

# Corporate Governance Principles of Oriental Union Chemical Corporation

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## Chapter I

### General provisions

#### Article 1

The Principles are established to improve the corporate governance of Oriental Union Chemical Corporation (“The Company”) based on the followings:

- (1) Protect the rights and interests of shareholders.
- (2) Strengthen the functions of the Board of Directors.
- (3) Fulfill the function of the Audit Committee.
- (4) Respect the rights and interests of stakeholders.
- (5) Enhance information transparency.

#### Article 2

The Company shall follow the “Criteria Governing Establishment of Internal Control System by Public Reporting Companies” and take into consideration the overall operations activities of itself and its subsidiaries to design and fully implement an effective Internal Control System.

The Company should conduct the voluntary review of the Internal Control System, the yearly result of voluntary reviews of each department and the quarterly report of the internal audit department should be reviewed by the management and the Board of Directors, and be attended to and governed by the Audit Committee. The Company should establish the communication channel and mechanism between Independent Directors or Audit Committee and internal auditing official, to periodically review, follow up and implement the improvement for the demerits of the Internal Control System.

The Company's management shall pay special attention to the internal audit department and its personnel, fully empower them and urge them to conduct audits effectively, evaluate problems of the internal control system and assess the operations efficiency.

#### Article 2-1

The Company should, in accordance with its operational scale, business status and management necessity, establish an appropriate number of competent corporate governance personnel in charge of the relevant corporate governance business, under supervision of the high level official assigned.

## **Chapter II      Protect the rights and interests of shareholders**

- Article 3      The Company should render fair treatment to all of its shareholders to ensure that the shareholders rights and interests are in full awareness, participation and determination over the important matters of the Company.
- Article 4      The Company shall convene Shareholders' Meetings according to the stipulations of the Company Act and related laws and establish the comprehensive rules for the meetings, and to implement the resolutions of the Shareholders' Meetings according to the stipulated rules. Resolutions approved by Shareholders Meetings of the Company shall comply with laws, regulations and Articles of Incorporation.
- Article 5      The Board of Directors of the Company shall properly arrange the proposals and agenda of Shareholders Meetings. Shareholders shall be granted reasonable time to deliberate each proposal and afforded an appropriate opportunity to make statements.
- Article 6      The Company adopts electronic voting for Shareholders Meeting proposals. The voting results of the approval, disapproval or the abstained will be uploaded to the TWSE designated internet system at the same day the Shareholders Meeting summoned.
- Article 7      The Company shall record minutes of the Shareholders Meeting in accordance with the Company Act and other applicable laws and regulations. The Shareholders Meeting minutes shall be properly and perpetually kept by the Company during legal existence, and fully disclose such meeting minutes on the Company's website.
- Article 8      In order to ensure the interests of the shareholders, the Company shall designate personnel exclusively dedicated to handling proposals, inquiries, and disputes relating to its shareholders.
- Article 9      The Company shall clearly identify the allocation of its management authorities and responsibilities over personnel, assets and financial matters with affiliated enterprises, and shall conduct risk evaluation.

Article 10 Where the Company and affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between each other shall be made in accordance with the principle of fair dealing and reasonableness. Both parties shall definitively stipulate the terms and conditions of the price and payment terms mechanism, and desist from any transactions that are other than righteous.

All transactions or contracts made by and between the Company and affiliated persons and shareholders shall follow the principles set forth in the proceeding paragraph and tunneling of profits is strictly prohibited.

### **Chapter III Strengthen the functions of the Board of Directors**

Article 11 The composition of the Board members should be diversified, and shall have the necessary knowledge, skill, and experience for performing their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall have the abilities to make operational judgment, perform accounting and financial analysis, conduct management in administration and crisis, as well as leadership in decision making, industrial knowledge and international market perspective.

Article 12 The Company adopts the cumulative voting and candidate nomination mechanism for the election of Board of Directors, and reviews in advance the qualifications of the candidates pursuant to the regulation of the Articles of Incorporation.

