

China Development Financial Holding Corporation

Ethical Corporate Management Best Practice Principles

Jurisdiction : Compliance Department

Promulgated on November 23, 2015

Amended on March 30, 2020

Article 1 In order to foster a corporate culture of ethical management and sound development, CDFH adopted the “Ethical Corporate Management Best Practice Principles” (hereinafter referred to as these “Principles”) based on Taiwan Stock Exchange Corporation’s “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and “Sample Template for XXX Co., Ltd. Procedures for Ethical Management and Guidelines for Conduct.”

These Principles are applicable to CDFH’s subsidiaries, any foundation with direct or indirect contribution of funds by CDFH exceeding 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by CDFH.

Article 2 The CDFH “personnel” referred to in these Principles are (independent) directors, supervisors, managers and employees of CDFH.

“Benefits” referred to in these Principles are money, endowments, commissions, positions, services, preferential treatment, rebates, bribes or other valuable things of any type or in any name. Benefits received or given in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 3 When engaging in commercial activities, CDFH personnel shall not directly or indirectly offer, accept, promise to offer or request any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty.

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 CDFH shall comply with the Financial Holding Company Act, Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest,

TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 CDFH shall abide by the operational philosophies of honesty, transparency and responsibility and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6 CDFH 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.

CDFH's board of directors and management shall commit to a rigorous and thorough implementation of ethical corporate management policies and shall carry out the policies in internal management and in commercial activities.

CDFH shall compile documented information on the ethical management statement, commitment and implementation mentioned in the first paragraph and retain said information properly.

CDFH shall establish a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly and review their adequacy and effectiveness on a regular basis.

These Principles shall clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (hereinafter referred to as "prevention programs") and include preventive measures against the following :

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Disclosing or inquiry of company secrets and using them to engage in insider trading.
7. Damaging the rights or interests of stakeholders.

Article 7 CDFH shall engage in commercial activities in a fair and transparent

manner based on the principles of ethical management.

Prior to any commercial transactions, CDFH shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them have a record of unethical conduct, and shall avoid any dealings with persons with a record.

When entering into contracts, CDFH shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, CDFH may at any time terminate or rescind the contracts.

Article 8 Except under one of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits, the conduct of the given personnel of CDFH shall comply with the provisions of these Principles and relevant procedures shall have been carried out :

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 custom, 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. Other conduct that complies with the rules of CDFH.

Article 9 Except under any of the circumstances set forth in the preceding article, when any personnel of CDFH are provided with or are promised, either directly or indirectly, any benefits by a third party, the matter shall be handled in accordance with the following procedures :

1. If there is no relationship of interest between the party providing or offering the benefit and the official duties of CDFH's personnel, the personnel shall report to their immediate supervisor within 3 days from the acceptance of the benefit, and the Compliance department 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 CDFH's personnel, the personnel shall return or refuse the benefit, and shall report to his or her immediate supervisor and notify the Compliance department. When the benefit cannot be returned, then within 3 days from the acceptance of the benefit, the personnel shall refer the matter to the Compliance department for handling.

"A relationship of interest between the party providing or offering the benefit and the official duties of CDFH's personnel," 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 CDFH's business, or the execution or non-execution of business, will result in a beneficial or adverse impact.

The Compliance department of CDFH shall make a proposal, based on the nature and value of the benefit, that it 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 by the President.

Article 10 CDFH shall neither provide nor promise any facilitating payment.

If any personnel of CDFH 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 Compliance department.

Upon receipt of the report under the preceding paragraph, the Compliance department 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 Compliance department shall also immediately notify the Legal department to report to the relevant judicial agency.

Article 11 When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, CDFH shall comply with the Political Donations Act and relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 When making or offering donations and sponsorship, CDFH personnel

shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13 CDFH personnel shall observe applicable laws and regulations, CDFH's internal operational procedures, and contractual provisions concerning intellectual property, and may not use, disclose, dispose, or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

Article 14 CDFH personnel may not disclose to any other party any trade secrets of CDFH and may not be allowed to inquire or collect CDFH's trade secrets that are not related to the official duties of the personnel.

Article 15 CDFH personnel 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 other party from using such information to engage in insider trading.

Any organization or person outside of CDFH 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 CDFH 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 CDFH acquired as a result, and that they may not use such information without the prior consent of CDFH.

Article 16 When engaging in commercial activities, CDFH personnel shall observe applicable laws and regulations and international standards, and set up a designated page for interested parties on CDFH website in order to prevent damage to the rights or interests of interested parties.

Article 17 The directors, managers, employees, mandataries, and substantial controllers of CDFH shall exercise the due care of good administrators to urge CDFH 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, CDFH established an Ethical Corporate Management Committee responsible for establishing and supervising the implementation of the ethical corporate management policies

and prevention programs. The Committee is in charge of the following matters, and shall report to the board of directors on a regular basis :

1. Assisting in incorporating ethics and moral values into CDFH'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. Adopting preventative programs and setting out in each program the standard operating procedures and conduct guidelines with respect to the 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. Developing a whistleblowing 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 effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 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, managers, and other stakeholders attending or present at board meetings of CDFH, 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 CDFH, 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.

Where the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in the meeting of the preceding paragraph, such director shall be deemed to have a personal interest in the matter.

CDFH personnel shall not take advantage of their positions or influence in CDFH to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 19 CDFH's accounting systems and internal control systems shall comply with the establishment and implementation of the principles of ethical management, and shall conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal audit department of CDFH shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, including auditees, audit scope, audit items, audit frequency, etc., and examine accordingly the compliance with the prevention programs. The internal audit department may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

The results of examination in the preceding paragraph shall be reported to senior management and the Ethical Corporate Management Committee and put down in writing in the form of an audit report to be submitted to the board of directors.

Article 20 CDFH shall organize training and awareness programs, and each responsible business unit shall promote awareness to CDFH's commercial transaction counterparties so that they understand CDFH's resolve to implement ethical corporate management and the consequences of committing unethical conduct.

Article 21 CDFH shall establish a whistleblowing system pursuant to Article 34-2 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" and the Compliance department will act as the handling unit for the whistleblowing cases on illegal and unethical or dishonest conduct.

If CDFH personnel discover violations of the provisions of ethical corporate management, he or she shall report to the appropriate supervisor or according to the whistleblowing system mentioned in the preceding paragraph. The identity of the whistleblower and the content of the reported cases shall be protected and actively investigated.

When material misconduct or likelihood of material impairment to the CDFH comes to awareness upon investigation, the whistleblowing case shall be immediately made into a report and the independent directors notified in written form.

Violators of the provisions of ethical corporate management will be

disciplined pursuant to relevant CDFH regulations. Serious violations shall lead to dismissal of the personnel from his or her position or termination of his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of CDFH. CDFH will disclose on its intranet information the actions taken in response and other relevant information.

Article 22 CDFH shall disclose the measures taken for implementing ethical corporate management and the status of implementation on CDFH's website, annual reports, and prospectuses, and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Article 23 CDFH shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, managers, and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 24 When CDFH submits these Principles to the board of directors for discussion, the board of directors shall take into full consideration of each independent director's opinions. 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 meeting in person to express objections or reservations shall provide a written opinion before the board 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.

Article 25 These Principles shall be enforced from the date of publication after the approval of the Ethical Corporate Management Committee and Board of Directors, followed by reporting to the Audit Committee and the Shareholders Meeting. The same applies to any amendment thereto.