

Taiwan Cogeneration Corporation

Loaning of Funds and Making of Endorsements/Guarantees

Operating Procedure

(2023 version)

Established by the General Meeting of Shareholders on 20 June 2012
1st Amendment made by the General Meeting of Shareholders on 21 June 2013
2nd Amendment made by the General Meeting of Shareholders on 21 June 2017
3rd Amendment made by the General Meeting of Shareholders on 20 June 2019
4th Amendment made by the General Meeting of Shareholders on 26 June 2023

Chapter I General Principles

Article 1 This Procedure is established in accordance with the “Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies” promulgated by the Financial Supervisory Commission (FSC).

Article 2 This Company shall offer loans, endorsements, or guarantees to others in accordance with this Procedure.

Article 3 Unless under otherwise the following circumstances, this Company shall not lend to shareholders or other persons:

1. Companies/firms having business with this Company.
2. Companies of which this Company holds, directly or indirectly, more than 50 percent of voting shares or companies which hold, directly and indirectly, more than 50 percent of the voting shares of this Company requiring short-term financing for business needs. The financing amount of lending shall not exceed 40% of the net worth of this Company.

“Short-term” in the foregoing item refers to a term less than one year.

“Financing amount” in the foregoing items refers to the cumulative balance of the short-term financing.

When violating paragraph 1, company’s responsible person shall share the joint responsibility of the borrower to return the loan. The same shall apply to the indemnification of the damages, if any, caused to the company.

Article 4 “Endorsements and Guarantees” referred to in this Procedure shall mean:

1. Financing endorsements/guarantees, including:
 - (1) Bill discount financing.
 - (2) Endorsements or guarantees made to meet the financing needs of another company.
 - (3) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

This Procedure shall also apply to a pledge or mortgage on the Company’s chattel or real property as security for the loans of another company.

Article 5 The Corporation may make endorsements/guarantees for the following companies:

1. A company with which it does business.
2. A company in which the Corporation directly and indirectly holds more than 50 percent of the voting shares.
3. A company that directly and indirectly holds more than 50 percent of the voting shares in the Corporation.

Companies in which the Corporation holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Corporation, provided that the amount of endorsements/guarantees made between companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, shall not exceed 20% of the Corporation's net worth.

The foregoing two paragraphs do not apply to the mutual guarantee made under contractual obligations for the need of contract undertaking between this Company and associates or co-builders; or endorsements/guarantees made by all capital contributing shareholders for the invested company in proportion to the shares held by the Company in a joint investment project.

“Capital Contribution” referred to in the foregoing paragraph shall mean capital directly contributed by this Company or through a company of which this Company holds 100% of the voting shares.

Article 6 “Subsidiary” and “Parent Company” referred to in this Procedure shall be as determined in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

“Net Worth” referred to in this Procedure shall mean the equity attributed to owners of the parent company as stated in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 7 “Disclosure and Report” referred to in this Procedure shall mean the process of entering data to the information reporting website designated by FSC.

“Date of Occurrence” referred to in this Procedure shall mean the date of contract execution, date of payment, date of board resolutions, or other dates valid for determining the counterpart and amount of lending or endorsement or guarantee, whichever is earlier.

Chapter II Establishment of Operating Procedures

Section A Lending to Others

Article 8 After BOD approval, this Procedure shall be submitted to each supervisor and the general meeting of shareholders for consent. Where a director disapproves with this Procedure and records or written statements are in place, the Company shall distribute such information to each supervisor and the general meeting of shareholders for discussions. The same shall apply for any revisions thereof.

When submitting this Procedure to BOD for discussions, the opinion of each independent director shall be taken into full consideration, and their opinions for or against the Procedure shall be explicitly retained in the minutes of board meeting.

Article 9 The relevant matters for loaning funds to others:

1. Recipients of lending: Subject to Article 3.
2. Evaluation standards and total amount for loaning funds to others and on the amounts to such loans permitted to a single borrower:
 - (1) The lending amount of shall not exceed 40% of the net worth in the same period

of this Company.

- (2) The lending amount for individual companies/firms having business with this Company shall not exceed the cumulative amount of business transactions over the past 12 months. "Amount of Business Transactions" shall mean the purchasing or sales amount between both parties, whichever amount is higher.
- (3) Where short-term financing is needed for repayment, equipment procurement and operational turnover, provided that such financing amount shall not exceed 20 percent of the Corporation's net worth.

3. Lending term and interest calculations

- (1) The lending amount shall be limited to short-term financing, with a term of each time of lending not exceeding one year.