Article 13 In accordance with the Articles of Incorporation, the Company shall have 3 Independent Directors. The Company shall stipulate the scope of duties of the Independent Directors and empower them with manpower and physical support related to power exercise. The Company or other Board members shall not interrupt, refuse or evade the performance of duties of the Independent Directors.

Article 14 For the purpose of developing supervision functions and strengthening management mechanisms, the Board of Directors of the Company may, taking into account the size and business nature of the company, and the number of Board of Directors, set up the Audit, Remuneration Committees or any other functional committees.

The functional committees shall adopt an organizational charter to be approved

by the Board of Directors. The organizational charter shall contain the number, term of office, and power of committee members, as well as the meeting rules and resources to be provided by the Company for exercise of power by the committee.

- Article 15      The Company shall set up the Audit Committee, which consists of the entire Independent Directors and should be no less than 3 in number, among which one will be the convener and the other one at least among all with expertise in accounting or finance.
- The power exercise by the Audit Committee and Independent Directors and related matters shall comply to the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations of the TWSE.
- Article 16      The Company shall establish the Remuneration Committee, and more than half of the Committee members shall be Independent Directors. The professional qualifications for the committee members, the exercise of their powers of office, the adoption of the organizational charter, and related matters shall be handled pursuant to the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- Article 16-1    The Company shall establish and announce channels for internal and external whistleblowers. The unit that handles whistleblowers' reporting shall be independent, provide encrypted protection for the files furnished by whistleblowers, and appropriately restricted access to such files.
- Article 17      The Company shall adopt the rules for the proceeding of Board meetings and follow the provisions in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies with regard to the content of deliberations, procedures, matters to be recorded in the meeting minutes, public announcement, and other matters for compliance.
- Article 18      The Board of Directors of the Company, based on the duty of care as good administrators with high degree of self-discipline and deliberate manner, should implement execution in accordance with the resolutions of board meetings, unless matters are otherwise reserved for approval in the shareholders meetings

by the law or the Articles of Incorporation of the Company.

The Company shall formulate rules and procedures for Board of Directors performance assessment, and conduct regularly scheduled performance assessment for the Board of Directors, functional Committees and individual Directors in any appropriate manner each year.

- Article 19 Pursuant to the Articles of Incorporation of the Company, a liability insurance should be taken for the Directors with respect to their liabilities resulting from exercising their duties during their terms of occupancy, so to minimize and dismiss the risk of huge loss caused by the mistakes or negligence to the Company and the shareholders. The major contents of the liability insurance after taken shall be reported at the next Board of Directors meeting.
- Article 20 Members of the Board of Directors shall participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM Listed Companies, which cover subjects relating to corporate governance for Directors and throughout their terms of occupancy.
- Article 21 The Company shall select a professional, responsible and independent CPA to be its external auditor, who shall perform regular reviews of the financial conditions and internal control measures of the Company. With regard to the irregularity or deficiency timely discovered and disclosed by the auditor during the review, and the concrete measures for improvement or prevention suggested by the auditor, the Company shall faithfully implement improvement actions. A communication channel and mechanism with Independent Directors, Audit Committee and CPA shall be established.
- The Company shall evaluate the independence and suitability of the CPA engaged by the Company regularly. In the event that the Company engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary actions or other circumstances prejudicial to the independence of the CPA, the Company shall review the necessity of replacement, and shall submit to the Board the conclusion of such review.

