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## **Concord Securities Co., Ltd Procedures for Endorsement and Guarantee**

**Article 1:** These procedures are stipulated pursuant to the “Rules for Management of Public Company Loans and Endorsement Guarantee” , the “Rules for Management of Securities Dealers” and other related laws and regulations by the Company in order to handle endorsement and guarantee.

**Article 2:** The Company may make endorsements and guarantees for the following entities:

- 1) Where the Company makes reinvestment and holds more than 50% of shares of an overseas securities subsidiary, and if the overseas securities subsidiary wants to do the securities underwriting business, the Company shall offer the financing guarantee or property as guarantee for the overseas securities subsidiary.
- 2) Where the Company that directly or indirectly holds 100% of shares of a securities subsidiary and establish overseas subsidiaries in countries or regions where there are securities competent authorities, and issue the subscription (selling) right abroad.

**Article 3:** The ceiling on the amount of endorsements and guarantees are listed below:

- 1) The aggregate amount of guarantees or endorsement not exceed 20% of the net worth of the Company.
- 2) The amount of endorsements and guarantees to a single overseas subsidiary shall not exceed the aggregate amount of the Company.
- 3) Matters for making endorsements and guarantees shall be executed within the preceding amount by the chairman authorized by the board of directors, and subsequently shall be reported to the board of directors for recognition.

**Article 4:** Procedures for handling and reviewing endorsements and guarantees shall be handled according to the following regulations:

- 1) When the Company makes endorsements and guarantees, the financial division of the Company shall audit the necessity and the reasonability of endorsements and guarantees, perform the credit investigation and the risk assessment of the entity for which the endorsement and guarantee are made, evaluate the impact on the Company’s business operating risk, financial condition, and shareholders’ equity, and evaluate if the collateral and its appraisal value should be obtained. The assessment results were executed after they were submitted to the board of directors for resolution.
- 2) Where the entity for which the endorsement and guarantee are made is a subsidiary whose net worth is 50% less than the paid-in capital, the related follow-up control measures shall be clearly defined.

**Article 5:** Procedures for use of endorsement and guarantee stamps shall be handled according to the following regulations:

- 1)The Company shall use only the stamps registered in the Ministry of Economic Affairs for endorsements and guarantees. The stamps only be used after completing the application form and being approved in accordance with the stipulated procedure.
- 2)If the warrantees are foreign companies, the letter of guarantee issued by the Company shall be signed by the person authorized by the board of directors.

**Article 6:** Procedures for announcement and report shall be handled according to the following regulations:

- 1) The announcement or report refers to the information that the Company should type it into the information declaration website appointed by the Financial Supervisory Commission.

The date of occurrence named in the procedure refers to the contract signing date, payment date, board resolution date or other dates when the **endorsements guarantees** entity and amount are determined.

2) The Company shall announce and report the previous month's balance of endorsements and guarantees of its head office and its subsidiaries by the 10<sup>th</sup> day of each month.

3) The Company whose balance of endorsement and guarantee reaches one of the following levels shall announce and report such event within 2 days commencing immediately from the date of occurrence:

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

(3) The balance of endorsements and guarantees of the Company and subsidiaries for a single enterprise reaches NTD 10 million or more and the aggregate balance of its endorsements and guarantees for, **investments amount accounted for using equity method**, and loans to, such enterprise reaches 30% or more of the Company's net worth as stated in its latest financial statement.

(4) The balance of endorsements and guarantees of the Company and subsidiaries increase to reach NT\$30 million or more, and reaches 5 percent or more of the public 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 public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

**Article 7:** Internal control procedures shall be handled according to the following regulations:

1) When the Company makes endorsement and guarantee activities, the financial department shall prepare a memorandum book for recording in detail the following information: the entity for which the endorsement and guarantee are made, the amount, date decided by the board of directors, and the date when the endorsement and guarantee are made.

2) The Company's internal auditors shall audit the Procedures for Endorsement and Guarantee and the implementation thereof at least every quarter and prepare written records accordingly. They shall promptly notify the Audit Committee immediately in writing of any major violation found.

**Article 8:** Where the limits stipulated in the Procedures for Endorsement and Guarantee have to be exceeded and comply with conditions stipulated in the Procedures for Endorsement and Guarantee in order to meet the business needs when the Company makes endorsements and guarantees, the approval from the board of directors and over half of all the directors should jointly endorse the potential loss that may be brought by the excess of limits. The board of directors shall also revise the procedures and has it ratified at the shareholders' meeting. If the revised procedures are not ratified at the shareholders' meeting, the board of directors shall stipulate a plan containing a timetable to withdraw the excessive portion.

Discussion by the board of directors pursuant to the preceding paragraph, it shall take into full consideration the opinions of each independent director; **if an independent director has objections or reservations, it shall be included in the minutes of the board of directors' meeting.**

**Article 9:** Where a managers, personnel in charge and other employees of the Company who violates the procedures and other related laws will be sued by law depending on the seriousness in addition to punishments

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made by relevant regulations of the Company.

**Article 10:** Where the entity for which the endorsement and guarantee are made no longer meets the requirements, or the amount of the endorsement and guarantee exceeds the limit as a result of change of circumstances, the Company shall stipulate the improvement plans and submit them to the Audit Committee and board of directors. Then Complete the improvement according to schedule.

**Article 11:** The Company shall evaluate or record the contingent loss for endorsements/guarantees and shall appropriately disclose information on endorsements/guarantees in its financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

**Article 12:** Matters not mentioned in the procedures shall be settled in accordance with relevant laws, and shall be settled in accordance with the changed laws if the laws are changed.

The procedures are subject to the approval of the board of directors and submitted to the Audit Committee and the shareholders' meeting for approval. Where any director expresses dissent and it contains the minutes or a written statement, the Company shall submit the director's opinion to the Audit Committee and the shareholders' meeting for discussion. Any amendment is subject to the same procedure.

**Article 13:** The procedures for this procedure shall be agreed upon by the Audit Committee and approved by the board of directors and submitted to the shareholders' meeting for approval. The amendments will also apply.

**Article 14:** The procedures were stipulated on 27 May, 2004, revised on 9 June, 2006 for the first time, revised on 15 June 2011 for the second time, revised on 14 June, 2013 for the third time, revised on 12 June, 2015 for the fourth time, and revised on 08 June, 2018 for the fifth time and will be revised on 06 June, 2019 for the sixth time.