



## Chapter 2

# Corporate Governance and Operational Performance

### Material topics in this chapter

- Economic performance
- Legal compliance

### Performance Highlights

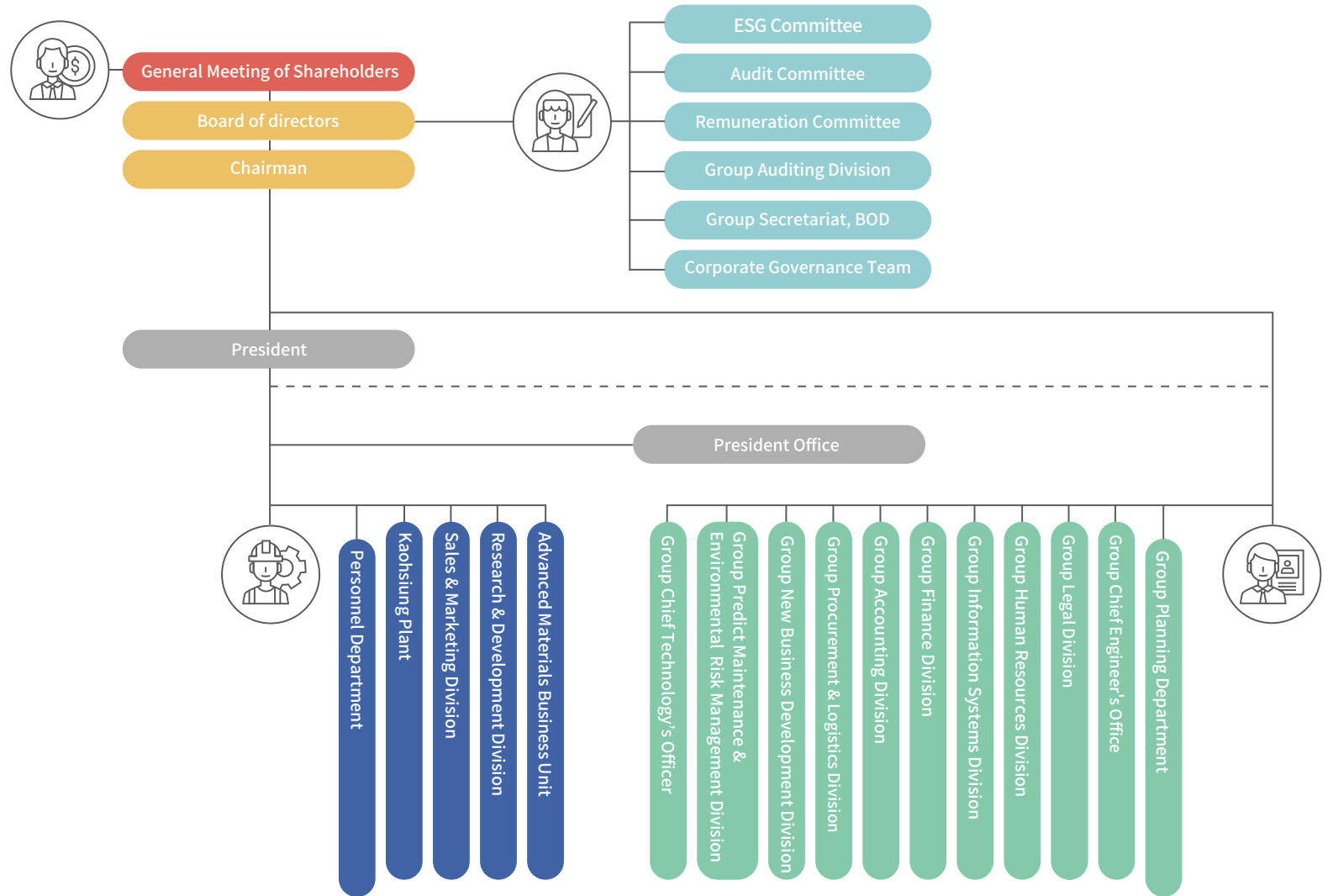
- Earnings per share (EPS): NT\$4.84, a new high in USI history.
- EVA sales increased by 12,107MT from 2020 to 147,000MT, a new high in history.
- Top 6 ~ 20% at the 8th Corporate Governance Evaluation
- Promotion by Taiwan Ratings to twA/twA-1 with a “steady” outlook.




# 2.1 Corporate Governance

GRI 102-18、102-19、102-22、102-23、102-26

## USI Management Organization Framework




[About USI](https://www.usife.com/en-us/dirAbout/frmAbout4.aspx)  
<https://www.usife.com/en-us/dirAbout/frmAbout4.aspx>


## Board of Directors

### Board composition and operation

The Board of Directors (BOD) is formed by nine directors, including three independent directors, with rich experience in respective professional fields. Each director is entitled to a term of three years and a second term. Candidates of directors and independent directors are selected through nomination. A total of 5 board meetings were held in 2021. For the details regarding board operations, please refer to page 31 of the USI Annual Report 2021.

### 2021 board performance assessment

Based on the “BOD Performance Assessment Regulations” amended in November 2019, the performance assessment of the board of directors (BOD), individual directors, the Audit Committee, and Remuneration Committee was completed in January 2022. The evaluation period was January 1-December 31, 2021. The evaluation result is good. Please visit: <https://www.usife.com/ESG/en-us/ESG21.aspx>



### Recommendation and implementation ▶

Although directors did not make any specific recommendation, in view of the rising concern about environmental, social, and governance issues across the globe, we have implemented various measures according to the Governance 3.0-Sustainable Development Roadmap promulgated by the competent authorities. Besides making continual improvement in governance effectiveness, we also review, plan, and implement carbon reduction targets and green power development strategies in particular in order to meet international standards and accomplish the ultimate goal of sustainable business development.

### Director professional competence enhancement in 2021

To improve the professional competence of directors, we provide information of related further education courses for directors and assist them with the registration. We arranged 6 hours of internal continual education courses and a total of 60 hours of external continual education courses. All 9 directors (including independent

directors) completed training for the length (hours) as stated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. For the details regarding continual education courses and length, please refer to page 35-36 of the USI Annual Report 2021.

### Chief corporate governance officer (CCGO)

To protect the rights and interests of shareholders and improve the competence of the board of directors, BOD made a resolution on May 13, 2019 to assign Director of Legal Division, Erik Chen to be the Chief Corporate Governance Officer (CCGO) as the top officer of USI’s corporate governance. Director Erik Chen has been the chief legal officer of a public company for more than 6 years, with handling the affairs of board meetings and meetings of shareholders as the main duty.

Please visit our corporate website at: <https://www.usife.com/zh-tw/dirInvestor/frmInvestor1.aspx> or refer to page 50-53 of the USI Annual Report 2021 for the details regarding the duties and continuing education.

### Functional Committees

Under the BOD, we have established three functional committees: Audit Committee, Remuneration Committee, and ESG Committee by competence to establish and review policies that relate to the responsibility and authority of each committee to strengthen corporate governance.