#### **Chapter IV Fulfill the function of Audit Committee**

- Article 22 (Deleted)
- Article 23 The Audit Committee shall supervise the implementation of the operations of the Company, and the performance of duties by Directors and managers, and care for the enforcement of the internal control system so as to reduce the financial and operational risks of the Company.
- Where a Director, for himself/herself or on behalf of others, enters into a sale/purchase or loan transaction, or conducts any legal act with the Company, an Independent Director of the Audit Committee shall act as the representative of the Company.
- Article 24 The Independent Directors shall investigate the operational and financial conditions of the Company from time to time, and the relevant departments in the Company shall provide the books or documents that will be needed for the Independent Directors' review, transcription or duplication.
- When reviewing the finance or operations of the Company, the Independent Directors may retain attorneys or accountants on behalf of the Company to perform the review; however, the Company shall inform the relevant persons of their confidentiality obligations.
- The Board of Directors or managers shall submit reports in accordance with the request of the Independent Directors and shall not for any reason obstruct, circumvent, or refuse the inspection of the Independent Directors.
- When an Independent Director performs his/her duties, the Company shall provide necessary assistance as needed by the Independent Director, and the reasonable expenses that the Independent Director needs shall be borne by the Company.
- Article 25 For Audit Committee to timely discover any possible irregular conduct in the Company, the Company shall establish a channel for the Audit Committee to communicate with the employees, shareholders, and stakeholders.
- Upon discovering any irregular conduct, the Audit Committee shall take appropriate measures timely to curb the expansion of the irregular conduct, and file a report to the relevant regulatory authorities or agencies if necessary.
- Where any of the Independent Directors, President, officers of finance, accounting, research & development, and internal audit department, or CPAs



resigns or is removed from his/her position, the Audit Committee shall further investigate the reason thereof.

## **Chapter V      Respect the rights and interests of stakeholders**

Article 26      The Company shall maintain channels of communication with its banks, other creditors, employees, consumers, suppliers, community or other stakeholders and shall respect and safeguard their legal rights. A specified Stakeholder web page shall be installed at the Company's website.

When any of a stakeholder's legal rights or interests is harmed upon, the Company shall handle such matter in a proper manner and in good faith.

Article 27      The Company shall provide sufficient information to banks and its other creditors to facilitate their evaluation of the operational and financial conditions of the Company and decision-making process. When any of their legal rights or interest is harmed upon, the Company shall respond with a responsible attitude and assist creditors in obtaining compensation through proper means.

Article 28      The Company should establish communication channels with employees, and encourages employees to appropriately express their opinions concerning the Company's operating and financial status and major decisions affecting employees' interests, directly with the management, Directors and Audit Committee.

Article 29      In developing normal business and maximizing the shareholders' interest, the Company shall pay attention to consumers' interest, environmental protection of community and public interest issues, and shall have high regard for the social responsibility of the Company.

## **Chapter VI      Enhance information transparency**

Article 30      The Company shall establish the public BI system on the internet and appoint personnel responsible for gathering and disclosing the information, and establish a spokesperson system so as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders.

The Company shall appoint acting spokesperson who shall represent the Company, when the spokesperson cannot perform his/her duties, in making

statements independently.

Article 31 In order to keep shareholders and stakeholders fully informed, the Company shall utilize the convenience of the Internet and set up a website containing the information regarding the Company's finance, operation and corporate governance both in Chinese and English.

To avoid misleading information, the aforesaid website shall be maintained by specified personnel, and the recorded information shall be accurate, in detail and updated timely.

Article 32 The Company shall hold an institutional investor meeting in compliance with the regulations of the TWSE, and shall keep audio or video record of the meeting. The financial and business information disclosed in the institutional investor meeting shall be disclosed on the designated internet information posting system and provided for inquiry through the website established by the Company or other channels in accordance with the TWSE rules.

Article 33 The Company shall disclose the information regarding corporate governance in the fiscal year in accordance with laws and regulations of the TWSE.

The Company shall, according to the actual performance of the corporate governance system, disclose the plans and measures to improve its corporate governance system through appropriate mechanisms.

## **Chapter VII Supplementary Provisions**

Article 34 The Principles shall be implemented after approval of the Board of Directors. Same shall also be applied to the amendment of the Principles.

\* *In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*