

Grand Pacific Petrochemical Corporation

Operational Procedures for Making Endorsements / Guarantees

Officially resolved in the Board of Directors on October 31, 2022
Approved at the shareholders' meeting on June 28, 2023

1. Objectives

These Operational Procedures are duly enacted in accordance with Article 36-1 of Securities and Exchange Act and rules & regulations concerned of the Financial Supervisory Commission, Executive Yuan.

2. Scope of application

The Company's operational procedures for making endorsements / guarantees shall be in accordance with the provisions of these Operational Procedures.

3. Relevant referential papers

INC-03 Regulations Governing Management over Seals

PRC-01 Public Relations Operations

4. Definition of terms

The term “endorsements/guarantees” as used in these Operational Procedures refers to the following:

4.1 Financing endorsements/guarantees:

- 1) Bill discount financing.
- 2) Endorsement or guarantee 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.

4.2 Customs duty endorsement/guarantee: meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.

4.3 Other endorsements/guarantees: meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

4.4 Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall also comply with these Operational Procedures.

4.5 The term the parent company or subsidiary shall be identified in accordance with the requirements of Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.6 The term “net worth” as set forth herein denotes the equity attributable to owners within the ascription of the parent company, as shown through the Company’s balance sheet which has been worked out in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.7 The term “date of occurrence of fact” as set forth herein denotes the date of contract signing, date of payment, date when resolved in the Board of Directors or other date which is adequate to prove the endorsement/guarantee targets and amount of transaction, whichever is the earlier.

5. Operational Procedures and descriptions:

5.1 Counter parties of endorsements/guarantee

5.1.1 The Company may grant endorsements/guarantees only toward the targets as confined below.

- 1) A company with which the Company does business.
- 2) A company in which the Company directly and indirectly holds more than 50 percent of the voting powers.
- 3) A company that directly and indirectly holds more than 50 percent of the voting powers in the Company.

5.2 Credit limits of endorsements/guarantees

5.2.1 The aggregate total of endorsements/guarantees granted by the Company externally shall not exceed 100% of the Company's net worth as shown through its most recent financial statements. The amount of the endorsements/guarantees granted by the Company toward a single enterprise shall not exceed 100% of the Company's net worth as shown through its most recent financial statements. The aggregate total of endorsements/guarantees granted by the Company and its subsidiaries externally shall not exceed of the Company's net worth as shown through its most recent financial statements. The amount of the endorsements/guarantees granted by the Company and its subsidiaries toward a single enterprise shall not exceed 100% of the Company's net worth as shown through its most recent financial statements.

5.2.2 The amount of the endorsements/guarantees granted to a company with business transaction shall not exceed the aggregate total amount of the business transaction by and between both parties over the past one year or 50% of the Company's net worth as shown through the most recent financial statements audited or certified by a Certified Public Accountant, whichever is the lower. The term "amount of the business transaction" as set forth herein denotes the amount of purchases or sales, whichever is the higher.

5.2.3 In the event that the Company and its subsidiaries have stipulated that the total amount of endorsements/guarantees could go more than 50% of the Company's net worth, the Company and its subsidiaries shall explain its necessity and rationality toward the shareholders' meeting.

5.2.4 Endorsements / guarantees may be given between companies in which the Company directly or indirectly holds 90% or more of the voting power, and the amount of such endorsements / guarantees shall not exceed 10% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term.

5.2.5 The amount of the endorsements / guarantees given between companies in which the Company directly and indirectly holds 100% of the voting power shall not exceed 100% of the Company's net worth as shown through its audited or reviewed financial statements of the most recent term.

5.3 Hierarchy of decision-making authority and delegation thereof

5.3.1 When the Company engages in endorsements/guarantees, it shall duly proceed with in accordance with the procedures specified under Article 5.5 of these Operational Procedures, and shall be approved through the resolution of the Board of Directors. However, in order to meet the timeliness requirements,

when the Company and the company(ies) with holding of 100% voting powers either directly or indirectly, within the total amount of NT\$500 million and the amount of NT\$300 million toward a single enterprise, the Board of Directors may authorize the Chairman to make a decision and report to the Board of Directors for retrospective acknowledgement afterward.

