

## **GlobalWafers Co., Ltd.**

### **Procedures for Lending Funds to Other Parties**

#### **Article 1**

The Company legislates Procedures for Lending Funds to Other Parties (the Procedure) to protect shareholders' rights, complete fund lending procedure and manage risks.

#### **Article 2**

The procedure is legislated in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by competent securities authority and other applicable laws, rules, and regulations.

#### **Article 3**

The subsidiaries and parent company referred to in these procedures shall be recognized according to "the Regulations Governing the Preparation of Financial Reports by Securities Issuers."

The net value referred in this procedure shall refer to the Securities Issuers' equity on the parent company's balance sheet of the Company's financial report.

#### **Article 4**

Under Article 15 of the Company Act, the company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- 1 Where an inter-company or inter-firm business transaction calls for a loan arrangement. If the business transaction is not associated with sales & purchase, both parties shall sign contract, and the funding ceiling should be less than the total amount specified in the contract.
- 2 Where an inter-company or inter-firm short-term financing facility is necessary. Fund-lending to companies which need funds for a short-term period shall be limited to companies or firms in which the Company holds fifty percent (50%) or more of the shares. The term "short-term" as used in the preceding phrase means one year, or where the company's operating cycle exceeds one year, one operating cycle. The term "financing amount" means the cumulative balance of the public company's short-term financing.

#### **Article 5**

##### **Total Lending Amount and Financing Limit for Individual Entities**

The total loan fund lending amount to others should be varied according to the situations as follows.

- 1 The total amount for lending to a company/firm having business relationship with the Company shall not exceed forty percent (40%) of the net worth of the Company. The amount lent to a single recipient may not exceed the amount of the business transacted between the two parties in the most recent year. The transaction amount shall mean the sales or purchasing amount between the parties, whichever is higher.



- 2 The total amount for lending to a company/firm for funding for a short-term period shall not exceed forty percent (40%) of the net worth of the Company. The amount lent to a single recipient shall not exceed forty percent (40%) of the net worth of the Company.

The total amount for fund-lending between the different subsidiaries of the Company whose voting shares are 100% owned, directly or indirectly, by the Company, or between the Company and subsidiaries of the Company whose voting shares are 100% owned, directly or indirectly, by the Company, will not be subject to the limit of net worth described in item 2, nor the limit of one year period described in article 4, item 2. However the Company shall specify the total amount for fund-lending and the amount lent to a single recipient in the internal procedure, the fund lending period shall also be defined.

## Article 6

### Term of Loan and Methods of Interest Calculation

When doing fund lending, if it is under the circumstance described in article 4 item 1, the term of each loan extended by the Company shall be decided upon actual necessity, however it shall not exceed three (3) years since the lending date. If it is under the circumstance described in article 4 item 2, the term of each loan extended by the Company shall not exceed one (1) year since the lending date.

The interest rate of the above fund lending shall be determined on the basis of the Company's bank borrowing rate of same loan term period. The interests shall be calculated on a daily basis, and interest payment term and way should be decided by both parties.

## Article 7

### Procedures for Fund Lending

1. Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail the loan purpose, term and amount requested, together with basic corporate information and financial data, to the financial department of the Company.
2. The financial department should evaluate the following after receiving application from the borrower.
  - (1) the necessity and rationality of the loan application
  - (2) the credibility and risk of the borrower
  - (3) the impact on the Company's operating risk, financial positions and shareholders' right and interests .
  - (4) whether to have collateral and to evaluate its value
  - (5) whether it is in accordance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and the procedure.Credit checking could be exempted if the fund lending recipient is a subsidiary of the Company.
3. After evaluation, if there is necessity for fund lending and the borrower is fully capable of



repayment, the financial department shall submit the evaluation materials to the Board of Directors for resolution and the Board could not authorize any other person to decide. If the Company has appointed an independent director(s), the opinions of each independent director shall be given full consideration when the matter is submitted for discussion by the Board of Directors, and each independent director's explicit assenting or dissenting opinion and reasons for dissent shall be recorded in the Board of Directors meeting minutes when discussing lending to a company/firm.

4. Loans among the Company, the parent company, and subsidiaries or between different subsidiaries of the Company shall be decided by a resolution of the Board of Directors and authorization may also be given to the chairperson, within a certain capital limit resolved by the Board of Directors, for a specific borrowing counterparty 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. Unless as provided in article 5, the "capital limit" referred in the previous section provided by the fund-lending Company or its subsidiaries for any single enterprise shall not exceed ten percent (10%) of the net value of the Company based on its latest financial statements.
5. After fund lending is approved, the financial department shall notify the borrower to sign loan contract with the Company in requested period. The contract should include amount, term, interest rate, collateral, guarantor and etc. Fund lending between the Company and subsidiaries or between different subsidiaries of the Company whose voting shares are one hundred (100%) owned, directly or indirectly, by the Company will not be subject to the limit of collateral and guarantor.
6. The borrower could only apply drawdown from the financial department after loan contract is signed.
7. When applying drawdown according to the loan contract, the borrower shall provide a promissory note or collateral in an amount equivalent to that of the loan when necessary. If any collateral is provided, legal procedures for mortgage or lien must be fulfilled. All collateral, except land and securities, shall be covered by property damage insurance. The insurance duration should cover the complete loan term and the Company shall be named as the beneficiary of the insurance.

