

## **Procedures for Endorsements and Guarantees of Oriental Union Chemical Corporation (the “Company”)**

As last amended on 11 June 2019

Article 1 All endorsement and guarantees of the Company shall be in compliance with these “Procedures for Endorsements and Guarantees” (“Procedures”). Endorsements and guarantees referred to herein shall have the meaning set forth below:

- (1) Financing endorsements and guarantees, including:
  - (i) bills discounting financing;
  - (ii) endorsements or guarantees made to meet the financing needs of another companies;
  - (iii) issuance of a separate bills to a non-financial enterprise as security to meet the financing needs of the Company.
- (2) Customs duty endorsements and guarantees refer to an endorsement or guarantee for the Company itself or another company with respect to customs duty matter.
- (3) Other endorsements and guarantees refer to those beyond the scope of the above sub-paragraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall be governed by these Procedures.

Article 2 The Company may make endorsements/guarantees for the following companies:

- (1) companies with whom the Company has business relationships;
- (2) a company in which the Company directly and indirectly holds more than 50 percent of the voting shares; and
- (3) a company that directly and indirectly holds more than 50 percent of the voting shares in the Company.

Subsidiaries, whose voting shares are 90% owned, directly or indirectly, by the Company, may make endorsements/guarantees for each other, provided

that the amount of endorsements and guarantees made by such subsidiaries shall be less than 10% of the Company's net worth, which is the latest number audited or reviewed by the certified public accountant ("the Company's Latest Net Worth"). The aforesaid amount ceiling shall not apply to subsidiaries whose voting share are 100% owned, directly or indirectly, by the Company.

The above restrictions in the preceding two paragraphs shall not apply to the circumstances where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry, or for the co-producers of the same project, for the purpose of construction project, or where all shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages.

Invested companies said in the preceding paragraph are those invested directly by the Company, or by the subsidiaries of which the Company owns 100% voting shares.

Subsidiaries and holding companies as referred to herein these Procedures shall be those as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 3      The aggregate amount of endorsements and guarantees issued by the Company shall be no more than the Company's Latest Net Worth at the time the endorsements and guarantees are issued. The total amount of the Company's endorsements and guarantees provided for any individual company shall be limited to 50% of the Company's Latest Net Worth.

The aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries shall be no more than the Company's Latest Net Worth at the time the endorsements and guarantees are issued. The total amount of endorsements and guarantees made by the Company and its subsidiaries for any individual company shall be limited to 50% of the Company's Latest Net Worth. When aggregate amount of endorsements and guarantees issued by the Company and its subsidiaries exceeds the 50% of the Company's Latest Net Worth, the Company shall report the necessity and rationale of the endorsements/guarantees in the shareholders' meeting.

The financial reports of the Company are prepared according to IFRSs, the net worth in the Procedures is referred to the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 4 Prior to the Provision of endorsements or guarantees, the Company's finance department shall carefully evaluate its compliance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies ("Regulations"), as well as these Procedures, including the following items and prepare and submit the evaluation report to the Audit Committee for approval, then submit to the Board of Directors for approval; provided that, due to the time-constraints, the Board of Directors may authorize the Chairman to approve such provision subject to ratification by the Board of Directors in the upcoming meeting:

- (1) necessity and rationale of the endorsements/guarantees;
- (2) credit standing and risk evaluation of the party to be secured under such endorsements/guarantees;
- (3) impact on the Company's operation, financial condition and shareholders' interest; and
- (4) whether collaterals are required and appraised values of such collaterals.

Subsidiaries, whose voting share are 90% owned, directly or indirectly, by the Company, shall submit to the Audit Committee for approval, then report to the Board of Directors of the Company for approval, prior to the provision of endorsements or guarantees being issued according to the paragraph 2 of Article 2 in the Procedures. The aforesaid requirement shall not apply to the subsidiaries, whose voting shares are 100% owned, directly or indirectly, by the Company.

Where the Company provides endorsements and guarantees as a result of business transactions, it should separately assess whether the amount of endorsement and guarantee is comparable to the value involved in such business transactions. The value involved in the business transactions refers to the value represented by orders placed, sales or transactions contemplated by the parties during the year immediately prior to such provision of endorsements/guarantees.

Where the Company proposes to provide an endorsement and/or guarantees as a result of business transactions which is in conformity with the conditions set out herein but exceed the limit as stipulated above as result of business needs, it shall submit to the Audit Committee, then acquire the approval of the Board of Directors and the joint guarantee by more than half of the Directors in respect of the possible loss incurred by the excessive guarantee, as well as amendment to these Procedures subject to ratification by the Shareholders' Meeting. In the event that the Shareholders' Meeting raises objection, the Company shall formulate a proposal to cancel the excess within stipulated time limit.

The Board of Directors shall take into account the opinions of the Independent Directors and furthermore record in the minutes of such meetings the Independent Directors' consenting or dissenting opinions and the reasons in holding a meeting discussing the conditions abovementioned, these Procedures or providing endorsements and/or guarantees.

Where the parties secured by such endorsements/guarantees fail to comply with these Procedures or the amounts have exceeded the limits as a result of changes in the circumstances, the Company shall prepare improvement plans and forward the same to the Audit Committee. Rectification shall be completed within the time frame stipulated in improvement plans.

