

NAN	PAO	Nan Pao Resins Chemical Co., Ltd.		Issue No.	
Edition	3.0	Procedures for Governing Loaning of Funds and Making of Endorsements		Issued on	
Page	1/9			Document No.	GPFE0005
<p>1. Purpose: The Procedures are formulated to comply with the requirements of the relevant laws and regulations and to ensure that the Company's fund lending and endorsement/guarantee operations are followed. The Procedures are established in accordance with the "Guidelines for Lending of Capital, Endorsements, and Guarantees by Public Companies" issued by the Financial Supervisory Commission.</p> <p>2. Scope: Corporate Governance Principle: Where the Company lends funds to others and endorses for others, the procedures for capital loan and endorsement shall be handled in accordance with the provisions of the Procedures.</p> <p>3. Definition: None.</p> <p>4. Authority and Responsibilities:</p> <p>4.1. Accounting unit: Responsible for the implementation and management of the Procedure.</p> <p>4.2. Legal unit: Responsible for the assessment of legal conformity at the time of execution of the Procedure.</p> <p>4.3. Board of Directors: Responsible for the approval of proposals in line with the Procedure.</p> <p>5. Content:</p> <p>5.1. Loaning of funds to others</p> <p>5.1.1. Loans and objects:</p> <p>(1) The Company shall not loan funds to any of its shareholders or any other person except under the following circumstances:</p> <p>(a) Where an inter-company or inter-firm business transaction calls for a loan arrangement.</p> <p>(b) Where an inter-company or inter-firm short-term financing facility is necessary.</p> <p>The term "short-term" as used in the preceding paragraph is a time period of one year of the Company's operating cycle.</p> <p>(2) The restriction in 5.1.1(1)(b) shall not apply to inter-company loans of funds between overseas companies in which the Company holds, directly or indirectly, 100% of the voting shares. However, the term of such inter-company loans of funds shall be subject to 5.1.5.</p> <p>5.1.2. The aggregate amount of loans and the maximum amount permitted to a single borrower:</p> <p>(1) The aggregate amount of the Company's fund loans to others shall not exceed 40% of the Company's most recent net value of the financial statements audited or reviewed by the accountant.</p> <p>(a) The Company's fund loans to an inter-company or inter-firm business transaction calls for a loan arrangement, the amount to an individual company shall not exceed the maximum of the total purchase or sales volume between the two parties in the most recent year, and the maximum amount shall not exceed the limited aggregate amount.</p> <p>(b) The Company's fund loans to an inter-company or inter-firm short-term financing facility is necessary, the amount to an individual company shall not exceed 20% of the net value of the Company.</p> <p>(2) The Company loans to directly, and indirectly, hold 100% of the voting shares of the overseas subsidiaries, the aggregate amount of loans and the maximum amount permitted to a single borrower shall not exceed the net value of the lending enterprises.</p>					
Approved by	Lin, Kun-Chin	Reviewed by	Tsai, Yao-Cheng	Drafted by	Huang, Li-Jung

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5.1.3. Handling unit

Unless otherwise stipulated, the accounting unit shall be responsible for the operation of the loan.

5.1.4. Decision and Authorization Level

- (1) Any lending of the Company's funds shall be evaluated with and subject to the Procedures, and then submitted, together with the result of the evaluation made as described in the 5.1.7. to the Board of Directors for approval, and no delegation shall be made to any person in this regard.
- (2) When fund lending is contemplated between the Company and its subsidiary or when fund lending is contemplated between subsidiaries, an approval from the Board of Directors shall be obtained, and the Chairman shall be authorized to handle the matter within the specified amount of fund lending to the same party approved by the Board of Directors, and the lending is authorized in installment or revolver within one year. "Specific amount" as referred to above shall mean that the authorized amount of loans by the Company to an individual entity shall not exceed 10% of the Company's net value of their most recent financial statement except loans as specified in 5.1.2(2).

