

# **LCY Chemical Corp.**

## **Procedures for Ethical Management and Guidelines for Conduct**

Established by the Board of Directors on Wednesday, December 9, 2020

### Article 1 **(Purpose of establishment and applicable scope)**

The Company performs business activities based on the principles of fairness, honesty, trust and transparency. To implement the ethical corporation management policy, and to actively prevent unethical conducts, the Company establishes these Procedures for Ethical Management and Guidelines for Conduct (hereinafter referred to as the “Procedures”) according to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and relevant local laws at the operation location of the Company, in order to specifically regulate the precautions for personnel of the Company during the performance of duties.

These Procedures 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 procedures for ethical management and guidelines for conduct or where the local laws of the area where these business groups and organizations are located specify otherwise, it necessary to comply with such procedures and local laws.

### Article 2 **(Applicable Subjects)**

Directors, managerial officers, mandataries and employees of the Company (hereafter referred to as “personnel of the Company”) or persons having substantial control over such companies (hereinafter referred to as “substantial controllers”) shall comply with these Procedures within the scope of performance of duties.

Personnel of the Company and substantial controllers offer, promise to offer, request or accept any improper benefits through a third party shall be determined to be an act committed by the personnel of the Company and substantial controllers.

### Article 3 **(Unethical Conduct)**

“Unethical conduct” described in these Procedures means that any personnel of the Company and substantial controllers, in the course of their duties, directly or indirectly provides, promises, requests, or accepts improper benefits or commits a breach of ethics, unlawful act, 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, managerial officers, employees or substantial controllers

or other stakeholders.

Article 4

**(Types of Benefits)**

“Benefits” in these Procedures means money, remuneration, gain, endowment, loan, commission, service, treatment, discount, rebate, brokerage fee, handling fee, bonus, kickback, preferable treatment, job opportunity, valuable objects (gift vouchers, checks and stocks, etc.) of cash, dining, accommodation, entertainment, etc. offered in any form or under 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 5

**(Responsible Unit)**

Relevant unit (hereinafter referred to as the “responsible unit”) of the Company shall be responsible for the amendment, execution, interpretation, consultation service and reporting content filing operations, etc. related to these Procedures, and the auditing office shall be responsible for the supervision of the execution thereof. The responsible unit is mainly responsible for the following matters, and it shall report to the board of directors periodically:

1. 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.
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 6

**(Prohibition against providing or accepting improper benefits)**

Personnel of the Company and substantial controllers directly or indirectly offer, accept, promise to offer or request the benefits described in Article 4, except for the conditions described in the following subparagraphs, it shall comply with the provisions of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, these Procedures and Employee Code of Conduct of the Company, and matters shall be handled in accordance with relevant procedures in order to offer, accept, promise to offer or request such benefits:

1. Where it is based on the business needs, during the domestic (overseas) visits, reception for guests, promotion of business and communication and coordination, performed according to the local courtesy, common practice or custom.
2. Where it is based on the normal social etiquette, business purpose or promotion of relationship or participation or invitation of others in normal social etiquette activities.
3. Where guests are invited or personnel being invited to participate in particular business activities and factory visits etc. according to the business needs, and the expense bearing method, number of participants, accommodation level and period, etc. for the aforementioned activities have been specified.
4. Participation in publicly organized custom festival activities, and the general public is also invited to such activities.
5. Other conducts that comply with the Employee Code of Conduct of the Company.

Article 7

**(Procedures for handling the acceptance of improper benefits)**

Except under any of the circumstances set forth in the subparagraphs of the preceding article, when a third party offers or promises to offer the benefits described in Article 4 directly or indirectly to personnel of the Company and substantial controllers, it shall be handled in accordance with relevant provisions and procedures specified in the “Accept or Offer Gifts and Treatment” section of the Employee Code of Conduct.

Article 8

**(Prohibition of and handling procedure for facilitating payments)**

The Company shall neither offer nor promise to offer any facilitating payment.