- 5.3.2 If the Company engages in endorsements/guarantees in excess of the endorsement/guarantee limit specified in Article 5.2 of these Operational Procedures, it must be approved by the Board of Directors with resolution through more than half of the directors with joint guarantee in their names for the potential loss in the endorsements/guarantees so rendered. If this is the case, the Operational Procedures should be amended and reported to the shareholders meeting for retrospective acknowledgement. In the event that the shareholders' meeting disagrees, the plan should be revised to eliminate the overruns within a certain period of time.
- 5.4 Handling fee for endorsements/guarantees
 - 5.4.1 Where the guarantees meet the requirements under Articles 5.1, 5.2 and 5.3 of these Operational Procedures, the guarantee fee shall be charged within the credit limit and public facilities of endorsements/guarantees. The guarantee rate is calculated based on the actual assistance and the acquiring costs.
 - 5.4.2 The charge of guarantee fee shall be calculated according to the financing amount actually used.
- 5.5 Handling procedures of endorsements/guarantees
 - 5.5.1 When handling the endorsements/guarantees process, the finance unit shall examine the qualifications of the endorsements/guarantees targets on the item by item basis to check and make sure whether the quota meets the requirements of these Operational Procedures and whether the required reporting standards have been met, and shall assess the risks and record of the endorsements/guarantees. (Cf. Annex 6.2 Endorsement/Guarantee Risk Assessment Report), and collateral should be obtained as necessary. The relevant endorsement/guarantee contents, reasons and risk assessment results of the relevant endorsements shall be submitted to the chairman for approval and shall be approved by the Board of Directors. If it still falls within the specified credit limit, the chairman may approve of the case on the grounds of the creditworthiness and financial status of the endorsements/guarantees targets and then report to the nearest upcoming board of directors meeting for retrospective acknowledgement.
 - 5.5.2 The Department of Finance shall establish the information for the endorsements/guarantees. After the endorsements/guarantees case is agreed upon by the Board of Directors or approved by the chairman, in addition to the application procedures for affixing of the seal in accordance with the prescribed procedures, and the committed guarantee, the name of the guaranteed target, the risk assessment result, the amount and date of endorsements/guarantees, the date of the chairman's approval or the chairman's decision, the date of obtaining the collateral and the conditions and date for the termination of the endorsements/guarantees, etc., shall be clearly stated. The relevant bills, the agreement and other documents shall also be photocopied into prudential custody.
 - 5.5.3 The accounting unit shall prepare a detailed list of the guarantee issues that occur and are cancelled in every month, control the tracking and report the public

announcement and filing, and shall assess or recognize the contingent loss of the endorsement on a quarterly basis, and properly disclose the endorsement/guarantee information in the financial statements. Furthermore, the accounting unit shall provide relevant information to the Certified Public Accountant(s) to perform the necessary check procedures.

- 5.5.4 In the event that an entity for which an endorsement/guarantee target is made was consistent with the provisions of Article 5.1 of these Operational Procedures but becomes inconsistent afterward, or if the endorsement/guarantee amount exceeds the specified credit limit due to a change in the basis of the calculation of the limit, the endorsement/guarantee amount or overdue portion of the entity for which an endorsement/guarantee is made shall be eliminated within the time limit specified under the contract or the Department of Finance shall work out the relevant improvement plan and submit it to the Audit Committee, and after the approval of the chairman, the excess shall be eliminated within the specified time limit and shall be reported to the Board of Directors.
 - 5.5.5 Before the expiring date of the endorsement/guarantee, the Department of Finance shall take the initiative to notify the guaranteed enterprise to take back the guarantee notes retained in the bank or creditor institution, and cancel the endorsement/guarantee related papers and deeds.
 - 5.5.6 The internal auditors shall audit the Operational Procedures for Endorsements/Guarantees and the implementation thereof on a quarterly basis and shall work out documented records. In case of a significant offense noticed, the internal auditors shall keep the audit committee informed forthwith in writing.
 - 5.5.7 In case of a change in the circumstances afterward and, as a result, an entity for which an endorsement/guarantee target was made does not meet the requirements of these Operational Procedures or the balance exceeds the contracted limit, the corrective action plan should be worked out and with the relevant improvement plan to be submitted to the Audit Committee, and the corrective action plan should be completed as scheduled.
 - 5.5.8 In the event that an entity for which an endorsement/guarantee target is made is a subsidiary whose net worth is less than one-half of the its paid-in capital, it shall evaluate its financial status and operating results on a monthly basis, review the potential risk in the endorsement/guarantee and work out the countermeasures. In the event that the subsidiary's stock has no denomination or the denomination of each share is not for NT\$10 par value, the amount of paid-up capital shall be calculated according to the regulations based on the total of the capital reserve plus the issuance premium.
- 5.6 Custody and procedure of corporate seal
- 5.6.1 The Company shall use the company seal which was used to apply for incorporation registration with the Ministry of Economic Affairs as the special seal for endorsement/guarantee. The seal shall be kept by the secretary to the chairman after the approval by the Board of Directors. In case of a change in the seal custodian, it shall be reported to the Board of Directors for approval. The official registered specimen seal shall be included in the handover procedures.
 - 5.6.2 After the endorsement/guarantee case is approved with the resolution by the Board of Directors or by the chairman, the Department of Finance shall fill in the "application form for affixing of the seal" along with the approval record, the risk assessment report and the endorsement/guarantee contract or guarantee

