

## **Procedures for Endorsement and Guarantee of Compal Electronics, Inc.**

### **Article 1 Purpose**

To perfect the financial management of endorsement/guarantee by the Company to outside parties and to control the risk in operation, the following procedures, enacted in accordance with the applicable regulations announced by the competent authority, shall apply when providing endorsement and/or guarantee to outside parties.

### **Article 2 Definition and Scope**

The terms "endorsements" or "guarantees" as used herein are defined as:

1. Financing endorsement and/or guarantee, including:
  - (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.
2. Customs duty endorsement/guarantee which refers to an endorsement or guarantee for the company itself or another company with respect to customs duty matters.
3. Other endorsements/guarantees which refer to endorsements or guarantees beyond the scope of the preceding two Paragraphs.

Any creation by the Company of a pledge or mortgage on its assets and real assets as security for the loans of another company shall also comply with these Regulations.

### **Article 3 Object to be Provided Endorsement and/or Guarantee by the Company**

1. The object to be provided endorsement and/or guarantee by the Company shall be limited as follows:
  - (4) Any company having business relationship with the Company;
  - (5) Any company in which the Company directly or indirectly holds 50% or more voting-right-shares or capital of such company; or
  - (6) Any company directly or indirectly holds 50% or more shareholding in the Company.
2. Between subsidiaries 90% owned or more, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other.
3. If the Company fulfill its contractual obligations by providing mutual endorsement and/or guarantee for another Company in the same industry or for the co-builders for purposes of undertaking a construction project, or if shareholders make endorsement and/or guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements and/or guarantees such endorsements and/or guarantees shall be free of the restriction of the preceding Paragraphs (1) and (2).
4. The term "shareholding" as referred to in the preceding Paragraph means the

Shareholding directly held by the Company or held through wholly owned subsidiaries.

5. The terms “subsidiary” and “parent company” as used herein shall be determined in accordance with requirements of the competent authorities.

#### **Article 4 Limited Amounts of Endorsement and Guarantee**

The aggregate amount of endorsement and guarantee provided for by the Company or the Company together with its subsidiaries, and the total amount of endorsement/guarantee provided for a single enterprise by the Company or the Company and its subsidiaries is subject to the following limits:

1. The aggregate amount of endorsement/guarantee provided by the Company or the Company together with its subsidiaries shall not exceed 50% of net worth of the Company,
2. The total amount of endorsement/guarantee provided for a single enterprise by the Company or the Company together with its subsidiaries shall not exceed 25% of net worth of the Company. The total amount of endorsement/guarantee provided for a single enterprise having business relationship with the Company shall also meet the requirements set forth in Article 5, Paragraph 1 of the Procedures for Lending Funds to Other Parties adopted by the Company.
3. Between subsidiaries 90% owned or more, directly or indirectly, by the Company may provide endorsement and/or guarantee for each other, and the amount shall not exceed 10% of net worth of the Company. Between subsidiaries that are 100% directly or indirectly owned by the Company, the amount of endorsement/guarantee provided for each other is not subject to the 10% restriction as referred to in the foregoing provided, however, that such amount shall not exceed 25% of the net worth of the Company.
4. If a subsidiary to be provided endorsement/guarantee whose net worth is lower than 50% of its paid-in capital, the management and control shall be subject to the Enforcement Rules of the Procedures for Endorsement and Guarantee.
5. In the case of a subsidiary with shares of no par value or at a par value other than NT\$10, the amount of paid-in capital calculated in accordance with the preceding paragraph 4 shall be the sum of the capital contribution plus “share issuance premium under capital reserve item”.
6. The term “net worth” as used herein shall mean the “equity attributable to the owners of the parent company” stated in the most recent audited balance sheet prepared in accordance with the requirements of the competent authorities.

#### **Article 5 Decision-Making and Level of Authority**

1. The limited amount of endorsement and/or guarantee delegated to the Chairman of Board shall not exceed 20% of respective endorsement and/or guarantee amount as referred to in the foregoing Article 4.
2. A pre-determined execution of endorsement/guarantee delegated to the Chairman of Board shall be submitted to the most upcoming Board of Directors’ Meeting for

ratification.

