

# Regulations Governing Making of Endorsements/Guarantees

Name of Regulation	Regulations Governing Making of Endorsements/Guarantees
Date	The 7 <sup>th</sup> amendment was made on November 9th, 2020
<p>1. Regulatory Basis:</p> <p>These Regulations were developed pursuant to Article 36-1 of the Securities and Exchange Act (the "Act") and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p> <p>Endorsements/Guarantees by the Company shall comply with these Regulations. Matters not mentioned in these Regulations shall be handled in accordance with relevant laws and regulations.</p> <p>The term "subsidiary" as used herein shall be defined pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>The net worth of a foreign company as calculated under these Regulations refers to the balance sheet equity attributable to the owners of the parent company.</p> <p>"Date of occurrence" as used in these Regulations refers to the date of contract signing, date of payment, dates of the Board of Directors' resolutions or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p> <p>The term "announce and report" in these Regulations refers to the process of entering data to the information reporting website designated by the Financial Supervisory Commission (FSC).</p> <p>2. Applicable Scope:</p> <p>The term "endorsements/guarantees" refers to the following:</p> <p>2.1 1. Financing endorsements/guarantees, including bill discount financing, endorsement, or guarantee made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as a security to meet the financing needs of the Company itself.</p> <p>2.2 2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty related matters.</p> <p>2.3 Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.</p>	

2.4 Any creation by the Company of a pledge or mortgage on its chattel or real property as a security for the loans of another company shall also comply with these Regulations.

3. Entities for which the company may make endorsements/guarantees:

The Company may make endorsements/guarantees for the following companies:

3.1 A company with which it does business.

3.2 A company in which the Company holds, directly or indirectly, more than 50% of the voting shares.

3.3 A company that holds, directly or indirectly, more than 50 percent of the voting shares in the Company.

Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10 percent of the net worth of the Company. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.

Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for the purpose of undertaking a construction project or where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages or where companies in the same industry provide among themselves joint security as a performance guarantee for a sales contract of pre-construction homes pursuant to the Consumer Protection Act for each other, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs. Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company or through a company in which the Company holds 100 percent of the voting shares.

4. Ceilings on the Amount of Endorsement/Guarantee

4.1 The ceiling on the amount of the Company's endorsement/guarantee for a single enterprise shall be 100% of its net worth set out in the most recent financial statements approved and audited by CPAs.

4.2 The ceiling of the Company's and its subsidiaries' endorsement/guarantee for a

single enterprise shall be 100% of its net worth set out in the most recent financial statements approved and audited by CPAs.

- 4.3 If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole reach 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness shall be given at the shareholders' meeting.
- 4.4 A sufficient amount of collateral shall be provided for circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital except for those approved by a resolution of the Audit Committee and the Board of Directors.

The amount of paid-in capital calculated in accordance with the above provisions shall be the sum of the capital reserve plus the issue premium if the subsidiary's stock has no denomination or the denomination of each share is NT\$10.

- 4.5 Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10 percent of the net worth of the Company. However, endorsements/guarantees of companies in which the Company holds, directly or indirectly, 100% of the voting shares are not applicable. The foregoing endorsements/guarantees shall not exceed ten times the net worth of the Company set out in the most recent financial statements approved and audited by CPAs
- 4.6 The limit for a single target shall not exceed the actual purchase or sale amount of the Company and its actual purchase or sale amount plus the signed purchase or sale contract amount within the last twelve months for endorsements/guarantees of companies with business dealings. The total amount of endorsements/guarantees shall not exceed the operating income set out in the Company's consolidated financial report in the most recent year as approved by CPAs.
5. Hierarchy of decision-making authority and delegation thereof:
- 5.1 Endorsements/guarantees of the Company shall be approved by the Audit Committee and the Board of Directors before proceeding. However, in order to meet the terms, the Board of Directors may authorize the Chairperson of the

Board to make a decision within 30% of the current net worth, which shall be submitted to the latest Audit Committee and Board of Directors meeting for approval.

- 5.2 Before the Company makes an endorsement/guarantee for a subsidiary in which the Company holds, directly or indirectly, 90 percent of the voting shares, Paragraph 2, Article 3 shall be complied with and the proposal shall be submitted to the Audit Committee and Board of Directors for resolution. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.
  - 5.3 The Company shall take into full consideration each Independent Director's opinion when making endorsements/guarantees on behalf of others. Independent Directors' opinions specifically expressing assent or dissent, and their reasons for dissent shall be included in the Board of Directors' meeting minutes.
6. Endorsement/Guarantee Procedures:
- 6.1 When the company for which the endorsement/guarantee is made intends to use the amount of the endorsement/guarantee within the limit, it shall file an application to the Company's finance department. The finance department shall conduct detailed evaluations and credit investigations. The evaluation shall include the necessity of and reasonableness for the endorsement/guarantee; credit status and risk assessment of the entity for which the endorsement/guarantee is made; the impact on the Company's business operations, financial condition, and shareholders' equity; and whether or not collateral and appraisal of the value thereof shall be obtained.
  - 6.2 The staff of the finance department of the Company consolidates the information and evaluation results of the preceding paragraph. If the cumulative balance at the time the endorsement/guarantee is made has not exceeded 30% of the Company's net worth set out in the most recent financial statements approved and audited by CPAs, it shall be submitted to the Chairperson of the Board for approval and to the most recent Audit Committee and Board of Directors for resolution. If the cumulative balance of the endorsement/guarantee exceeds 30% of the above-mentioned net value, it shall be submitted to the Audit Committee and the Board of Directors for approval, and shall be handled in accordance with the resolution of the Board

of Directors.

