

# **Cheng Shin Rubber Ind. Co., LTD.**

## **Operating Procedures for Endorsement and Guarantee and Funds Loaded to Others**

### Article 1: Purpose

The Procedures for Making Endorsements or Guarantees and Loaning of Funds (the "Procedures") are hereby enacted for the Cheng Shin Rubber Ind. Co., LTD. (the "Company") to abide by when making endorsements or guarantees. The procedures are based on the text number issued by the Securities and Futures Commission of the Ministry of Finance on December 18, 2002, "Taiwan Caizheng Liuzi No. 09101619 "Public Offering Company Fund Loans and Endorsement Guarantee Processing Guidelines" " It is stipulated that if there are any uncovered matters in the procedures, it will be handled in accordance with the relevant laws and regulations.

### Article 2: Scope of the Procedures

The endorsement or guarantees referred in this Procedures includes:

- I. Financing endorsements or guarantees, which shall mean the discounted bill financing, endorsements or guarantees made for the purposes of another company's financing needs, and issuance of another negotiable instrument to a non-financial enterprise as security for the purposes of the Company's financing needs.
- II. Customs duty endorsements or guarantees, which shall mean the endorsements or guarantees made for the Company itself or other companies in connection with customs duty matters.
- III. Other endorsements or guarantees, which shall mean the endorsements or guarantees made in connection with matters beyond the scope of the preceding two paragraphs.
- IV. The Company's creation of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

### Article 3: Endorsements or Guarantees Parties

The Company may make endorsements or guarantees for the following parties:

- I. The company that the Company is doing business with.
- II. The company in which the Company holds, directly or indirectly, more than fifty percent (50%) of the voting shares.
- III. The company that holds, directly or indirectly, more than fifty percent (50%) of the Company's voting shares.

The companies in which the Company holds, directly or indirectly, ninety percent (90%) or more of the voting shares may make endorsements or guarantees for each other, and the amount of such endorsements or guarantees may not exceed ten percent (10%) of the net

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

Where all shareholders making Capital Contribution to a jointly invested company make endorsements or guarantees for such company in proportion to their shareholding ratio, such endorsements or guarantees may be made free of the restrictions under the preceding two paragraphs.

The "Capital Contribution" under the preceding paragraph refers to direct capital contribution by the Company or the capital contribution by the company in which the Company holds one hundred percent (100%) of the voting shares.

#### Article 4: Maximum Amount of Endorsements or Guarantees

The aggregate amount of endorsements and guarantees the Company make for other companies shall not exceed seventy percent (70%) of the Company's net worth. The aggregate amount of endorsements and guarantees the Company make for a single enterprise shall not exceed twenty percent (20%) of the Company's net worth; while the aggregate amount of endorsements and guarantees the Company make for a single foreign affiliated company shall not exceed fifty percent (50%) of the Company's net worth.

The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for other companies shall not exceed 70% of the Company's net worth. The aggregate amount of endorsements and guarantees the Company and its subsidiaries make for a single enterprise shall not exceed 20% of the Company's net worth; while the aggregate amount of endorsements and guarantees the Company and its subsidiaries make for a single foreign affiliated company shall not exceed 50% of the Company's net worth.

If the aggregate amount of endorsements or guarantees 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 thereof shall be given at the shareholders meeting.

The net worth shall be decided in accordance with the latest financial statement audited or reviewed by a certified public accountant.

#### Article 5: Decision Making and Authorization Level

The Company may not make endorsements or guarantees without prior approval of the Board of Directors, provided that, for the purpose of efficiency, the Board of Directors may authorize the Chairman to make endorsement or guarantee decisions within the fifty percent (50%) of the Company's net worth, and report such endorsement or guarantee to the Board of Directors for ratification afterwards and the circumstances in relation to the consequence shall be reported to the Shareholder's meeting for its record.

Where the Company has established the position of independent directors, the endorsements and guarantees made for others shall take each independent director's

opinions into full account, and the independent directors' opinions expressly stating assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' meeting.

