

IR005	Procedures for Endorsement and Guarantee	Publication (Revision) Date	Effective Date	Version
		2010/12/20	2020/05/29	04

Article 1 Purpose

These regulations have been formulated to safeguard the Company's shareholder equity and ensure sound financial management of endorsements/guarantees with low operational risks.

Article 2 Legal Basis

These Procedures have been formulated pursuant to relevant provisions set forth in the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies (hereinafter referred to as "these Regulations") of the Financial Supervisory Commission (hereinafter referred to as "FSC"). For matters not specifically covered in these Procedures, regulations set forth in relevant laws shall apply.

Article 3 Application scope

The term "endorsements/guarantees" as used in these Procedures refers to the following:

1. Financing endorsements/guarantees, including:
 - A. Bill discount financing.
 - B. Endorsement or guarantee made to meet the financing needs of another company.
 - C. Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs, e.g., pledge or mortgage on its chattel or real property as security for the loans of another company.

Article 4 Entities to which the Company may make endorsements/guarantees for

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

1. A company having business relationship with the Company.
2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company,

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provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

- Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for hospital or government procurement needs, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

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% of the voting shares.

Article 5 Ceilings on the amount of endorsements/guarantees

The Company’s aggregate endorsement/guarantee amount and the amount of its endorsements/guarantees for any single entity, as well as on the aggregate endorsement/guarantee amount, and the amount of endorsements/guarantees for any single entity, that the Company and its subsidiaries as a whole are permitted to make are defined as follows:

- The ceiling on endorsement/guarantee amounts for single entities shall not exceed 20% of the net worth of the Company as stated in the most recent financial statement.
- The aggregate endorsement/guarantee amount shall not exceed 50% of the net worth as stated in the most recent financial statement.
- Where the Company engages in endorsements/guarantees due to business dealings, the aggregate transaction amount with the Company in the most recent fiscal year shall not be exceeded.” Transaction amount” means order or sales amount whichever is higher.

The term “Most Recent Financial Statement” as used in these regulations shall refer to financial statements for the most recent period composed in accordance with the International Financial Reporting Standards and certified by a CPA.

Article 6 Detailed handling and review procedures for endorsements/guarantees

- The Company requesting an endorsement/guarantee shall submit detailed financial information to the finance and accounting department of the Company. Prior to the handling of endorsements/guarantees, the finance and accounting department shall conduct credit checks and assessments of the operational risks and impacts on the financial status and shareholders’ equity of the Company itself generated by the

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guarantee/endorsement, and then this department shall review the qualifications of the company requesting an endorsement/guarantee and the necessity and rationality thereof. If endorsements/guarantees are issued due to mutual business dealings, the finance and accounting department shall determine whether the endorsement/guarantee amount is equivalent to the amount of such dealings and whether collateral must be obtained and appraisal of the value thereof. The finance and accounting department shall compile this information into an analysis report.

2. The Company shall prepare a memorandum book for its endorsement/guarantee activities to truthfully record the following information in a detailed manner: the entity for which the endorsement/guarantee is made, amounts, pledges and warranties, dates of board approval or authorized decisions by the chairperson, endorsement/guarantee dates, description of collateral and assessment of its value as well as terms and dates of discharge of liability.
3. The chairperson shall be authorized to approve endorsements/guarantees for companies within a ceiling of 20% of the Company's net worth as stated in its latest financial statement. The finance and accounting department shall be in charge of execution subject to subsequent ratification by the next board meeting. If the accumulated balance of endorsements/guarantees exceeds 20% of the Company's net worth as stated in its latest financial statement, approval by the Board of Directors shall be required and the matter shall be handled in accordance with resolutions by the Board of Directors.
4. The finance and accounting department shall obtain a promissory note of an equivalent value and the same time limit from the company for which an endorsement or guarantee is issued and request collateral if deemed necessary.
5. The finance and accounting department shall also be in charge of tracking and evaluation of the financial status and use of funds by the company for which an endorsement is issued. In case of major changes, the chairperson shall be notified immediately and the matter shall be handled in an appropriate manner.
6. When the company for which an endorsement/guarantee has been issued pays back its loan, it shall submit relevant data to the Company so that the liability incurred through the guarantee can be discharged and a record can be made in the memorandum book.
7. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in its financial statements and provide certified public accountants with relevant information for implementation of necessary audit procedures and issuance of an appropriate auditors'

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report.