voucher(s) and the like to obtain approval from the competent head before the official registered specimen seal may be used from the hand of the custodian.

5.6.3 Upon use of the registered specimen seal, the seal custodian shall check and make sure whether there is an approval record, whether the application form for the seal is approved by the competent head and whether the application for the affixing of the seal is consistent with the requirements before the registered specimen seal is used. After the seal is used, it should be marked on the “application for use of registered specimen seal” before being archived.

5.6.4 When the Company makes a guarantee for a foreign company, the chairman or general manager is authorized by the board of directors to sign on the guarantee letter issued therefore.

5.7 Procedures for announcement and report

5.7.1 Before the 10th day of every month, the accounting unit shall put the balance of the endorsement/guarantee by the Company and its subsidiaries as of the preceding month along with the monthly sales turnover into promulgation on a monthly basis.

5.7.2 In addition to the public announcement and filing process for the balance of the endorsement/guarantee on a monthly basis, if the balances of the endorsements/guarantees granted by the Company and its subsidiaries reach the following standards/criteria, the finance unit shall launch public announcement and filing within two days from the date of occurrence of the fact:

- 1) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
- 2) 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 worth as stated in its latest financial statement.
- 3) 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, the book value of investment under equity method in, and balance of loans to, such enterprise reaches 30 percent or more of public company's net worth as stated in its latest financial statement.
- 4) The amounts of new endorsements/guarantees made by the Company or its subsidiaries have reached more than NT\$30 million and have reached more than 5 percent of the Company's net worth as stated in its latest financial statement.

5.7.3 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 4 of the preceding paragraph.

5.8 Penalty

5.8.1 Where the manager and person-in-charge in loaning the Company's funds to others are found in contravention of these Procedures, they shall be reported for performance evaluation in accordance with the Company's Employee Rewards and Punishments Procedures as the actual situations may justify.

5.9 Other matters

- 5.9.1 In the event that a subsidiary of the Company intends to render endorsement/guarantee to another, the Company shall order such subsidiary to establish “Operational Procedures for Endorsements/Guarantees” in accordance with its “internal control system” and these Operational Procedures, and shall handle the procedures according to the specified Operational procedures. The subsidiary shall report the balance of endorsements/guarantees, target endorsement/guarantee beneficiaries, and duration of the endorsements/guarantees to the Company before the 5th day of every month.
- 5.9.2 An amendment to these Operational Procedures shall be implemented after the approval of the shareholders' meeting and the approval of the shareholders' meeting after the approval of more than one-half of the members of the Audit Committee and the resolution of the Board of Directors; the opinions of the independent directors shall be fully considered when the issue is submitted to the Board of Directors for discussion. Objections or reserved opinions shall be stated in the minutes of the board of directors meeting. In the event that a director expresses objection as backed by a record or written statement, the Company shall submit the objection to the Audit Committee and report it to the shareholders meeting for discussion. This same provision is applicable *mutatis mutandis* to an event of amendment. In the event that the aforementioned issue is not approved by more than one-half of all members of the Audit Committee, it may be agreed by more than two-thirds of all directors, and the resolutions of the Audit Committee shall be expressly stated in the minutes of the board of directors meeting.

