

# Chung Hwa Pulp Corporation

## Ethical Corporate Management Principles

Approved by the Board of Directors on November 8, 2018

- Article 1 These Principles are formulated, taking reference from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, to assist the Company to foster a corporate culture of ethical management and sound development.
- These Principles apply to the Company and its subsidiaries listed in consolidated income statement (hereinafter called "the Company and its subsidiaries").
- Article 2 The Company operates its business based on ethics and creates a sustainable environment for its business through establishing mechanisms of good corporate governance and risk management.
- The Company and its subsidiaries shall comply with laws and regulations of the territory where the Companies and its subsidiaries have business operations, which shall be a precondition for the practice of ethical corporate management.
- Article 3 When engaging in commercial activities, directors, supervisors, managers, employees and persons under authorization of the Company and its subsidiaries or persons having substantial control over such companies (hereinafter called "substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts or breach of fiduciary duty (hereinafter called "unethical conduct") for purposes of acquiring or maintaining benefits.
- Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or private-owned businesses or institutions, and their directors, supervisors, managers, employees or substantial controllers or other stakeholders.
- Article 4 "Benefits" in these Principles refer to any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Article 5 The Company shall in its own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct (hereinafter called "prevention programs") and to analyze business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct, and strengthen the preventive measures.
- The aforementioned prevention programs shall at least include preventive measures against the following:
- I. Offering and acceptance of bribes.
  - II. Illegal political donations.
  - III. Improper charitable donations or sponsorship.
  - IV. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
  - V. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights and other intellectual property rights.
  - VI. Engaging in unfair competitive practices.
  - VII. Damage directly or indirectly caused to the rights and interests, health and safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision or sale of products and services.
- Article 6 The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.
- Prior to any commercial transactions, the Company shall take into consideration the legality of its counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with its agents, suppliers, clients or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy.

Article 7 When conducting business, the Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall comply with the rules shown below:

- I. The Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants or other stakeholders.
- II. The Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages when directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities.
- III. When making or offering donations and sponsorship, the Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall comply with relevant laws and regulations and internal operational procedures and shall not surreptitiously engage in bribery.
- IV. The Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or affect commercial transactions.
- V. The Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall observe applicable laws and regulations, the Company's internal operational procedures and contractual provisions concerning intellectual property, and may not use, disclose, dispose or damage intellectual property or otherwise infringe intellectual property rights without the prior consent of the intellectual property rights holder.

The Company shall establish operational procedures and guidelines to guide directors, supervisors, managerial persons, employees and substantial controllers on how to conduct business. The procedures and guidelines shall at least contain the following matters:

- I. Standards for defining offering or acceptance of improper benefits.
- II. Procedures for offering legitimate political donations.
- III. Procedures for offering legitimate charity donations or sponsorships and the amount standard.
- IV. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
- V. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
- VI. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
- VII. Handling procedures for violations of these Principles.
- VIII. Disciplinary measures on offenders.

Article 8 In the course of research and development, procurement, manufacture, provision or sale of products and

services, the Company and its subsidiaries and their directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall observe applicable laws and regulations and international standards to prevent their products and services from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Article 9 The directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers of the Company and its subsidiaries shall exercise principles and attitudes of good faith to urge the Company to prevent unethical conduct, and shall always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of the Principles set forth herein.

To achieve sound ethical corporate management, the Company shall establish a dedicated unit responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. The dedicated unit shall be in charge of the following matters, and shall report to the board of directors on a regular basis:

- I. Assisting in incorporating ethics and moral values into the Company's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations
- II. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to the Company's operations and business.
- III. Planning the internal organization, structure and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.
- IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.
- V. Developing a whistle-blowing system and ensuring its operating effectiveness.
- VI. Assisting the board of directors and the management in auditing and assessing effectiveness of the prevention measures taken for the purpose of implementing ethical management, and preparing reports on the regular assessment of compliance with relevant operational procedures.

Article 10 The Company shall adopt policies for preventing conflicts of interest to be identified and monitored, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, supervisors, managers, and other stakeholders attending or present at board meetings of the Company and its subsidiaries, the concerned person shall state the important aspects of the relationship of interest at the given board meeting and shall not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting and shall not exercise voting rights as proxy for another director.

The Company and its subsidiaries' directors, supervisors, managerial persons, employees, persons under authorization and substantial controllers shall not take advantage of their positions or influence the companies to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 11 The Company shall establish effective accounting systems and internal control systems and conduct reviews regularly so as to ensure that the design and enforcement of the systems are continuously effective.

The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal

audit unit may engage a certified public accountant to carry out the audit, and may engage professionals to assist if necessary.

Article 12 The board of directors and the management shall actively fulfill their promise of ethical corporate management.

The chairperson, president, or senior management of the Company shall communicate the importance of corporate ethics to its directors, employees and persons under authorization on a regular basis, and ensure effective implementation of corporate ethics during internal management and external business activities.

The Company shall periodically organize training and awareness programs for stakeholders to understand the Company's resolve to implement ethical corporate management, the related policies, prevention programs and the consequences of committing unethical conduct.

The Company shall incorporate the policies of ethical corporate management and human resource policies to establish a clear and effective reward and discipline system.

Article 13 The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

I. An independent mailbox or hotline, either internally established and publicly announced or provided by an independent external institution, to allow insiders and outsiders to submit reports.

II. The dedicated personnel or unit appointed to handle whistle-blowing system. Any tip involving a director or senior manager shall be reported to the independent directors. Categories of reported misconduct shall be delineated and standard operating procedures for the investigation of each shall be adopted.

III. Documentation and preservation of case acceptance, investigation processes, investigation results and relevant documents.

IV. Confidentiality of the identity of whistle-blowers and the content of reported cases.

V. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.

When material misconduct or likelihood of material impairment to the Company comes to their awareness upon investigation, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors in written form.

Article 14 The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules and shall make immediate disclosure on the Company's internal website of the title and name of the violator, the date and details of the violation and the actions taken in response.

Article 15 These Principles shall be disclosed on the Company's website and annual reports.

The Company shall disclose the measures taken for implementing ethical corporate management, the status of implementation and the effectiveness of promotion on the Company's websites, annual reports, prospectuses and the Market Observation Post System.

Article 16 The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managerial persons and employees to make suggestions, based on which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 17 The Principles, and any amendments hereto, shall be implemented after approval by the audit committee and the Board of Directors and shall be sent to the supervisors and reported at a shareholders' meeting. The

same procedure shall be followed when the principles have been amended.

When the Principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. If an independent director expresses dissenting or qualified opinion, it shall be recorded in the minutes of the board of directors meeting. When an independent director cannot attend the board meeting in person but has dissenting or qualified opinion, the opinion shall be provided in written form prior to the meeting and shall be specified in the minutes of the board of directors meeting unless there are justifiable reasons for failure to do so.