#### Article 6: Procedures for Making Endorsements and Guarantees

- I. Where a company intends to use an endorsement or guarantee within its amount, this company shall provide its basic information and financial information and fill out the application form to file and application with the Company's financial department. The Company's financial department shall carefully conduct a risk assessment. Detailed review procedures, including: the necessity of and reasonableness of endorsements/guarantees; 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 must be obtained and appraisal of the value thereof.
- II. The manager of the Financial Department of the Company consolidates the relevant information and evaluation results of the preceding paragraph. If the accumulative balance at the time of the endorsement guarantee has not exceeded 50% of the net value of the current period, it shall be submitted to the Chairman of the Board for ruling, and then submitted to the Board of Directors for ratification; if the accumulated balance of endorsements/guarantees has exceeded 50% of the net value of the current period, then it shall be sent to the Board of Directors for approval and shall be handled in accordance with the resolution of the Board of Directors.
- III. The endorsements/guarantees log book established by the Finance Department shall specify the endorsements/guarantees subject, amount, the date of approval by the Board of Directors or the Chairman's decision, the endorsements/guarantees date, matters that should be carefully evaluated in accordance with these regulations, the content of the collateral and its estimated value, etc. The details will be posted for future reference.
- IV. Where the endorsed and guaranteed company repay the money, it shall inform the Company of its repayment to release the Company's from endorsement and guarantee liability, and shall publish the repayment on the endorsement and guarantee records.
- V. The Finance Department shall, in accordance with the provisions of International Accounting Standards No. 37, periodically assess and recognize the contingent losses of the endorsements/guarantees, and appropriately disclose the endorsements/guarantees information in the Financial Statements, and provide relevant information to the certifying CPAs for them to perform the necessary review procedures and issue a proper review report.

#### Article 7: Safekeeping of and procedures for the Company's chop

The endorsement and guarantee chop is the Company's chop with which the Company files registration with the Ministry of Economic Affairs. The endorsement and guarantee chop shall be safe-kept by personnel approved by the Board of Directors, and the same procedure shall apply to any changes thereafter. The endorsement and guarantee chop or signature to make endorsement and guarantee shall be affixed pursuant to the operating procedures provided by the Company. When the Company makes guarantee for a foreign company, the guarantee letter issued by the Company shall be executed by the person authorized by the Board of Directors.

#### Article 8: Guidelines for Conducting Endorsements and Guarantees

- I. The Company's internal auditors shall audit, at least quarterly, the Procedures and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered there from, the internal auditors shall promptly notify the Audit Committee in writing.
- II. In the event of any change of condition resulting in violation of Article 3 of the Procedures, which was in compliance with the Procedures at the time of endorsement or guarantee, or violation of exceeding the amount under Article 4 of the Procedures due to change of calculation basis based on which the maximum amount of endorsement or guarantee is calculated, the auditing unit shall urge the financial department to eliminate the entire endorsement or guarantee amount or the amount exceeding the maximum amount for such party when the contract expires or within a specified period of time. The auditing unit shall also submit relevant rectification plans to the Audit Committee, implement the rectification plans in accordance with the planned timeline and reported to the Board of Directors.
- III. When making endorsement or guarantee that exceeds the maximum amount specified in the Procedures to satisfy business demands, and such endorsement or guarantee is in compliance with the conditions set out in the Procedures, the Company shall obtain approval from the Board of Directors. At least half of the directors shall act as joint guarantors in the event that the Company suffers any loss from exceeding the maximum amount of endorsement or guarantee allowed. The Company shall also amend the Procedures accordingly and submit the same to the shareholders' meeting for ratification. If such proposal is not adopted at the shareholders' meeting, the Company shall enact a plan to eliminate the amount in excess within a specified period of time. Where the Company has independent directors on the Board, it shall take into full consideration the opinions of each independent director when making the aforementioned endorsements or guarantees. If the independent directors express any dissent or reservation, such opinions shall be noted in the minutes of the Board of Directors' meeting.

#### Article 9: Announcement and reporting procedures

- I. The Company shall announce on the Market Observation Post System by the tenth (10th) day of each month the previous month's balance of endorsements and guarantees made by the Company and its subsidiaries.
- II. In the event that the endorsement and guarantee amount reaches any of the following standards, the Company shall make the announcement and report within two (2) days from the Date of Occurrence on the Market Observation Post System:
  - i. The aggregate balance of endorsements and guarantees by the Company and its subsidiaries reaches fifty percent (50%) or more of the Company's net worth as stated in its latest financial statement.
  - ii. The balance of endorsements and guarantees by the Company and its subsidiaries for a single enterprise reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.
  - iii. The balance of endorsements and guarantees made by the Company and its subsidiaries for a single enterprise reaches NT\$ 10 million or more, and the aggregate amount of all endorsements and guarantees for, book value of equity method investment in, and balance of loans to such enterprise reaches thirty percent (30%) or more of the Company's net worth as stated in its latest financial statements.
  - iv. The amount of new endorsements and guarantees by the Company or its subsidiaries reaches NT\$ 30 million or more and five percent (5%) or more of the Company's net worth as stated in its latest financial statement.
- III. The Company shall announce and report on the Market Observation Post System on behalf of any of its subsidiaries that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to each subparagraph of the preceding paragraph.
- IV. The Company shall evaluate or record the contingent loss arising from the endorsement or guarantee, and properly disclose the information in relation to such endorsement or guarantee in the financial report. The Company shall also provide relevant information for the certified public accountant to conduct necessary auditing procedures.
- V. The "Date of Occurrence" in the Procedures refers to the earlier of: execution date of the transaction, date of payment, date of the Board of Directors' resolution, or other date when the party receiving such endorsement or guarantee and the amount of the transaction can be confirmed.