## Article 8

### Internal Audit

- 1 The Company shall establish and maintain a reference book to record all its fund-lending information, including the identity of the borrower, amount, the date on which the lending was approved by the Board of Directors, dates to advance the amount of the loan and related information regarding the assessment in accordance with the relevant regulations of the Procedures.
- 2 The internal auditing personnel of the Company shall audit the execution of the operation of lending of funds of the Company at least every quarter and produce a written auditing report. During the auditing, the internal auditor shall immediately correct violation(s) upon finding any



violation. If the violation found is material, the personnel who violate the Procedures shall be penalized in accordance with the related rules of the Company. Meanwhile, the auditor shall immediately report such violation in writing to the Audit Committee of the Company.

- 3 If the borrower no longer meets the requirements of the Procedures, or the total outstanding lending amount exceeds the lending limit approved by the Board of Directors due to unforeseeable changes of circumstances, the Company shall produce an improvement plan. In addition, the improvement plan shall be submitted to the Audit Committee of the Company for review. The aforesaid improvement plan shall be accomplished according to the planned schedule thereof.

## Article 9

### Announcement

- 1 The Company shall announce and report the previous month's balance of loans of funds made by itself and its subsidiaries by the 10th day of each month.
- 2 If the Company's loans of funds reach one of the following levels, the Company shall announce and report such fact within 2 days commencing immediately from the date of occurrence of the event.
  - (1) The balance of loans of funds by the Company and the Company's subsidiaries to others reaches twenty percent (20%) or more of the Company's net worth as stated in its latest financial statement.
  - (2) The balance of loans of funds by the Company and the Company's subsidiaries to a single enterprise reaches ten percent (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 any of the Company's subsidiaries reaches NT\$ten million or more and also reaches two percent (2%) or more of the Company's net worth as stated in its latest financial statement.

The term "Date of occurrence" means 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 transaction, whichever date is earlier.

The Company shall announce and report on behalf of any of its subsidiaries that is not a domestic public company any matters that such subsidiary is required to announce and report pursuant to subparagraph (3) of the preceding paragraph.

- 3 The financial department shall make sufficient provision according to generally accepted accounting principles based on the condition of its lending profile, adequately disclose information in the financial statements, and provide external auditors with necessary information for conducting due auditing.

## **Article 10**

### **Control Actions upon the Loans and Procedures for Disposing of Overdue Debt**

- 1 After a loan has been disbursed, the financial, business, and credit condition of the borrower and the guarantor shall be monitored on a regular ongoing basis by the financial department. If collateral has been provided, it shall be monitored for any changes in the collateral value. In the event of any material change, it shall immediately be reported to the president and the chairperson of the Board of Directors, and appropriate measures shall be taken in accordance with instructions.
- 2 If the borrower repays the loan when or before it becomes due, the interest payable shall first be calculated, and shall be paid together with the principal, before the promissory note and other loan documents may be cancelled and returned to the borrower or the mortgage cancelled.
- 3 When a loan becomes due, the borrower shall promptly repay the principal and interest in full. If the borrower is unable to make repayment on the due date and deferral is required, the application for deferral shall be made in advance, and submitted to the Board of Directors for approval before implementation. For any given repayment, deferral shall not exceed three (3) months, and only one deferral may be given. In the event of breach, the Company may duly dispose of, or pursue recovery from, the borrower's collateral or guarantor.

## **Article 11**

### **Audit procedure on Fund Lending of Subsidiaries**

- 1 If a subsidiary of the Company intends to lend funds to others, the Company shall require its subsidiaries to establish relevant procedures for lending funds in accordance with the Procedure and to comply with such procedure. Net worth shall be calculated based on the subsidiary's net worth.
- 2 The subsidiaries shall compile and submit the schedule which includes the details of lending funds made in the previous month to the Company for review by the tenth day of the current month. The financial department shall regularly evaluate if the controlling procedures of each subsidiary's disbursed funds and overdue debt is appropriate.
- 3 If a subsidiary is a public company, its internal auditor personnel shall perform auditing on the Company's lending profile every quarter and produce written auditing reports. Should there be any violation found, a written report is needed to notify the Company's audit department. The Company's audit department shall submit written report to the Audit Committee.
- 4 The internal audit personnel of the Company shall audit the subsidiaries operational procedures regarding the implementation status of lending funds to others based on annual audit plan. Corrections of any defects discovered shall be continuously be tracked and a follow-up report shall be made to submit to the chairperson.



## Article 12

Any other matters not set forth in the Procedures or any doubt arising from application shall be dealt with in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” and other applicable laws, rules, and regulations.

## Article 13

### Implementation and Amendment

After passage by more than half of all audit committee members and submitted to the board of directors for a resolution, the Procedure shall be submitted to the shareholders meeting for approval. If any director expresses an objection and there is a record or written statement of the objection, the Company shall forward the director's objection to the shareholders meeting for discussion. The same procedures shall apply to any amendments to the Procedure.

If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds 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

The Procedure was enacted on October 25, 2011

The 1<sup>st</sup> amendment was made on December 20, 2011

The 2<sup>nd</sup> amendment was made on June 25, 2013

The 3<sup>rd</sup> amendment was made on January 19, 2015

The 4<sup>th</sup> amendment was made on February 20, 2017

The 5<sup>th</sup> amendment was made on June 25, 2019