

LCY Chemical Corp.

Ethical Corporate Management Best Practice Principles

Established by the Board of Directors on May 14, 2013

Established by the Board of Directors on April 9, 2015

Established by the Board of Directors on August 11, 2016

Established by the Board of Directors on March 19, 2018

Established by the Board of Directors on November 27, 2020

Established by the Board of Directors on December 9, 2020

Article 1 (Purpose of establishment and applicable scope)

To foster a corporate culture of ethical management and sound development, and to offer a reference framework for establishing good commercial practices the Company establishes these Ethical Corporate Management Best Practice Principles (hereinafter referred to as the “Principles”) in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” for compliance.

These Principles are applicable to business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company. However, where the aforementioned business groups and organizations further establish their own ethical corporate management best practice principles or where the local laws of the area where these business groups and organizations are located specify otherwise, it necessary to comply with such principles and local laws.

Article 2 (Prohibition of unethical conduct)

When engaging in commercial activities, directors, managerial officers, mandataries and employees of the Company (hereinafter referred to as “personnel of the Company”) or persons having substantial control over such companies (hereinafter referred to as "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 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, managerial officers, employees or substantial controllers or other stakeholders.

Article 3 (Type of benefits)

“Benefits” in these Principles means any valuable things, including money, endowments, commissions, positions, services, preferential treatment or rebates of any type or in any name.

However, benefits received or given are of nature of official etiquette or are in accordance with accepted social customs such that they are not requested actively and do not adversely affect subsequent business judgment and rights and obligations shall be excluded.

Article 4 (Legal compliance)

The Company shall comply with the Company Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5 (Policy)

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and obtain approval from the board of directors, and establish good corporate governance and risk control and management mechanisms so as to create an operational environment for sustainable development.

Article 6 (Prevention programs)

The Company shall, in the ethical management policy, clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training.

The Company shall establish preventive programs in accordance with relevant laws and regulations of the territory where the Company and group enterprise and organization operations are located, and such programs shall be communicated appropriately with employees, important trading counterparties or stakeholders.

Article 7 (Scope of prevention programs)

The Company shall amend or stipulate Employee Code of Conduct, relevant supplementary provisions, programs, regulations or rules according to the requirements of the preceding article. In addition, the Company shall assess, on a regular basis, business activities within their business scope which are at a higher risk of being involved in unethical conduct, and shall also establish risk assessment mechanisms and prevention programs accordingly. The preventive programs shall be reviewed for their adequacy and effectiveness on a regular basis. Regarding the preventive programs established by the Company, it is recommended to refer to prevailing domestic and foreign standards or guidelines, which shall at least include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.

4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Damage directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8 (Commitment and execution)

Directors and senior management of the Company shall issue a statement of compliance with the ethical management policy and require in the terms of employment that employees comply with such policy.

The Company and its respective business group shall clearly specify in the rules and external documents and on the Company's website the ethical corporate management policies and the commitment by the board of directors and senior management on rigorous and thorough implementation of such policies, and shall carry out the policies in internal management and in commercial activities.

Article 9 (Commercial activities for ethical corporate management)

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 the agents, suppliers, clients, or other trading 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 their agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event the trading counterparties are involved in unethical conduct, the Company may at any time terminate or rescind the contracts.

Article 10 (Prohibition of offering and acceptance of bribes)

When conducting business, the Company, personnel of the Company and substantial controllers, may not directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form, including kickbacks, commissions and facilitating payments, etc., to or from clients, agents, contractors, suppliers, public servants, or other stakeholders. However, where it complies with the laws of the territory where operation takes place, such restriction may not be applied.

Article 11 (Prohibition of offering illegal political donation)

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company, personnel of the Company and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures of the Company, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12 (Prohibition of improper charitable donations or sponsorship)

When making or offering donations and sponsorship, the Company, personnel of the Company and substantial controllers shall comply with relevant local laws and regulations of the territory where the operation is located and internal operational procedures, and shall also be in conformity with the corporate image and management philosophy of the Company without any disguised bribes.

Article 13 (Prohibition of unreasonable presents or hospitality, or other improper benefits)

The Company, personnel of the Company and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.

Article 14 (Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights)

The Company, personnel of the Company and substantial controllers shall observe applicable laws and regulations, the Company's internal 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.

Article 15 (Prohibition of engaging in unfair competitive practices)

The Company shall engage in business activities in accordance with applicable competition laws and regulations, and may not fix prices, make rigged bids, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers, territories, or lines of commerce.

