputation and interests of the Company.
4. The handling of a report, including receipt, investigation and outcome of the report, shall be detailed in writing and filing and remained in custody for five years in electronic means. Prior to the expiry of any filing, if another litigation arising should be related to the contents of an existing report, the relevant information shall be retained until the end of the litigation proceedings.
5. Regarding any reported matter verified to be factual, relevant departments of the Company shall review relevant internal control system and operating procedures while proposing improvement measures to prevent the same misconduct from happening again.
6. The Component Unit of the Company shall report to the Board of Directors on the report matter, its

handling approaches, and subsequent review and improvement measures.

Article 22 Handling of unethical conduct by any personnel outside/towards the Company

When an unethical illegal conduct by any personal outside/towards the Company is observed, the Company shall inform the judicial and prosecutorial institutions of the relevant facts. Furthermore, if public institutions or public servants are involved in such a conduct, relevant integrity authority of the government shall be informed.

Article 23 Internal advocacy, establishment of a system for reward, penalty, appeal, and disciplinary actions

At least once a year, the Component Unit of the Company shall be holding an internal advocacy, arranging the importance of ethical management to be conveyed by the Chairman, President or senior management team towards Directors, employees and appointees.

The ethical management has been incorporated by the Company into its corporate culture and human resources policy where a clear and effective system for reward, penalty and appeal has been established.

In the event of a major violation of an ethical conduct by the personnel of the Company, the violator shall be dismissed or terminated in accordance with the relevant laws and regulations or methods of Human Resources.

On the Company's internal website, the Company shall disclose information about the incident of the violation of an ethical conduct, including the title, name of the violator, the date of violation, the contents of the violation, and handling particulars.

Article 24 Implementation

The "the Ethical Corporate Management" has been implemented according to a resolution of the Board of Directors and shall be reported to Audit Committee and a shareholders' meeting. Any revision of the "the Ethical Corporate Management" shall be going through the same procedure of resolution, implementation and report.

Upon presentation and discussion of "the Ethical Corporate Management" to and by the Board of Directors, all independent Directors' opinions, of objection or reservation, shall be fully taken into consideration and clearly recorded in a meeting minute of the meeting of the Board of Directors. If any independent Directors should hold an opinion of objection or reservation yet be unable to attend the meeting of the Board of Directors in person, his opinion shall be presented in writing ahead of time (unless otherwise except for a legitimate excuse) and be recorded in the meeting minute of the meeting of the Board of Directors.