In case where any personnel of the Company and substantial controllers offers or promises to offer a facilitating payment under threat or intimidation, they shall submit a report to their direct supervisor stating the facts and shall notify the responsible unit.

Upon receipt of the report under the preceding paragraph, the responsible unit of the Company shall take immediate action and undertake a review of relevant matters in order to minimize the risk of recurrence. In a case involving alleged illegality, the responsible unit shall also immediately report to the relevant judicial agency.

Article 9

**(Procedures for handling political contribution)**

To provide political contribution, the Company shall comply with the donation and

sponsorship related regulations of the Company and the following requirements; in addition, relevant unit shall so be informed:

1. It shall be ascertained that the political contribution is in compliance with the laws and regulations governing political contributions in the country in which the recipient is located, including the maximum amount and the form in which a political contribution may be made.
2. A written record of the decision-making process shall be kept.
3. It shall be handled in accordance with relevant laws and accounting procedures.
4. In making political contributions, commercial dealings, applications for permits, or carrying out other matters involving the interests of the Company with the related government agencies shall be avoided.

#### Article 10

##### **(Procedures for handling charitable donations or sponsorships)**

To provide charitable donation or sponsorship, the Company shall comply with the donation and sponsorship related regulations of the Company and the following requirements; in addition, relevant unit shall so be informed:

1. It shall be ascertained that the donation or sponsorship is in compliance with the laws and regulations of the territory where the Company performs operation.
2. A written record of the decision-making process shall be kept.
3. Subjects for receiving the charitable donations include donation accounts set up by any level of governments, government institutions or disaster control and rescue units at all levels, or educational, cultural, public welfare, charity institutions or organizations approved by the government; however, disguised briberies are prohibited.
4. It shall be handled in accordance with relevant laws and accounting procedures.
5. The returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship may not be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
6. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the donation.

#### Article 11

##### **(Recusal for Conflicts of Interest)**

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.

Where in the course of conducting company business, any personnel of the Company and substantial controller discover that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or the juristic person presented, their spouse, parents, children, or stakeholders is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her direct supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions.

Personnel of the Company and substantial controllers shall not use company resources on commercial activities other than those of the Company, nor may any personnel's job performance be affected by his or her involvement in the commercial activities other than those of the Company.

Article 12

**(Confidentiality mechanism and organization responsibility)**

The Company shall establish relevant unit to be responsible for the management of intellectual properties of the Company. The unit shall mainly be responsible for the management, preservation and confidentiality of the Company's trade secrets, trademarks, patents, copyright works and other intellectual properties, and relevant internal operation procedures shall be established and the implementation result shall be reviewed periodically.

Personnel of the Company and substantial controllers shall faithfully follow the operational directions pertaining to intellectual properties as mentioned in the preceding paragraph and may not disclose to any other party any trade secrets, trademarks, patents, works, and other intellectual properties of the Company of which they have learned, nor may they inquire about or collect any trade secrets, trademarks, patents, and other intellectual properties of the Company unrelated to their individual duties.

Article 13

**(Prohibition against unfair competition conducts)**

The Company shall engage in business activities in accordance with the Fair Trade Act and relevant 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 14

**(Preventing product damage 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 product information and the safety of products.

The Company shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and implement 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 recall such product according to the internal operation procedures immediately, and to perform investigation and subsequent improvement plan.

The investigation, improvement follow-up processing procedure and review measures of the product issues described in the preceding paragraph shall be reported to the board of directors.

Article 15

**(Prohibition against insider trading and non-disclosure agreement)**

Personnel of the Company and substantial controllers may not take advantage of undisclosed information of which they have learned to engage in insider trading. All personnel are also prohibited from divulging undisclosed information to any other party, in order to prevent other party from using such information to engage in insider trading.

When the Company is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan or major contract, relevant personnel of the Company, institution assisting the handling of such matters and their personnel shall sign a non-disclosure agreement in which they undertake not to disclose any trade secrets or other material information of the Company acquired as a result to other parties, and that they may not use such information without the prior consent of the Company.

