

Phison Electronics Corporation

Code of Ethical Conduct of Directors, Supervisors, and Managers

Article 1. Objective

In order to lead the Director, Supervisor, and Manager to abide by the code of ethical conduct when engaging in business activities and to guide the Company's stakeholders to understand the Company's ethical standards and code of conduct better, this Code of Ethical Conduct (the Code) is hereby specially stipulated for compliance. The Director who assumes as the President concurrently shall read the applicable code of conduct for employees while reading this Code.

Article 2. Eligible Entities

The Director, Supervisor, and Manager of the Company as well as the President and equivalent, vice president and equivalent, assistant manager and equivalent, Finance Department Manager, Accounting Department Manager, and other personnel who have the right to manage affairs and sign for the Company. (Hereinafter referred to as the Manager)

Article 3. Ethical Corporate Management Best Practice Principles and Relevant Laws and Regulations

The Manager shall adhere to protecting the Company's rights and interests, honesty, integrity, justice, and equity, complying with relevant laws and regulations and ethical principles, shall not breach the conduct including deception, fraud, treason, and deceit.

The Manager shall abide by relevant laws, regulations, and this Code and pursue high standards of ethical conduct.

Article 4. The Rule involves personal responsibility, group responsibility, and responsibility specification to the Company, public, and other stakeholders, which is applicable to the Manager of the Company to urge they behavior to comply with the following:

1. Integrity and Morality

The Manager shall conform to the code of ethical conduct and perform its duties loyally.

The integrity in the preceding paragraph refers to the act without intention of fraud or cheating.

Conforming to the code of ethical conduct refers to the action complies with special standards, including handling personal and duty interest conflicts in a fair manner.

2. Avoidance of Seeking Personal Interests, Prevention of Interest Conflicts and Interest Avoidance

The interest conflict refers to that the Manager of the Company must make a choice between his/her own interest and the Company's interest.

The interest conflict often makes others question the Company's image. The service to the Company shall not depend on personal interests. The Manager is obligated to act in the best interests of the Company to avoid any interest conflicts.

- (1) The Manager of the Company shall deal with official business in an objective, neutral, and efficient manner and shall not gain improper interests for himself/herself, spouses, parents, children, or relatives within two degrees of kinship by taking advantage of their positions. In case that the Company and the affiliated enterprises of the aforesaid personnel have any loan or guarantee, major asset transaction or purchase (sale) transactions, the relevant personnel of this Company shall actively state whether they have potential interest conflicts with the Company. The Manager shall not have direct economic relation with the Company except as authorized by the Board of Directors of the Company (hereinafter referred to as "the Board of Directors").
- (2) The Manager shall avoid interest conflicts related to his/her duties and shall not engage in any business, investment or activities that may have an impact on the Company's interest or conflict with the Company's interests, including but not limited to (1) seeking personal interests by taking advantage of the Company's assets, information or their positions (2) transmitting the Company's interests or resources to themselves or relatives or friends (3) risk of harming the Company's interests by negotiating with or conducting transactions with the Company for themselves or relatives or friends (4) investment of other companies, plants that are related to the Company's business for competing with the Company.

3. Confidential Responsibility

The Manager shall prudently manage the matters or confidential information known concerning their duties and shall not disclose to others or use for purposes other than working or providing for the necessity of performing duties; the duty of confidentiality shall continue to apply after resignation.

The confidential information in the proceeding paragraph includes all staff and customer information, invention, business secrets, technical data, product

design, manufacturing profession knowledge, financial and accounting data, intellectual property rights, and other relevant undisclosed information which may be useful to competitors or harmful to the Company or its customers upon the disclosure.

4. Fair Trade

The Manager of the Company shall treat customers, suppliers, competitors, and employees fair impartially as much as possible. Any Director, Supervisor, or Manager shall not gain improper interests from anyone through manipulating, concealing, and abusing information known from their duties, making false statements to major events or other deliberate unfair trade effects. Furthermore, he/she shall not engage in the following illegal acts with the representatives of competitors:

- (I) Jointly setting price
- (II) Distributing and carving up the market or customers.
- (III) Boycotting or refusing other customer, supplier or competitor transaction jointly.
- (IV) Engaging in other illegal limited competition behavior.