Name	Audit Committee	Remuneration Committee	ESG Committee
Quintin Wu			✓
Ko-shun Wang			✓ Deputy Chief
Sean Chen	✓ Convener	✓	
Woody Tyzz-Jiun Duh	✓	✓	✓ Chief
Yancey Hai	✓	✓ Convener	✓

## Audit Committee

- 1 The term of the current committee commenced on June 12, 2020 and will end on June 11, 2023. There are three seats in the committee formed by all independent directors.
- 2 The Audit Committee holds at least one committee meeting each quarter and extraordinary meetings as necessary. Five committee meetings were held in 2021, and the personal attendance rate of members was 100%.

## Remuneration Committee

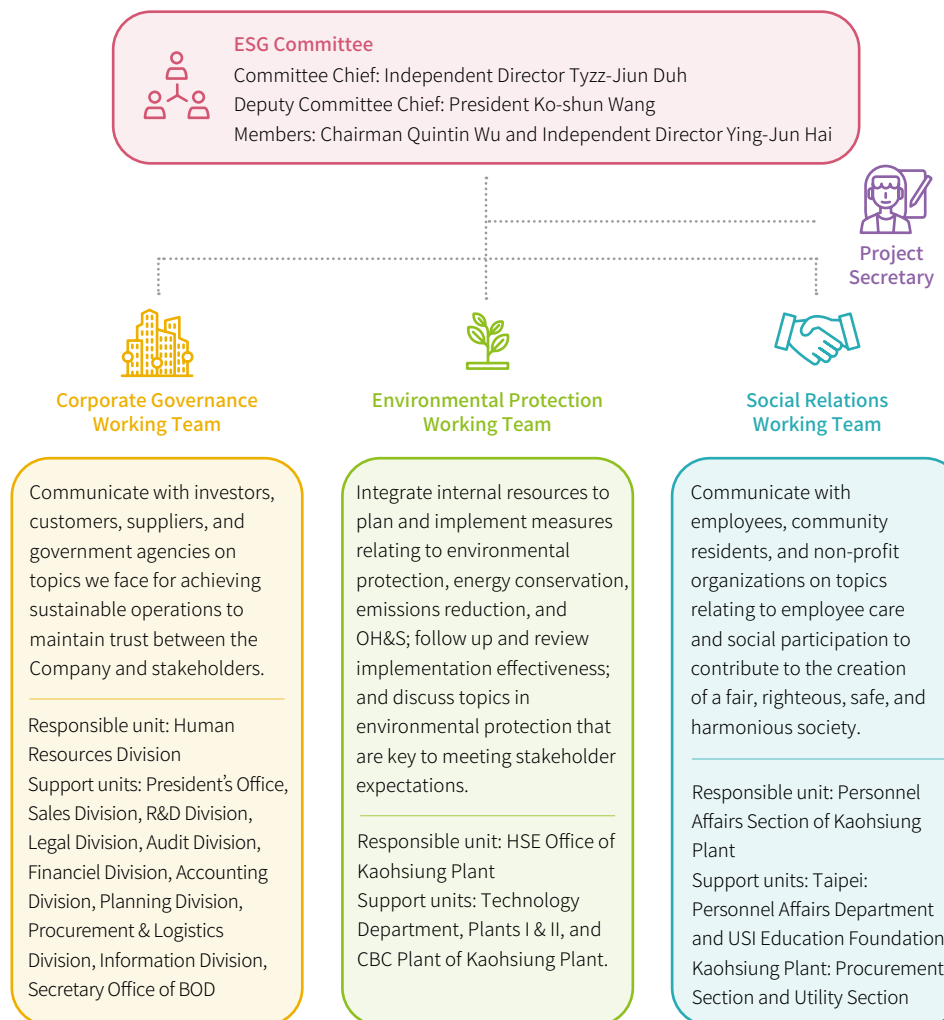
- 1 There are three seats in the committee formed by all independent directors.
- 2 The Remuneration Committee holds at least two committee meetings each year. Three committee meetings were held in 2021, and the personal attendance rate of members was 100%. Please visit our corporate website, refer to our annual report, or visit the Market Observation Post System (MOPS) for the details regarding the operations of this committee.
- 3 The committee establishes and periodically reviews the policy, system, standard, and structure of the salary and remuneration of directors and officers; periodically assesses and determines their salary and remuneration. [GRI 102-36](#)

## ESG Committee

- 1 The term of the current committee commenced on June 15, 2020 and will end on June 11, 2023. There are four members in the committee, including the chairman, president, Independent Director Woody Tyzz-Jiun Duh, and Independent Director Yancy Hai.
- 2 Duties of the committee include:
  - Discussion and establishment of the ESG policy.
  - Discussion and establishment of ESG strategy planning, annual plans, and project plans.
  - Supervision of the implementation of ESG strategy planning, annual plans and project plans, and assessment of their performance.
  - Review of the ESG report.
  - Report of the annual ESG results to BOD every year.
  - Other assignments instructed by BOD.
- 3 The ESG Committee holds meetings at least two times each year. Two committee meetings were held in 2021, and the personal attendance rate of members was 100%.

Minutes of meetings over the years: <https://www.usife.com/ESG/en-us/ESG21.aspx>

- 4 We established three working groups for corporate governance, environmental protection, and social relations as shown below:



## ESG Committee Annual Tasks and Next-Year Annual Plan:

### Summary of ESG Performance in 2021 reported to the Board of Directors

- 1 Constantly implemented energy management at the USI Building.
- 2 Implemented carbon footprint and water resources management.
- 3 Awards
  - (1) Won the “Top 50 Taiwan Corporate Sustainability Awards” and “Platinum Corporate Sustainability Report Award” at the 2021 Taiwan Corporate Sustainability Awards (TCSA).
  - (2) 2021 GCSA Sustainability Reporting – Bronze Class
  - (3) Industrial Contribution Award at the 2021 TCIA Elite Award & Product Innovation Award.
- 4 Published the Chinese and English version of the 2020 CSR Report in June and August respectively.
- 5 Other sustainability-related activities, such as the 2021 USI Cup Weight Loss Competition; energy conservation, carbon reduction, and power saving plans; forestation adoption program; monetary and in-kind donations for epidemic control; and community care and social welfare activities.

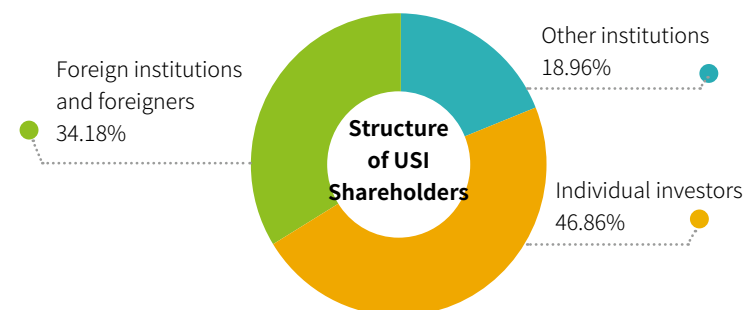
### 2022 ESG Work Plan

- 1 Constantly implement the USI 5-Year Operational Plan.
- 2 Seek opportunities for cooperation with external suppliers to promote green power development, carbon neutrality response, and the circular economy.
- 3 Participate in business sustainability ratings or awards.
- 4 Participate in social welfare activities.
- 5 Publish the Chinese and English version of the 2021 ESG Report in June and August respectively.
- 6 Continue to implement various ISO systems.