5.1.5. Duration of loans

The term of each loan shall not exceed one year. Where the Company engages in the loan of funds with its overseas subsidiaries that the Company, directly and indirectly, holds 100% of the voting shares, the term of the loan may be extended to three years.

5.1.6. Calculation of interest

- (1) The Company's fund loans interest is calculated on a monthly basis.
- (2) The interest rate for the loan of funds shall be calculated based on the Bank of Taiwan benchmark interest rate on January 1 of the year.
- (3) If the funding source of the loan is from a financial institution, the interest rate shall not be lower than the lending rate of the financial institution.

5.1.7. Scrutinizing procedures:

- (1) The necessity of and reasonableness of extending loans to others.
- (2) Borrower 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.

5.1.8. Loan procedures

- (1) Application:
Any borrower, when applying for a loan from the Company, shall submit an application or a letter describing in detail of the requested loan amount, term, and purpose.
- (2) Credit investigation:
 - (a) The first-time borrower shall provide basic information and financial data to the Company for facilitating the evaluation and credit investigation by the Company.
 - (b) Credit investigation shall be conducted once every year for all borrowers or once every six months according to actual needs for material cases.
 - (c) If the borrower is in good financial position and its annual financial statement for funding has been approved by a certified public accountant, the Company can refer to the audit report approved by the accountant without conducting credit investigation annually.

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(d) Credit investigation is not required for affiliated companies or subsidiaries that the Company has substantial control of.

(3) Loan approval:

(a) After the credit investigation or assessment, if the credit assessment of the borrower is poor, or the loan is not intended to be lent due to the improper purpose of the loan, the head of the accounting unit shall provide a response to the borrower as soon as possible after the verification regarding the reasons for refusal.

(b) After the credit investigation or assessment, if the credit assessment of the borrower is good, and the purpose of the loan is proper, the legal unit shall fill in the credit report and opinions. The accounting unit prepares the audit report and the conditions for the loan, and submits it to the chairman for approval level by level and then submits it to the Board of Directors for resolution.

(4) Contract signing and identity verification:

(a) The loan contract is prepared by the legal unit.

(b) After the loan and the joint guarantor sign the contract on the loan, the legal entity shall go through the formalities of the guarantee.

(5) Settlement of collateral rights:

(a) The settlement of collateral rights shall be performed by the legal unit.

(b) If the borrower provides collateral, they shall set the pledge or mortgage rights to ensure the Company's claims.

(c) A collateral is exempted from subsidiaries or the affiliated companies that have substantial control over the Company.

(6) Insurance:

(a) The insured operation shall be performed by the general affairs unit.

(b) Except for land and securities, the Company shall purchase fire insurance for a collateral, and all risk insurance shall be purchased for vehicles. The amount of insurance shall not be less than the value of a collateral. The insurance policy shall specify that the Company is the beneficiary.

(7) Billing:

Upon completion of each loan and other procedures, the Company shall submit relative information to the accounting unit for record in the necessary account books.

(8) Appropriation:

After the relevant procedures are completed according to the loan contract, the funds can be allocated.

5.1.9. Repayment

When the borrower settles the loan before or when the loan expires, the unpaid interest is paid together with the principal.

5.1.10. Obliteration of mortgage or pledge

When the borrower applies for the obliteration of the mortgage or pledge, the responsible unit shall find out whether the principal and interest of the loan have been fully settled before approval of the application for the obliteration of the mortgage or pledge.

