



AU Optronics

Antitrust Compliance Policy

December 2017

“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.”

– Paul S.L. Peng, Chairman

Antitrust and competition laws encourage companies to innovate, serve their customers, and protect consumers. AUO is committed to complying with all the antitrust laws that are applicable to its business. No employee should ever assume that AUO’s interest requires otherwise. On the contrary, violations of this Policy are grounds for disciplinary action, up to and including termination of employment. No supervisor or management employee has the authority to direct or approve any action by an AUO employee or agent in violation of the antitrust laws or this Policy.

The antitrust laws are complex, and there is no single global competition statute. Rather, competition and antitrust laws are enforced in over 100 countries including China, the European Union, Japan, Korea, Taiwan, and the United States. For the competition rules of a particular country to be applicable, it is irrelevant where the companies involved are located. What matters, generally speaking, is whether the agreements and practices might affect the economy of that country. Employees should refer to AUO’s Antitrust Compliance Manual for a more detailed discussion of the various antitrust laws that affect AUO’s business.

Those various laws generally share a common underlying principle, however: competition benefits consumers by providing the best products at the lowest prices, and society’s resources are allocated most effectively when companies are subject to the rigors of the competitive market. The antitrust laws accordingly operate to prevent competition from being undermined by anticompetitive practices, such as agreements between competitors regarding price and abuses of market power.

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 law is a crime that can result in substantial fines for companies and jail sentences 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. Several jurisdictions have a formal leniency policy for antitrust violations. In general, to qualify for leniency the company must be the first to report the illegal conduct to the authorities.

AUO's policy is not only to comply with such laws but to avoid conduct likely to lead to illegal conduct or that creates an appearance of illegal conduct and thereby attracts an antitrust investigation or claim.

If you suspect a violation of this Policy or a violation of any antitrust laws, you are expected to report it to AUO's Legal Office or to AUO's Chief of Antitrust Compliance, Dr. Xin-Wu Lin, immediately. You may also make a report to AUO's anonymous email hotline, compliance@auo.com. AUO takes all reports of potential antitrust issues seriously and will not penalize or retaliate against anyone in any way for providing information to the Legal Office or Dr. Lin, or reporting any potential violation, in good faith. Any incidents of retaliation should also be reported to the Legal Office immediately.

This Policy provides some basic guidance to govern employee conduct and will help employees identify areas where potential antitrust compliance issues may arise. In addition, compliance training and other supplemental materials will be provided to further help employees understand the principles of the antitrust laws.

Antitrust laws are complex and evolving, however, and you should seek advice from the AUO Legal Office whenever a possible antitrust problem arises or if you have any doubt about the legality of a matter, as this Policy requires strict compliance with these laws.

Relationships with Competitors

Independent Pricing, Capacity Allocation, and Sales Decisions

AUO's employees and agents may not agree with a competitor about any of the following:

- the price that a customer will be charged;
- other terms of sale, such as discounts, the charge for transportation, credit or warranty terms, or particular services;
- the process for setting price, such as the process of competitive bidding or the formula for calculating a price or a component of a price;
- who will or will not bid for business;
- the territories where AUO and its competitors will sell products;

- the products AUO and its competitors will sell to customers;
- the customers to whom AUO or its competitors will sell products; or
- capacity utilization or allocation, or the levels of production for any products, including any factory shutdowns or slowdowns.

Instead, the prices that AUO charges, volume of products it produces, the customers to whom it sells products, and the territories where it competes, must all be determined independently, in light of factors such as AUO's strategy, costs, market conditions, customer demands, and competitive prices. Competitors' prices, production capacity, and production allocation must be obtained from legitimate sources, such as market research firms, public sources, published lists, or customers—never from competitors.

No Competitor Communications

AUO's employees and agents may not have any discussion or communication with any representative of a competitor concerning:

- prices, pricing policies, contract bids, components of price, discounts, terms and conditions of sale;
- dealings with particular customers or distributors, or plans to do so in the future;
- the territories in which the Company plans to sell products, or what product lines it intends to sell in the future;
- AUO's strategic plans regarding products or customers; or
- costs or production levels, production capacity utilization or allocation, factory loading rate, or factory shutdowns or slowdowns.