## Maintenance and shareholder rights and interests and information transparency

By the April 2, 2022 the closing date of stock transfer for the 2022 AGM, individual and foreign corporate and individual investors are the major shareholders of USI. The name and stake of shareholders holding over 5% of USI shares and the top ten shareholders of USI are disclosed in our annual report.

[https://www.usife.com/USIWebFiles/Meeting/MeetingP3\\_111.pdf#page=109](https://www.usife.com/USIWebFiles/Meeting/MeetingP3_111.pdf#page=109)



USI is committed to providing shareholders with transparent and real-time corporate information. In 2021, besides providing shareholders with the related information through two investor conferences, the AGM, MOPS, the investor section of the corporate website, annual report, and ESG report, we also constantly gathered shareholders' opinions for the reference of decision-making by the management team.

Every year, we hold investor conferences and the AGM regularly to state the company's financial performance and business status. In addition, we post information regarding our business performance, financial information, and material information on TWSE's MOPS. We have also set up the “Investors” section on our Chinese and English websites to disclose information relating to the company's governance, business announcements, financial statements, investor conferences, and latest news. We value the rights and benefits of foreign investors and the trend of enterprise internationalization. Therefore, since 2018, we began to enhance information disclosures in English in the annual report and on the MOPS and corporate website. Through various methods, we actively develop unfettered channels for two-way communication with shareholders to maintain their rights and interests.

## Risk Management Organization Framework

For effective risk management, the BOD, Audit Committee, President's Office, Audit Office, all risk management units, and all subsidiaries participate in and operate the risk management mechanism.



### Audit Committee and BOD

At USI, the President's Office supervises the corporate risk management and answers to the BOD and Audit Committee. The Audit Committee audits the effectiveness of the company's internal control system to ensure internal control is effectively implemented and supervises the control of inherent or potential risks. BOD approves the overall risk management policy and important decisions.



### President's Office

Implement risk management and coordinate its operation, and report the performance of risk management to the Audit Committee and BOD at least once a year.



### Group Audit Division

The Audit Division audits risk management within the company, timely provides management with the information of inherent or potential risks under internal control to ensure compliance with existing regulations and control procedures.



### Risk Responsible Units

All risk management units should fully acknowledge the risks in their business, analyze the related risks within the unit, and include related risk management mechanism while establishing management regulations. All risk management units should also supervise the related risks within the unit to ensure the risk management mechanisms and procedures are effectively implemented.



### Subsidiary

Each USI subsidiary shall clearly identify all risks within the subsidiary and implement the required operations and risk management according to the regulations to ensure the involved risks are controlled within the risk profile.

Please refer to 2.3 Risk Management of this report for the policy, process, and performance of the risk management.

# 2.2

## Economic Performance

GRI 103-2、103-3

SDG 8

### Sustainability Principle: Unity Governance

Significance and Strategy	<p><b>Significance to USI</b></p> <p>Sustainable business operations, legal compliance, pursuit of profit, maintenance of stakeholder rights and interests, and development of high value-added products.</p>	<p><b>Strategy and Approach</b></p> <p>Vertical integration to reduce feedstock and production costs, increase product added value, and enhance custom product development.</p>	<p><b>Commitment</b></p> <p>Maintain the rights and interests of shareholders and create profit constantly. Data scope: USI coverage 100%</p>
Achievement and Goal	<p><b>2021 Goals</b></p> <ol style="list-style-type: none"> <li>1. Personnel management and differentiated assessment</li> <li>2. Construction of the production strategy system</li> <li>3. Equipment renewal</li> <li>4. Gulei Project</li> </ol>	<p><b>2021 Projects</b></p> <ol style="list-style-type: none"> <li>1. Employee Reward Differentiation Project</li> <li>2. Development of new product specifications</li> <li>3. Control of startup and shutdown losses across the plant.</li> <li>4. Increase in VA recovery to reduce by-products.</li> </ol>	<p><b>2021 Achievements</b></p> <ol style="list-style-type: none"> <li>1. EPS at NT\$4.84, a new high in USI history.</li> <li>2. EVA sales: 147,000 MT, a new high in USI history.</li> <li>3. Annual net income at NT\$3.52 billion, also a new high in USI history.</li> <li>4. Development of high-liquidity injection HDPE products.</li> <li>5. Commercial operations of the Fujian Gulei Project in December 2021.</li> </ol>
Sustainable Development Milestone	<p><b>2022 Targets</b></p> <ol style="list-style-type: none"> <li>1. Commercial operations of the Gulei Project</li> <li>2. Completion of the High-Value R&amp;D Center</li> <li>3. Construction of the Kaohsiung Intercontinental Container Terminal Project</li> <li>4. Equipment replacement</li> <li>5. Development of high-value products</li> </ol>	<p><b>3-Year Goals</b></p> <ol style="list-style-type: none"> <li>1. Equipment replacement</li> <li>2. Reduction of production cost and enhancement of materials recycling rate.</li> <li>3. High-value products</li> <li>4. Planning of and investment in the downstream development projects of the Gulei Project.</li> <li>5. Completion and operation of the Kaohsiung Intercontinental Container Terminal.</li> <li>6. Planning and implementing the circular economy</li> </ol>	<p><b>5-Year Goals</b></p> <ol style="list-style-type: none"> <li>1. Constant development of HV products.</li> <li>2. Planning of and investment in the downstream development projects of the Gulei Project.</li> <li>3. Development of green energy and energy storage and response to carbon neutrality.</li> <li>4. Construction of an integrated management center.</li> </ol>
Management	<p><b>Effectiveness Assessment</b></p> <ol style="list-style-type: none"> <li>1. Annual report</li> <li>2. Governance evaluation</li> <li>3. ESG Report</li> </ol>	<p><b>Grievance Mechanism</b></p> <ul style="list-style-type: none"> <li>• Meetings of shareholders</li> <li>• “Investor Service” on the corporate website</li> <li>• Investor conferences</li> </ul>	<p><b>Chapter Summary</b></p> <ol style="list-style-type: none"> <li>1. Financial performance</li> <li>2. Major investments</li> </ol>

The 2021 EPS was NT\$4.84, a new high in USI history. In 2021, the packaging material plant reduced production in response to the EVA supply shortage from Texas in the early year and EVA price escalation after Spring Festival. Alongside the introduction of new EVA capacity in mainland China, the EVA price began to fall in Q2. Due to the serious delay in machine installation and the government's introduction of various stimulation programs in mainland China during H1, the PV demand soared to boost the EVA price to a new high in history in October. However, the packaging material plant needed to adjust the EVA price when the inflation of material costs was unable to transfer. In terms of sales volume, EVA sales increased by 9% over last year to 147,000MT, a new high in history. The demand for HDPE products returned to normal due to the stable supply of face masks. In terms of production, through continual process improvement, old equipment replacement, production efficiency and quality improvement to reduce the production cost, and the active trial run of niche products, the annual production volume increased by 2% over last year to 249,402MT. We also actively improved industrial safety and environment protection, promoted process safety management (PSM), implemented

energy conservation and carbon reduction programs. For example, we invested in solar plants with a capacity of 5MW to generate green power up to 6 GWh and reduce carbon by 3,000 tCO<sub>2</sub>e to achieve the goals of sustainable business development and carbon reduction. In R&D, besides continuing with the process optimization of the optical-grade cyclic block copolymer (CBC) for quality and performance improvement, we also engaged in the development of new specifications for special packaging materials. Additionally, we also made major breakthroughs in UVC application for disinfection and sterilization and passed the certification of new healthcare-related standards and regulations to actively promote UVC use in vials and pre-filled syringes. We also continued to diversify the application in ink, shoe styrene, and electrical wires/cables for high value-added EVA products. The production of high MI HDPE materials was stabilized, and sales and shipment of products for use in injection molding continued. We also made continual process improvement of existing PE products for quality improvement to promote products to advanced market applications.

