

Shinkong Synthetic Fibers Corporation

Rules Governing the Establishment and Exercise of Powers of the Compensation Committee

(Revised and Approved by the Board of Directors on March 25, 2020)

Article 1 (Legislative Purpose)

For the purpose of establishing legal compliance standards for the remuneration of the Company's senior management personnel, these Rules are formulated by the Company in accordance with Paragraph 1, Article 14-6 of the Securities and Exchange Act and the "Regulations Governing the Establishment and Exercise of Powers of Compensation Committees of Companies Whose Stock is Listed on the Stock Exchange or Traded Over-the-Counter" (hereinafter referred to as the "Compensation Committee Regulations").

Matters concerning the composition, number of members and term of office, powers and duties, rules of procedure, and resources to be provided by the Company when exercising the powers of the Compensation Committee (hereinafter referred to as the "Committee") shall, unless otherwise provided by laws or regulations, be governed by these Rules.

Article 2 (Members, Number, and Term of Office)

Members of the Committee shall be appointed by resolution of the Board of Directors, and the number of members shall be three.

The term of office of the Committee members shall be the same as that of the Board of Directors appointing them.

Where any member of the Committee is dismissed for any reason resulting in the number of members falling below three, the Company shall convene a Board meeting within three months from the date of occurrence to appoint replacements.

Upon appointment or change of Committee members, the Company shall make public disclosure and filing on the information reporting website designated by the competent authority within two days from the date of occurrence.

The Committee shall have one secretary, who shall be the head of the Company's Human Resources Department, responsible for handling matters related to Committee proposals, agendas, meeting minutes, and other meeting affairs.

Article 3 (Powers and Duties)

The Committee shall, with the duty of care of a good administrator, propose to the Board of Directors remuneration plans for the Company's managers, in order to establish remuneration policies that attract, motivate, reward, and retain talent, and shall submit such proposals to the Board of Directors for discussion:

1. Formulating and periodically reviewing the performance evaluation and remuneration systems, standards, and structures for directors and managers.
2. Periodically evaluating and determining the remuneration of directors and managers.

In performing the powers and duties set forth in the preceding paragraph, the Committee shall adhere to the following principles:

1. The performance evaluation and remuneration of directors and managers shall be determined with reference to the customary remuneration levels of peers in the same industry, and with reasonable consideration of the correlation with individual performance, the Company's operating performance, and future risks.
2. Directors and managers shall not be induced to engage in conduct exceeding the Company's risk appetite in pursuit of remuneration.
3. The proportion of bonuses paid for short-term performance to directors and senior managers and the timing of payment of a portion of variable remuneration shall be determined with consideration of industry characteristics and the nature of the Company's business.

The remuneration referred to in the preceding two paragraphs includes cash compensation, stock options, stock dividends, retirement benefits or severance pay, various allowances, and other measures with substantive incentive effects.

When the Board of Directors discusses the Committee's proposals, it shall comprehensively consider the amount of remuneration, payment methods, and the Company's future risks.

Where the Board of Directors does not adopt or revises the Committee's proposals, such decision shall be approved by at least two-thirds of all directors being present and with the consent of a majority of the directors present, and the resolution shall specify, based on the comprehensive considerations set forth in the preceding paragraph, whether the approved remuneration is superior to the Committee's proposals.

Where the remuneration approved by the Board of Directors is superior to the Committee's proposals, in addition to recording the differences and reasons in the Board meeting minutes, the Company shall make public disclosure and filing on the information reporting website designated by the competent authority within two days from the date of Board approval.

Article 4 (Convening Procedures)

The Committee shall convene at least two meetings each year and may convene meetings at any time as necessary.

The convocation of Committee meetings shall specify the reasons for the meeting and shall be notified to Committee members at least seven days in advance; provided, however, that in the event of an emergency, this requirement shall not apply. Such notice may be given by electronic means.

Where the Company has established independent directors in accordance with the Securities and Exchange Act, at least one independent director shall participate in the Committee, and one independent director elected by the Committee members shall serve as the convener and chairperson of meetings. Where independent directors have not yet been established, one member who is not appointed under transitional provisions shall be elected by all members to serve as the convener and chairperson.