If a customer asks AUO to meet a price quotation from a competitor, AUO may or may not decide to meet the competing price quotation, but in no event may any AUO employee contact the competitor to verify the competing quotation.

Any form of collusion in bidding or pricing is absolutely forbidden. An employee, directly or through an intermediary, may not discuss with any competitor a decision to bid, not to bid, or the price at which the Company will bid. Submitting a phony bid—that is, a bid submitted without any intention to win, but rather to give the false impression that the bidding process is competitive—is also illegal.

If an employee receives an improper communication from a competitor, such as an invitation to exchange price information, allocate customers, products, or territories, or participate in a price-fixing scheme, in addition to clearly declining the invitation, the employee must immediately contact the Legal Office so that AUO may take any additional measures necessary to disassociate itself from the suggested activity.

Dual Relationship

Sometimes a competitor may also be a customer or supplier. When dealing with a customer or supplier who is also a competitor, employees must be careful to limit the pricing discussions to prices for the products that the customer intends to purchase or has expressed an interest in purchasing. In some cases, the customer or supplier company may not be a competitor itself, but it may have an affiliate company that is a competitor to AUO. In these cases, AUO employees should take care to only communicate with the personnel of the “customer” or “supplier” affiliate, and not with the personnel of the “competitor” affiliate.

Boycotts or Refusals to Deal

It is generally illegal for competitors to enter a horizontal agreement to refuse to deal with another company, an arrangement commonly referred to as a “boycott,” particularly when the boycott reinforces a price-fixing agreement. AUO and its agents may not agree with a competitor that they will refuse to do business or terminate an existing business relationship with a third party, nor may they engage in other coordinated refusals to deal, such as an exclusion of a company from membership in a trade association. AUO’s employees and agents also may not agree with a competitor to refuse to deal with a customer or supplier on the condition that customer or supplier stops dealing with another competitor.

It is usually more risky to terminate an existing business relationship than to refuse the relationship in the first place, in part because it is easier for the terminated business to prove damages. Proposed terminations of a significant relationship with a supplier or customer, other than terminations that are mutually agreeable, should be referred to the Legal Office.

Trade Associations

Because trade associations involve meetings of competitors, many antitrust violations arise from activities related to trade associations. Before AUO becomes a member of any trade association, AUO requires that the Legal Office:

- review the rationale for joining;

- request the association’s charter documents and assess its purpose; and
- approve AUO’s participation in writing.

AUO employees must be careful to avoid any improper suggestions or discussions at trade association meetings. AUO and its employees could become entangled in expensive litigation involving the improper activity of others merely because an AUO employee is present when improper matters—such as prices, bids, customer or product allocations, or territorial divisions—are discussed. As a general rule, any information that would be improper to exchange directly with a competitor would be improper to exchange with a trade association. To avoid any potential antitrust issues, AUO employees must adhere to the following rules when attending trade association meetings:

- Obtain a written agenda in advance of any meeting.
- Follow the agenda at the meeting, and keep detailed notes of the meeting. 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. Promptly inform the Legal Office of any such situations.
- Avoid informal discussions with competitors before and after the meetings, such as over drinks or a meal.

Employees that participate in trade associations should follow association communications carefully and inform the Legal Office immediately if those communications implicate antitrust issues.

Relationships with Suppliers, Distributors, and Customers

Resale Price Maintenance

Generally, AUO cannot require its customers or distributors to abide by a minimum or maximum or specific price, a practice known as resale price maintenance. But this is a complex area of competition law because it can differ significantly by jurisdiction. Because of this complexity, employees must seek guidance from the Legal Office before discussing, entering into, or enforcing any resale price maintenance agreement. Before issuing pricing recommendations to a distributor, employees should consult with their supervisors and, if they think the circumstances raise competition law concerns, seek guidance from the Legal Office. In addition, if employees learn that an AUO distributor or agent may be engaging in price-fixing with other distributors or agents, they should report that conduct immediately to the AUO Legal Office.