#### USI Financial Performance 2019-2021 GRI 201-1

(Unit: NTD thousands)

Item	Basic Element	2019	2020	2021	
Direct economic value	Revenue (Note 1)	10,966,471	10,172,220	16,034,251	
Distributed economic value	Operating cost (Note 2)	10,263,751	9,263,780	12,512,341	
	Employee wages and benefits (Note 3)	585,451	665,430	864,134	
	Payment to investors (Note 4)	2019 cash dividends distributed in 2020	594,382	2020 cash dividends distributed in 2021	1,188,763
		Interest expense	104,366	Interest expense	105,041
	Payment to the government expense (Note 5)	21,282	133,648	156,246	
	Investments in community (Note 6)	4,229	3,623	4,337	
Residual economic value (Note 7)		1,281,364	2,409,778	5,191,394	

Note 1: Revenue refers to sales income.

Note 2: Operating cost refers to sales cost + operating expenses

Note 3: Employee wages and benefits are included in the said operating cost.

Note 4: Interest expense is included in the said operating cost.

Note 5: Payment to the government refers to the business income tax.

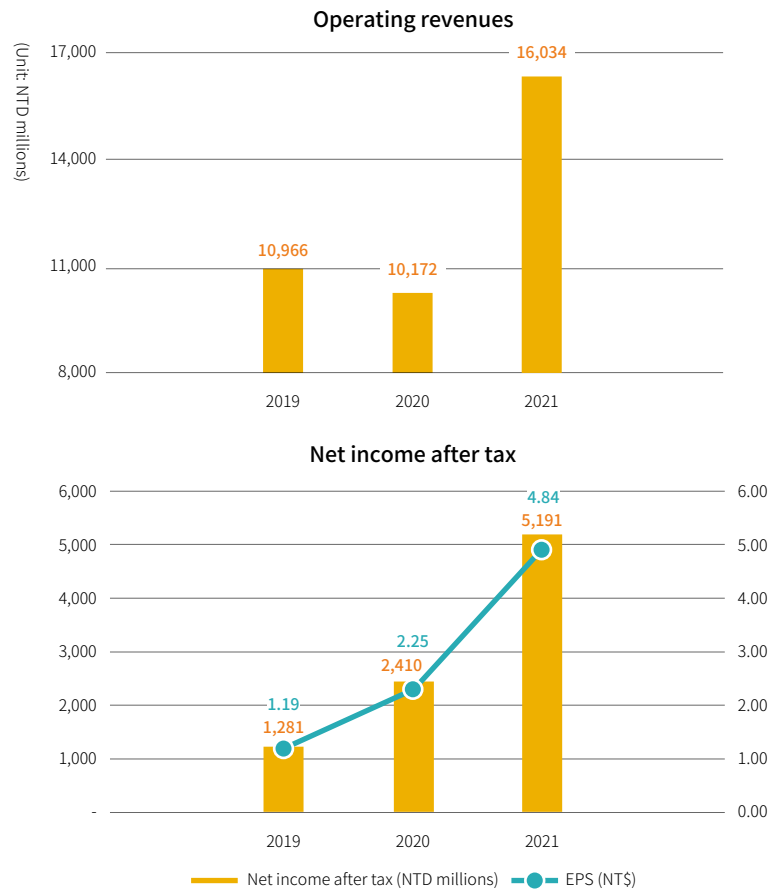
Note 6: Investments in community include contributions to local communities and donations to USI Education Foundation. Both are included in the said operating cost.

Note 7: Residual economic value refers to net income after tax.



## Profit distribution

In 2021, revenue was NT\$16,034,251 thousand, income tax (excluding estimates) was NT\$156,246 thousand, accounting for 0.97% of the individual revenue, distributable earnings were NT\$4.76 billion, and estimated cash dividend was NT\$2.2 per share. This profit distribution proposal was approved by the AGM on May 31, 2022.



Note 1: The 2021 revenue increased by 57.63% over 2020 to NT\$16.034 billion.

Note 2: The net income after tax attributed to USI in 2021 was NT\$5.191 billion, a new high in USI history.

Dividend distribution over the years  
<https://www.usife.com/zh-tw/dirInvestor/frmInvestor4.aspx>



Financial statements over the years  
<https://www.usife.com/zh-tw/dirInvestor/frmInvestor2.aspx>



## Major Investments

### Local Major Investments

#### Cyclic Block Copolymer (CBC)



This CBC project can be considered as one of the blueprint items for high-value petrochemical industry promotion and is the first “Process Scale-Up Project to Shorten Gaps in the Supply Chain for Key Chemicals” approved by the Industrial Development Bureau, Ministry of Economic Affairs. After acquiring CBC-related patented technologies in

2011, we have been implementing at full steam the CBC and other relevant projects in order to lead Taiwan’s petrochemical industry to transform toward a high-value petrochemical industry through collaboration among industry, government, academe and research.

#### Future Planning

The construction of the High-Value R&D Center already started in December 2020. Besides facilitating product optimization, the center can provide customers with more comprehensive samples, enhance process efficiency, and develop own technologies.

##### 1 HV R&D Center:

The application for the use license was completed, and service will start in 2022Q2. It will facilitate process and product optimization for CBC trail mass production factory, material quality and property improvement, added value and production efficiency enhancement, and energy consumption reduction.

##### 2 CBC Commercial Factory

Currently, although process improvement and equipment expansion can gradually upgrade the CBC trail mass production factory to the design capacity, as the products are less competitive compared to that of foreign manufacturers with a mass product scale, building a CBC commercial factory can fill the shortage of key materials in Taiwan’s high-tech industrial chain as quickly as possible to provide downstream customers with more cost-competitive materials.