- 6.3 The “memorandum book for endorsement/guarantee activities” shall be prepared by the finance department and record detailed endorsement/guarantee subjects, amount, dates on which the Board of Directors grants approval and the Chairperson of the Board makes a decision, matters under prudent evaluation according to these Regulations, collateral content, and valuation as well as conditions and date for releasing endorsement/guarantee responsibility for checking.
- 6.4 An endorsed/guaranteed company shall provide repayment information to the Company to discharge its endorsement/guarantee responsibilities, and record the same in the “memorandum book for endorsement/guarantee activities” when it repays its debts.

7. Important Note for Endorsements/Guarantees:

- 7.1 The Company's internal auditors shall audit the Regulations Governing Making of Endorsements/Guarantees and the implementation thereof no less frequently than once per quarter, and prepare written records accordingly. They shall promptly notify the Audit Committee in writing of any material violation found.
- 7.2 If the Company fails to comply with Article 3 of these Regulations due to changes in circumstances or if the amount of the endorsement/guarantee exceeds the amount specified in Article 4 of these Regulations due to changes in the basis on which the limit is calculated, the audit department shall urge the finance department to remove the excess endorsement/guarantee amount within the period specified in the contract or within a certain period of time. An improvement plan shall be submitted to the Audit Committee. Improvement shall be carried out in accordance with the schedule and reported to the Board of Directors.
- 7.3 If the Company needs to exceed the limits set out in these Regulations to satisfy its business requirements, it shall comply with the conditions set out in these Regulations and obtain approval from the Audit Committee and the Board of Directors with the majority of Directors to act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend these Regulations accordingly and submit the same to the shareholders' meeting for ratification after the fact.

If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

The Company shall submit the above item for discussion by the Board of Directors under the preceding paragraph, and the Board of Directors shall take into full consideration each Independent Director's opinion. Independent Directors' opinions specifically expressing assent or dissent, and their reasons for dissent shall be included in the Board of Directors' meeting minutes.

8. Terms and contents to be announced and reported:

8.1 The Company shall, before the tenth day of each month, publicly announce and report the balance of endorsement/guarantee for the previous month of the Company and its subsidiaries.

8.2 If the Company's endorsements/guarantees meet one of the following standards, it shall announce the declaration within two days from the date of occurrence:

8.2.1 The aggregate balance of endorsements/guarantees made by the Company and its subsidiaries reaches 50% or more of the Company's net worth as stated in its latest financial statements.

8.2.2 The balance of endorsements/guarantees made by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.

8.2.3 The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more, and the aggregate amount of all endorsements/guarantees for, the book value of investments accounted for using the equity method, and balance of loans to such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.

8.2.4 The newly added endorsement/guarantee of the Company and its subsidiaries reach over NT\$30 million and 5% of net value in the most recent financial statements.

8.3 The Company shall report the information for any subsidiary that is not a domestic public company when the subsidiary has any matters to be announced and reported as set forth in Article 8.2.4.

8.4 The Company shall evaluate or recognize the contingent loss of endorsement/guarantee and provide relevant information in the financial statements to the CPA for audit purposes.

9. Procedures for Controlling and Managing Endorsements/Guarantees by Subsidiaries:

9.1 A subsidiary of the Company shall formulate and comply with its own Regulations Governing Making of Endorsements/Guarantees in compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies when it intends to make endorsements/guarantees for others.

9.2 Procedures of endorsements/guarantees made by the Company's subsidiaries that should be resolved at the Board of Directors meeting according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" shall be resolved at the Board of Directors meeting of the parent company instead.

9.3 Subsidiaries shall compile and submit a detailed list of endorsements and guarantees for others to the finance department of the Company before the 10th (exclusive) of each month. However, if it meets the requirements set by these Regulations where an announcement and a report shall be made by the subsidiary, it shall immediately notify the Company so that announcement can be made on time.

9.4 The internal auditor of the Company and its subsidiaries shall review the Regulations Governing Making of Endorsements/Guarantees and its implementation at least once per quarter and prepare written records accordingly. If a material violation is found, they shall immediately notify the subsidiary's directors and the Company's audit unit in writing. The Company shall submit the written documents to the Audit Committee.

Auditors shall also review the subsidiaries' implementation of the Regulations Governing Making of Endorsements/Guarantees when they conduct an audit of the Company's subsidiaries pursuant to its annual plans. If any deficiencies are found, they shall continuously keep track of any improvements made and submit reports to the Chairperson of the Board.

10. Penalty:

Regulation violations by the Company's managers and primary personnel shall be submitted for assessment in accordance with the Company's Regulations Governing Personnel Management and Employee Handbook; a penalty will be imposed according to the severity of the violation.

11. Implementation and Amendments:

The Company has established an Audit Committee. The formulation or amendment of these Regulations shall be approved by the majority of the Audit Committee members, by a resolution of the Board of Directors, and at a shareholders' meeting.

The same shall apply to any amendments to the Procedures. If the above paragraph is not ratified by more than one-half of all members of the Audit Committee, more than two-thirds of all Directors may agree to do so instead, and the resolutions of the Audit Committee shall be stated in the Board of Directors meeting minutes.

The terms "all Audit Committee members" and "all Directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.