Distributor Restrictions

Similarly, distributors should generally be allowed to use or resell products as they deem appropriate. EU competition law is extremely strict on territorial restrictions on where or to whom a distributor may resell products. As such, it is illegal to enter into direct or indirect agreements or conduct that restrains the flow of goods or services across EU borders. Accordingly, AUO employees should never impose an obligation not to sell to certain customers or to customers located in a specific territory or otherwise enter into any agreement that would restrict the free movement of goods among EU Member States. You should consult with the Legal Office if you believe any practices might violate EU's policy against territorial restrictions. In some circumstances, it may be possible to appoint an exclusive distributor for a particular geographic area or defined class of customers, require a distributor not to sell competing products for a certain period of time, or require the distributor to purchase all of its requirements of the product from AUO. Before entering into an agreement imposing restrictions on distributors or customers, employees must consult with the Legal Office to ensure that the restrictions are permissible in the countries concerned.

Exclusive Contracts

Do not require a customer to buy products only from AUO except after consultation with, or pursuant to an agreement approved by, the Legal Office. While often lawful, exclusive contracts in certain circumstances raise antitrust concerns, especially where AUO has a large market share.

Tying Arrangements

Do not condition a customer's ability to purchase one product from AUO on a requirement that it also purchase another product from AUO without first consulting with the Legal Office. Although package deals are not necessarily unlawful and may in fact be procompetitive, in some circumstances they can constitute illegal "tying" arrangements, especially where AUO has a large market share in one of the products.

Predatory Pricing

Do not sell at a price below cost for the purpose of injuring competition. Sales below marginal cost may be presumed to be for that purpose, especially where AUO has a large market share.

Price Discrimination

Sales of the same product at a different price to similarly situated customers can be unlawful under certain circumstances. Differentiation is permissible if it is justified on

objective grounds, such as a volume discount, the likelihood of future business, or to meet a competitor's price. You should consult with the Legal Office if you have any concern that AUO's sales terms might violate the competition law's restrictions on price discrimination.

Documents, Email, and Presentations

Careful language will not avoid antitrust liability when the conduct involved is illegal, but it is possible that lawful conduct could become suspect or the subject of antitrust litigation because of a poor choice of words or a misleading expression. Care should be taken in Company communications and presentations to avoid careless or inappropriate language that could be misunderstood in an antitrust context. This is a particularly important consideration when using email, a communication medium in which people often use imprecise, easily misinterpreted language. Keep communications factual and avoid provocative or judgmental language. In particular, avoid wording that, while the intended meaning may seem clear to you, could be misunderstood by someone else as suggesting an illegal agreement or cooperation among competitors on prices or related matters.

No Retaliation

If you suspect a violation of this Policy or a violation of any antitrust laws, you are expected to report it to AUO's Legal Office or to AUO's Chief of Antitrust Compliance, Dr. Xin-Wu Lin, immediately. You may also make a report to AUO's anonymous email hotline, compliance@auo.com. AUO takes all reports of potential antitrust issues seriously and will not penalize or retaliate against anyone in any way for in good faith providing information to the Legal Office or Dr. Lin or reporting any potential violation. Any incidents of retaliation should also be reported to the Legal Office immediately.

Conclusion

Antitrust compliance is the responsibility of every employee. In carrying out that responsibility, you should work closely with the Legal Office to receive advice on how to achieve AUO's business objectives within the law. If you believe AUO might be violating the law, you must discuss the issue with your supervisor or the Legal Office immediately. For a detailed list of the actions that require reporting, please consult the Company's Antitrust Compliance Manual.

Contact General Counsel Paul KP Lee at Paul.KP.Lee@auo.com or Chief of Antitrust Compliance Dr. Xin-Wu Lin at Xw.Lin@auo.com if you have any questions about whether activities might violate AUO's Antitrust Compliance Policy or to report a potential violation. You may also make a report to AUO's anonymous email hotline, compliance@auo.com.