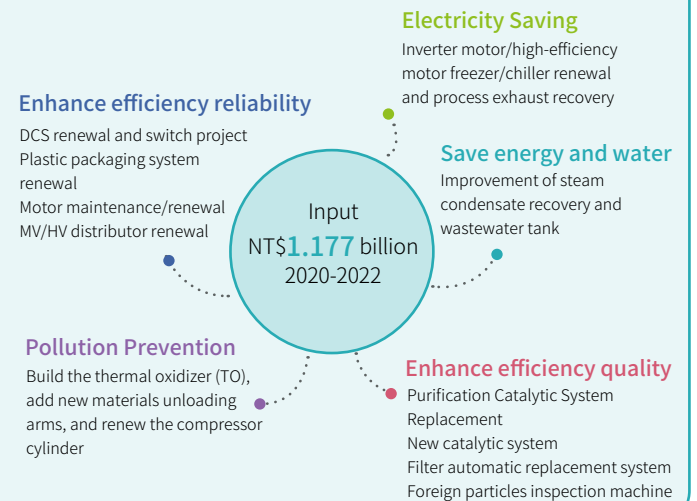
#### Ethylene Storage Tank Project of Kaohsiung Intercontinental Container Terminal

To increase the import sources of ethylene feedstock to secure sufficient supply, enhance future competitiveness, and ensure sustainable development, we built a new plant for the CGTD Kaohsiung Plant at the Petrochemical Oil Product Center in Kaohsiung Intercontinental Container S14 Terminal phase II with a total investment of NT\$5.221 billion.

On July 31, 2019, the construction of the new plant for CGTD Kaohsiung Plant started at the Petrochemical Oil Product Center in Kaohsiung Intercontinental Container Terminal phase II. USI has invested a total of NT\$906 million in the plant’s 80,000M<sup>3</sup> ethylene storage tank and accessory systems. The construction has been running on schedule, and the storage tank’s foundation construction started in June 2020. However, after a significant industrial safety accident in January 2022, the mechanical completion scheduled in 2022Q2 will be delayed, and the actual date of completion will be re-assessed after the competent authorities approve work resumption.

#### Investment in Equipment Improvement of the Kaohsiung Plant

USI constantly improves various production processes and HSE equipment. In 2020, we invested in about NT\$419 million. In 2021, we invested in about 617 million. It is estimated that a total of NT\$141 million will be invested in 2022 to constantly engage in various energy conservation, carbon reduction, and new product development projects to improve product quality and increase custom products.



## Major Overseas Investments

### Gulei Project

#### Investment objective

Many changes have emerged in the global petrochemical industry in recent years. They included the rise of the petrochemical industry in emerging regions and shale oil mining in North America, which have brought not only huge impacts to the energy structure and petrochemical material supply but also significant changes to development of the petrochemical industry across the Taiwan Strait.

To get prepared for future trends and challenges, petrochemical companies of Taiwan and China co-established the Gulei Project to achieve the vertical integration of the mid- and down-stream products.

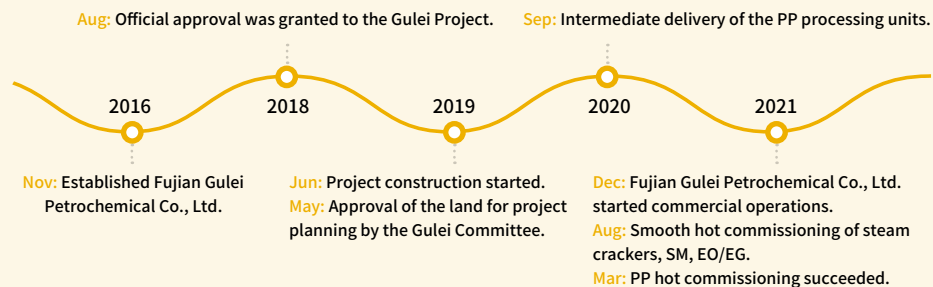
#### Investment Item

The project engages in the production and sales of petrochemical products including ethylene, propylene and butadiene, EVA, ethylene oxide (EO), and ethylene glycol (EG).

#### Investment amount and efficiency

- After the approval of the relevant competent authorities, re-investment in the Gulei Port Economic Development Zone Project in Zhangzhou, Fujian Province, mainland China, was made through a third region with a maximum amount of NT\$8 billion.
- In the future, the project can stabilize upstream materials supply, vertically integrate steam cracking, petrochemical intermediate materials, and plastic products, reduce transportation costs, and enhance competitive niche to facilitate deployment in the Greater China market and sales competition in the international market.

#### Project Milestones



#### Progress of Investment Items

- As the first set of processing units, the polypropylene (PP) facility was completed on time in September 2020.\*
- The steam cracker is the core processing unit, and hot commissioning was completed smoothly in August 2021.
- The first shipment of ethylene monomers from Gulei Petrochemical was already sold to Taiwan in November 2021.
- Fujian Gulei Petrochemical Co., Ltd. started commercial operations in December 2021.

\*Note: Intermediate delivery refers to the delivery of a construction project in the middle of the construction period. It suggests that the contractor has completed the construction of all processing routes, including running the pressure and utilities test, while the remaining projects will not affect the trail run.



Panorama of the Gulei Project



Aerial view of the steam cracking unit



First shipment of ethylene monomers sold to Taiwan



Completion and intermediate delivery of key processing units such as the ethylene cracking unit.

# 2.3

## Risk management

GRI 102-11、102-15

Based on ethical corporate management, we actively promote and implement the risk management mechanism to ensure steady operations and sustainable development and lower potential operational risk. In 2020, the BOD approved the establishment of the “Risk Management Policy and SOP.” Accordingly, the President’s Office shall supervise the operations and performance of each risk management unit, periodically assess risk every year, define different types of risk according to USI’s overall business policy, establish a risk management mechanism for the early identification, accurate measurement, effective supervision, and strict control of risks to prevent potential risks within the bearable range. The President’s Office should also keep track on the development of the risk management system at home and abroad to review and improve this policy and optimize the risk management method through continual adjustment, in order to enhance USI’s risk management effectiveness to protect the interests of USI, employees, shareholders, and stakeholders.

The President’s Office shall report the risk management performance of the year to the Audit Committee and BOD at least once a year and disclose related information in the annual report and on the corporate website.

A complete policy includes the risk management organization, risk management process, and risk management category and mechanism. Please refer to the “[Risk Management Policy and SOP](#)” for details.

