

Taiwan Speciality Chemicals Corporation Procedures for Loaning of Funds

Article 1:

These Procedures are formulated in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereinafter referred to as the "Regulations") and related laws and regulations and in comply with the actual needs of the business. The Company shall handle loans of funds in accordance with the provisions of these Procedures.

Article 2: Subjects for Receiving Loans of Funds

Except for the following circumstances, the Company's funds shall not be loaned to shareholders or any other person who are:

- I. Where an inter-company or inter-firm business transaction with the Company calls for a loan arrangement; or
- II. Where an inter-company or inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 percent of the lender's net worth.

The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.

The term "financing amount" as used in paragraph 1, sub-paragraph 2 of this Article means the cumulative balance of the Company's short-term financing.

When a responsible person of the Company violates paragraph 1 of the preceding paragraph, the responsible person shall bear joint and several liability with the borrower for repayment; if the Company suffers damage, the responsible person also shall be liable for damages.

Where the Company's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Procedures means the balance sheet equity attributable to the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 3: Evaluation standards for loaning funds to others

- I. The Company and other companies or firms engaging in loans of funds due to business relationship (the business relationship refers to the fact that both parties have purchased from or sold goods to each other) shall handle relevant affairs in accordance with the provisions of Article 4.
- II. Loans may be granted due to short-term financing need only under one of the following circumstances:
 - (I) A subsidiary of the Company of which the Company holds 50% or more of its shares having a business need for short-term financing; or
 - (II) Where short-term financing is required for a company or business due to purchase of materials or operational needs; or
 - (III) Where the loan is approved by the Board of Directors of the Company.

Article 4: Limits on the total amount of fund loans to individual subject

- I. The total amount of funds loaned by the Company shall not exceed 40% of its net worth stated in the latest financial statements audited and verified by the CPAs. Depending on the reason for the loan, the loan limit for individual subject is as follows:
 - (I) For companies or firms that have business relations with the Company, the total amount of fund loans shall not exceed 20% of the Company's net worth, and the amount of individual loans shall not exceed 10% of the Company's net worth or the amount of business transactions between the both parties, whichever is the lower. The amount related to business relations refers to the higher of the amount of goods purchased and sold by both parties within the latest year.
 - (II) For short-term financing of funds with other companies or firms, the total amount of fund loans shall not exceed 40% of the Company's net worth, and the amount of each individual loans shall not exceed 10% of the Company's net worth.
- II. Where the Company engages in fund loans among foreign companies whose 100% of voting shares are directly or indirectly held by the Company or fund loans between the Company and foreign companies whose 100% of voting shares are directly or indirectly held by the Company,

the total amount of the fund loans shall not exceed 20% of the Company's net worth; and the individual loan amount shall not exceed 10% of the Company's net worth.

- III. Loans of funds between the Company and its parent company or subsidiaries, or between its subsidiaries, shall be submitted for a resolution by the board of directors pursuant to the preceding paragraph, and the chairperson 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.

The "certain monetary limit" mentioned in the preceding paragraph on authorization for 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 lending company, except in cases of companies in compliance with the preceding subparagraph.

Article 5: Procedures for handling loans of funds

I. Credit assessment

When the borrower applies for a loan from the Company, the handling staff shall make preliminary contact to understand the use of funds and the latest business and financial status in advance. If it is feasible, the "Application for Fund Loan and Relevant Matters" (FR00301) shall be delivered to the borrower to fill in to provide basic and financial information, so that the Financing and Accounting Department may handle credit investigation and risk assessment. The assessment items shall at least include:

- (I) The necessity of and reasonableness of extending loans to others.
- (II) The financial status of the recipient of the loan is used to measure whether the amount of the loan is necessary.
- (III) Whether the accumulated fund loan amount is still within the limit.
- (IV) Impact on the Company's business operations, financial condition, and shareholders' equity.
- (V) Whether collateral must be obtained and appraisal of the value thereof.
- (VI) Submit the credit and risk assessment records of the fund loans and counterparty.

