

System Corporation
Procedures for Loaning of Funds

[Purpose]

Article 1: In order to have a guideline for the Company's fund lending practices with others, these Procedures were drawn up according to Article 15 of the Company Act, and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" and "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" announced by the competent authorities. To ensure all loans and capital are safely recovered, the Company and its subsidiaries shall follow these Procedures for all fund lending operations.

[Scope]

Article 2: The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:

- (1) Companies or firms with which the Company does business.
- (2) Companies or firms where short-term financing facility is necessary. Short-term refers to one year or one business cycle (whichever is longer).

The restriction in the Subparagraph 2 of the preceding paragraph shall not apply to inter-company loans of funds between overseas companies in which the Company directly or indirectly holds 100% of the voting shares, or when overseas companies in which the Company directly or indirectly holds 100% of the voting shares conduct fund lending with the Company.

[The reason and necessity of extending fund loans to others]

Article 3: The reason and necessity of extending fund loans to others

Those in the Company engaging in fund loans with other companies or firms due to business interactions shall follow the regulations stipulated in Article 4, Paragraph 1, Subparagraph 2; Those that engage in fund loans where short term financing is needed are limited to the following situations:

- (1) Companies that the Company directly or indirectly hold over 50% of shares that are in need of short-term financing due to business dealings.
- (2) Companies of firms in need of short-term financing due to procurement or operational turnover.
- (3) Other fund loan taker approved by the Company's Board of Directors.

[Total amount of fund loans and limit for individual subjects]

Article 4: Total amount of fund loans and limit for individual subjects

- (1) The total amount of fund loans the Company gives to others are limited to no more than 40% of the Company's net worth.
- (2) For companies and firms that have business dealings with the Company, the

amount of individual loans should not exceed the fund loan between the two parties and the business transaction amount during the past 12 months. Business transaction amount refers to the higher value of goods purchased or sold between the two parties.

- (3) For companies or firms with short-term financing needs, individual loans and amount should not exceed 20% of the Company's net worth.

Fund loans between foreign companies in which the Company directly or indirectly holds 100% of voting shares, or fund loans directly conducted with the Company by foreign companies in which the Company directly or indirectly holds 100% of voting shares are not subject to the loan cap that is 40% of the company's net worth, the amount of individual loans are also not subject to the limit of 20% of the company's net worth, but the total amount of the fund loan should not exceed 40% of the Company's net worth, while the amount of individual loans must not exceed 20% of the Company's net worth.

If the person in charge of the Company violates the limits stipulated in the preceding paragraph, he shall be responsible for repaying the loan along with the borrower; If there are damages to the Company, he shall also be responsible for compensation.

[Duration of financing and interest calculation]

Article 5: Duration of financing and interest calculation

- (1) Term: The maximum loan period of the Company and its subsidiaries is one year, with the exception of loans between foreign companies in which the Company directly or indirectly holds 100% of voting shares, or fund loans directly conducted with the Company by foreign companies in which the Company directly or indirectly holds 100% of voting shares, which have loan periods of up to 5 years, but can be extended by the Board of Directors if necessary.
- (2) Interest calculation method: The loan interest is calculated based on the market interest rate or the cost of capital. The capital loan and interest rate shall be no lower than the maximum interest rate of the Company's short-term loans from financial institutions. The loan interest rate of the Company should be calculated and collected monthly in principle. Under special circumstances, it can be adjusted with the approval of the Board of Directors.

[Auditing process]

Article 6: The detailed process of the Company's handling of fund loans and matters are as follows:

- (1) The necessity of and reasonableness of extending loans to others.
- (2) Borrower credit status and risk assessment.
- (3) The Company's operational risks, financial situation, and impact on shareholders' equity.
- (4) Collateral should be obtained and its value appraised.

[Operating procedures]

Article 7: The Company's procedures for handing fund loans and matters are as follows:

(1) Credit check

For the Company to handle fund loans and relevant matters, the borrower should first provide necessary company information and financial information and apply for financing in writing.

After accepting the application, the finance division shall investigate and evaluate the business, financial status, solvency and credit, profitability, and use of the loan, then prepare a report.

(2) Security

When handling fund loans and matters, the Company should obtain promissory notes of the same value, even organize mortgages setting for movable property or real estate if necessary. Regarding debt security in the previous paragraph, if the debtor can produce individuals or companies with enough capital and credit as a guarantee in place of collateral, the Board of Director will proceed based on the credit report of the finance division. If the guarantor is a company, whether the company has provisions allowing it to give guarantee should be noted.