### Risk Management Process

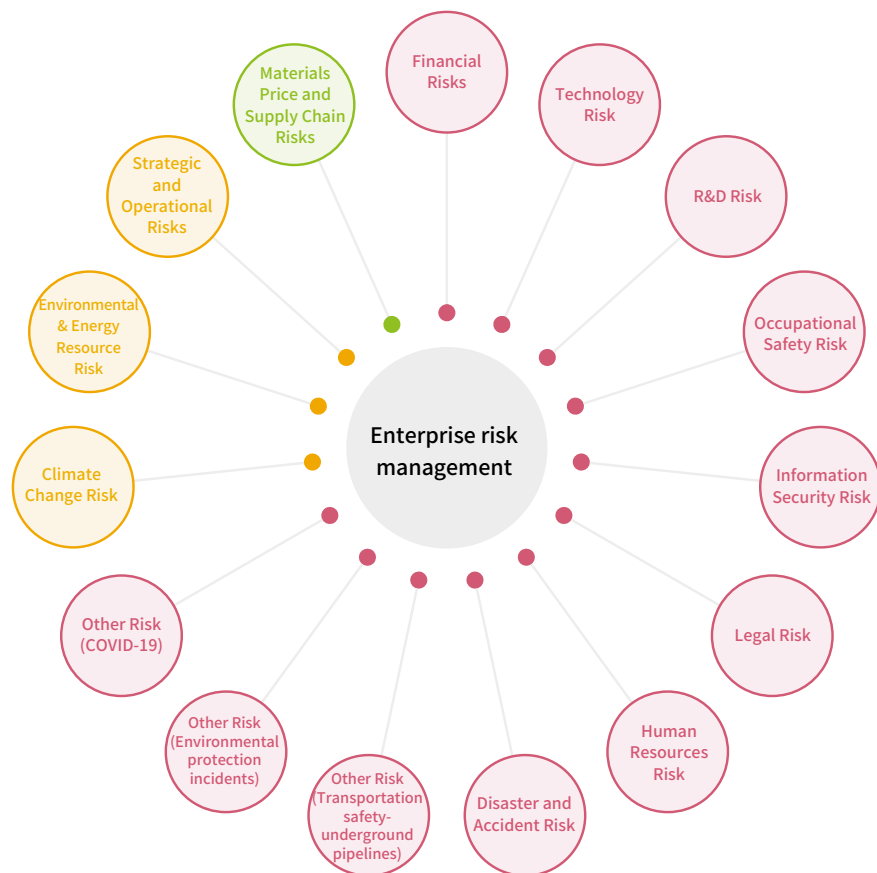
The risk management units of USI review the characteristics of their business and operations, identify the potential risk factors in business operations, develop a complete risk category framework, and establish appropriate measuring methods for the reference of risk management.

All risk management units shall constantly monitor the risks in their business and propose countermeasures, periodically report the risk status to the senior management for the reference of management, and ensure the normal operation of the management framework and risk control functions.

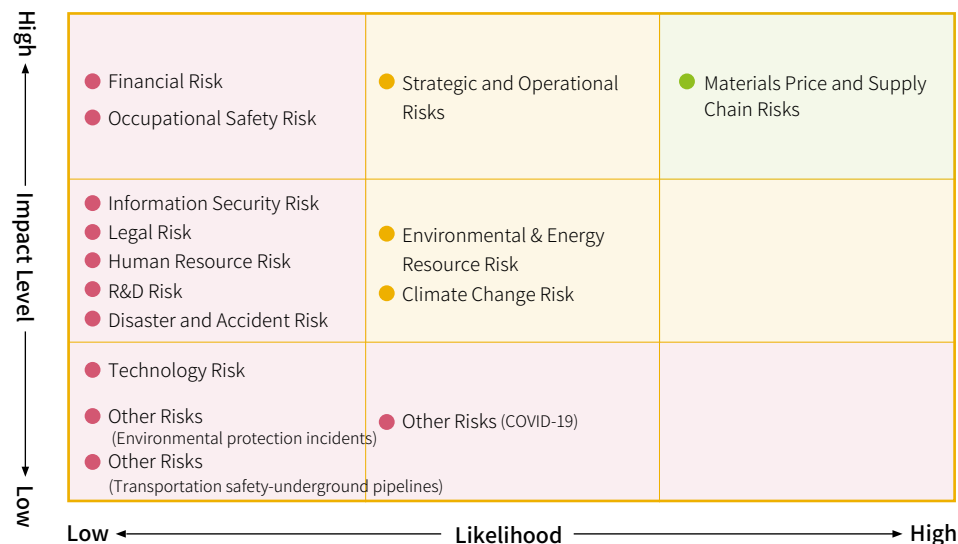


## Scope of Risk Management

We establish the risk categories after integrating the major risk sources of business operations and considering the feasibility of mitigating controls. Each year the working group of the CSR Committee conducts a questionnaire survey to identify risks. In view of the increasing impact of global climate change, government energy, and related financial and taxation issues, in 2021, we identified one emerging risk: energy resource risk and included in the inherent risk category. After combining with the 15 risks found in 2021, we identified the likelihood of occurrence and degree of impact. Each risk management unit periodically adjusts the controls with respect to the changes in the internal (external) operational environment.



Risk Management Matrix



## Operation of Risk Management

In November 2021, the president reported to the Audit Committee and board of directors the risks that USI was facing, mitigating controls, and performance of risk management.

Please refer to the [Risk Management](#) in the ESG section on the USI website for details.

Please refer to 4.5 Climate Change and Energy Management for the opportunities and risks of financial impacts from climate change.

## Cybersecurity management

### I. Strategy and framework of cybersecurity risk management

#### 1 Framework of cybersecurity risk management

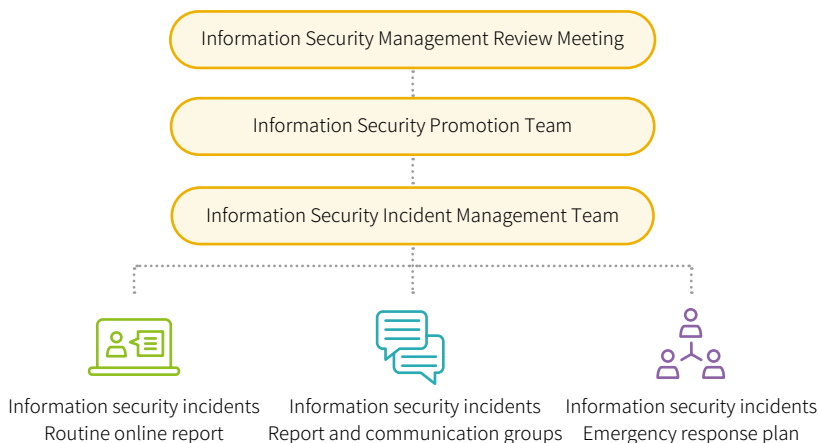
##### (1) Organization of information security governance

Each year the information security management review meeting is held to judge the six review inputs (the status of actions from previous management reviews, changes in external and internal issues that are relevant to the information

security management system, feedback on the information security performance, results of risk assessment and status of risk treatment plan, and opportunities for continual improvement) to achieve the information security management system.

(2) Framework of the information security organization

We have established the Information Security Promotion Team in accordance with the Regulations for Establishment of the Information Security Organization, an internal SOP, to supervise the operation of the group’s information security management and stipulate the roles and responsibilities of each promotion organization. The organization holds a regular meeting each year and extraordinary meetings when there are significant information security incidents. The director of the Information Systems Division will be the convener to form the information security promotion team meeting and resolve and determine meeting outcomes. Under the Information Systems Division, department heads are team members. The director of the Information Systems Division should report the significant information security incidents to the president or relevant department heads.



