

02 chapter

Legal Compliance and Ethical Management

2.1 Emphasis on Ethics and Integrity

To establish a corporate culture of ethical management and a steady development at Yang Ming, the Corporate Governance and Integrity Division is responsible for the stipulation, promotion, supervision and execution of the policies of ethical management and related preventive measures and reports regularly to the Board of Directors. In 2022, the Board of Directors adopted the amendments to "Codes of Ethical Conduct of Yang Ming Group", "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", which have been published internally and updated on the official website. Also, extensive promotion and strengthened internal management are executed in order to define the ethics and responsibilities necessary for the Directors, managers and employees in conducting business.

Independent whistleblowing mailbox (in charge by the Chief Audit Executive) and independent director mailbox (in charge by Independent Director) are set up at the Company. A whistleblower may report any behavior that is illegal, or in violation of work rules, "Codes of Ethical Conduct of Yang Ming Group", "Ethical Corporate Management Best Practice Principles" or "Procedures for Ethical Management and Guidelines for Conduct".

In addition, the "Work Rules for Onshore staff," "Crew Job Descriptions" and "The Procedures of Rewards and Punishments for Employees" specify regulations governing business confidentiality and avoidance of conflict of interest for employees. Unethical behaviors of employees are addressed in line with the severity of the behavior and the regulations of "The Procedures of Rewards and Punishments for Employees." There was no corruption or matter involving ethical management violation, nor total financial losses incurred from litigation due to involvement in corruption or penalty arising from unjust enrichment or unethical conduct, at the Company in 2021.

Yang Ming is a container liner shipping company, offering services worldwide and calling at 182 ports. It did not have direct service route that anchored at the ports of the 20 countries with the least score in the Corruption Perceptions Index (CPI) released by Transparency International in 2021.

Ethical Risk Identification Process



The Company have promoted "Ethical Corporate Management Best Practice Principles," "Codes of Ethical Conduct" and "Guidelines on Unethical Conduct Prevention" online to all the onshore employees of the Company from December 14 to 27, 2021. A total of 1,376 employees passed the test, achieving a 93% of completion rate.

Topic	Goals in 2021	Execution Results in 2021	Goals in 2022	Mid-/Long-term Goals
Corporate governance and ethical management	Raise employees' awareness of ethical management and establish a culture of integrity.	<ul style="list-style-type: none"> The employees were encouraged to report violations; the whistleblowing mailbox was adjusted as available on both the internal portal and the external official website, with anonymous report accepted. The "Hospitality/Gift Report Procedures" was established and promoted; employees receiving dining treat or gift externally above a certain amount were required to report on the designated system. "Business bribery and prevention" education and training were conducted for (senior) vice presidents and deputy vice presidents of departments on September 23, 2021. Key regulations of "Codes of Ethical Conduct of Yang Ming Group" were promoted prior to the Board meetings. 	<ul style="list-style-type: none"> Keep promoting and strengthening employees' awareness of ethical management via relevant education and trainings. Amend the regulations pertaining to ethical management of the Company. 	philosophy of corporate governance and ethical management.

2.2 Legal Compliance Governance and Internal Audit System

Responses to Competition Laws across Countries

A dedicated department is set up at the Company to manage the information of the competition laws of Taiwan, the U.S., China and other significant territories and to formulate corresponding legal compliance policies and codes of conduct. Also, through participation in the external organization, information of relevant laws and regulations are collected and updated in line with the latest information and regulations available. Regarding the updates of competition laws of various countries, the latest updates are briefed to the management and relevant units in a timely manner. To elevate the legal compliance awareness of all employees, Yang Ming promotes competition laws to employees of the Group, including the agencies worldwide, via email on a monthly basis to demand compliance with relevant regulations so as to reduce the likelihood of engaging conducts banned by competition laws. Meanwhile, key points in terms of legal compliance are promoted prior to important meetings. For the management and employees stationed abroad, the competition laws and regulations in the regions assigned are further elaborated to avoid any violation of laws or regulations.

Sailing Detention

No condition of class by ship classification society was made to Yang Ming in 2021. There was one incident of detention of sailing required by port state or relevant competent authorities, which has been corrected in a timely manner:

YM Orchid failed to complete all the docking repair works as planned at the shipyard and did not complete the testing and preparation works of equipment monitoring in the duration of December 7, 2020 to January 16, 2021. It left the shipyard on January 17, 2021. The Port State Control (PSC) of Shanghai issued a notice of non-conformity inspection pursuant to Article 7 (Shipboard operations) and Article 10 (Maintenance of the ship and equipment) of the International Safety Management (ISM) Code, demanding the ship to correct the aforementioned non-conformities before sailing as scheduled.

