

I n t e g r i t y      A l w a y s

# AUO

## Enterprise Integrity Handbook



## A Message from the Office of the Chairman

“Integrity” is AUO’s core value. It represents the vital work attitude and principles possessed by all AUO employees. It is also part of the operational guidelines practiced by the AUO management team.

As AUO continues to expand on a global scale, we must bring this core value of integrity to all operations and employees worldwide. Faced with the increasingly strict requirements of the markets where we operate, AUO must dedicate itself to implementing the concept of integrity in its daily work operations to ensure the growth of the enterprise in the correct direction, thereby acquiring a high level of trust from shareholders and the general public.

AUO’s Enterprise Integrity Policy will guide us in this undertaking. All AUO employees should not only comply with this policy but should extend the spirit of integrity into all that we do. We must realize that only by insisting upon consistent integrity will we be able to maintain the long-term reputation of the Company. Customers will also put more trust in our technology, products and services, leading to sustainable and robust business growth for the company. This is the best possible outcome of integrity!



A handwritten signature in black ink, which appears to read "Paul S.L. Peng". The signature is fluid and cursive.

Paul S.L. Peng  
Chairman & Group CEO  
Aug. 2025

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# ABOUT THE AUO ENTERPRISE INTEGRITY POLICY

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AUO maintains a zero-tolerance policy towards any form of bribery, corruption, extortion, and embezzlement. AUO's Enterprise Integrity Policy is built on our core values and provides questions and answers for situations you might encounter on the job. However, it cannot address every possible workplace situation or identify all of AUO's policies and procedures. Please use this Handbook for guidance, but never hesitate to seek help if you're faced with a legal or ethical issue.

## Your Personal Commitment

As an AUO employee, I commit:

1. To fully understand the AUO Enterprise Integrity Policy and all relevant regulations.
2. To fully comply with the AUO Enterprise Integrity Policy and all relevant regulations.
3. To raise integrity concerns to my supervisor or another relevant AUO employee or executive if I discover any violation of the AUO Enterprise Integrity Policy or any relevant regulations, and to cooperate with any resulting investigation.

## 8 Rules of Enterprise Integrity for All Employees

All employees of AUO should perform their duties based on the principle of integrity. The 8 rules of AUO Enterprise Integrity are:

1. Win client deals by providing superior products, services, and value.

2. Do not disclose confidential information, trade secrets, or other information to competitors or engage in anticompetitive agreements with competitors.
3. Insist on integrity and fairness toward suppliers by refusing to accept personal gifts or any opportunity to gain a personal benefit.
4. Do not disclose AUO trade secrets or intellectual property to third parties except for legitimate AUO business purposes.
5. Do not waste — complete your duties efficiently.
6. Do not criticize competitors but instead demonstrate our competitiveness with a neutral and honest attitude.
7. Always complete your work in a timely manner and always work in the best interests of AUO.
8. Honestly communicate operational management and product service information to clients, suppliers, employees, shareholders, and the public.

## 8 Rules of Enterprise Integrity for Executives

In addition to the eight rules identified above, AUO executives have special responsibilities for upholding AUO's commitment to integrity. Those responsibilities include:

1. Establish an enterprise culture and environment that focuses on integrity.
2. Practice integrity personally, and remind yourself at all times to set a good example for your employees.
3. Ensure that employees understand the Enterprise Integrity Policy and supervise their compliance.
4. Supervise the execution of the activities under your responsibility, and establish an appropriate mechanism for preventing possible integrity risk.
5. If executives at all level (including executives) or any family member of such an executive is employed by or invests in any AUO client, contractor, or competitor, he or she shall submit a report to AUO in accordance with the provisions of this Policy.

6. Assist AUO's advisors, agents, distributors, contractors and other contractual partners to understand and respect AUO's commitment to integrity and the relevant regulations.
7. Promptly process integrity-related concerns raised by employees in a fair, just, and confidential manner, and report

3. Propose corrective measures and resolve sanction proposals.

## Zero Tolerance Policy

AUO maintains a zero tolerance policy for any retaliation against an employee for making a report in good faith. This includes any type of adverse action taken in response to a report, including firing, transferring, demoting or publicly attacking someone. It also includes any action that would make it difficult for someone to perform his or her professional activities, such as leaving someone who makes a good-faith report out of professional activities. If you are aware of this type of conduct, you should report it to one of the above channels in the same way you would report any other violation of the Enterprise Integrity Policy.

## Penalties for Violation

There are various penalties that may be imposed for violations of the Enterprise Integrity Policy depending on the gravity of the matter, including reduction in salary, suspension, demotion, loss of bonus, and termination of employment. AUO may also take legal action when it deems appropriate in light of the applicable laws and regulations. In addition, if the violation of the Integrity Policy is related to the receipt of incentive or non-cash benefits, the employee must return those benefits to the persons or companies that provided them.