Article 10: Procedures for controlling and managing endorsements and guarantees by the subsidiaries

- I. Where the subsidiaries intends to make endorsement or guarantee for others, such company shall also enact the procedures for making endorsements and guarantees and comply with these procedures.

- II. The subsidiaries shall prepare by the fifth (5th) day (non-inclusive) of every month a detailed list of endorsements and guarantees made for others in the prior month, and deliver such list to the Company.
- III. The subsidiaries shall audit, at least quarterly, its procedures for making endorsements and guarantees and the implementation thereof, and prepare written records accordingly. In the event of any material violations discovered therefrom, the internal auditors shall promptly notify the Company's auditing unit in writing, and the Company's auditing unit shall deliver the written information to the Audit Committee.
- IV. When the Company's auditors conduct auditing in accordance with the annual auditing plan in the subsidiaries, the auditors shall also look into the implementation status of such company's procedures for making endorsements and guarantees for others. In the event of any violations discovered therefrom, the auditors shall keep track of the rectification process, and prepare a tracking report to submit to the General Manager.
- V. 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, relevant follow-up monitoring and control measures shall be expressly prescribed.

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 subparagraph 5 of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 11: The capital of a company shall not be lend to any other person.

Article 12: Procedures for the Control of Subsidiary Fund Loans to Others

- I. In the event of the loaning of funds between the subsidiaries of the Company, the Chairman may be authorized by the Board of Directors, for a specific borrowing counterparty, within a certain credit line resolved by the subsidiary's Board of Directors, and within a period not exceeding one year, to grant loans in installments or to make a revolving credit line available for the counterparty to draw down. For the purpose of the aforementioned "certain credit line", the funds loaned by any of the subsidiaries to any single entity shall not exceed 10% of the net worth on the most recent financial statements of the Company.
- II. When a subsidiary of the Company intends to lend funds to others, the Company shall require the subsidiary to set procedures for lending funds to others in accordance with regulations, and shall handle the procedures in accordance with the

established procedures.

- III. Subsidiaries shall prepare a log book of capital loans to others for the previous month before the 5th of each month (excluding), and submit it to the Company.
- IV. Subsidiary internal auditors should also audit the operating procedures and implementation of fund loans to others at least quarterly, and make written records. If major violations are found, they should immediately notify the Company's audit unit in writing, and the Company's audit unit should send the written information to the Audit Committee.
- V. When the Company's auditors conduct inspections of the subsidiaries in accordance with the annual audit plan, they should also understand the implementation of the subsidiary's capital loan and others' operating procedures, and if any missing items are found, they should continue to track their improvement.

#### Article 13: Enactment and amendment

The Procedures shall be adopted with the approval of a majority of all members of the Audit Committee and shall be submitted to the Board of Directors' meeting. In the event that the Company fails to obtain the approval of a majority of all members of the Audit Committee, the Procedures may be adopted with the approval of two thirds of all the directors. After being adopted at the Board of Directors' meeting, the Procedures shall be submitted to the shareholders' meeting for its approval. The decision of the Audit Committee shall be recorded in the minutes of the Board of Directors' meeting.

After being adopted at the Board of Directors' meeting, the Procedures shall be submitted to the shareholders' meeting for its approval. The same procedures shall apply to the amendments of the Procedures. In the event of any dissent or reservation expressed by the Independent Directors, such opinions shall be noted in the minutes of the Board of Directors' meeting.

Article 14: "Subsidiary" and "parent company" as referred to in this Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in this Procedures means 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 15: Penalty

Where the Company's managers or personnel in charge violate the Procedures, the Company may assess such manager or personnel's performance in accordance with the Company's human resource regulations and the employees' handbook, and give proper penalties according to the seriousness of the violation.

Article 16: This method was adopted at the Shareholders' Meeting on May 27, 2003.

This method was adopted at the Shareholders' Meeting on June 13, 2006.

This method was adopted at the Shareholders' Meeting on June 13, 2008.

This method was adopted at the Shareholders' Meeting on June 4, 2009.

This method was adopted at the Shareholders' Meeting on June 15, 2010.

This method was adopted at the Shareholders' Meeting on June 18, 2013.

This method was adopted at the Shareholders' Meeting on June 15, 2017.

This method was adopted at the Shareholders' Meeting on June 14, 2019.

This method was adopted at the Shareholders' Meeting on July 29, 2021.