8. The Company's internal auditor shall audit these Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. Such internal auditor shall promptly notify the Audit Committee in writing of any material violation found.
9. 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, the finance and accounting department shall regularly assess the financial status and capital flow of aforementioned company, submit reports to the chairperson, and handle relevant matters in and appropriate manner. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 7 Follow-up control and management measures for endorsements/guarantees issued by subsidiaries

1. The Company shall instruct it to formulate its own operational procedures for endorsements/guarantees in compliance with these Procedures, and it shall comply with its own procedures when making endorsements/guarantees. Subsidiaries shall submit data on endorsements/guarantees issued in the previous month to the finance and accounting department of the Company by the fifth of every month for future reference.
2. The finance and accounting department shall submit detailed lists of the balance of endorsements/guarantees issued by subsidiaries of the Company or with an equity investment of over 50% in the previous month to the chairperson for review and approval.
3. Internal auditors of subsidiaries shall audit the procedures for endorsement and guarantee and the implementation thereof at least on a quarterly basis and prepare written records accordingly. Where material violations are found, the Company's internal audit department shall be notified in writing in a prompt manner, and the Company's internal audit department shall submit written information to the Audit Committee.
4. When auditor of the Company conducts an audit in subsidiaries in accordance with annual audit plan, such auditor shall also examine the implementation conditions of the procedures governing endorsements/guarantees. Where deficiencies are detected, improvements shall be tracked constantly and tracking reports shall be compiled and submitted to the chairperson and the Audit Committee.

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- Subsidiaries in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit reports to the Audit Committee and the Board of Directors of the Company for resolution prior to making endorsements/guarantees pursuant to Subparagraph 5 of Article 4. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 8 Seal safekeeping and usage procedures

The Company shall use the corporate seal registered with the Ministry of Economic Affairs as the dedicated seal for endorsements/guarantees. The seal shall be kept in the custody of a designated person and may be used to seal or issue negotiable instruments only in these Procedures and Procedures for Seal Management. Designated person in charge of safekeeping of the aforementioned seal for endorsements/guarantees and changes thereof shall be reported to the Board of Directors for approval.

Article 9 Hierarchy of decision-making authority and delegation thereof

- The Company may make an endorsement/guarantee only after the evaluation results have been submitted to the Audit Committee for approval and resolved upon by the Board of Directors, or approved by the chairperson, where empowered by the Board of Directors to grant endorsements/guarantees within a ceiling of 20% of the Company's net worth as stated in its latest financial statement, for subsequent submission to and ratification by the next Audit Committee meeting and Board of Directors' meeting.
- If it is deemed necessary by the Company to exceed the ceiling stipulated in Article 5 for business needs, approval by the Audit Committee and the Board of Directors shall be required and a majority of the board members shall serve as joint guarantors for potential losses caused by exceeding the permitted limit. In addition, these Procedures shall be amended subject to ratification by the shareholders' meeting. 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.
- When it makes endorsements/guarantees for others, it shall take into full consideration the opinions of each independent director; independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the Board of Directors' meeting.
- When there is any matter which shall be approved by the Audit Committee as specified

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under these Procedures, it shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be submitted for a resolution by the Board of Directors. If the approval of one-half or more of all Audit Committee members as required is not obtained, such matters may be handled if approved by two-thirds or more of all directors, and the resolution of the Audit committee shall be recorded in the minutes of the Board of directors meeting.

Article 10 Announcement and reporting procedures

The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month on the Market Observation Post System. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount of all endorsements/guarantees for, carrying value of equity method investment in, 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.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

The term "date of occurrence" as used in these Procedures shall refer to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement/guarantee, whichever date is earlier.

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Article 11 Transitional provisions

Where endorsement/guarantee recipients originally conform to the regulations set forth in Article 4 but fails to conform to the provisions set forth in these Procedures or endorsement/guarantee amounts exceed the authorized limit due to a change in ceiling calculation standards, improvement plans shall be adopted and submitted to the Audit Committee. Improvements shall be implemented in accordance with the timeframe set out in these plans.

Article 12 Penalty for violation of these Regulations or of the Company's Procedures for Lending Funds to Other Parties by managers or personnel in charge

Where managers and personnel in charge violate these Procedures, penalties shall be imposed in accordance with the severity of the violation and the matter shall be reported for consideration during performance evaluations in accordance with the employee manual.

Article 13

These Procedures shall be implemented after adoption by resolution of the Board of Directors, and shall be reported to the shareholders' meeting. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinion for discussion by the shareholders' meeting. The same shall apply to any amendments to these Procedures.

When the Company submits these Procedures for discussion by the Board of Directors under the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinion. If an independent director expresses any dissent or reservation, it shall be noted in the minutes of the Board of Directors meeting.

When the Company amends these Procedures, the amended procedures shall require the approval of one-half or more of all Audit Committee members, and furthermore shall be submitted for a resolution by the Board of Directors. If the approval of one-half or more of all Audit Committee members as required is not obtained, these Procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit committee shall be recorded in the minutes of the Board of directors meeting.

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.

Article 14

These Procedures were established on December 20, 2010.

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The first amendment to these Procedures was made on June 19, 2013.

The second amendment to these Procedures was made on June 15, 2017.

The third amendment to these Procedures was made on May 29, 2020.