2 Information security policy

(1) ISO 27001 information security system:

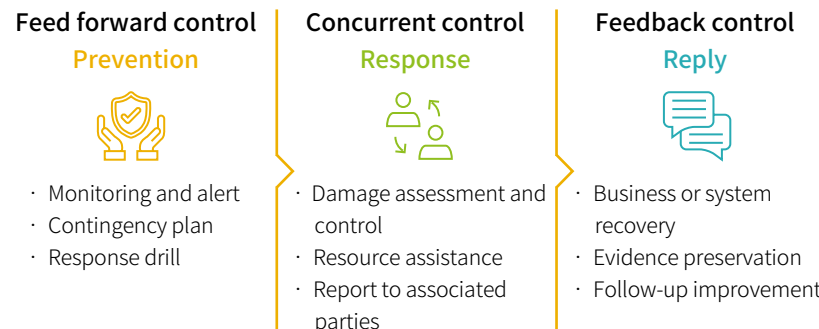
We applied the ISO 27001:2013 information security management system (ISMS) since 2014 and hired BSI Taiwan, an external third-party certification organization, to re-certificated and re-surveyed for 7 years continuously.

(2) NIST Cybersecurity Framework (CSF):

We also apply the Cybersecurity Framework (CSF) developed by the US National Institute of Standards and Technology (NIST).

(3) Base on the ISO 27001 ISMS and NIST CSF, we enhance our risk control, improve the capabilities and tolerance of information security events, therefore, we can get recovery rapidly from the disaster to keep on providing the key operation service.

Routine Operation and Management Procedures



3 Resources for cybersecurity management

- (1) SOP: Established 16 SOPs.
- (2) Information security standard: Passed the certification of ISO 27001 for 7 consecutive years.
- (3) Number of employees using cloud mail: 2,195 persons during 2021/4/28-2021/12/30.
- (4) Investment in information security: About NT\$8.8 million.
- (5) Information security notices: Issued 9 notices.
- (6) Social engineering drill: Held two drills for a total of 4,200 person.
- (7) Information security education and training: Organized 2 sessions for 74 persons at 4 hours/person.



## Audit operations and reporting channels

### Audit operations

An independent audit unit is established under BOD to help management inspect and review the internal control system, measure the effectiveness and efficiency of operations, and establish and implement the annual audit plan based on the identified risks. The chief auditor holds the certified internal auditor (CIA) certificate and practices based on objectivity and integrity. The chief auditor attends the Audit Committee and BOD meetings as a guest, reports material findings in the audit, and follows up the subsequent improvement. The internal audit is the unit specializing in accepting reports on illegal acts or unethical or dishonest behavior from the Audit Committee email or hotline.

In 2021, the internal audit unit implemented audits according to the annual audit program and completed 55 audit reports and 12 follow-up reports summarized as follows:

Audit Item	Recommendation	Improvement Status
Sales and collection cycle and legal compliance	Missing data in some forms, timely verification of content integrity was recommended.	Improved as recommended.
Production Cycle and Compliance Cycle	Some operations were not implemented as instructed, and some forms were inconsistent with the requirements. Unfailing supervision and revision were recommended.	Improved as recommended.
OH&S	Unfailing supervision should be implemented on some operations and forms should be timely updated.	Improved as recommended.
Subsidiary audits	Some production forms were incomplete or not reviewed, and some regulations were not timely updated. Unfailing implementation and timely update were recommended.	Improved as recommended.

### Reporting Channels GRI 102-17

On August 10, 2017 BOD and the Audit Committee passed the proposal to establish the “Regulations for Handling Reports of Illegal and Unethical or Dishonest Behaviors” specifying the reporting and processing procedures and related protection mechanisms. Grievance channels include personal reports, telephone reports, and correspondence reports. The Regulations also specify the responsible units.

- I. Personal reporting: Face-to-face description.
- II. Phone reporting: (02) 2650-3783.
- III. Correspondence reporting: Audit Division, 7F, No. 37, Jihu Road, Neihu District, Taipei City.

We assure full protection of the confidentiality of informers, investigators and case contents to prevent them from unfair treatment or retaliation. If the informer is a USI employee, we guarantee no discrimination on him as a result of reporting a case.

No report was received so far.

# 2.4

## Ethical corporate management and legal compliance

GRI 102-16 、 102-17

SDG 16

### Ethical Corporate Management

To optimize ethical corporate management, we have established the Codes of Ethical Conduct for Directors and Managerial Officers, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, integrity-based policies, and a sound mechanism for governance and risk control. Please visit our corporate website: <https://www.usife.com/zh-tw/dirInvestor/frmInvestor1.aspx> for more about our anti-corruption policies and Codes of Ethical Conduct for Directors and Officers.

### Regulatory compliance

Sustainability Principle: Unity Governance GRI 103-1 、 103-2 、 103-3 、 SDG 16

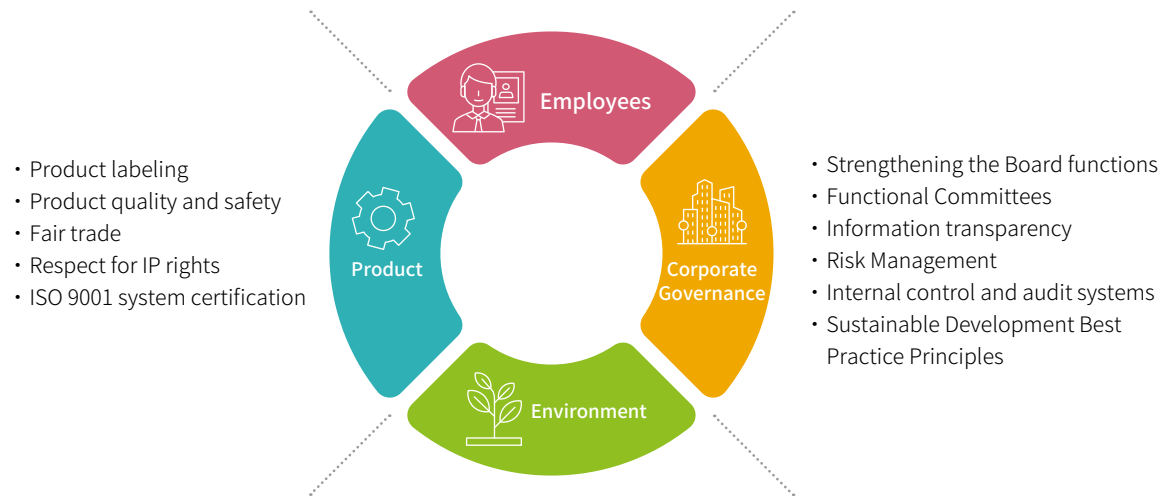
Significance and Strategy	<p><b>Significance to USI</b></p> <p>Ethical corporate management and legal compliance are USI's belief in sustainable development,</p>	<p><b>Strategy and Approach</b></p> <ol style="list-style-type: none"> <li>1. Periodic compliance audit.</li> <li>2. Keeping up with legal/regulatory updates and amendments.</li> <li>3. Participation in association discussions on legal acts.</li> <li>4. Internal awareness education, education, and training.</li> </ol>	<p><b>Commitment</b></p> <p>Strict legal compliance Data scope: USI coverage 100%</p>
Achievement and Goal	<p><b>2021 Goals</b></p> <p>No legal and/or regulatory noncompliance.</p>	<p><b>2021 Projects</b></p> <ol style="list-style-type: none"> <li>1. OH&amp;S awareness education and equipment integrity introduction training by Labor Standards Inspection Office: 1 session.</li> <li>2. Participation in legal publicity activities organized by government agencies.</li> <li>3. Identification of HSE regulations.</li> </ol>	<p><b>2021 Achievements</b></p> <ol style="list-style-type: none"> <li>1. No violation or fine relating to product labeling was reported</li> <li>2. No violation of economic laws and regulations.</li> <li>3. IP management</li> <li>4. Offense of environmental regulations and/or regulations: 1 offense</li> <li>5. Offense of the Occupational Safety and Health Act: 1 offense</li> </ol>
Management	<p><b>Effectiveness Assessment</b></p> <p>Monetary Fine and Non-Monetary Sanctions</p>	<p><b>Grievance Mechanism</b></p> <ul style="list-style-type: none"> <li>• "Contact us" on the corporate website.</li> <li>• Stakeholder contact information</li> <li>• List of HSE Information</li> </ul>	