Beyond the employee or employees who violated the Integrity Policy, affiliated staff or supervisors may also receive a penalty if the Company determines that the violation was the result of concealment, improper supervision, or inadequate supervision.

Any employee who voluntarily reports that he or she has or may have violated the Enterprise Integrity Policy may benefit from a reduced penalty or waiver of penalty. But if several persons have engaged in a related violation of the Policy, only the first person to voluntarily report the conduct may benefit from a reduction or waiver of penalty.

## WORKING WITH AUO'S BUSINESS PARTNERS



### Supplier Relationships

which we hold ourselves. If you are responsible for selecting a supplier, you should base the decision on merit, quality of service, and reputation.

When selecting and retaining suppliers, you should:

- Follow our applicable bidding, negotiating and contracting processes
- Perform commercial due diligence to determine that the supplier is a legitimate enterprise with a reputation for integrity and ethical behavior, that does not engage in unlawful activities
- Avoid potential or actual conflicts of interest with suppliers

In addition to requiring suppliers to provide AUO with products that are competitive in the market, AUO imposes several other requirements on its suppliers to ensure that AUO's commitment to integrity extends throughout its supply chain:

- the working conditions of staff, the environment, quality, and safety of the products
- the suppliers must be consistent with relevant legislation
- the supplier must be committed to protecting relevant trade secrets and other confidential AUO information

- The supplier must immediately notify AUO if there are signs in any transaction that may create a conflict of interest with AUO

AUO employee's should take particular care when the supplier is not selected through a public process or when there is some other indicia of a potential conflict of interest—if, for example, the supplier employs a relative of an AUO executive. Employees should take care to identify any relationships with a supplier's operations, for compliance.

## Money Laundering Prevention

Money laundering is the process by which persons or groups try

sources of their illegal funds look legitimate. AUO complies with all laws that prohibit money laundering or financing for illegal or illegitimate purposes.

You should always ensure that you are conducting business with reputable customers, for legitimate business purposes, with legitimate funds. Requests from a potential customer or supplier for payments by cash or other unusual payment terms should be reported to the AUO Legal Office. Other examples of unusual behavior exhibited by AUO's counter-party that you should watch out for include:

- requests a transaction process that is overly complicated and inconsistent with trading or commercial practice
- provides false or incomplete business information during the screening process
- constantly uses different names to engage in business transactions
- requests that reporting requirements for a transaction be avoided
- suddenly reimburses a large loan amount without reasonable explanation about the source of the funding

There are money laundering prevention laws in place in virtually all the countries AUO does business, including Taiwan, Mainland China and the United States. The Money Laundering Control Act of Taiwan imposes penalties on a company for breaches of the law by its employees. The actions of even one person in the Company in assisting with money laundering, even if acting on his or her own, could subject the Company to civil and criminal penalties and hurt the Company's reputation.

As frequent participants in cross-border commercial activities, AUO employees should be on the lookout for counter-parties attempting to use these transactions to conceal illegal activities. If you suspect that AUO is doing business with an entity involved in money laundering, report it to the Legal Office immediately.

## Personal Information Protection

All employees must exercise care and discretion in handling personal data. Personal data is information that can identify an individual, including employees, contractors, directors, shareholders, customers and anyone else with whom AUO does business. There are laws that govern how we collect, use and dispose of this data.

When collecting and using personal data, you should keep several ~~important points in mind. Personal data should only be~~ processed if there is a legitimate business reason to do so. You should collect and use only the personal data needed for the task at hand. And you should keep all personal data secure.

**Q.** A colleague who works for another company asks you for the contact information for some business associates. Their company does not compete with AUO. Is it okay to give it to them?

**A.** No. Contact information is not only confidential but is considered personal data. It should not be shared except with the permission of the business contact.

In particular, Taiwan's Personal Information Protection Act forbids AUO to collect several categories of information, including medical history and criminal records, unless it is required to do so by some legal obligation or the information is already public. If AUO must collect personal information for its work, the person whose information is being collected must be notified.

## WORKING WITH GOVERNMENTS AND ANTI-CORRUPTION

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All AUO business transactions should adhere to all applicable laws and abide by the principles of fairness, justice, and transparency. AUO has a zero-tolerance policy regarding corrupt business arrangements with customers, suppliers, government officials, or any other third party. Corruption generally refers to the act of illegally or inappropriately obtaining (or attempting to obtain) an undue business advantage or personal benefit. This often involves monetary payments, but corrupt business practices can involve the exchange of anything valuable, including travel perks,

official, extorting a customer, or receiving kickbacks for bringing business to a supplier are all examples of corruption.

