

# **Chung Hwa Pulp Corporation**

## **Audit Committee Charter**

### Article 1 (Basis of Establishment)

The Charter are established pursuant to Article 3 of the "Regulations Governing the Exercise of Powers by the Audit Committee of Public Companies".

### Article 2 (Applicable scope of the Charter)

The Charter shall be followed while managing issues relating to the Audit Committee, including number of members, terms of office, authority, procedural rules for meetings, as well as the resources required from the Company when exercising such authority.

### Articles 3 (Main Function of the Committee)

The main function of the Audit Committee is to supervise the following matters:

1. The fair presentation of the Company's financial statements.
2. The independence in the appointment and dismissal of the Company's CPAs and the management of their performance.
3. The effective implementation of the Company's internal control system.
4. The compliance to relevant regulations and rules.
5. The control of existing and potential risks faced by the Company.

### Article 4 (Composition, size, and terms of service of the Committee)

The Committee shall be organized by all independent directors. It shall have at least three members, one of whom shall be the convener. At least one member shall possess the expertise in accounting or finance.

The Independent Directors of the Committee shall serve three-year terms and they may be reelected. When the number of Independent Directors falls below that prescribed in the Paragraph 1 or the Articles of Incorporation due to the dismissal of an Independent Director, a by-election to fill the vacancy should ideally be held at the next shareholders' meeting. When the Independent Directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

### Article 5 (The Committee Exercises the Duties of Supervisors)

Powers conferred by the Securities and Exchange Act, the Company Act, and any other law to be exercised by supervisors, excepting those set forth in Article 14-4, Paragraph 4 of the Securities and Exchange Act, shall be exercised by the Committee.

The provisions of Article 14-4, Paragraph 4 of the Securities and Exchange Act, in regard to the Company Act as concerns the actions of supervisors or their role as representatives of the Company, apply mutatis mutandis to the independent director members of the Committee.

### Article 6 (Powers of the Committee)

The authority of the Committee members is as follows:

1. The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a

material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.

4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.
8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Annual financial reports signed or sealed by the chairman, manager and accountant and semi-annual financial report required by the accountant to check the visa.
11. Other material matters as may be required by the Company or by the competent authority.

The matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the board of directors for a resolution.

Any matter in the Paragraph 1, with the exception of Subparagraph 10, that has not been approved by one half or more of the entire membership of the Committee may be adopted with the approval of two thirds or more of the entire board of directors.

"The entire membership," as used herein, shall be counted as the number of members actually in office at the given time. The convener of the Committee shall represent the Committee to the public.

#### Article 7 (Meeting Convention and Notice)

The Committee shall convene at least once every quarter, and it may call a meeting at its discretion whenever necessary.

In calling a meeting of the Committee, a notice of the reasons for convening the meeting shall be given to each independent director member at least 7 days in advance. In emergency circumstances, however, the meeting may be called on shorter notice.

A member of the Committee shall be elected as the convener and meeting chair by and from the entire membership of the Committee. When the convener is on leave or unable to convene a meeting for any reason, the convener shall appoint another independent director member on the Committee as acting convener; if the convener does not make such an appointment, one independent director member of the Committee shall be elected by and from the other independent director members of the Committee to serve as convener. The Committee may request the managers of relevant departments, internal audit officers, certified public accountants, attorneys, or other personnel of the Company to attend the meeting as non-voting participants and provide pertinent and necessary information, provided that they shall leave the meeting when discussion or voting takes place.

When the Committee calls a meeting, it shall furnish the members of the Committee present at the meeting with relevant materials for reference as necessary.

#### Article 8 (Meeting Agenda, Attendance and Resolution)

When a meeting of the Committee is held, an attendance book shall be made available for signing-in by the independent director members in attendance, and thereafter made available for reference.

Independent director members shall attend meetings of the Committee in person; if an independent director member is unable to attend in person, the independent director member may appoint another independent director member as proxy to attend the meeting. Attendance via telecommunications is deemed as attendance in person.

A member of the Committee that appoints another independent director member as proxy to attend a meeting of the Committee shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda.

Resolutions at meetings of the Committee shall be adopted with the approval of one half or more of the entire membership. The result of a vote shall be made known immediately and recorded in writing.