[Fund loans to others]

Article 8: Before making a fund loan to others, the Company shall carefully evaluate whether the loan is in compliance with its Operating Procedures for Fund Lending. After the application is submitted by the applicant, it shall be evaluated in advance by the finance division. The loan can only be issued after the application is signed by the supervisor of the Company's finance division, approved by the President, then submitted to the Board of Directors for approval. No other person may be authorized to make this decision; The Company shall carefully take into account the opinions of all independent directors. If there is any objection or reservation from an independent director, it should be clearly recorded in the minutes of the board of directors meeting.

Major fund loans and matters must be approved by at least one half of all members of the Audit Committee and submitted to the Board of Directors for resolution.

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 so-called "Major fund loans" refer to the Company giving fund loans to others, approved by the Board of Directors pursuant to the provisions stipulated in the Company's procedures for the acquisition or disposal of assets or other laws and regulations.

Subsidiaries handling fund loans must get a signed note from the Company's finance division, get approval from the Company Chairman, and report to the Company's Board of Directors for them to pass a vote before the funds can be mobilized. Where a

subsidiary of a public company intends to fund loans to others, it shall formulate its own Operating Procedures for Fund Lending and comply with such Procedures.

Loans of funds between the Company and its subsidiaries, or between subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the Chairman may be 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.

Loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10% of the net worth on the most current financial statements of the Company. However, the regulations do not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares.

[Subsequent measures for control, procedures for handling delinquent creditor's rights]

Article 9: Subsequent measures for control, procedures for handling delinquent creditor's rights

- (1) After the loan is processed, the Company should pay close attention to the debtor and guarantor's financial, business and related credit status. If collateral is provided, attention should be paid to whether its value fluctuates. Any major changes should be immediately reported to the President and Chairman and handled according to directions.
- (2) When the borrower repays the loan before its expiration, they should first calculate the interest payable and settle it with the principal before the promissory note can be written off or collateral mortgage returned.
- (3) When the loan expires, the borrower should pay off the loan and interests. If the borrower is not able to pay off the loan in time and needs an extension, they need to make a request in advance, which will be reported to the Board of Directors for approval. Each loan is limited to two extension periods of no longer than 6 months. Violations will lead to the Company seeking legal action and compensation with the collateral or guarantor provided by the borrower.
- (4) If the fund loans taken out according to these procedures do not meet the requirements of these Regulations or the loan balance exceeds the limit due to a change in circumstances, relevant units will create a rectification plan and submit it to the Audit Committee, and complete the rectification according to the timeframe set out in the plan.
- (5) The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated.
- (6) The Company's internal auditors shall audit the fund loans and implementation status at least once every quarter and prepare written records accordingly. They

- shall promptly notify the Audit Committee in writing of any material violation found.
- (7) The penalty for managers or personnel in charge violating these Operating Procedures for Fund Lending will be decided by the Board of Directors.
 - (8) The Company shall follow the regulations of general accounting principles, 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.

[Public announcement]

Article 10: The Company shall announce and report the previous month's loan balances of its head office and subsidiaries by the 10th day of each month. Aside from announcing Company turnover each month, those whose loans of funds reach 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 percent 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 percent 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 percent or more of the 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 3 of the preceding paragraph.

If subsidiaries also engage in fund loans, the accounting department of said subsidiaries shall send relevant information to the Company's stock affairs unit for public announcement before the 5th day of the month following said transaction.

[Supplemental Provisions]

Article 11: Supplemental Provisions

- (1) The Procedures shall be delivered to the Audit Committee and submitted to the shareholders' meeting for approval following approval in the Board of Directors meeting. The same shall apply to any revision. If a Director expresses objection and records or written statements are available, the Company shall submit information regarding the Director's objection to the Audit Committee.
- (2) When the Procedures are proposed for discussion by the Board of Directors, the opinions of the Independent Directors must also be fully taken into consideration.

Any objections or qualified opinions made by Independent Directors must be detailed in Board meeting minutes.

- (3) The establishment and revision of the Procedures must be approved by at least one half of all members of the Audit Committee and submitted to the Board of Directors for resolution.
- (4) 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.
- (5) The terms "all Audit Committee members" in Article 8 and Paragraph 3 of this Article and "all Directors" in the preceding paragraph shall refer to the actual number of persons currently holding those positions.
- (6) The 1st amendment on March 9, 2000, the 2nd amendment on January 23, 2002, the 3rd amendment on February 27, 2002, the 4th amendment on January 28, 2003, the 5th amendment on May 18, 2005, the 6th amendment on June 15, 2006, the 7th amendment on June 13, 2007, the 8th amendment on June 19, 2009, the 9th amendment on June 18, 2010, the 10th amendment on June 15, 2012, the 11th amendment on June 17, 2015 and the 12th amendment on June 13, 2019.