**Q.** AUO is soliciting bids from potential suppliers for an LED component to be included in its latest model. The employee managing the bid process is down to two prospects—Company A, whose product is high-quality and extremely cost-effective, and Company B, whose pricing is the same, but whose quality is slightly lower. Despite the clear advantages of awarding the contract to Company A, the employee decides on Company B, since Company B's CEO has a family member who works at an accounting firm and promised to provide the AUO employee with free air travel

Corruption becomes particularly problematic in situations where it is not simply a private company matter. When AUO is dealing with government officials, corrupt business practices not only violate AUO's Integrity Policy, they violate the law. Given the Company's international business presence, employees must be cognizant of the anti-corruption laws in each country or region where they do business on behalf of AUO.

Generally, these laws prohibit any AUO employee from offering or giving, directly or indirectly, anything of value to a government official (or his or her representatives) in order to:

- obtain or maintain business
- influence business decisions
- get a business advantage

**Q.** AUO is actively seeking a major contract that would encompass dozens of government facilities. AUO has a decent chance at getting it, but one employee wants to be certain. She meets with a third-party government consultant, who says he can help AUO secure the contract by offering the value of the contract to the government official. Is that okay?

**A.** No. Remember, AUO employees are prohibited from offering anything of value to government officials, directly or indirectly, whether or not it's through a third party like a consultant. Check with AUO's Legal Office before hiring any third-party consultants to obtain or close government deals.

These restrictions also apply to anybody who acts on AUO's behalf, such as agents, consultants, suppliers, and contractors. Exactly who qualifies as a "government official" can be unclear. There are four broad categories:

- Elected and appointed officers of any national, state, or local government
- Candidates for national, state, or local government offices,
- Officials of political parties
- Any employee of a government-owned or government-controlled entity, including certain corporations, banks, universities, and medical facilities

This does not mean all payments to the government are improper or corrupt, however. When a payment falls within the normal course of business—for example, if a company needs to pay taxes or pay a government-owned supplier—that is not problematic.

problematic, and is generally a huge risk.

In all cases, AUO wants to take special care to avoid even the appearance of impropriety. Any employee who is unsure whether something is or could be construed as a bribe should consult with AUO’s Legal Office before taking any action.

**Q.** AUO has just signed a contract with a major TV manufacturer, and it’s going to be excellent for business. But before AUO can start reaping profits, it has to complete a lengthy legal process. An AUO executive calls a government representative to see whether there are any avenues by which AUO can expedite this process. The official responds by saying if AUO provides him with a \$10,000 “processing fee,” he will see what he can do. Should AUO pay the fee?

**A.** No. The official is attempting to solicit a bribe, which is illegal, and AUO will also be in violation of the law if it complies. AUO’s executive should refuse and notify the

the business will be subject to different sets of anti-corruption law. AUO employees have responsibilities to follow the laws and consult with the AUO Legal Office. For example:

- In Taiwan, anyone who offers a bribe or any other undue benefit to a government official is committing a crime. Additionally, any AUO employee who seeks an illegal or inappropriate benefit for their own gain is committing a “breach of trust,” as described in Taiwanese law, which is also illegal.
- In Mainland China, anyone who gives anything to any enterprise, ~~and government officials or foreign individuals, to receive~~ order to receive an illegal benefit is in violation of the Mainland Chinese Criminal Code.
- And, in the United States, the Foreign Corrupt Practices Act (FCPA) applies to any person with a certain degree of business connection to the U.S. who engages in illicit practices, like bribery. Since AUO does business in the U.S., the company is subject to the FCPA. This law treats non-U.S. citizens who are found in violation as if they were physically present in the even jail time.



## Fair Employment Practices

AUO does not discriminate in any hiring or promotion decision based on the race, class, language, ideology, religion, political party, place of origin, gender, sexual orientation, marital status, age, appearance, physical or mental handicap, pregnancy, or prior union membership of the job seeker or employee. AUO recognizes that ~~our work force is a valuable asset, and we strive to~~

perspectives, and beliefs are respected.

~~In addition, to ensure that all qualified individuals have a chance to~~ develop their abilities and find a place at AUO, the Company uses public recruitment channels. And to further avoid any conflict of ~~interest, it is AUO's policy that the current employee responsible~~ for recruiting or recommending a new employee will not receive any bonus based on that retention.

**Q.** I posted a job in another department whose staff has always consisted of only males, and I am female. The manager offered the position to a male. I feel I may have been discriminated against. What can I do?

**A.** If you believe you have been discriminated against you should report this to your supervisor or any member of the human resources department.