If for a legitimate reason it is impossible to hold a meeting of the Committee, matters on the meeting agenda shall be adopted with the consent of two thirds or more of the entire board of directors. Nevertheless, a written opinion indicating approval or disapproval shall be obtained from each independent director member with respect to the matters under Article 6, Paragraph 1, Subparagraph 10.

The proxy under Paragraph 2 may accept a proxy from one person only.

#### Article 9 (Meeting Minutes)

Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:

1. The session, time, and place of the meeting.
2. The name of the meeting chair.
3. Attendance by the independent director members, including the names and the number of members present, excused, and absent.
4. The names and titles of those attending the meeting as non-voting participants.
5. The name of the minute taker.
6. The matters reported at the meeting.
7. Agenda items: For each proposal, the method of resolution and the result; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; name of the independent director who is an interested party as referred to in Article 11, Paragraph 1 explanation of the material aspects of the interest the Director has, the reason the Director should or should not recuse himself or herself and whether or not the director has recused; and any objections or reservations expressed.
8. Extraordinary motions: The name of the mover; the method of resolution and the result for each motion; a summary of the comments of the independent director members of the Committee and experts and other persons present at the meeting; name of the Independent Director who is an interested party as referred to in Article 11, Paragraph 1, explanation of the material aspects of the interest the director has, the reason the director should or should not recuse himself or herself and whether or not the director has recused; and any objections or reservations expressed.
9. Other matters that need to be recorded in the meeting minutes.

The attendance book constitutes part of the minutes for each meeting of the Committee and shall be appropriately preserved during the existence of the Company. The minutes of a Committee meeting shall bear the signature or seal of both the chair and the minute taker, and a copy of the minutes shall be distributed to each director and supervisor within 20 days after the meeting. The minutes shall be deemed important corporate records and appropriately preserved during the existence of the Company.

The meeting minutes specified in Paragraph 1 may be produced and distributed in electronic form.

#### Article 10 (Drafting the Agenda)

The Committee's meeting agenda shall be drafted by the convener. Other members may also put forward proposals for discussion by the Committee.

#### Article 11 (Recusal)

An independent director member of the Committee shall explain the material aspects of the interest he or she has when he or she is an interested party with respect to a given agenda item. When such a relationship is likely to prejudice the interests of the Company, the director shall not attend the discussion and voting and shall recuse himself or herself therefrom. In addition, they shall not exercise the voting right for and on behalf of another independent director member.

If, for the reason stated in the preceding paragraph, an agenda item cannot be resolved at a meeting of the Committee, it shall be reported to the Board of Directors, which shall resolve on the item.

#### Article 11-1 (Retention Period of Meeting Minutes)

Any and all meetings of the Committee shall be audio-recorded or videotaped from beginning to adjournment of the meeting as evidence and the files shall be kept for at least five (5) years. The files may be stored in the electronic form.

If any litigation relating to a resolution of the meeting of the Committee commences before the expiry of the period in which the evidence shall be kept in accordance with the preceding paragraph, the relevant data of audio-recorded or videotaped evidence shall continually be kept until the conclusion of the litigation.

For a meeting of the Committee convened via videoconferencing, the audio-recorded and videotaped data shall be part of the minutes of the meeting and shall be properly kept during the existence of the Company.

#### Article 12 (Assistance of Professionals)

The Committee may, according to its resolutions, engage lawyers, accountants or other professionals to provide audit or consulting services on relevant matters prescribed in Article 6 above. All costs thus incurred shall be borne by the Company.

#### Article 13 (Due Care in Performance of Duties)

The Committee members shall exercise the due care of a good administrator and faithfully perform the duties prescribed in this Charter; they shall be accountable to the board of directors and shall submit their proposals to be resolved by the board.

#### Article 14 (Implementation of Resolutions)

The Committee shall conduct periodic reviews of matters relating to the Charter and present the results for amendment by the Board of Directors.

The execution of tasks relating to resolutions adopted by the Committee may be delegated to the convener or other Committee members for follow-up, with a written or verbal report to be presented to the Committee during the implementation period. When necessary, the matter shall be presented for ratification or a report made at the next meeting of the Committee.

#### Article 15 (Regulation Establishment and Amendments)

The Charter shall be implemented after the approval of the Board of Directors of the Company. The same shall apply to future amendments.