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5.1.11. Subsequent control measures for loans, registration, and custody of overdue claims procedures

- (1) The Company shall prepare a memorandum book for its fund-loaning activities and truthfully record the borrower, amount, date of approval by the Board of Directors, fund loaning date, and matters to be carefully evaluated according to the Procedures.
- (2) Should a borrower no longer satisfy the criteria set forth in the relevant regulations and/or the Procedures or there be any excess over the lending limit due to unexpected changes of the Company, a corrective plan has to be provided to the Audit Committee and the Board of Directors, and the proposed corrective actions shall be implemented within the period specified in such plan.
- (3) After appropriating a loan, the responsible employees shall always pay attention to the financial condition, business, and credit of the borrower and the guarantor. If a collateral is provided, the responsible employees shall be aware of any changes in the value of the collateral. In case of significant changes, the responsible employees shall report to the Chairman immediately and act according to his instructions.

5.2. Endorsement guarantee

5.2.1. Endorsement/guarantee refers to the following matters

- (1) Financing endorsements/guarantees, including:
 - (a) Bill discount financing.
 - (b) Endorsements/guarantees for another company for their financial needs.
 - (c) Endorsements/guarantees to the notes issued by the Company to non-financial institutions and entities for the Company's own financing needs
- (2) Endorsements/guarantees of customs duties due from the Company or other companies.
- (3) Other endorsements/guarantees that are not classified as prior two types.
- (4) The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan shall also follow the Procedure.

5.2.2. Endorsement guarantee object

- (1) The Company may make endorsements/guarantees for the following companies:
 - (a) A company that has business dealings with the Company.
 - (b) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
 - (c) A company that directly and indirectly holds more than 50 percent of the voting shares of the Company.
- (2) An endorsement shall not be made between the companies which the Company directly, and indirectly, holds more than 50% of the voting shares.
- (3) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/guarantees for their jointly invested companies in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of 5.5.2.(1).

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5.2.3. The aggregate endorsement/guarantee amount, and the amount of endorsements/guarantees for any single entity

- (1) The aggregate amount of endorsement of the Company is limited to 50% of the net value of the Company's most recent financial statement that has been audited or reviewed by the accountant. The amount guaranteed by the Company to a single entity shall not exceed 20% of the said net value of the Company.
- (2) The authorized decision of the chairman shall not exceed 10% of the net value of the Company's most recent financial statements.

5.2.4. Handling unit

Unless otherwise stipulated, the accounting unit shall be responsible for the operation of the endorsement/guarantee.

5.2.5. Decision and Authorization Level

- (1) Before the endorsement, the Company shall carefully assess whether it meets the requirements of the Guidelines for Lending of Capital, Endorsements, and Guarantees by Public Companies and the Procedures. The assessment and the evaluation results of 5.2.6.(2) shall be reported to the Board of Directors for resolution. If the Company deems it necessary, the Board of Directors may authorize the chairman to make a decision within the limit set by 5.2.3.(5), and then report it to the Board of Directors for ratification, or execute in accordance with provision 5.2.3.(2) of the Procedures.
- (2) Where the Company needs to exceed the limits set out in the Procedures to satisfy its business requirements, and where the conditions set out in the Procedures are complied with, it shall obtain approval from the Board of Directors, and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Procedures accordingly and submit the same to the Shareholders' Meeting for ratification after the fact. If the Shareholders' Meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.
- (3) If the aggregate amount of endorsements/guarantees that is set as the ceiling for 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.

5.2.6. Procedures for handling endorsement/guarantee

- (1) When the guaranteed company requires an endorsement, it shall prepare an application specifying the purpose and the total amount of the endorsement.
- (2) The accounting unit shall first review the necessity and rationality of the endorsement guarantee. The main points of the review are as follows:
 - (a) Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
 - (b) Impact on the Company's business operations, financial condition, and shareholders' equity.
 - (c) Whether collateral must be obtained and appraisal of the value thereof.
 - (d) No credit investigation is required for subsidiaries or related enterprises that have substantial control over the Company.
- (3) The accounting unit will submit the review opinion together with the request letter to the chairman for approval and report it to the Board of Directors for resolution.

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(4) A Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the Board of Directors and may be used to seal or issue negotiable instruments only in prescribed procedures.