## Environmental Safety and Health

AUO places the highest priority on the health and safety of our workforce. AUO has a variety of procedures in place to ensure its work environment meets or exceeds all applicable standards for occupational safety and health. You should be aware of and always comply with all the rules applicable to your job, including “AUO Life Saving Rules” and “AUO Environment, Safety, Health and Energy Policy.” You should never think that efficiency requires you to attempt to change or bypass any safety measure. These health and safety policies are designed to help you work safely, whether at our facilities or in the marketplace.

You should always speak up and raise a concern if you:

- Are asked to do a task you consider unsafe
- Are asked to do a job you think you are not properly trained to perform and that may harm you or others
- See someone performing a task that you think is unsafe or that the person is not properly trained to do
- Suspect that a vehicle or piece of equipment is not operating properly and may be unsafe
- Observe or are made aware of an unsafe condition or a potential danger to yourself or others

**Q.** I have a work order that specifically outlines a task to be performed. As I began to do the task, I discovered that conditions are different from those expected when the job was planned. I have a feeling that continuing the job as outlined in the work order will be unsafe. What should I do?

**A.** Employees have the responsibility and authority to stop or not begin work that they believe may be unsafe. You should communicate your concerns to your supervisor. Your supervisor has the responsibility to investigate, understand, and resolve the issue.

AUO is also committed to minimizing the impact on the natural environment throughout each phase of its operations. Employees should know all of the environmental requirements—including those legally mandated and company-initiated—that apply to your work. Employees should also consider whether the Government environmental protection program is being implemented effectively in their operation. Consideration of potential environmental effects should be an integral part of all business decisions.

## Internal Controls and Audits

Reliable internal controls are critical for proper, complete and accurate accounting and financial reporting. Each of us must understand the internal controls relevant to our positions and follow the policies and procedures related to those controls.

Audits performed by our internal and external auditors help ensure compliance with established policies, procedures, and controls. They also help identify potential weaknesses so they may be remediated promptly. All of us are required to cooperate fully with internal and external audits. This means always providing clear and truthful information and cooperating fully during the audit process.

**Q.** My supervisor asked me to perform a task that I believe violates environmental regulations. What should I do?

**A.** Never guess about environmental regulations. If you are uncertain, check *with your supervisor to be sure you have understood the request*. If you still feel the request violates environmental regulations, report the request to your supervisor, the Legal Office, or the compliance hotline.



- Trade secrets, which refer to information (e.g., processes, methods, plans, formulas) that is unique to a manufacturer that gives it an advantage over competitors
- Trademarks, which are distinctive designs (e.g., a logo) that manufacturers affix to their products to identify themselves as the source of that product

The Company encourages employees to not only dedicate themselves to creating high-quality intellectual property, but to also take measures that will help lower the risk of infringement. AUO employees must respect and protect intellectual property.

**Q.** An AUO employee has spent the past several weeks ~~conducting research for the development of a cutting-edge, high-resolution mobile screen. When he is done, he compiles his findings in a report and emails it to his supervisor. In the body of his email, he highlights the three most interesting and important points. Later, when talking to a close friend, the AUO employee mentions the research he was doing, and his friend seems very interested to learn more. Since the friend does not work for an AUO competitor—and in fact, works in an unrelated industry—the AUO employee figures it is acceptable to at least forward him the email summary he sent his supervisor. He decides to do that, and asks his friend to keep it confidential. Has he violated AUO’s policy?~~

**A.** Yes. Remember that anything researched, developed, or produced at work is the intellectual property of AUO. For this employee, that includes not only the report, but the email summary, meaning the employee had no right to send it to anyone for reasons that were not work-related. Additionally, the AUO employee violated his confidentiality obligations by talking about his research with an external party in the first place, regardless of whether that party works in the same industry.

An important part of that is understanding that AUO owns the rights to all information researched, developed, and produced at

employees are required to obtain AUO's consent to use its intellectual property for any reason, unless it is required by their work duties.

AUO has taken several measures to foster an environment that promotes high-quality, well-protected intellectual property. For example, the Company established the Innovative Disclosure and Intellectual Property Production and Utilization Reward Program, which encourages employees to create intellectual property. AUO has also built an innovative technology information platform to mobilize resources and optimize investment in critical research and development. The Company is also committed to the proper management of intellectual property, including the acquisition of any necessary rights, and maintaining the validity and active use of those rights.

To protect its intellectual property, AUO looks to its employees. To that end, the Company has implemented intellectual property management training, and makes it a priority to clearly communicate employees' obligations in that regard. As another example, the Company also executes confidentiality agreements before disclosing confidential AUO inventions or designs to any supplier or client.

