

**Cheng Shin Rubber Industry Co., Ltd.**  
**Procedures for Making Endorsement/Guarantee and**  
**Lending Funds to Other Parties**

**Chapter 1 General Provisions**

Article 1: These Procedures are promulgated pursuant to Article 36(1) of Securities and Exchange Act and Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies.

Article 2: The Company and its subsidiaries shall comply with these Procedures when making loans to and endorsements/guarantees for others.

The parent company and subsidiaries herein shall be defined as per the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The Company's financial reports are prepared in accordance with the International Financial Reporting Standards, where "net worth" mentioned in these procedures refers to the equity attributable to the owners of the parent company in the Balance Sheet under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Chapter 2 Loans**

Article 3: Loan counterparty

The Company and its subsidiaries shall not loan funds to any of its shareholders or any other person unless otherwise under any of the following circumstances:

- I. Where an inter-company or inter-firm business transaction calls for such lending arrangement.
- II. Where an inter-company or inter-firm short-term financing facility is necessary.

Article 4: Evaluation standards for lending funds to other parties

- I. When the fund is being lent due to business relationship, the lending amount shall not be more than the total transaction amount between both parties for the latest one year.
- II. When the fund is being lent due to short-term financing facility, the lending amount shall be subject to purchase or operational turnover needs.
- III. Others to which the board of directors of the Company agrees to loan

funds.

Article 5: The aggregate amount of loans and the amount limits of individual loans

I. The aggregate amount of loans:

The aggregate amount of loans shall not exceed 40 percent of the Company's net worth.

II. The amount of loans permitted to a single company or firm:

1. Where funds are loaned for reasons of business dealings: the amount of the loan shall not exceed the total amount of trading between the two companies.

The business transaction amount refers to the actual purchase or sales amount that can be reasonably estimated within the last year or the next year, whichever is higher, and shall not exceed 10 percent of the Company's net worth.

2. With respect to the loan to a company or firm in need of short-term financing, the amount loaned to a single counterparty may not exceed 10 percent of the Company's current net worth.

III. Inter-company loans of funds between foreign companies which the Company holds, directly or indirectly, 100% of the voting shares, shall not exceed 40% current net worth of the Company; and its individual lending amount shall not exceed 20% of current net worth of the Company.

IV. The loan from foreign companies which the Company holds, directly or indirectly, 100% of the voting shares, to the Company shall not exceed 40% current net worth of the Company; its individual lending amount shall not exceed 20% of current net worth of the Company.

Article 6: Loans, terms and interest calculation methods

I. The term: each loan shall not exceed one year from the date of lending. However, the inter-company loans of funds between foreign companies which the Company holds, directly or indirectly, 100% of the voting shares, or the loan from foreign companies which the Company holds, directly or indirectly, 100% of the voting shares, to the Company, the maximum term of loan could be up to seven years.

II. The interest rate shall be determined by the negotiation of both parties and shall not be lower than the Company's financing cost and borrowing rate.

## Article 7: Procedures for handling and reviewing loans of funds

Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with these Procedures. The Company may make loans to others only after the following evaluation results have been submitted to and resolved upon by the board of directors. The Company should also fully consider the opinions of independent directors. If independent directors have objections or reservations of a matter, these shall be recorded in the minutes of the board meeting.

- I. The Company's loans to others shall first be carefully evaluated by the Financial Department, and the maximum loan amount, term, and interest calculation must be formulated. The evaluation results must be submitted to the chairman for approval, and the Company's board of directors must approve the resolution before they can be processed. The chairman is authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down. However, the authorized limit on loans shall not exceed 10% of the net worth on the latest financial statements of the lending company.

The Financial Department shall carefully evaluate and draft loans and related matters for approval by the chairman based on the following matters:

1. The necessity of and reasonableness of loaning funds to others.
  2. Borrower's credit status and risk assessment.
  3. Impact on the Company's business operations, financial condition, and shareholders' equity.
  4. Whether collateral must be obtained and appraisal of the value thereof.
- II. For the financing to other companies/firms, in addition to requirements stated in the preceding paragraph, the borrower shall provide a promissory note and the same amount of guarantee notes or equivalent collateral as collateral for the loans. However, if a subsidiary of the Company in which the Company holds 50% or more of the shares borrows a loan from the Company or a loan between subsidiaries in which the Company holds 50% or more of the shares, it may not be subject to the restrictions herein.
  - III. For the Company's loans and related matters, the Financial

Department should establish a record book, detailing the borrowers, amounts, board approval dates, loan disbursement dates, and matters that should be carefully evaluated according to regulations for future reference.

- IV. The internal auditors of the Company should audit the operating procedures and implementation of loans to others at least quarterly, and keep written records. If significant violations are found, they should immediately notify the audit committee in writing.
- V. If circumstances change and the loan recipient does not comply with the provisions of these Procedures or the balance exceeds the limit, an improvement plan should be formulated and submitted to the audit committee of the Company, and the improvement should be completed according to the planned schedule.

Article 8: Announcement and declaration of loans and matters

The announcement and declaration herein refers to the information provided by the Company to the information declaration website designated by the Financial Supervision Commission.

Occurrence date herein refers to being the date of contract, date of payment, date of transaction, date of resolution by the Board of Directors, or other date sufficiently confirming the counterpart and trading amount, whichever is earlier.

- I. The Company shall announce and report the previous month's loan balances of the Company and subsidiaries by the 10th day of each month.
- II. The Company whose balance of loans 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 loans to others by the Company and its subsidiaries reaches 20% or more of the Company's net worth as stated in its latest financial statement.
  - 2. The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10% or more of the Company's net worth as stated in its latest financial statement.
  - 3. The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the Company's net worth as stated in its latest financial statement.