5. Protecting the Company's Assets and the Normal and Effective Use

The Company's assets shall be protected and properly used only for the legal commercial purpose. Except as permitted by the management of the Company, either tangible or intangible assets of the Company shall be used by authorized employees or designated persons only. The Company's assets (including operational secrets) or customer assets shall not be used, stolen, or deliberately seized for personal, others use or other improper purposes. Except as permitted by the management level of the Company, all the valuable items of the Company shall not be transferred, destroyed, or disposed of. The Manager of the Company shall also pay attention to the management of the Company and formulate relevant management methods and regulations to manage the Company's assets and ensure that they can be effectively and legally used in the official business, so as to avoid their embezzlement, theft, negligence or waste which will affect the profitability of the Company.

6. Complying with Laws and Regulations

The Manager of the Company shall comply with all the laws, rules, and orders that regulate the business activities of the Company, including insider trading laws, relevant policies, and procedures established by the Company for the Director's, Supervisor's and Manager's compliance. The

trade of marketable securities of the Company shall be subject to the relevant policies of securities trading established by the Company.

The business activities of the Company are subject to the relevant laws and regulations of Taiwan and accept the market test and other regulatory monitoring.

7. Any Illegal Actions or Actions that Breach the Moral Rule Are Encouraged to Be Reported. the Managers of the Company Shall Promote Ethnical Acts and Take the Following Measures to Ensure the Company:

- (1) Encouraging employees to discuss with the Director, Supervisor, Manager or other appropriate personnel when they have doubts about the best behavior for a particular situation.
- (2) Encouraging employees to report any breach of legal, regulatory orders, internal principles, or code of ethical conduct to appropriate personnel.
- (3) Informing employees that the Company prohibits retaliation against those who report in good faith.

8. Procedures for Reporting Any Illegal Act or Breach of the Code of Ethical Conduct

Any suspected violation of the Code shall be reported to a Supervisor, Manager, internal auditor, audit committee or other appropriate personnel immediately. Such suspected affairs shall be investigated by the Board of Directors or one or several persons designated by the Board. The Company also provides a complaint channel for the violator to state the reasons in the Board meeting and the Board will make a resolution accordingly. Those who are involved in violation shall avoid when the Board makes the resolution. The report of such suspected affairs in good faith will not result in retaliation. The reporters shall be anonymous and provided with proper protection by the Company to prevent unfair retaliation or treatment.

9. Punishment

Where the Manager of the Company violates the Rule, the Company will handle according to laws or relevant regulations. When the circumstances are serious, the information including violation date, reasons, violation standards, and handling shall be disclosed on MOPS immediately and transferred to the Board of Directors for resolution.

The person concerned in the proceeding paragraph shall seek remedies by the compliant channel of the Company according to relevant regulations.

10. Complaint System

When the Manager of the Company violates the Rule, if the evidence can be proved, the complaint will be filed promptly, and relevant proof evidence shall be submitted to appropriate personnel, Board of Directors or Shareholders' Meeting for discussion (the person concerned shall avoid) to make the final resolution.

Violating unit	Complaint accepting unit	Resolution disciplinary unit
Manager (President excluded)	President	President, Board of Directors
President	Board of Directors	Board of Directors
Director	Supervisor	Shareholders' Meeting
Supervisor	Other Supervisors	Shareholders' Meeting

Article 5. Procedures for Exemption

Under exceptional circumstances, the Company may exempt the Manager from the Code with prior approval. The exemption of the Manager shall be made by the Board of Directors. The Manager to be exempted, exemption content and reasons shall be disclosed to the shareholders promptly and shall be stated in the regular public report to be submitted.

Article 6. Disclosure Method

The Company shall disclose the Code on the website, in the annual report, prospectus, and on MOPS; the same applies to the amendments.

Article 7. Implementation

The Code shall be implemented after the Board of Directors approves and submitted to each Supervisor and the shareholders' meeting; the same applies to the amendments.

Article 8. The Code was stipulated on December 24, 2014

The first amendment was made on March 17, 2015.