Employees are also subject to strict confidentiality obligations, which cover anything they learn at work. AUO is a firm believer in the proper management of confidential information, whether it belongs to the Company, or has been provided by clients, suppliers, or other third parties. Any intentional disclosure of industrial or commercial secrets within the scope of business is a crime.

**Q.** An AUO developer stumbles across a technical drawing for a component sold by one of the Company's suppliers. She had recently been wondering how this component worked, and the drawing answered all of her questions. Excited, she took a photo of the drawing with her mobile phone and sent it to several of her friends, who were also developers.

**A.** By intentionally disclosing confidential information belonging to one of AUO's suppliers, the employee has committed a crime. Every person in the Company has an obligation to maintain their confidentiality obligations.

Ultimately, AUO has an obligation to protect itself, its clients, and its confidential information. In order to take the necessary measures, including legal action, to address intellectual property rights infringement. To successfully respect and protect AUO's intellectual property, as well as the Company's reputation among its peers, employees should keep several things in mind:

- To avoid infringement of another's intellectual property, do not use a product or design that has not been legally licensed, or for which the right has not yet been acquired.
- As employees create intellectual property, they should disclose innovations fully and timely to AUO and should assist with the filing of patent applications, if necessary.
- Employees who leave the Company are prohibited from keeping copies of any of AUO's intellectual property, and



will be required to uphold their confidentiality obligations, even after they are no longer with AUO. For example, former AUO employees are strictly prohibited from using AUO's intellectual property at their new jobs.

If you discover or learn of any type of infringement of AUO's intellectual property, you are obligated to report it to the IP Department or Legal Office immediately.

## **Conflicts of Interest**

Conflicts of interest may occur when an employee's outside activities or personal interests conflict or appear to conflict with his or her responsibilities to AUO. Whether as part of your work for the Company or during your personal time, you should not do anything to create a conflict of interest with your responsibilities at AUO. It is prohibited for you to engage in an activity that damages AUO's business interests or reputation or interferes with its ability to do business. Any activity that has the appearance of a conflict of interest, whether or not an actual conflict exists, must be avoided.

**Q.** Your brother-in-law partially owns a company that has supplied materials to AUO for many years. You were recently hired by AUO to work with a group that contracts with that same company. Can you work for that group?

**A.** Potentially, yes. Even though the supplier has a long-time relationship with AUO, this creates at least the appearance of a conflict. The problem could be resolved if an independent decision maker, such as your manager, takes over all contracting authority with your brother-in-law's company. It is crucial that you formally disclose the potential conflict to your manager so that it can be resolved. And remember, potential conflicts are not limited to just relationships with relatives or family members. Conflicts of interest may arise with anyone with whom you have a personal relationship.

To avoid potential conflicts, you must never:

- use AUO's resources or information to secure an improper benefit for yourself or others
- accept personal gifts or benefits in exchange for services provided on behalf of the Company for you, a family member, or friend that are worth more than NT\$1,500
- give a gift or benefit to anyone for the purpose of improperly influencing them to take an action for AUO.
- engage in other management duties outside AUO without prior written approval from your supervisor

If you discover any activity or sign that may cause a conflict of interest with your work at AUO or the overall interest of AUO, you should inform your supervisor or the AUO Legal Office in writing.

## **Business-Related Expenses and Entertainment**

Business entertainment, gift, and travel expenses required for the promotion of products or services and during performance of your work, must be clearly divided from your normal compensation. All AUO employees must ensure that the expenses for such business dealings are correctly recorded, specifying the person, matter, time, and location. Employees should also never provide a gift, donation, or entertainment to another individual that may be misinterpreted as a gift intended to induce them to do business with AUO.

Improper incentives for business transactions are not limited to money. In exchange for business with AUO, employees may neither offer nor accept for themselves or someone else anything of value, including travel or employment.

## **Conflict Disclosure Obligations for Executives**

If any executive at division director level or above invests in or is employed by any AUO client, distributor, distributor's client,

supplier, or competitor, a report about that investment or employment must be submitted to AUO in a “confidential” case by AUO’s “e-Procurement System” to the relevant AUO assistant vice president for approval. If the executive is at assistant vice president level or above, approval must be provided by the relevant company’s chairman. In addition, the same approval must be obtained if the executive has any family member of three or fewer degrees of kinship who is employed at a similar level or above by or invests in any AUO client, distributor, distributor’s client, supplier, or competitor. Investment in companies traded publicly not need to be reported, however.

## **Information Systems Security**

We are all responsible for helping to make sure that AUO’s computer systems and other technical resources are used appropriately. We must keep access codes and passes in a secure place and not share them with others. Anyone with a system identity or access code is responsible for activities performed under that identity. Unauthorized use of access codes, computer systems, or programs may be grounds for disciplinary action, including termination of employment.