- III. 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 the preceding paragraph.

Article 9: Follow-up control measures for loaned amount and procedures for handling overdue claims

After the fund is loaned, the Company should always pay attention to the financial, business and credit status of the borrower. In the event of major changes happened to borrower, management should immediately report to the chairman of the board and follow the instructions for proper handling. When the loan is due, the borrower should pay off the principal and interest immediately. If the repayment is not made upon maturity, the Company shall immediately issue a letter of reminder. If the repayment is still not made, the Company may dispose of and recover the collateral provided in accordance with the laws.

Article 10: Procedures for Lending Loans to Subsidiaries

- 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. The subsidiary should prepare a record book for lending funds to others for the previous month before the 5th day of each month (excluding) and submit it to the Company for review.
- 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.

### **Chapter 3 Endorsement guarantee**

#### **Article 11: Scope of endorsement guarantee**

Endorsement guarantees herein refer to the following matters:

- I. Financing endorsement guarantees: discounted ticket financing, endorsement or guarantee for the purpose of financing other companies, and another note issued to guarantee non-financial enterprises for the purpose of financing of the Company and its subsidiaries.
- II. Tariff endorsement guarantee: the endorsement or guarantee for the Company or other companies related to customs matters.
- III. Other endorsement guarantees: endorsements or guarantees that cannot be included in the first two paragraphs.
- IV. If the Company provides movable property or real property to set up a pledge or mortgage for the guarantee of other company's loans, it shall also be handled in accordance with the provisions of these Procedures.

#### **Article 12: Endorsements or Guarantees Parties**

Counterparties of endorsement guaranteed by the Company or its subsidiaries are limited to the following:

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

Companies that directly and indirectly hold more than 90% of the voting shares of the Company shall be endorsed by guarantee, and the amount shall not exceed 10% of the net worth of the Company. This restriction shall not apply to endorsements/guarantees made between companies where the

Company holds, directly or indirectly, 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 13: Maximum Amount of Endorsements or Guarantees

The aggregate amount of endorsements and guarantees the Company makes for other companies shall not exceed seventy percent (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.

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 14: Review and handling procedures:

- I. The Financial Department shall apply to the Company before the Company makes endorsement guarantee for others and evaluate the following items:

1. The necessity and reasonableness of the endorsement guarantee.
2. Endorsement guarantee counterparty credit and risk assessment.
3. The impact on the company's operational risk, financial status and shareholders' equity.
4. Whether collateral and collateral's appraised value should be obtained.

It shall submit to the board of directors for resolution only after the approval has been submitted to the chairman.

- II. The endorsements/guarantees log book established by the Financial 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.
- III. 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.
- IV. The Financial 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 15: Procedures for endorsement guarantee seal usage and preservation

The seal for endorsement/guarantee is the company seal applied to and registered under the Ministry of Economic Affairs. The seal shall be kept by the dedicated personnel approved by the Board of Directors. The same applies to the change of seal. When providing an endorsement/guarantee, the relevant bill shall be stamped or issued in accordance with the company's operating procedures. When the company provides an endorsement/guarantee for a foreign company, the letter of guarantee provided by the company shall be signed by a person authorized by the Board of Directors.



Article 16: Decision and authorization level of endorsement guarantee

Endorsement/guarantee activities conducted by the Company shall first be approved by the Board of Directors by resolution before implementation. However, in order to meet the requirements of the time limit, the Board of Directors may authorize the Chairman of the Board to first deliberate on such activities within 50% of the net value of the company for the current period, report to the Board of Directors for ratification afterwards, and report the implementation of such activities to the Shareholders Meeting for future reference.

The Company should also fully consider the opinions of independent directors. If independent directors have objections or reservations of a matter, these shall be recorded in the minutes of the board meeting.

Article 17: Procedures for controlling and managing endorsements and guarantees by the subsidiaries

- I. Where the subsidiaries intend 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 V of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

#### Article 18: Precautions for handling endorsement 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 therefrom, 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 report 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 19: Announcement and declaration of endorsement and guarantee matters

The announcement and declaration herein refers to the information provided by the Company to the information declaration website designated by the Financial Supervision Commission.

Occurrence date herein refers to being the date of contract, date of payment, date of transaction, date of resolution by the Board of Directors, or other date sufficiently confirming the counterpart and trading amount, whichever is earlier.

- I. The Company should announce and declare the balance of endorsements and guarantees of the Company and its subsidiaries for the previous month before the 10th of each month.
- II. The Company whose balance of endorsement and guarantee 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 endorsement and guarantee to others by the Company and its subsidiaries reaches 50% 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 entity reaches 20% or more of the public 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 entity reaches NT\$10,000,000 or more and the aggregate amount of all endorsements/guarantees for, carrying amount of investments accounted for using the equity method of, and balance of loans to, such entity reaches 30% 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\$30,000,000 or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.
- III. 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 the preceding paragraph.

The ratio of the balance of endorsements and guarantees over a company's net worth for a subsidiary to the net value under the preceding paragraph shall be calculated by the ratio of the subsidiary's balance of endorsements and guarantees to the Company's net worth.

#### Article 20: Information Disclosure

The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The Company shall also assess and recognize contingent losses for endorsements/guarantees, disclose relevant information in the Company's financial reports, and provide the attesting CPAs with relevant materials for the performance of necessary audit procedures in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Chapter 4 Supplementary Provisions**

#### Article 21: 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 22: Implementation 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 23: Any matters not covered herein shall be handled in accordance with relevant laws and regulations of the Company.

The original Procedures were repealed and the Company's "Procedures for Making Endorsement/Guarantee and Lending Funds to Other Parties" was re-promulgated: May 31, 2023.