Article 16 (Prevention of damage caused by products to stakeholders)

The Company, personnel of the Company and substantial controllers shall observe relevant laws and regulations and international standards, and shall also announce precautions, in order to ensure the transparency of information about, and safety of, the products.

The Company shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in the operations, in order to prevent products from directly or indirectly damaging the rights and interests, health, and safety of consumers or other stakeholders.

Where the Company's product is found to have any likelihood of causing hazard to the safety and health of consumers or other stakeholders, it is necessary to, in principle, recall such product immediately.

Article 17 (Organization and responsibility)

Personnel of the Company shall exercise the due care of prudent administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

The chairman's office of the Company announces the ethical corporate management policy and calls relevant units to establish preventive programs. The auditing office shall supervise the execution status and reports to the board of directors periodically.

The periodic report to the board of directors shall include the following matters:

1. Ethics and moral values shall be incorporated into the Company's business strategy and appropriate prevention measures shall be adopted against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.
2. Analyzing and assessing the risks of unethical conduct within the business scope on a regular basis and accordingly 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.
3. Planning of internal organization, staffing and job duties, establish mutual supervision and balance mechanisms for operating activities of relatively higher unethical conduct risk in the scope of business.
4. Promoting and coordinating awareness and educational activities with respect to ethics policy.
5. Planning a complaint filing system and ensuring its operating effectiveness.
6. Assisting the board of directors and management level in auditing and assessing whether the prevention measures taken for the purpose of implementing ethical management are effectively operating, and periodically preparing reports on the assessment of compliance with ethical management in operating procedures.
7. Preparing and properly retaining documented information of ethical management policy and compliance statements, situations concerning the performance of undertakings and enforcement.

Article 18 (Legal compliance of business execution)

Personnel of the Company and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Article 19 (Recusal for conflicts of interest)

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for personnel of the Company 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 personnel of the Company and other stakeholders attending or present at board meetings, the concerned person shall state the important aspects of the relationship of interest at the given board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting, and may not exercise voting rights as proxy for another director.

The directors shall practice self-discipline and must not support one another in improper dealings. In accordance with the provision of Article 206 of the Company Act, the spouse, a blood relative within the second degree of kinship of a director, or any company which has a controlling or subordinate relation with a director has interests in the matters under discussion in a meeting, such director shall be deemed to have a personal interest in the matter, which shall be handled according to the anterior section of this article.

Personnel of the Company and substantial controllers shall not take advantage of their positions or influence in the Company to obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20 (Accounting and internal control)

The Company shall establish an effective accounting system and an internal control system for business activities of relatively higher risk of unethical conducts, without any under-the-table accounts or secret accounts, and it is necessary to conduct reviews regularly in order to ensure that the design and execution of the systems continue to be effective.

The auditing office of the Company shall, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans, and shall examine the compliance with the prevention programs periodically. The auditing office shall also prepare audit report for submission to the board of directions. When it is considered necessary, professionals may be entrusted to provide assistance or certified public accountant may be appointed to carry out the audit.

Article 21 (Operation procedures and guidelines for conduct)

The Company shall establish Procedures for Ethical Management and Guidelines for Conducts to guide personnel of the Company and substantial controllers on how to conduct business. The procedures and guidelines shall at least contain the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and the standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Handling procedures for violations of these Principles.
8. Disciplinary measures on offenders.

Article 22 (Educational training and evaluation)

The human resource division of the Company shall periodically organize training and awareness programs for personnel of the Company in order to convey the importance of ethics, and may also timely invite the Company's commercial transaction counterparties in order to allow them to sufficiently understand the ethical corporate management policies and relevant regulations of the Company as well as possible consequences for violation of such policies and regulations. The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23 (Whistle-blowing and disciplinary measures)

The Company shall adopt a concrete whistle-blowing system. For a whistle blower reporting personnel's violation of ethical corporate management or illegal conducts, the identity of the whistle blower and the reporting content shall be kept confidential properly, and disciplinary measures shall be imposed on the violators according to relevant laws and regulations.

Article 24 (Information disclosure)

The Company shall disclose the Ethical Corporate Management Best Practice Principles of the Company on the Company's website.

Article 25 (Review and Amendment of Ethical Corporate Management Best Practice Principles)

These Principles shall be reviewed and amended depending upon relevant local and international regulations concerning ethical corporate management.

The Company encourages personnel of the Company to propose suggestions in order to review and amend the Ethical Corporate Management Best Practice Principles established, thereby improving the outcome of the implementation of ethical management.

Article 26 (Implementation)

These Principles shall be approved by the board of directors before implementation. The same requirements shall be applied to amendments thereof.