Where the convener is on leave or unable to convene meetings for any reason, another independent director or other member not appointed under transitional provisions designated by the convener shall act on the convener's behalf. Where there are no other independent directors, another member not appointed under transitional provisions designated by the convener shall act. Where the convener makes no such designation, the other members shall elect one member not appointed under transitional provisions to act.

The term "members appointed under transitional provisions" as used in the preceding paragraph refers to members appointed in accordance with Paragraph 5, Article 6 of the Compensation Committee Regulations, who are not subject to the provisions of Subparagraph 2, Paragraph 1 of the same article regarding company directors.

The Committee may invite directors, managers of relevant departments, internal auditors, accountants, legal counsel, or other personnel to attend meetings and provide necessary information; however, such invitees shall leave the meeting during discussions and voting.

Article 5 (Rules of Procedure I)

The meeting agenda shall be determined by the convener, and other members may also submit proposals for discussion. The agenda shall be provided to Committee members in advance.

A sign-in sheet shall be provided at meetings for attending members to sign for reference.

Committee members shall attend meetings in person. Where a member is unable to attend in person, another member may be appointed as proxy, limited to representing one member. Participation via video conference shall be deemed attendance in person.

However, where fewer than two members attend in person, a meeting shall not be convened.

Where a member appoints another member as proxy, a proxy form specifying the scope of authorization with respect to the matters convened shall be issued for each meeting.

Resolutions of the Committee shall require the consent of more than one-half of all members actually in office. Where the chairperson inquires and no objection is raised, the proposal shall be deemed approved with the same effect as a vote. The voting results shall be announced on the spot and recorded.

Where the Committee discusses remuneration matters concerning its own members, such members shall explain such matters at the meeting. Where there is a risk of harm to the Company's interests, such members shall not participate in discussion or voting, shall recuse themselves, and shall not exercise voting rights on behalf of other Committee members.

Article 6 (Meeting Minutes)

Minutes of Committee meetings shall be prepared and shall fully record the following matters:

1. Session number and time and place of the meeting.
2. Name of the chairperson.
3. Attendance status of members, including names and numbers of those present, on leave, or absent.
4. Names and titles of attendees.
5. Name of the recorder.
6. Matters reported.
7. Matters discussed: methods and results of resolutions, names of members involved in remuneration matters concerning themselves and the content of such remuneration, recusal status, and dissenting or qualified opinions.
8. Extraordinary motions: name of proposer, methods and results of resolutions, summaries of statements by members, experts, and other personnel, names of members involved in remuneration matters concerning themselves and the content of such remuneration, recusal status, and dissenting or qualified opinions.
9. Other matters to be recorded.

Where any member has dissenting or qualified opinions on matters resolved by the Committee and such opinions are recorded or submitted in writing, in addition to recording such opinions in the minutes, the Company shall make public disclosure and filing on the information reporting website designated by the competent authority within two days from the date of occurrence.

The sign-in sheet shall form part of the minutes.

Minutes shall be signed or sealed by the chairperson and recorder, distributed to Committee members within twenty days after the meeting, submitted to the Board of Directors, included in the Company's important records, and retained for five years. Where litigation related to Committee matters occurs before the expiration of the retention period, the relevant minutes shall be retained until the conclusion of the litigation.

Preparation and distribution of minutes may be made by electronic means.

Where meetings are held via video conference, the audiovisual materials shall form part of the minutes.

Article 7 (Provision of Resources)

The Committee may, by resolution, engage attorneys, certified public accountants, or other professionals to conduct necessary reviews or provide consultation on matters related to the exercise of its powers, and the related expenses shall be borne by the Company.

Article 8 (Follow-up of Matters)

For matters resolved by the Committee, the relevant execution work may be delegated to the convener or other Committee members for continued handling, who shall submit written reports to the Committee during the execution period. Where necessary, such matters shall be submitted to the Committee at the next meeting for ratification or reporting.

Article 9 (Supplementary Provisions)

The provision in Paragraph 1 of Article 4 regarding the minimum number of meetings shall not apply until the end of December 2011; however, the Company shall convene at least one meeting of the Committee by the end of 2011 at the latest.

Article 10 (Implementation)

These Rules shall be implemented upon approval by the Board of Directors. The same shall apply to any amendments.