

Ethical Corporate Management Practice for Kenda Rubber Ind. Co., Ltd.

Reported on June 11, 2019 at the Annual Meeting of Shareholders

Article 1 Purpose of adoption and scope of application

In order to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. These Principles are adopted with reference to the Ethical Corporate Management Practice for TWSE/GTSM Listed Companies, and these Principles are applicable to the company, and comprise subsidiaries.

Article 2 Prohibition of unethical conduct

When engaging in commercial activities, directors, managers, employees, and mandataries of the company or persons having substantial control over such company shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

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 3 Types of benefits

"Benefits" in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4 In compliance with the laws

The company complies with the 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 Policy

The company abides by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.

Article 6 Prevention programs

1. The company in the own ethical management policy prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.
2. When establishing the prevention programs, the company complies with relevant laws and regulations of the territory where the company and the subsidiaries operating.
3. In the course of developing the prevention programs, the company negotiates and communicates with employee representatives through Management and Labor Council,

and negotiate with important trading counterparties, or other stakeholders.

Article 7 Scope of prevention programs

The company's prevention programs, which 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. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8 Commitment and implementation

The Company and each of the subsidiaries clearly specify in their rules and external documents, and the ethical corporate management policies. The commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9 Ethical management of business activities

1. The company engages in commercial activities in a fair and transparent manner based on the principle of ethical management. Prior to any commercial transactions, the company requires agents, suppliers, clients, or other trading counterparties to sign Commitment of Honest Cooperation, in order to avoid any dealings with persons so involved.
2. When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the company 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, the company may at any time terminate or rescind the contracts.

Article 10 Prohibition of bribery and bribe acceptance

When conducting business, the company and the directors, managers, employees, mandataries, and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11 Prohibition of illegal campaign contributors

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and the directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and the relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

- Article 12 Prohibition of Improper charitable donations or sponsorships
When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the company and the directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.
- Article 13 Prohibition of unreasonable presents, hospitality or other improper benefits
The company and the directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.
- Article 14 Prohibition of infringing of intellectual property rights
Non-Disclosure Agreement
The company and the directors, managers, employees, mandataries, and substantial controllers sign a Non-Disclosure Agreement upon appointment, and shall observe applicable laws and regulations, the company'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 15 Prohibition of unfair competition
The company engages in business activities in accordance with applicable competition laws and regulations, 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 16 Prevention of the products and services from damaging of the stakeholders
In the course of research and development, procurement, manufacture, provision, or sale of products and services, the company and the directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, the products and services. The company shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in the operations, with a view to preventing the products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders. Where there are 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.
- Article 17 Organization and Responsibility
I. The directors, managers, employees, mandataries, and substantial controllers of the company shall exercise the due care of good administrators to urge the company 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.

- II. To achieve sound ethical corporate management, the Human Resource Management is responsible for the education and guidance of the implementation of the ethical corporate management policies and prevention programs.
 1. Incorporates 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. The Company establishes programs to prevent unethical conduct, and the appointment of new staff members sign a non-periodic labor contract, and comply with the the standard operating procedures and conduct guidelines related to the work business as set out in the contract.
 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 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 effectively operating, and preparing reports on the regular assessment of compliance with ethical management in operating procedures.

Article 18 Complies with laws and regulations on conducting business.

The company and the directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 Be recused to avoid conflicts of interest

1. The company adopts policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and also offers appropriate means for directors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the company.
2. 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.
3. The companies' directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to

obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 Accounting systems and internal control

1. The company establishes effective accounting systems and internal control systems for business activities at a higher risk of being involved in an unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.
2. The Company's Auditing Office shall from time to time audit the compliance with the preceding system and put down in writing in the form of an audit report to be submitted to the board of directors. The internal audit unit may engage a certified public accountant to carry out the audit and may engage an accountant or professionals to perform the audit if necessary.

Article 21 Operational procedures and guidelines

The company shall establish the regulation on interested party and curtain management regulations, in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on how to conduct business:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 22 Training and evaluation

1. The chairperson, general manager, or senior management of the company shall communicate the importance of corporate ethics to its directors, employees, and mandataries on an irregular basis.
2. The company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the companies' commercial transaction counterparties so they understand the companies' resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.
3. 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.

- Article 23 Whistle-blowing and discipline
- I. The company adopts a concrete whistle-blowing system:
 1. An independent mailbox or telephone number is announced in the Stakeholders Area of the company's website and the CSR Report.
 2. Dedicated personnel or unit appointed to handle the whistle-blowing system. Any tip involving a director or senior management shall be reported to the independent directors or the Audit Committee.
 3. Documentation of case acceptance, investigation processes, investigation results, and relevant documents.
 4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
 5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.
 6. Whistle-blowing incentive measures.
 - II. The company accepts reports of violations. When material misconduct or likelihood of material impairment to the company comes to awareness upon investigation, and the company punishes in accordance with the regulations and submit a report to the Board of Directors.
- Article 24 Disciplinary and appeal system
- The company adopts and publishes a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules, and shall make immediate disclosure on the company's internal website of the title and name of the violator, the date and details of the violation, and the actions taken in response.
- Article 25 Information Disclosure
- The company collects quantitative data about the promotion of ethical management, reports in the Human Resources Council, and discloses the ethical corporate management practice on the Market Observation Post System.
- Article 26 Review and improve of the ethical corporate management policies and measures
- The company at all times monitors the development of relevant local and international regulations concerning ethical corporate management and encourage the 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 27 Implementation
- The ethical corporate management practice principles of the company are implemented after the Audit Committee and the board of directors grants the approval, and is reported at a shareholders' meeting. The same procedure is followed when the principles have been amended.