(2) Interest calculations

The interest for lending shall not be lower than the highest interest rate for short-term loans raised by this Company to a financial institution.

The lending interest of this Company shall be charged on a daily basis and payable on a monthly basis, except for special circumstances where adjustments shall be made based on actual situations with a BOD consent.

4. Lending procedures

- (1) When applying for lending, borrowers shall submit the required company data and financial data to apply for a credit limit to this Company. After accepting an application, the Financial Department of this Company shall assess the applicant in terms of the purpose of borrowing, financial position, credit, and state of operation. The Financial Department shall submit a credit investigation report to the chairperson for approval before forwarding the application to BOD for resolution before lending.
- (2) Except for wholly-owned subsidiaries, this Company shall acquire from borrowers an asset-backed commercial paper (ABCP) with the contractual repayment date as the maturity date. This Company may also request borrowers to provide an endorsement/guarantee from a guarantor approved by this Company and mortgage/pledge chattels or real property to secure the obligation of this Company.
- (3) Regarding the obligation security in the foregoing item, where an obligor provides a guarantee offered by an individual or a company with adequate capital or credit in place of chattels or collaterals, BOD may make judgments based on the credit investigation report submitted by the Financial Department. Prior to accepting an institutional guarantee, BOD shall ensure that this has been specified in the articles of incorporation of that company.

5. Detailed review procedures shall include:

- (1) The necessity and fairness of lending to others.
- (2) The credit status of borrowers and risk assessment.
- (3) Impacts on the Company's operational risk and financial position and on shareholder equity.
- (4) The need for collaterals and appraisal of their value.

6. Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

- (1) After releasing a loan, the Financial Department shall pay close attention to the financial, business, and relevant credit status of borrowers and guarantors, as well as the change in the value of collaterals, if any.
- (2) When a borrower repays a loan on or before the maturity date, the Financial Department shall first calculate the interest payable and cancel and return the ABCP to borrowers or cancel the liens after borrowers repay the interest and principal.

- (3) The borrower shall repay the principal and interest when the loan is due. If the repayment is not done upon expiration and requires extension, the Corporation may make disposal and recovery to its collaterals or guarantors.
- 7. Managers or case officers violating this operating procedure shall be punished in accordance with the Company's reward and punishment regulations.
- 8. Procedures for controlling and managing lending to others by subsidiaries: A subsidiary shall report in writing a lending project to the parent company before reporting to BOD for approval and shall only proceed the project with BOD resolution.

Article 10 When subsidiaries of this Company offer endorsement/guarantee, this Company shall request such subsidiaries to establish an endorsement/guarantee operating procedure in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies" promulgated by FSC.

Chapter III Case Evaluation

Section A Lending to Others

Article 11 Before lending to others, this Company shall carefully assess compliance with this Procedure and shall proceed lending after submitting the assessment results and the evaluation results specified in item 5 of Article 9 to BOD for resolution. This Company shall not authorize others to make a lending decision.

Lending to subsidiaries or lending among subsidiaries shall be reported to BOD for resolution in advance in accordance with the foregoing paragraph. The chairperson of this Company may be authorized to disburse by installment a loan or revolve the credit for the same borrower in one year within the amount resolved by BOD.

The authorized limit on loans for a single company extended by this Company or subsidiaries shall not exceed 10% of the net worth of the borrower as disclosed in the latest financial statements.

When lending to others, this Company shall take into full consideration of the opinions of each independent director, and their decisions and reasons for or against lending shall be explicitly retained in the minutes of board meeting.

Article 12 The Company shall prepare a memorandum book for lending activities and maintain in detail a record of the following information: borrowers, lending amounts, date of BOD approval, lending date, and matters requiring careful assessment.

Internal auditors of this Company shall audit the lending operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform all supervisors in writing.

Article 13 Where a borrower is unqualified or the balance exceeds the limit under this Procedure after a change in circumstances, this Company shall draw up an improvement plan and submit it to all supervisors, and shall implement corrections as scheduled in the plan.

Section B Endorsements/Guarantees

Article 14 Before offering endorsements/guarantees, this Company shall carefully assess compliance with this Procedure and shall offer endorsements/ guarantees after submitting the assessment results and the evaluation results specified in item 5 of Article 12 to BOD for resolution. Or, BOD may authorize the chairperson to make

decisions within a designated limit and report to the next board meeting for adoption afterwards in accordance with item 8 of Article 12.