3. When providing guarantee to a foreign company, the guarantee letter should be executed by the person delegated by the Board of Directors of the Company.
4. Any subsidiary in which the Company directly or indirectly holds 90% or more voting-right-shares or capital of such subsidiary may make an endorsement and/or guarantee only after approved by a resolution of the Board of Directors of the Company. However, between direct or indirect wholly owned subsidiaries of the Company, the provision of endorsement and/or guarantee for each other is not subject to the foregoing restriction.
5. When providing endorsement and/or guarantee, if the required amount of endorsement and/or guarantee exceeds the limit as referred to in the foregoing Article 4 to accommodate business needs, a resolution of the Board of Directors shall be obtained and over half of all the Directors shall jointly endorse the potential loss that may be brought about by the excess of limit. The Board of Directors shall also revise these Procedures accordingly and forward these revised Procedures to the Shareholders' Meeting for ratification. If the revised Procedures are not ratified at the Shareholders' Meeting, the Board of Directors shall withdraw the excess portion within a period of time.

#### **Article 6 Procedures for Making Endorsement and/or Guarantee**

1. Before providing endorsement and/or guarantee to others, the Company shall conduct a detailed review process, including:
  - (1) The necessity of and rationality of endorsement/guarantee;
  - (2) Credit status and risk assessment of the object to be provided endorsement and/or guarantee;
  - (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.
2. The Company may make/revoke an endorsement/guarantee only after the evaluation results have been submitted to Board of Directors and approved by the Board of Directors.
3. The Company shall prepare a register book for recording the information about the entity for which the endorsement/guarantee is made, the endorsement/guarantee amount, the date of approval resolved by the Board of Directors or the date of pre-determined execution by the Chairman of the Board, the date that the endorsement/guarantee is made and the matters to be carefully evaluated as required by the applicable Regulations and/or Procedures.
4. The detail operating procedures shall be provided in the Enforcement Rules of the Procedures for Endorsement and Guarantee.
5. The Company shall evaluate or recognize the contingent loss of endorsements/guarantees and shall adequately disclose information on endorsements/guarantees in its financial reports, and provide certified public accountants with relevant information for implementation of necessary audit procedures.

## **Article 7 Procedures for Use and Custody of Corporate Seal**

Seals exclusively for use of endorsement/guarantee shall be the seals officially registered with the Ministry of Economic Affairs. Such official seals shall be kept separately by special persons. Company's internal procedures must be followed for such sealing usage and the issuance of negotiable instruments. The appointment of seal custodian shall be approved by the Board of Directors. The procedure shall apply to the change in the seal custodian.

## **Article 8 Other matters**

1. According to these Procedures, in the event that a party endorsed and/or guaranteed by the Company previously qualified but no longer qualifies or the endorsement and/or guarantee amount resulted in exceeding the credit limits due to the basis for calculation of such amount has changed, rectification plans must be prepared by the department in charge of such endorsement and/or guarantee. Such rectification plans shall be reexamined by the financial department and be submitted to the audit committee of the Company for approval. The department in charge of the endorsement and guarantee shall conduct the rectification based on the planned time schedule.
2. The adoption and amendment to the "Procedures for Endorsement and Guarantee" by subsidiaries of the Company shall be handled in accordance with the regulations published by the competent authorities and the endorsement and/or guarantee shall be provided in accordance with said Procedures.

## **Article 9 Public Announcement and Report**

1. The accounting department shall prepare a statement of endorsement and guarantee provided for by the Company and its subsidiaries for previous month, and shall submit such statement to President and Chairman of the Board for review each month.
2. The accounting department shall announce and report the previous month's balance of endorsement/guarantee by the 10<sup>th</sup> day of each month.
3. If the amount of endorsement and guarantee reaches one of the following levels, the accounting department shall announce and report such event within the time period prescribed by the competent authorities:
  - (1) The aggregate amount of endorsement and guarantee provided for by the Company and its subsidiaries reaches 50% or more of the net worth of the Company,
  - (2) The amount of endorsement and guarantee provided for a single enterprise by the Company and its subsidiaries reaches 20% or more of the net worth of the Company,
  - (3) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions 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 worth.

