

## Implementation Status of Ethical Corporate Management and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Item	Implementation Status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary	
I. Establishing ethical corporate management policies and measures				
(I) Does the Company develop ethical corporate management policies approved by the Board of Directors and clearly state its policies and practices of ethical corporate management in the regulations and external documents? Are the Board of Directors and the senior management committed to implementing business policies?	V		(1) Phihong's business philosophy is "integrity, innovation and challenge". Integrity is the Company's core corporate value and the central thinking when implementing all activities. We have formulated the Ethical Corporate Management Best Practice Principles approved by the Board of Directors. In order to motivate all employees (100%) to implement it, we offer training designed based on the content of the Code of Corporate Ethics and Business Conduct on their first day of work and sign for approval after their training is completed.	(1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Does the Company establish the assessment system for the risks of unethical machine and regularly analyze and assess the business activities with higher risks of unethical conduct within its business scope? Does the Company establish prevention programs against unethical conduct which at least cover the prevention measures for the conduct specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(II) Phihong's Ethical Corporate Management Best Practice Principles cover the preventive measures against the unethical conduct mentioned in each paragraph of Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. In addition, according to said principles, we have conducted assessments of the ethical management risks, and the material risks identified are the inappropriate acceptance of gifts, the exchange of entertainment expense for suppliers' goods and services, and preferential treatment related to tenders in the field of procurement risks. Therefore, our company has designed a gift reporting mechanism in order to block the possibility of corruption, bribery, and extortion. Meanwhile, we have formulated anti-corruption and integrity clauses in the relevant contracts with suppliers/manufacturers, and required them to sign and return the Anti-corruption Commitment Letter. Insider trading is strictly prohibited, and opportunities for corruption are eliminated, so as to implement anti-corruption in daily management and business activities.	(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the Company establish and implement operating procedures, code of conduct, penalties for violation and complaint system in the prevention programs against unethical conduct, and review and revise the said programs regularly?	V		(III) ) We have formulated the "Ethical Corporate Management Best Practice Principles" and "Corporate Ethics and Business Code of Conduct" to establish a corporate culture of honesty and integrity and implement fully the moral honesty policy. In addition, result verification and reward/punishment regulations in the 'employee manual' are set so employees clearly understand the code of conduct and accept the reward and punishment as set in the regulations.  The Company has also formulated the Employee Grievance Management Regulations and the Illegal, Unethical, or Dishonest Conduct Reporting Regulations to clearly regulate internal and external grievance process management. Since 2020, we have sent letters to all employees and suppliers quarterly, reiterating the importance of compliance with ethics and integrity and the information on the grievance mailboxes, to promote and implement ethical management actively.	(3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

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II. Implementing ethical corporate management				
(I) Does the Company evaluate the ethical records of transaction partners, and stipulate the clauses of ethical conduct in the contracts signed with the transaction partners?	V		(I) In the relevant contracts between the Company and suppliers, it is clearly stipulated that suppliers must follow and meet the requirements of the RBA (including the code of ethics), and that any damage to the Company's ethical management and clean corporate image is prohibited in order to eliminate any possible corruption. In addition, this is also one of the necessary items in the supplier review and audit.	(1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Does the Company establish an unit under the Board of Directors that is exclusive for the promotion of ethical corporate management and reports regularly (at least once a year) to the Board of Directors the supervision of ethical corporate management policies and prevention programs against unethical conduct?	V		(II) The Company established the Corporate Sustainable Development Committee in 2014, chaired by the General Manager, with the executive assistant to the General Manager Office as the executive secretary, and the first-level supervisors of business groups as ex officio members, responsible for the seven corporate social responsibility issues of corporate governance, green R&D, supply chain management, environmental sustainability, customer service, employee care, and social participation. Ethical management is under the corporate governance promotion team and is implemented by the Audit Office.	(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the Company adopt policies to prevent conflicts of interest and provide a proper appeal system and implement them thoroughly?	V		(III) The company has established "regulations of the board meetings" to regulate any conflict of interest in the board operations, and has used "corporate ethics and business code of conduct" to regulate the employees to prevent conflict of interest. In addition, there is a grievance channel for stakeholders. Hsien-yi Wang, manager of the Audit Office of the Company, serves as the point of contact for acceptance of complaints from all stakeholders and to respond.	(3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Does the Company have an effective accounting system and internal control system set up to facilitate ethical corporate management? Does the internal audit unit formulate audit plans based on risk assessment results of unethical conduct, and audit compliance with the unethical conduct prevention programs by itself or by the CPAs?	V		(IV) The Audit Office under the Board of Directors timely discovers possible deficiencies in the internal control system through routine or ad-hoc audits and provides suggestions for improvement, while submitting audit reports to the Audit Committee and the Chairman and reporting on the implementation status and results to the Board of Directors, to implement the spirit of corporate governance.	(4) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?	V		(V) The Company organizes occasional ethical management education and training. In order to motivate all employees (100%) to implement it, we offer training on the Code of Corporate Ethics and Business Conduct on their endorsed day of work and sign for approval after their training is completed. In addition, in the subsequent new recruits training, the importance and implementation of ethical management will also be taught.	(5) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
III. Implementing the whistle-blowing system	V			
(I) Does the Company formulate a concrete whistle-blowing and reward system, build convenient grievance channels, and assign the appropriate personnel to investigate the reported parties?			(I) The company has formulated the "Employee Grievance Management Regulations" and set up Employee Complaint Mailboxes to allow employees to express their opinions in a safe and confidential manner through a rigorous and safe reporting mechanism. There are also "Stakeholders Complaint Mailbox" and "Illegal and Unethical Employee Reporting Mailbox" on the Company's website, so that all stakeholders can have channels for complaints. The personnel or unit responsible for handling complaints will verify the content of the complaint upon receipt. If illegal, unethical, or dishonest behavior is confirmed, penalties will be imposed according to the severity of the situation.	(1) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