Where endorsements/guarantees are made to the Company's subsidiaries, net worth of those falls below 50% of their paid-in capital, the Company shall closely monitor the financial conditions, operations, and credit standings of such subsidiaries. Should collaterals be provided, the Company shall also monitor the change in the value of the said collaterals. Where any materially adverse event occurs, the Company shall terminate such endorsements/guarantees or take other appropriate actions. 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 under the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

According to these Procedures, the matters shall be approved by the Audit Committee, if the matters have not been approved by more than half of all Audit Committee members, the matters shall be approved by the Board of Directors with two third of all Directors and the resolution of Audit Committee

shall be recorded in the Board of Directors minutes. The Audit Committee members and the Board of Directors member as stated will only calculate the members in present position.

Article 5      Apart from the Company's designated seal for bills issued, the Company shall use its seal registered with the Ministry of Economic Affairs as the designated seal for the provision of endorsements and guarantees.

Article 6      The designated seal for the provision of endorsements and guarantees of the Company shall be handed to appointed persons for safekeeping; use of the said seals and issue of bills shall be in conformity with the Company's regulations.

The Board of Directors shall give its approval for the appointment of or changes to the person tasked with the safekeeping of seals. Where the Company provides guarantees for foreign companies, its letter of guarantee shall be signed by a person authorized by the Board of Directors.

Article 7      The Company's endorsements and guarantees shall be made based on the "Application for Endorsements and/or Guarantees" duly filled by the company requiring the same. The Company shall set up specific files and record in details of the name of the company secured by endorsements/guarantees provided, the relevant amount, the date of resolved by the Audit Committee, the date of resolved by the Board or that on which the Chairman had approved, the date of endorsements and guarantees, and matters of due diligence as required under Article 4 (1) herein.

The Company's internal audit department shall conduct at least a quarterly audit of these Procedures and make written records on the status of implementation in details. In the event of major irregularities, the internal audit department shall inform the Audit Committee of the same in writing.

Article 8      The Company shall before the 10<sup>th</sup> day of each month publish and report the endorsements/guarantees it and its subsidiaries provided and their balance amounts as of the end of last month.

Where limits of the Company's endorsements/guarantees set below have occurred, the Company shall publish and report within 2 days commencing

immediately from the date of occurrence.

- (1) The aggregate balance of endorsements/guarantees provided by the Company and its subsidiaries has reached 50% or more of the Company's Latest Net Worth; or
- (2) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached 20% or more of the Company's Latest Net Worth; or
- (3) The balance of endorsements/guarantees provided by the Company and its subsidiaries for an individual company has reached Ten Million New Taiwan Dollars (NT\$10,000,000) or more and the aggregate amount of all endorsements/guarantees, any investment of equity method booking amount in, and balance of loans to, such company has reached 30% of the Company's Latest Net Worth; or
- (4) The additional individual endorsement/guarantee provided by the Company or its subsidiary has reached Thirty Million New Taiwan Dollars (NT\$30,000,000) or more and has reached 5% or more of the Company's Latest Net Worth.

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

The "public announcement and report" referred to herein shall be those entered into the web-site designated by the Financial Supervisory Commission for reporting information.

"Date of occurrence" in these Procedures means the date of contract signing, date of payment, date of Boards of Directors' resolutions, or other date that can confirm the counterparty and monetary amount of the endorsements/guarantees, whichever date is earlier.

The Company shall assess the status of endorsements/guarantees provided and reserve an appropriate amount to offset against contingent loss. The Company shall furthermore disclose the relevant information in its financial statements and provide the certified accountants with relevant materials for them to carry out the necessary audit processes.

Article 9 Subsidiaries of the Company proposing to provide endorsements/guarantees for others shall prepare their respective procedures in compliance with the Regulations, and shall implement such procedures accordingly. Subsidiaries of the Company shall report the same to the Finance department of the Company and the Finance department of the Company will compile all procedures from subsidiaries to report to the Board of Directors for approval.

Subsidiaries of the Company which are also domestic public companies shall on their own undertake the public announcement and report in compliance with regulations.

Subsidiaries of the Company shall submit, before the 5<sup>th</sup> day of each month, detailed statements of the endorsements/guarantees provided as of the end of last month to the Company for consolidation.

Subsidiaries of the Company shall on their own evaluation whether their procedures in relation to capital of lending to others are in compliance with Regulations and whether their loans extended to others are in compliance with their procedures. The Company's internal audit department shall review the self-evaluation reports of the said subsidiaries.

Article 10 Endorsements/guarantees provided by the Company shall be in compliance with the Regulations and these Procedures. In the event that any managerial officers or person undertaking the matters with respect herewith are found to be in breach of provisions herein in material aspect of causing damage to the Company, the Company shall discipline the said persons in accordance with the internal rules on employee reward and punishments and the relevant personnel regulations.

Article 11 The amendment of these Procedures shall be approved by the Audit Committee, then resolved by the Board of Directors, then forwarded to the Shareholders' Meeting for approval. Directors' dissents recorded in the meeting minutes or written statements shall also be forwarded by the Company to the Audit Committee and Shareholders' Meeting for discussion.

*\* In case of any discrepancy between this English translation and the Chinese text of this document, the Chinese text shall prevail.*