- (4) The newly increased aggregate amount of endorsement and guarantee provided for by the Company and its subsidiaries reaches NT\$ 30 Million and such amount exceeds 5% of the net worth of the Company

If any subsidiary of the Company is not an ROC public company, the Company shall announce and report on behalf of such subsidiary any matter that such subsidiary is required to announce and report pursuant to the foregoing Paragraph 3, Item 4.

4. The accounting department shall announce and report to the competent authorities the status of endorsement/guarantee by the subsidiaries of the Company in accordance with the provisions set forth in the foregoing Paragraph 2 &3.
5. In the event of any change in the applicable regulations, the public announcement and report shall be handled in accordance with the updated regulations.

### **Article 10 Penal Provision**

If any employee of the Company violates these Procedures and/or other applicable laws and regulations, sanctions will be imposed on such employee depending upon his/her severity level of such violation in accordance with the punishment procedures under the personnel administration rules of the Company.

### **Article 11 Implementation and Amendment**

The Procedures shall be agreed by no less than half of all audit committee members and approved by the Board of Directors, and shall enter into force after the approval of resolution by the Shareholders Meeting. If any Director expresses his/her dissent and such dissent is recorded in the meeting minutes or a written statement of dissent is presented, the dissenting opinion shall be reported to the Shareholders' Meeting for discussion. The same procedure applies to the amendment of the Procedures.

When the Procedures are submitted to the Board of Directors' Meeting for discussion in accordance with the provisions prescribed herein, the opinions of each Independent Director shall be fully taken into consideration; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' Meeting.

If pursuant to the applicable laws and regulations, the endorsement and/or guarantee of the company should be approved by the audit committee, such transaction should be agreed by no less than half of the audit committee members, and approved by the Board of Directors.

The independent director's opinions shall be fully taken into consideration when, pursuant to the applicable laws and regulations, the endorsement and/or guarantee of the company is submitted to the Board of Directors for discussion. If the independent director has any dissenting opinions or makes any reservation, they shall be stated in the minutes of the meeting of the Board of Directors.

If the approval by no less than half of the audit committee members is not obtained in accordance with the foregoing provisions, the approval of two-thirds of all the Directors

should be obtained instead. In this case, the resolution made by the audit committee members shall be stated in the minutes of the meeting of the Board of Directors. The calculation of the number of the above mentioned audit committee members and Directors is based on those who at the time take office.

### **Article 12 Enactment of Enforcement Rules**

Enforcement Rules for the Procedures of Endorsement and Guarantee shall be drafted by the financial department and approved for implementation by the Chairman duly authorized by the Board of Directors.

### **Article 13 Supplementary Provisions**

These Procedures were adopted on April 3, 1990 and entered into force after the approval by the Board of Directors of the Company.

The 1<sup>st</sup> amendment was adopted by the Board of Directors of the Company held on January 31, 1991.

The 2<sup>nd</sup> amendment was adopted by the Board of Directors of the Company held on March 31, 1995.

The 3<sup>rd</sup> amendment was adopted by the Board of Directors of the Company held on March 31, 1997 and entered into force after the approval by the Annual General Shareholders Meeting on May 29, 1997.

The 4<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on March 17, 2003 and entered into force after the approval by the Annual General Shareholders Meeting on June 10, 1997.

The 5<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on February 21, 2006 and entered into force after the approval by the Annual General Shareholders Meeting on June 9, 2006.

The 6<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 29, 2009 and entered into force after the approval by the Annual General Shareholders Meeting on June 19, 2009.

The 7<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on April 28, 2010 and entered into force after the approval by the Annual General Shareholders Meeting on June 18, 2010.

The 8<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on May 9, 2013 and entered into force after the approval by the General Shareholders Meeting on June 21, 2013.

The 9<sup>th</sup> amendment was adopted by the Board of Directors of the Company held on May 11, 2015 and entered into force after the approval by the General Shareholders Meeting on June 26, 2015.