## Management Approach Description

In addition to practicing ethical USI management, we emphasize legal compliance in all areas. Therefore, units within the organization keep track of the trends of statutory and regulatory changes to ensure our compliance with up-to-date legal requirements and to make early planning for their impacts.

- Respect for human rights
- Protection of freedom of association
- Compliance with labor laws and regulations
- Occupational safety and health laws and regulations



- Compliance with HSE and energy regulations.
- Management of toxic and concerned chemical substances
- Pollution control and waste management
- Safety and disaster prevention
- Certification of the ISO 14001, ISO 50001, and ISO 45001 management systems.
- Verification of the ISO 14064-1 GHG Inventory Management System.
- Implementation and certification of the ISO 46001 Water Efficiency Management System.
- Implementation of ISO 14067 Carbon Footprint of Products and verification.
- Education/training and publicity of industrial safety

## Management Approach

For employees to understand compliance-related topics, we publicize information and trends regarding the latest regulatory and statutory requirements through education/training activities for employees and departmental routine meetings for them to acquire information regarding new laws and regulations and amendments of existing laws and regulations. The Group Division also provides legal consultation and recommendations. Moreover, besides arranging internal training or external training courses, we further invite external legal experts to give talks or seminars to enrich employees' knowledge and competencies in business-related policies and regulations.


We investigate and identify non-conformities with law to find their causes and take action to control and correct them to reduce negative impacts and prevent their recurrence. Additionally, to supervise legal compliance in employees, we have included environmental protection and OH&S incidents as the evaluation items for productivity bonuses, and no bonus will be distributed for any monetary fine and non-monetary sanctions caused by environmental protection and OH&S offenses.

In 2021, neither monetary fine nor non-monetary sanctions for legal noncompliance relating to product labeling or for violation of economic laws and regulations was reported. However, we were sanctioned two times in 2021, including one time for violation of environmental protection laws and/or regulations and one time for violation of the Occupational Safety and Health Act. After completing corresponding corrective and preventive actions, we passed the re-inspection by the competent authorities for all violations. In the future, we will continue to implement and enhance HSE management to achieve the goal of five zeros: zero pollution, zero emission, zero accident, zero occupational hazard, and zero failure. [GRI 307-1, 419-1](#)

### Monetary Fine and Non-Monetary Sanctions for Industrial Safety Incidents in 2021 and Improvement

Counts/Fine Total Amount Causes for Violation and Corrective Action

\*Monetary fine and non-monetary sanctions in the year are based on the date of notice issuance.



**offense of environmental regulations and/or regulations: Water pollution**


1 case/NT\$18K

**Ticketed defect**  
Construction before the approval of the Construction Site Runoff Effluent Reduction Plan

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**Corrective Action**

- Submitted the Construction Site Runoff Effluent Reduction Plan to the Bureau of Environmental Protection for approval and recordation.
- Verify the related submittal approval processes for all new construction projects.



**offense of the Occupational Safety and Health Act**

1 case/NT\$70K

**Two ticketed defects**

**1** Absence of the explosionproof structure appropriate to the dangerous zoning for equipment in the compressor room

**Corrective Action**

- Inspection and planning in accordance with the CNS 3376-16 across the plant.
- 3-stage improvement policy
  1. Use of positive pressure type explosionproof systems (pressure, flow, alert)
  2. Leakage fixing for fluid pipelines and alteration of the two-door entrance into the single-door access for the electrical inlet/outlet.
  3. Blower replacement (from 1.5HP\*2 into 5HP\*2)
- Provision of education and training to strengthen site management.

**2** Failure to maintain the LV731 pressure gauge in normal operational condition

**Corrective Action**

- Immediate replacement of the pressure gauge.
- In-house inspection and assessment of similar equipment and planning replacement and corrective plans.
- Enhancement of walk-through inspection and arrangement of immediate repair for detected anomalies.

### 2021 IP Management Performance

**1** Patent management

1.1. Innovation patent and invention application platform

We have established an application platform on the intranet. After registration, R&D personnel can record in detail their innovation ideas and experiment outcomes from work and store them in the encrypted folder. After data is complete and the review and approval of related supervisors, employees may apply for patents according to the procedures.

1.2. Patent

Title	Project No.	Country	Remarks
HYDROGENATED BLOCK COPOLYMER AND COMPOSITION THEREOF	US 10,450,455 B2 (application no.15/914,878)	USA	Awarded the patent (expired on 2038/03/07) on 2019/10/22.
Hydrogenated block copolymer and composition thereof	I660975	Taiwan	Awarded the patent (expired on 2038/03/05) on 2019/06/01.
MULTILAYER SHEET STRUCTURE FOR DENTAL APPLIANCE (orthodontic materials)	US-2020-0237478-A19383-A26025-US (Top Team number)	USA	US20200237478A1 (disclosed and response in progress)
Fire retardant composite structure (utility model patent)	M597795	Taiwan	Awarded the patent (expired on 2030/03/12) on 2020/07/01.

**2** Trade secret management

The R&D Division stores the reports, documents, and related IPs from each R&D project individually in USI's internal encrypted web folders with access control. The system also automatically audits abnormal access and alerts the responsible supervisor to check the access to ensure the proper management of trade secrets.

# 2.5

## Intelligent Management

### Virtual reality (VR)-Tank car leakage emergency response training

While employees are our most valuable assets, the protection of employee safety is our prime mission. To reduce the hazards in an accident, we arrange emergency response training regularly, hoping that employees can activate effective emergency response management within the shortest time after an accident occurs. In 2021 we introduced VR in the emergency response training and tests to eliminate the limitation of people, events, time, places, and objects in the training processes in order to enhance the response skillfulness of personnel. Additionally, VR can present situational changes with virtual special effects to make the training effect more real and thereby reduce the panic feeling and shorten the response time of personnel in a real accident in order to significantly improve training effectiveness.



### Cooling water energy conservation system

While the impact of climate change has been escalating in recent year across the globe, to achieve environmental and ecological protection, we have been actively promoting energy conservation and carbon reduction over the years and have even set long-term carbon reduction targets and enhanced energy efficiency with technology. We have built the cooling water energy conservation system to integrate process operating information and field ambient data and use AI model training to recommend the optimal mode for energy conservation in order to achieve stable quality and optimal energy conservation at the same time.