To safeguard AUO’s information systems, you should never:

- Share your system passwords with anyone
- Permit any unauthorized individuals access to AUO’s hardware, network, or intranet
- Connect a personal device to AUO’s hardware, network, or intranet
- Leave laptops or other Company hardware unattended while traveling or in an exposed location where they can be stolen
- Download unauthorized or unlicensed software on AUO computers
- Change the configuration of Company hardware or software without authorization

- Disable or intentionally avoid a Company electronic security software.
- Upload any AUO information to a third-party location other than for work purposes

If you suspect a data breach or become aware of any situation in which data has been compromised, including the loss or theft of a laptop or other AUO hardware, immediately report the situation to your local technical support team.

You may engage in reasonable incidental personal use of AUO's phone, email, and the internet as long as your usage does not:

- Consume a large amount of time or resources
- Interfere with your work performance or that of others
- Involve illegal, sexually explicit, discriminatory, or otherwise inappropriate material
- Relate to outside business interests
- 

~~You should never distribute any messages or material over AUO's networks that could be considered libelous, offensive or harassing, nor should you use AUO's network to distribute mass advertising or chain letters.~~



# COMPLIANCE WITH INSIDER TRADING LAWS

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As a publicly traded company, AUO has a responsibility to help keep the market fair. The market is fair when all investors have access to the same information in making their investment decisions, whether to buy or sell stock. Insider trading, however, gives certain investors an unethical and generally illegal advantage, which is to say it is strictly prohibited not only by AUO's Integrity Policy, but also, generally speaking, the law.

In the context of insider trading, AUO's employees are known as "insiders." The privileged business information they may have access to, on the other hand, is known as "inside information," and it is characterized by two characteristics:

1. It is "material," meaning it is something a reasonable investor would think is important in making an investment decision (like whether to buy or sell shares of company stock).
2. And, it is "non-public." Regardless of whether or not AUO employees believe or know that certain information will eventually be made public, they still have a responsibility to maintain confidentiality until that happens.

When an investor uses material, non-public information to make investment decisions, it is likely to be held that he or she is committing insider trading. As insiders, AUO employees have a special responsibility to keep the company's inside information confidential, and to avoid using this information to gain an unfair advantage over other investors in trading AUO securities, or even allowing others to do so.

In addition to earnings reports, there is a wide range of information that could qualify as inside information, including (but not limited to):

- possible mergers or acquisitions
- issues with liquidity
- an upcoming change in senior management
- a significant shift in production schedules

- a government investigation
- a significant lawsuit or settlement
- impending bankruptcy

**Q.** The CFO, a senior executive, and his company's preliminary financial reports is excited. He just saw the earnings for the third quarter, and AUO has exceeded all projections. He is eager to share the information with his colleagues, as well as some of his friends and family who own shares of AUO stock—but the earnings report is not scheduled to be released to the public for another week. May he share it?

**A.** The earnings report meets the requirements of “inside information”: It is material, because a positive earnings report would likely influence a reasonable investor's investment decisions, and it is non-public. In other words, the executive has a responsibility to maintain confidentiality until the earnings report is released for public consumption.

All of these types of information could easily give an investor an unfair advantage over the rest of the market.

The Company's insider trading policy can be distilled to the following three principles:

1. When employees learn of any material, non-public information that is reasonably reliable, they must refrain from trading AUO securities until at least 18 hours after the information has been made public.
2. Anyone with inside information is obligated to maintain confidentiality. Additionally, AUO employees are prohibited from asking about or collecting inside information that is not related to their work duties, and the only time they may disclose inside information to others is when it is required by their work duties.

3. Any AUO employee who violates these regulations is subject to any relevant legislation and sanctions. Additionally, if the violation negatively affects AUO, the Company will seek compensation and pursue legal action.
4. AUO's employees (including contractors) is the only

to outside parties. When necessary, these disclosures may also be made by the Chairman or the President. Any other employee must have authorization from the Company before making these kinds of disclosures. In all cases, any disclosure of inside information must remain within the scope that has been authorized by the Company.

5. If any employee becomes aware of a violation of any of these regulations, he or she must immediately file a report directly to AUO's Audit Committee, who must then process it in accordance with the appropriate guidelines and record the results for future reference.

Again, besides being against AUO's Integrity Policy, insider trading is also generally illegal. For example, in the United States, a person found guilty of insider trading is subject to millions of dollars in fines, as well as prison time and civil penalties. In fact, the U.S. law is so stringent that if Person A merely passes inside information along to Person B, and Person B illegally uses it to trade, Person A is also subject to prosecution. Employees have an obligation to know and adhere to the insider trading laws of all the countries or regions in which they work on behalf of AUO.