(5) Endorsement/guarantee fee collection method

For the subsidiaries which the Company directly, and indirectly, holds 100% of the voting shares, a handling fee of 0.1% of the used endorsement amount shall be charged quarterly; subsidiaries that are not 100% owned shall be charged a handling fee of 0.5% of the used endorsement amount every quarter.

5.2.7. Cancellation of endorsement notes

(1) At any time, the accounting unit shall note the cancellation of a promissory note in the "Endorsement Memorandum Book" to reduce the accumulated endorsement amount.

(2) When the bill is renewed, the financial institution often requires the endorsement of the new bill before the old bill is returned. Under this circumstance, the Financial Division shall follow up in collecting and canceling old bills as soon as possible.

5.2.8. Subsequent control measures for the amount of endorsement guaranteed

(1) The accounting unit of the Company shall establish a memorandum, which shall record the objects of endorsement guarantee, the amount, the date of approval by the Board of Directors or the decision of the chairman, the date of endorsement guarantee, the conditions and date for releasing the liability of endorsement guarantee, and the matters that shall be carefully evaluated in accordance with the provisions of 5.2.6.(2) for detailed reference.

(2) When a change of circumstances results in the party to whom the Company provided endorsements and guarantees fails to meet the Procedures or has amount exceeding the limit, improvement plans shall be established and submitted to the Audit Committee, and the improvement shall be completed according to the schedule.

(3) If the endorsement object of the Company is a subsidiary whose net value is less than one-half of the paid-in capital, the subsidiary shall provide the follow-up control actions and measures required by law, which shall be reviewed by the relevant units.

5.3. Information disclosure procedures

5.3.1. Declaration and announcement according to law

(1) The Company shall, before the tenth day of each month, make a public announcement on the website designated by the Financial Supervision Commission to declare the balance of capital loans and/or endorsements guaranteed by the Company and its subsidiaries in the previous month.

(2) The Company whose lending of funds reaches one of the following levels shall announce and declare such an event within two days commencing immediately from the date of occurrence:

(a) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net value as stated in its latest financial statements.

(b) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net value as stated in its latest financial statements.

(c) The amount of new lending of funds by the Company or its subsidiaries reach NT\$10 million or more and reaches 2 percent or more of the Company's net value as stated in its latest financial statements.

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- (3) When the endorsement balance of the Company reaches the following standards, it shall, in accordance with the prescribed format by nature, publish the relevant information on the designated website of the Financial Supervisory Commission within two days from the date of the fact:
- (a) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net value as stated in its latest financial statements.
 - (b) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net value as stated in its latest financial statements.
 - (c) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, investment of a long-term nature in, and balance of loans to such enterprise reaches 30 percent or more of the Company's net value as stated in its latest financial statements.
 - (d) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more and reaches 5 percent or more of the Company's net value as stated in its latest financial statements.
- (4) The Company shall announce and report on behalf of any subsidiary thereof that is not a public offering company of the Republic of China any matters that such a subsidiary is required to announce and declare pursuant to the preceding 3 paragraphs.
- (5) The ratio of the balance of capital loan and guarantee of endorsement to the net value of the subsidiary as referred to in the preceding paragraph shall be calculated based on the ratio of the balance of the capital loan and/or endorsement guarantee of the subsidiary to the net value of the Company.
- (6) "Date of occurrence" in the Procedures means the date of contract signing, date of payment, dates of boards of directors' resolutions, or other dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

5.4. Management of subsidiaries

5.4.1. Procedures for controlling subsidiaries

- (1) If the subsidiary of the Company intends to lend funds to others or endorsement guarantors, it shall also stipulate the method of loan lending and endorsement guarantee; however, the net value is based on the net value of the subsidiary.
- (2) Subsidiaries shall report to the Company the amount, object, and term of the fund loan of endorsements/guarantees for the previous month before the fifth day of each month. The handling of the fund loan and endorsements/guarantees of the Company and its subsidiaries in the previous year and related matters shall be reported to the Shareholders' Meeting for future reference.

