

# **CHC Resources Corporation**

## **Ethical Corporate Management Best Practice Principles**

Established on December 30, 2015  
First amendment made on August 5, 2016

- Artical I These Principles are adopted in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.
- Artical II When engaging in commercial activities, directors, managerial officers, employees, and mandataries of the Company or persons having substantial control over the Company (hereinafter referred to as the "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 referred to as the "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, managerial officers, employees or substantial controllers or other stakeholders.
- Artical III "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. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.
- Artical IV The Company shall comply with the Company Act, Securities and Exchange 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, TWSE/TPEX listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.
- Artical V The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith, and establish good corporate governance and risk control and management mechanism so as to create an operational environment for sustainable development.
- Artical VI The Company has formulated a plan for the prevention of unethical conduct (hereinafter referred to as the "prevention plan") in accordance with the operating philosophy and policies of the preceding article, including the Procedures for Ethical Management and Guidelines for Conduct.
- When establishing the prevention plan, the Company shall comply with relevant laws and regulations of the territory where the Company and its business group are operating.

Artical VII When the Company formulates the prevention plan, it shall analyze the business activities within its business scope which are at a higher risk of being involved in unethical conduct, and shall strengthen relevant prevention measures.

When the Company formulates the prevention plan, it shall at least include preventive measures against the following acts:

- I. Offering and acceptance of bribes.
- II. Providing 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 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.

Artical VIII The Company shall clearly specify in their rules and regulations, the ethical corporate management policies and the commitment from 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 external commercial activities.

Artical IX 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 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 is suggested to 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 terminate or rescind the contracts at any time.

Artical X When conducting business, the Company and its directors, managerial officers, employees, mandataries, 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, civil servants, or other stakeholders. The preceding provision does not apply if the laws and regulations of the country or the territory where the Company operates have been complied with.

Artical XI When directly or indirectly offering a donation to political parties or organizations or

individuals participating in political activities, the Company and its directors, managerial officers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and its own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Artical XII When making or offering donations and sponsorship, the Company and its directors, managerial officers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Artical XIII The Company and its directors, managerial officers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationship or influence commercial transactions.

Artical XIV The Company and its directors, managerial officers, employees, mandataries, 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.

Artical XV The Company shall engage in business activities in accordance with the Fair Trade Act and relevant competition laws and regulations.

Artical XVI In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and its directors, managerial officers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, as well as the safety of, its products and services.

Artical XVII The directors, managerial officers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good 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.

To achieve sound ethical management, the Company's internal departments shall be in charge of the following matters, and the auditor shall supervise its execution, and report to the Board of Directors on a regular basis:

I. Human Resources & General Affairs Department:

- (I) 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.

- (II) Promoting and coordinating awareness campaigns and educational activities with respect to ethics policy.

II.Planning Department:

- (I) Assisting in incorporating ethics and moral values into the Company's principles of operation.
- (II) Formulating the Procedures for Ethical Management and Guidelines for Conduct in accordance with the laws and regulations.
- (III) Formulating and maintaining relevant internal rules of the Company, such as the Code of Ethics for Directors, the Code of Ethics for Supervisors and Executives, and the Code of Ethics for Practitioners.

Artical XVIII The Company and its directors, managerial officers, employees, mandataries, and substantial controllers shall comply with laws and regulations and the prevention programs when conducting business.

Artical XIX The Company formulates internal regulations (e.g., the Code of Ethics for Directors, the Code of Ethics for Supervisors and Executives, and the Code of Ethics for Practitioners) for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct.

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, managerial officers, and other stakeholders attending or present at Board meetings of the Company, 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 shall 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. Directors shall also exercise self-discipline and must not support one another in improper dealings.

The Company's directors, managerial officers, employees, mandataries, 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.

Artical XX The Company shall establish effective accounting systems and internal control systems, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are showing results.

The internal auditors of the Company shall regularly audit the level of compliance of the previous provision, and put down the audit results in writing in the form of an audit report to be submitted 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.

Artical XXI The Chairman, President, or senior management of the Company shall communicate the importance of corporate ethics to the directors, employees, and mandataries on an ad hoc basis.

Artical XXII The Company shall establish a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include at least the following:

- I 、 Establishing and announcing an internal whistle-blowing system to allow internal and external personnel of the Company to submit reports.
- II 、 Appoint designated personnel or departments to accept and handle whistle-blowing reports.
- III 、 Documentation 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 、 Protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.

Artical XXIII These Principles shall be implemented after the Board of Directors grants the approval, and shall be sent to the independent directors and reported at a shareholders' meeting. The same procedure shall be followed when the principles have been amended. When the Company submits the Ethical Corporate Management Best Practice Principles to the Board of Directors for discussion pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. Any objections or reservations of any independent director shall be recorded in the minutes of the Board of Directors meeting. An independent director that cannot attend the Board meeting in person to express objections or reservations shall provide a written opinion before the Board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the Board of Directors meeting.