## COMPLIANCE WITH COMPETITION LAWS

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Antitrust and competition laws encourage companies to innovate and best serve their customers. AUO is committed to complying with all the antitrust laws (also called competition laws) that are applicable to its business. No employee should ever assume that AUO's interest requires otherwise. On the contrary, violations of AUO's Antitrust Compliance Policy are grounds for disciplinary action, up to and including termination of employment.

Employees should refer to AUO's Antitrust Compliance Manual and Antitrust Compliance Policy for a detailed discussion of the various antitrust laws that affect AUO's business.

The consequences of an antitrust violation can be serious, both for AUO and for any employee, agent, officer or director whose conduct is the basis of the violation. A violation of the United States' antitrust laws is a crime that can result in substantial fines for companies and substantial jail sentences and fines for individuals. A violation of the European Union competition rules or Taiwan's Fair Trade Act can result in fines of up to 10% of a company's turnover during the preceding business year. All countries in which AUO does business have antitrust laws with significant penalties for violations. In addition to these sanctions, the cost of defending an antitrust charge can be significant.

Some jurisdictions have a non-prosecution policy for antitrust violations. In general, to qualify for leniency the company must be the first to report the illegal conduct to the authorities.

If you suspect a violation of the AUO Antitrust Compliance Policy or a violation of any antitrust laws, you are expected to report it to the Legal Office immediately. AUO will not

accept retaliation as a cause of action and will not prosecute or file a lawsuit against anyone in any way for providing information in good faith to the Legal Office, nor will AUO tolerate retaliation against you if you report a potential violation. Any acts of retaliation should also be reported to the Legal Office immediately.

Antitrust laws are complex and can operate differently in any particular situation. But the following are general guidelines for

antitrust compliance with which all AUO employees are expected to comply. You should also familiarize yourself with AUO's Antitrust Compliance Policy, which is available on the AUO [intranet](#). If you have any doubt about the legality of a matter, you should consult the [AUO Legal Office](#) for assistance.

Do **NOT** enter into any agreement or understanding—whether expressed or implied, formal or informal, written or oral—with any competitor regarding price or any other aspect of competition. Agreements among competitors on any aspect of competition that could affect price are always illegal.

Do **NOT** discuss with a competitor or a competitor's representative:

- price
- bids for business
- allocation of sales territories, customers, or product lines
- terms or conditions of sale
- production volume or sales capacity
- costs, profits, or profit margins
- market share

Exchanging such information is illegal in some jurisdictions and, in any event, can lead to an inference of collusion. It is best to avoid any substantive conversations with competitors altogether and to secure advice from the Legal Office in any situations where you

Competing aggressively, on price, to win a customer's business is the hallmark of sound competition. However, selling a product for less than its marginal cost with the expectation of raising prices after competitors have been driven from the market is illegal. Therefore, do NOT charge a customer less than the cost of a product with the purpose of pushing a competitor out of the market. If you believe that a price being offered by AUO is so low that it might raise antitrust concerns, consult with the Legal Office.

Do **NOT** propose or enter into agreements or understandings with customers that restrict the price or other terms on which the customer may resell a product or service to a third party. An agreement with a customer that it maintain a certain resale price on an AUO product can violate the antitrust laws.

Do **NOT** sell bundled products that customers do not wish to buy. A seller may not refuse to sell one product on the condition that the customer also buys a second product. This is called "tying" and it can be illegal if products are technically available separately, but terms of sale force customers to buy the second product and competition for that product is limited.

Do **NOT** propose or enter into an agreement or understanding with a competitor not to do business with a particular company. An agreement to refuse to enter into a business relationship with another company, to admit them to a trade association, or to otherwise boycott them can violate the antitrust laws.

**Q.** The cost of a key input used in a TV screen increases and, as a result, AUO is contemplating a price increase. A competitor approaches AUO seeking an agreement not to pay more than a certain price for this input, which would eliminate the need for AUO's proposed increase.

**A.** An agreement to fix an input price is always illegal and cannot be justified by the lower prices that consumers might enjoy. You should refuse the offer and inform the AUO Legal Office.

Do **NOT** propose or enter into agreements or understandings with other companies that restrict the price or other terms at which AUO may resell any product or service, such as the region in which competitors is always illegal.

**Q.** A salesman who works at a competitor to AUO casually approaches you and discusses in general terms the panel sizes that his company has excess capacity for and those panel sizes (42", 46" and 50") that are generally more profitable for his company. He then helpfully proposes that his company will focus on producing and selling 42", 46", and 50" panels for the upcoming two quarters, while AUO should focus on producing and selling 32" and 65" panels for the upcoming two quarters. You know that the 32" and 65" panel sizes are generally more profitable for AUO, and AUO has available capacity for those sizes.