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(II) Does the Company establish standard operating procedures for the investigation on complaints and the follow-up measures to be adopted after the investigation is completed as well as the relevant confidentiality mechanisms?	V		(II) The Employee Grievance Management Regulations and the Illegal, Unethical, or Dishonest Conduct Response Regulations established by the Company have clearly defined the standard operating procedures, confidentiality mechanisms, and whistleblower protection mechanisms.	(2) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(III) Does the Company take measures to protect whistleblowers from inappropriate disciplinary actions?	V		(III) Same as above.	(3) In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Enhancing disclosure of information  Does the Company disclose the content and performance of the Ethical Corporate Management Best Practice Principles on the company website and Market Observation Post System?	V		Official website of Pihong (www.phihong.com.tw) : <ul style="list-style-type: none"> <li>“Investor” section: The latest financial information and material information are disclosed, and ethical management operations are included.</li> <li>Corporate Social Responsibility Section: Announces complete ESG sustainability reports from 2009 to the present, all including full disclosure of the practice and implementation of integrity management and ethical conduct.</li> </ul> ( <a href="https://www.phihongesg.com/">https://www.phihongesg.com/</a> )	In compliance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies
V. If the Company has formulated its ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," any differences between the performance of ethical corporate management and the principles should be disclosed:  In accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, the Company has formulated Pihong’s Ethical Corporate Management Best Practice Principles to fully implement the requirements of ethical management in the operations of the Board of Directors and corporate governance.  Although there is a considerable degree of interest in the interaction between enterprises and governments and between enterprises and enterprises, in order to avoid affecting business integrity and eliminating the risk of corruption, we firmly oppose any behavior that undermines integrity, ethics, corporate image, and interests and define the reward and disciplinary action system in the Employee Code and the Code of Corporate Ethics and Business Conduct, aiming to eliminate any possible corruption.  We have designed a reporting mechanism for gifts given by suppliers/manufacturers to prevent the possibility of corruption, bribery, and extortion in the first place, and also included anti-corruption and integrity clauses in relevant contracts with cooperating suppliers/manufacturers for compliance. In order to abide by this together, we will never allow the opportunity for corruption to occur. Various measures have been taken to directly implement anti-corruption in daily management and business behaviors. Since the implementation, there has never been any corruption so far.				
VI. Other significant information that helps to understand the implementation of ethical corporate management (e.g., review of and amendments to ethical corporate management policies): In addition to the latest financial information, material information, and related information on honest and trustworthy operations is available on the Pihong website (www.phihong.com.tw) in the “Investment Zone,” detailed disclosures of important information on honest and trustworthy operations can also be found in the “ESG Sustainability” section of the Pihong website’s past “ESG Sustainability Reports.”				

(VII) Other important information enhancing the understanding of corporate governance operations: None.