II. Loan Approval

- (I) For credit assessment results, cases with good credit rating and legitimate loan purpose, the handling personnel shall submit the credit investigation report, opinions and proposed loan conditions to the chairman of the board of directors for review step by step according to this operating procedure, and then submit the case. The loan can only be granted after the resolution of the board of directors is passed, and no other third party can be authorized to make a decision.
- (II) If the company has independent directors appointed, the opinions of each independent director shall be fully considered at the discussion session of the board meeting. The clear consent or opposition and the reasons for an objection of the independent director shall be stated in the board meeting minutes.
- (III) Where an audit committee has been established in accordance with the provisions of the relevant regulations, when handling material loans they shall be approved by one-half or more of all audit committee members and submitted to the board of directors for a resolution.

III. Approval notice

- (I) After the loan is approved, the handling staff shall notify the borrower by letter or telegram as soon as possible. Describe the Company's loan conditions in detail, including the amount, term, interest rate, collateral and guarantor, etc., and the borrower shall sign a contract within the time limit and complete all procedures.
- (II) After the credit assessment, if it is intending not to grant the loan to the borrower having a poor credit rating, the handling staff shall reply to the borrower as soon as possible after signing and approving the reason for the refusal.

IV. Contract Signing and Identity Verification

- (I) For cases of fund loans, the handling staff shall draw up the terms of the contract, which shall be reviewed by the unit head, and if necessary, shall be submitted to the legal counsel for opinions before the signature.

- (II) The content of the contract shall be consistent with the approved loan conditions. After the borrower and the joint guarantor have signed the contract, the handling staff shall complete the identity verification procedures.

V. Setting up collateral rights

If a loan case requires a property guarantee, the borrower shall provide the collateral and conduct the formalities of setting up the pledge or mortgage to ensure the Company's creditor's rights.

VI. Insurance

- (I) Except for land and securities, all collaterals should be insured for fire insurance, and vessels and vehicles shall be insured against all risks. The insurance amount should not be lower than the value of the collateral. The name, quantity, storage location, insurance conditions and insurance endorsement of the subject matter mentioned above should be consistent with the original loan conditions of the Company; If the building has not been assigned a house number when it is set up, its address shall be marked with the lot and land number where it is located.
- (II) The handling staff shall be aware of notification to the borrower to continue purchasing the insurance before the insurance period expires.

VII. Appropriation

After the loan case is approved, the borrower shall sign the contract and submit promissory notes to the depository (or make installment repayment), and completes all the procedures for the registration of collateral (pledge) setting, and the funds may be appropriated after confirming that there is no error.

- VIII. The Company that engages in short-term financing under Article 2, paragraph 4, in addition to complying with the preceding 7 paragraphs, furthermore shall perform enhanced risk assessment for, respectively, unsecured financing, financing to enterprises in any single industry, and financing to any single group of affiliated enterprises or members of a single corporate group, and shall prescribe limits on the amounts that may be loaned in such financing.

Article 6: Duration of Loans and Calculation of Interest

- I. The term of the Company's fund loans shall not exceed one year. If it needs to exceed one year, the loans shall be renewed after being approved by the board of directors. However, if it is a short-term financing, the total loan period shall not exceed one year.
- II. Fund loans and floating interest rate calculation shall be adjusted by the Financing and Accounting Department according to the company's capital cost, and submitted to the general manager for approval before implementation.
- III. The above-mentioned interest receivable shall be settled once a month.
- IV. Where the Company engages in fund loans among foreign companies whose 100% of voting shares are directly or indirectly held by the Company or fund loans between the Company and foreign companies whose 100% of voting shares are directly or indirectly held by the Company, the term of such loan shall be the period required by the borrowing company, but the maximum period shall not exceed 3 years.

Article 7: Subsequent measures for control and management of loans, and procedures for handling delinquent creditor's rights.

- I. After the loan is granted, always pay attention to the financial, business and credit status of the borrower and the guarantor. If there is any collateral provided, it should also pay attention to whether there is any change in the value of the collateral. In case of major changes, it should be notified immediately to the chairman of the board, and handled appropriately according to instructions. Two months before the due date of the loan, the borrower shall be notified to pay off the principal and interest by the due date or to handle the extension procedure.
- II. When the borrower repays the loan when the loan is due, the interest payable shall be calculated first, and the promissory note, promissory note and other certificates of credit may be canceled and returned to the borrower after the principal and interest are paid off together.
- III. If the borrower applies for cancellation of the mortgage right, he shall first check whether there is any loan balance before deciding whether to agree to cancel the mortgage right.
- IV. If the borrower fails to repay the loan when it is due and fails to complete the application for extension within two months, the company may directly dispose and recover the collateral or guarantor provided by the borrower according to law.