Article 16

**(External announcement of ethical management policy)**

Directors and senior management of the Company shall issue a statement of compliance with the ethical management policy and shall also request employees to comply with the ethical management policy in the labor contract.

The Company and its 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.

Article 17

**(Ethical management assessment prior to development of commercial relationships)**

Before developing a commercial relationship with another party, such as an agent, supplier, customer, or other counterparty in commercial dealings, the Company shall assess the legality and ethical management policy of the party and ascertain whether the party has a

record of involvement in unethical conduct, in order to ensure that the party conducts business in a fair and transparent manner and will not request, offer, or take bribes.

When the Company carries out the assessment under the preceding paragraph, it may adopt appropriate audit procedures to assess the ethical management status of the trading counterparty:

1. The nationality, location of business operations, organizational structure, management policy and payment location of the trading counterparty.
2. Whether the trading counterparty has adopted an ethical management policy, and the status of its implementation.
3. Whether the business operations of the trading counterparties are located in a country with high risk of corruption.
4. Whether the business operated by the trading counterparty is in an industry of high risk of bribery.
5. The long-term business condition and business reputation of the trading counterparty.
6. Consultation with the business partners of the trading counterparty on their opinion of the trading counterparty.
7. Whether the trading counterparty has any record of involvement in unethical conducts, such as bribery or illegal political contributions.

Article 18

**(Statement of Ethical Management Policy to Counterparties in Commercial Dealings)**

Personnel of the Company and substantial controllers, during the process of commercial activities, shall explain the Company's ethical management policy and related rules to the trading counterparty, and shall clearly refuse to offer, promise to offer, request, or accept, directly or indirectly, any improper benefits in any form or under any name.

Article 19

**(Avoidance of commercial dealings with unethical operators)**

Personnel of the Company and substantial controllers shall avoid business transactions with an agent, supplier, customer, or other trading counterparty in commercial interactions that is involved in unethical conduct. When the trading counterparty or partner in cooperation is found to have engaged in unethical conduct, personnel of the Company and substantial controllers shall immediately cease dealing with the counterparty and blacklist it for any further business interaction in order to effectively implement the Company's ethical management policy.

Article 20

**(Stipulation of terms of ethical management in contracts)**

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall include the requirements for the compliance with the ethical management policy and the following matters in the contract.

1. When a party to the contract becomes aware that any personnel has violated the terms and conditions pertaining to prohibition of acceptance of commissions, rebates, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. If there has been resultant damage to either party, the party may claim damages, and may also deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party may terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and the requirement for compliance with related tax laws and regulations.

Article 21

**(Handling of unethical conduct by personnel of Company)**

The Company shall set up and announce the whistle-blowing channel (such as whistle-blowing mailbox, etc.) to allow internal and external personnel to submit reports.

When the Company discovers or receives a report indicating that any personnel of the Company and substantial controllers are involved in unethical conduct or improper conduct, it is necessary to verify relevant facts immediately and shall handle such matter according to the whistle-blowing system and work rules of the Company,

Article 22

**(Handling of actions upon event of unethical conduct by others towards the Company)**

In case where any other party engages in unethical conduct towards the Company, personnel of the Company and substantial controllers, and if such unethical conduct involves any illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities; in case where a public service agency or public official is involved, the Company shall additionally notify the governmental anti-corruption agency.

Article 23

**(Internal Awareness Sessions and Establishment of System for Rewards, Penalties, and Complaints, and Disciplinary Actions)**

The human resource department of the Company shall organize at least one time of education and training annually, and the senior management shall convey the importance of ethical management to personnel of the Company and substantial controllers.

The Company shall incorporate the ethical management policy into the employee performance evaluation and human resources policy, and shall establish clear and effective systems for rewards, discipline and complaint system.

Where any personnel of the Company and substantial controllers violate ethical conduct and such violation is considered major, the Company shall dismiss such personnel or

terminate the employment in accordance with relevant laws and work rules.

For any personnel violating ethical conduct, the Company shall disclose the name, job title, violating conduct and handling status of such personnel through the intranet.

Article 24

**(Implementation)**

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