5.5. Supplementary provisions

- 5.5.1. If the limit of capital loan and endorsements/guarantees is different from the actual currency, the exchange rate shall be subject to the average purchase and sell rate of the bank of Taiwan at the close of the day when the accounting unit evaluates the capital loan and endorsements/guarantees.

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- 5.5.2. The internal auditor of the Company shall at least quarterly audit the procedures for lending funds to other parties and its execution status, and prepare written record accordingly. If a material violation is found, they shall immediately notify the Audit Committee in writing.
- 5.5.3. Any manager or organizer of the Company who violates the Regulations shall be assessed in accordance with the Company's work rules and shall be punished according to the seriousness of the circumstances.
- 5.5.4. Matters that the Procedures fail to cover shall be conducted according to relative laws and regulations and relative regulations of the Company. If the competent authority announces amendments to the Procedures for Loans of Capital and Making Endorsements and Providing Guarantees, the Company shall act according to the new regulations.
- 5.5.5. The Company has established independent directors, the Board of Directors shall fully consider the opinions of the independent directors when discussing the fund loan and endorsement/guarantee procedures and related matters, and the specific opinions and reasons for his/her consent or objection shall be listed in the records of the Board of Directors' meetings.

5.6. The Procedures and any amendment hereto shall be submitted for approval by at least half of all members of the Audit Committee and the Board of Directors before submitting to the Shareholders' Meetings for approval. If the approval of one-half or more of all audit committee members is not obtained, the Operational Procedures may be implemented if approved by two-thirds or more 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.

5.7. The Company shall assess or recognize the contingent loss of the fund loan and endorsements/guarantees, and provide an adequate allowance for bad debts or loss, and properly disclose relevant information in the financial statements, and provide relevant information to the certified public accountant for necessary verification procedures.

6. Related attachment:

- 6.1. Capital loan and memorandum book
- 6.2. Endorsement memorandum book

7. Amendment record:

- 7.1. Edition 1.0 approved and issued by the Board of Directors on January 15, 2009
- 7.2. Edition 1.1 approved and issued by the Board of Directors on May 18, 2010
- 7.3. Edition 1.2 approved and issued by the Board of Directors on March 22, 2011
- 7.4. Edition 1.3 approved and issued by the Board of Directors on May 29, 2012, and implemented after the resolution of the general Shareholders' Meeting on June 26, 2012.
- 7.5. Edition 1.4 approved and issued by the Board of Directors on August 21, 2012
- 7.6. Edition 1.5 approved and issued by the Board of Directors on December 24, 2013
- 7.7. Edition 1.6 approved and issued by the Board of Directors on May 16, 2014
- 7.8. Edition 1.7 approved and issued by the Board of Directors on March 25, 2015
- 7.9. Edition 1.8 approved and issued by the Board of Directors on May 13, 2015

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<p>7.10. Edition 1.9 approved and issued by the Board of Directors on August 18, 2015</p> <p>7.11. Edition 2.0 approved and issued by the Board of Directors on May 18, 2016, and implemented after the resolution of the general Shareholders' Meeting on June 27, 2016.</p> <p>7.12. Edition 2.1 approved and issued by the Board of Directors on April 5, 2017, and implemented after the resolution of the general Shareholders' Meeting on May 16, 2017.</p> <p>7.13. Edition 2.2 approved and issued by the Board of Directors on September 29, 2017, and implemented after the resolution of the provisional Shareholders' Meeting on November 21, 2017</p> <p>7.14. Edition 2.3 approved and issued by the Board of Directors on March 21, 2019, and implemented after the resolution of the general Shareholders' Meeting on June 14 , 2019</p> <p>7.15. Edition 3.0 approved and issued by the Board of Directors on March 25, 2021, and implemented after the resolution of the general Shareholders' Meeting on July 20 , 2021</p>				