**A.** You should not agree or talk to the competitor about ~~any market allocation or agreement~~—this includes not only in reference to price and quantities, but also sizes and other market segments. Not rejecting outright the competitor's proposal while AUO proceeds to produce and sell 32" and 65" panels the next two quarters could be interpreted as a tacit agreement between AUO and its competitor. This scenario highlights the danger of engaging in even informal or general discussions with competitors. In addition, you should promptly report any such overture or proposal from a competitor—~~even if it seems to have been made with~~ cooperative intentions—to the AUO Legal Office.

In addition, there are several categories of business conduct that could lead to issues under the antitrust laws. You should take great care when engaging in these activities that your conduct not violate AUO's Antitrust Compliance Policy and should consult with the Legal Office if you have any concerns about implications for the antitrust laws.

## Competitive Information Gathering Sensitive

Gathering market pricing information and other sensitive competitive information including costs, profits margins, production, and future production plans, is a common and lawful practice but it must be done properly. The key question is where you get this information. It is permissible to gather it from customers, distributors, industry publications, or news sources. It is not permissible to seek or receive this information directly from AUO competitors. When a competitor is also a customer or supplier, be careful what you say and to whom you say it. You should not discuss pricing information for products outside the relationship as supplier or purchaser, and you should limit

the procurement personnel.

To that end, always note the source of pricing information in notes, memos, or emails. This will help to prove later, if necessary, that the information was gathered lawfully. If you have any doubts about whether a source of pricing information is proper, consult with the Legal Office first.

**Q.** After talking with a customer, you are convinced that a competitor is about to raise prices. You believe this will allow AUO to also raise prices, and you consider writing a recommendation to your manager that AUO do so.

**A.** It is legal and appropriate to ask customers what competitors are charging and to act on that information in making business decisions. When communicating about such information, however, you should take care to note the source of the information so that no question exists about how you obtained it.

## Trade Associations

Trade associations are particularly sensitive because they frequently involve joint activities with competitors. Whether they create antitrust problems will depend on the nature of the activities. Before AUO becomes a member of any trade association, the Legal Office must review the rationale for joining and on which documents describing the organization and its operation.

None of the subjects identified above as being improper for competitors to discuss directly may be discussed at a trade association meeting—or informally before or after a trade association meeting—unless the topics that will be discussed are necessary for the association to operate. If you should review those topics with the Legal Office if they raise any potential antitrust issues. In addition, you should review with the Legal Office any proposal by a trade association to engage in joint activities that are not necessary for the association to operate.

If you are in a trade association meeting, follow the agenda and keep detailed notes. If someone at the meeting begins to discuss an



inappropriate topic, stop the discussion and insist that the group stick to the agenda. If the discussion continues, leave the meeting right away. Inform the Legal Office of any such situations.



## Written Communications

You should take great care in your writing, whether it be a letter, memorandum, or email. You should avoid ambiguous or misleading language that could convey an erroneous suggestion of anticompetitive conduct. You should also avoid exaggeration and slang expressions. ~~It is important to make sure the recipient of a writing, but you may find it difficult to explain later to a judge or jury.~~

Bear in mind that everything you write, including notes on another person's memorandum, may become evidence in a lawsuit. ~~A good rule is to consider whether you would be comfortable if a document appeared in the press or were turned over to an antitrust enforcement authority.~~ Check with the Legal Office if you have any question about the contents of any document.

Remember that electronic communications such as email and other computer-generated writings may be stored for an indefinite ~~period in the computer system, even though they may have been deleted from the personal computers of those who wrote, sent, or received the communications.~~ It is important that you use the same care in preparing such communications as you use in preparing traditional written communications.

**Q.** Your boss sends you an email reflecting his conversation with a competitor about the challenges AUO and this competitor have been facing ~~in meeting customer demand for a new product.~~ Your boss instructs you to "read and delete" the email.

**A.** It is inappropriate to discuss competitive information, such as production capacity, with a competitor. You should raise with your boss that his conversation might create antitrust concerns. If you believe AUO might be ~~violating the law, you should notify the Legal Office immediately.~~

## Questions and Reporting Violations

If you have any questions about whether activities might violate AUO's Antitrust Compliance Policy or to report a potential violation, contact: Chief of Antitrust Compliance Dr. Xin-Wu Lin at [Xw.Lin@auo.com](mailto:Xw.Lin@auo.com), General Counsel Paul KP Lee at [Paul.KP.Lee@auo.com](mailto:Paul.KP.Lee@auo.com).





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