Except for endorsements/guarantees among subsidiaries directly or indirectly wholly-owned by this Company, subsidiaries of which this Company holds, directly or indirectly, over 90% of voting shares shall report to the BOD and obtain an approval prior to offering endorsements/guarantees in accordance with paragraph 2, Article 5, of this Procedure.

Before offering endorsements/ guarantee, this Company shall fully consider the opinion of each independent directors and explicitly record their opinions for and against the proposal in the minutes of board meeting.

When offering endorsements/guarantees for a foreign company, the letter of guarantee shall be signed by the person authorized by BOD.

Article 15 The Company shall prepare a memorandum book for endorsements/guarantees and maintain in detail a record of the following information: recipients of endorsements/guarantees, amount of endorsements/guarantees, date of BOD approval, endorsement/guarantee date, and matters requiring careful assessment specified in the paragraph 1 of the foregoing article.

Internal auditors of this Company shall audit the endorsement/guarantee operating procedure and its implementation at least once a quarter and prepare written records accordingly. After detecting a material violation, internal auditors shall immediately inform all supervisors in writing.

Article 16 The amount of endorsement/guarantee complying with the endorsement/ guarantee operating procedure but exceeding the limit specified in the same operating procedure for business needs shall be approved by BOD along with a joint guarantee for the potential loss signed by over half of all directors. Then, the endorsement/guarantee operating procedure shall be revised and reported to the general meeting of shareholders for adoption. A plan shall be established to cancel the over-limit part of endorsements/guarantees within a specific period when the general meeting of shareholders disapproves.

Where submitting a case to BOD for approvals, the opinion of each independent directors shall be taken into full consideration, and their opinions for or against the case shall be explicitly retained in the minutes of board meeting.

Article 17 Where a recipient of endorsements/guarantees is unqualified or the amount exceeds the limit under this Procedure after a change in circumstances, this Company shall draw up an improvement plan and submit it to all supervisors, and shall implement corrections as scheduled in the plan.

Chapter IV Information Disclosure

Section A Lending to Others

Article 18 This Company shall publish and report the amount and balance of lending to others in the previous month of the Company and subsidiaries by the 10th of each month.

Article 19 This Company shall immediately publish and report the balance of lending within two days after the date of occurrence under any one of the following circumstances:

1. The aggregate balance of lending of the Company and subsidiaries is over 20% the Company's net worth as disclosed in the latest financial statements.
2. The aggregate balance of lending for a single company of the Company and

subsidiaries is over 10% the Company's net worth as disclosed in the latest financial statements.

3. The amount of new lending of the Company and subsidiaries is over NT\$10 million and over 2% the Company's net worth as disclosed in the latest financial statements.

This Company may represent a subsidiary that is not a domestic public company to publish and report lending balance as requested in item 3 of the foregoing paragraph.

Article 20 This Company shall assess the lending status, provide adequate allowance for bad debts, and appropriately disclose relevant information in the financial statements. This Company shall also provide relevant information for CPAs to implement necessary audit procedures.

Section B **Endorsement/Guarantee**

Article 21 This Company shall publish and report the balance of endorsements/guarantees in the previous month of the Company and subsidiaries by the 10th of each month.

Article 22 This Company shall immediately publish and report the balance of endorsements/guarantees within two days after the date of occurrence under any one of the following circumstances:

1. The aggregate balance of endorsements/guarantees of the Company and subsidiaries is over 50% of the Company's net worth as disclosed in the latest financial statements.
2. The aggregate balance of endorsements/guarantees for a single company of the Company and subsidiaries is over 20% of the Company's net worth as disclosed in the latest financial statements.
3. The aggregate balance of endorsements/guarantees for a single company of the Company and subsidiaries is over NT\$10 million and the total of endorsements/guarantees, the total amount of the face value and lending balance of investments using the equity method over 30% of the Company's net worth as disclosed in the latest financial statements.
4. The amount of new endorsements/guarantees of the Company and subsidiaries is over NT\$30 million and over 5% of the Company's net worth as disclosed in the latest financial statements.

This Company may represent a subsidiary that is not a domestic public company to publish and report the balance of endorsements/guarantees as requested in item 4 of the foregoing.

Article 23 This Company shall assess or recognize the contingent loss for endorsements/guarantees and appropriately disclose information on endorsements/guarantees in the financial statements. This Company shall also provide relevant information for CPAs to implement necessary audit procedures.

Chapter V **Addendum**

Article 24 This Procedure shall be implemented as of the date of AGM approval.