Regulations of Personal Data Protection

The “Personal Data Protection Operating Procedures” has been stipulated at Yang Ming as the guidelines for employees in collection, processing and use of personal data. Corresponding personal data collection statements are available for respective scope of business to meet the requirements of Taiwan’s Personal Data Protection Act. Also, we keep tabs on the regulatory development in the area of personal data protection, so as to adjust the legal compliance policies of the Group, relevant standards and operating procedures of the Group from time to time. The Company demands its employees to take courses on personal data protection laws and regulations, which are counted as their hours of education and trainings. The management of personal information protection and related control procedures for computerized information systems are formulated pursuant to Article 8 and Article 9 of Regulations Governing Establishment of Internal Control Systems by Public Companies; the inspection of information and communications security is listed as one of the items in the annual audit plan pursuant to Article 13 thereof.

In Europe, since the General Data Protection Regulation (GDPR) came into force in May 2018, Yang Ming has appointed the Data Protection Officer (DPO) in the Europe Head Office to handle issues related to personal data protection in the region. Also, the Privacy and Security Statement on the Group website is tuned to meet the GDPR requirements.

In China, in line with the Personal Information Protection Law in force as of November 2021, the shipping agencies of Yang Ming examined the internal processes of the Company and amended and added relevant documents for employees in conducting business in order to meet the regulatory requirements.

Please refer to “5 Green Environment and Decarbonization Governance” for compliance with environmental protection laws and regulations.

Please refer to “6 Employee Care and Community Inclusion” for compliance with social laws and regulations.



Education and Trainings

Yang Ming spares no effort in legal compliance. It organized education and trainings in 2021 for the development of its employees with a high completion rate achieved.

Course	Result
Insider Trading Education	<p>For the “2021 Promotion of Insider Trading Prevention,” Yang Ming promoted to all the domestic onshore employees online for 0.5 hour from November 8 to December 31, 2021.</p> <p>A total of 1,393 employees passed the test, achieving a 93% of completion rate.</p>
Ethical Management Education	<p>For the “Ethical Corporate Management Best Practice Principles,” “Codes of Ethical Conduct” and “Guidelines on Unethical Conduct Prevention,” Yang Ming promoted to all of its onshore employees online for 0.5 hour from December 14 to 27, 2021.</p> <p>A total of 1,376 employees passed the test, achieving a 93% of completion rate.</p>
Competition Laws Promotion	<p>A total of 1,395 employees completed the course, with a 93.5% of completion rate achieved in the test.</p>
Regulations of Personal Data Protection	<p>Aside from promotion of the regulations of personal data protection of Taiwan and EU, the Personal Information Protection Law of China was added in the course.</p> <p>A total of 1,499 employees took the test, with 92% of whom passed the test.</p>
Legal Compliance Training – Business Bribery	<p>Consultant Yung-Chin Hsu from PricewaterhouseCoopers Legal Taiwan was invited to strengthen the corporate governance and improve the ethical management awareness of employees.</p> <p>75 employees attended the course.</p>
Economic Sanctions (elective)	<p>The targets and goods subject to embargoes of “economic sanctions” placed by the U.S. and Europe were promoted in the course.</p>



Litigations

One litigation of anti-competitive practices was yet to be closed with Yang Ming in 2021, in which the Intermodal Motor Carriers Conference (IMCC) of the American Trucking Associations (ATA) filed a complaint to the Federal Maritime Commission (FMC) against the Ocean Carrier Equipment Management Association (OCEMA), the member carriers of OCEMA and Yang Ming for restrictions on the right of truck companies in the U.S. to supplier and chassis selection, along with a lawsuit filed as well.

Internal Audit

Legal compliance is an essential basis for various operations at Yang Ming. The Company manages with ISO management systems and its internal control systems, conducting internal and external audits regularly.

There was no major violation against social, economic or environmental laws or regulations in the business activities of Yang Ming worldwide in 2021.

Topic	Goals in 2021	Execution Results in 2021	Goals in 2022	Mid-/Long-term Goals
Legal compliance	<ul style="list-style-type: none"> Continue to organize promotional courses of personal data protection. Continue to send highlights and reminders of important laws and regulations to Group employees. Inventory the personal data at the Headquarters and the European offices and probe into the personal data collection and use as well as transmission across borders. Add the terms of personal data protection in the standard legal compliance provisions of the Group. 	<ul style="list-style-type: none"> The promotion courses of personal data protection laws and regulations and competition laws, the legal compliance education and trainings for YM managers and workers, and the pre-departure legal compliance trainings for expatriates were completed. Legal compliance reminders were sent monthly to the employees of the Group, agencies worldwide included. Personal data inventory and assessment of relevant risks were conducted at the Headquarters and the branch offices. 	<ul style="list-style-type: none"> Continue to organize promotional courses for important laws and regulations of personal data protection and competition, legal compliance education and trainings, and personal data inventory. Continue to send legal compliance reminders to the employees of the Group. Establish the legal compliance audit standards for regional centers and demand the regional centers to submit audit results. Complete the Group guidelines for competition law compliance and publish it on the internal portal. 	<ul style="list-style-type: none"> Keep tabs on the regulatory development in the area of personal data protection to adjust the legal compliance policies of the Group from time to time.