Article 8: Compilation and Archiving of Cases

For the loan cases handled by the persons in-charge themselves, after the loan is allocated, they shall sort out the creditor's rights certificates such as the contracts, promissory notes, as well as collateral certificates, insurance policies, and correspondence documents, etc., and put them in the storage bag, and after marking the content of the objects retained and the name of the customer on the bag, it shall be sealed upon the confirmation of the inspection, and the seal of the contractor and the supervisor shall be affixed at the edge of two pages, and it will be registered in the retained objects register for archiving.

Article 9: Internal Control

- I. The Finance and Accounting Department shall establish a reference book for the loan of funds, which shall include the subjects of the loans, the loan amount, the date of approval by the board of directors, the date of the loans, the expected collection date, the balance as of the end of the very month and the status of the guarantee, and the requirements in accordance with the provisions of Article 5. Details of prudent assessments shall be published for reference; and the "Checklist for Funds Loans to Others" (FR00302) shall be prepared on a monthly basis.
- II. The internal auditors of the Company shall audit the Procedures for Loaning of Funds and the implementation thereof on a quarterly basis with a written record documented and inform the audit committee in writing for any major violation identified.
- III. If the Company Changes anything due to circumstances, resulting to the situation in which the loan recipient cannot comply with the provisions of Article 2 of these Procedures or the balance exceeds the limit, it shall formulate an improvement plan and submit the relevant improvement plans to the audit committee, and complete the improvement according to planned scheduled.
- IV. The Company shall evaluate situation of fund loans and provide adequate allowance for bad debts,, disclose the endorsement/guarantee information in the financial report, and provide relevant information to the independent auditor for the performance of necessary auditing procedures.

Article 10: For subsidiaries of the Company that intend to lend funds to others

- I. The subsidiary shall be ordered to formulate the "Procedure for Lending Funds to Other Parties" in accordance with the provisions of these Guidelines, and shall handle relevant matters in accordance with the established Procedure for Lending Funds to Other Parties.
- II. The establishment, amendment, and planning of the subsidiary's "Procedure for Lending Funds to Other Parties" shall be unanimously agreed by the Company's appointed director representative of such subsidiary.
- III. If a subsidiary has fund loans to others, it shall prepare a list of fund loans to others in the previous month no later than the tenth day of each month, and submit such list to the Company. If a subsidiary of the Company is not a domestic public company, and the amount of loans reach the amount stated in Article 12 which is subject to announcement and reporting, it shall notify the company on the date of occurrence, and the company shall handle the announcement and reporting on the designated website in accordance with the regulations.
- IV. When the Company's auditors carry out relevant audits of subsidiaries in accordance with the annual audit plan, they shall also understand the implementation of the subsidiary's procedures of loans to others. If there are deficiencies found, they shall continue to track the improvement and make a follow-up report to the board of directors and the audit committee.

Article 11

When managers and organizers violate these Procedures, they shall be punished according to the Company's working rules depending on the severity of the violation affecting the Company's operations.

Article 12: Announcement and Reporting Procedures

After the Company becomes a public company, the funds loaned and balance of the Company's and its subsidiaries' endorsement/guarantees for the previous month shall be announced before the tenth day of each month.

If the loans of funds of the Company reach one of the following levels, it shall announce and report such event within two days commencing immediately from the date of occurrence:

- I. 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.
- II. 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.
- III. 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.

Date of occurrence of Procedures refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

Article 13: Entry into Force and Amendment

These Procedures are approved by more than half of all members of the audit committee, which shall be submitted to the board of directors for resolution and then to the shareholders' meeting for approval for implementation. If any director expresses objection and there is a record or written statement, the Company shall submit such objection to the shareholders for discussion, and the same shall apply for amendments.

If approval of one-half or more of all audit committee members as required in the preceding paragraph is not obtained, the 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" in the preceding paragraph and "all directors" in the preceding paragraph shall be counted as the actual number of persons currently holding those positions.

Article 14

Matters not covered in these Procedures shall be handled in accordance with relevant laws and regulations and the relevant regulations of the Company.

Formulated on January 6, 2017.

1st amendment on June 25, 2018.

2nd amendment on April 29, 2019.

3rd amendment on August 25, 2021.

4th amendment on May 12, 2023.