

Procedures for Endorsements and Guarantees of China Steel Corporation

Established on September 26, 1991

Amended on June 19, 2019

Chapter I General Principles

Article 1

The Procedures for Endorsements and Guarantees (hereinafter "the Procedures") of China Steel Corporation (hereinafter "the Company") are adopted in accordance with the provisions of "Regulations Governing Loaning of Funds and Making of Endorsements and Guarantees by Public Companies" regulated by the Financial Supervisory Commission (hereinafter "FSC").

Article 2

The term "endorsements/guarantees" used here in the Procedures refers to the followings:

1. Factorings of Accounts Receivables: Where the Company makes endorsements for promissory notes it acquires for business purposes, and the notes are thereby purchased by bills finance companies at the agreed discount rate.
2. "Guaranty" as defined under Section 24, Part II "Obligations" of the Civil Code.

Any creation by the Company or its subsidiary as defined in Article 3-1 of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with the Procedures.

Article 2-1

Other terms in the Procedures are defined as follows:

1. "Announce and report": Refers to the process of entering data to the information reporting website designated by the FSC.
2. "Date of occurrence": Refers to the date of contract signing, date of payment, date of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement and Guarantee, whichever date is earlier.
3. "Subsidiary": Shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. "Net worth of the Company": Refers to the latest balance sheet equity attributable to owners of the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
5. "All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.
6. "All Directors": Refers to the actual number of persons currently serving as directors.

Article 3

The Company may make endorsements and guarantees for the following companies:

1. A company to which the Company factors its accounts receivables is subject to the bill finance company, and the amount shall not exceed that of factoring account receivables resulted from the Company's credit sales.
2. The Company directly and indirectly holds more than 50 % of the voting shares in a company. However, the percentage of endorsements and guarantees shall not exceed the Company's shareholding percentage in the company.

Where the Company fulfills its contractual obligations by providing mutual endorsements and guarantees for another company in the same industry or joint builders for purposes of undertaking a construction project, or where shareholders make endorsements and guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements and guarantees may be made free of the restriction of the preceding paragraph. However, the Company shall not make endorsements or guarantees for other shareholders that should be liable for their own.

Where the Company indirectly invests in the invested company through a wholly-owned subsidiary, the Company may make endorsements/guarantees in proportion to the shareholding percentage that the wholly-owned subsidiary holds in the invested company.

Article 3-1

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and shall submit the proposed endorsement/guarantee to the Company's Board of Directors for a resolution. The amount of endorsements/guarantees may not exceed 10% of the net worth of the Company.

This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Article 5

The total amount for endorsements/guarantees provided by the Company is limited to 40 % of its net worth; the amount of endorsements/guarantees provided by the Company for any individual entity is limited to 30 % of its net worth.

The aggregate amount for endorsements/guarantees provided by the Company and its subsidiaries shall not exceed 50 % of its net worth. Unless otherwise provided in Article 3-1 of the Procedures, the aggregate amount for endorsements/guarantees provided by the Company and its subsidiaries for any individual company is limited to 30% of its net worth.

Article 6

The Company and its subsidiaries as defined in Article 3-1 shall evaluate the following matters before make any endorsement/guarantee:

1. The necessity and reasonableness of the endorsement/guarantee.
2. Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
3. The impact on the Company's operating risks, financial condition and shareholders' equity.
4. Whether collateral and appraisal of the collateral value must be obtained or not.

Article 6-1

For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed to keep any potential risk under control.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

Article 7

Before making an endorsement/guarantee for others, the Company and its subsidiaries as defined in Article 3-1 shall carefully evaluate whether the endorsement/guarantee is in compliance with the Procedures and other regulations promulgated by the FSC. The Company may make an endorsement/guarantee only after the evaluation results pursuant to Article 6 have been submitted to and adopted by the meeting of the Board of Directors, or approved by Chairman of the Board who is authorized by the Board of Directors to grant endorsements/guarantees within a specific limit, and then subsequently submitted to the next meeting of the Board of Directors for verification.

When the meeting of the Board of Directors resolves or verifies endorsements/guarantees for others in accordance with the preceding paragraph, it shall take each Independent Director's opinion into full consideration; his/her specific opinion of assent or dissent and reason for dissent shall be included in the minutes of the meeting of the Board of Directors.

Article 8

The Company shall use an authorized chop ratified by the meeting of the Board of Directors as the dedicated chop for factoring the Company's accounts receivables, and the chop shall be kept in the custody of Manager of the Cash Management Section, Finance Department of the Company; the Company shall use the corporate chop with register of the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees, and the chop shall be kept in the custody of Manager of Documents & Archives Management Section, Secretariat Department of the Company. Unless the prescribed procedures are followed under the passage of the meeting of the Board of Directors or the approval of Chairman of the Board, the corporate chop shall not be used to seal.

When making a guarantee for a foreign company, the Company shall have the guarantee letter signed by Chairman of the Board or the person authorized by the meeting of the Board of Directors.

Article 9

The Finance Department of the Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the meeting of the Board of Directors or the date of approval by Chairman of the Board, the date of the endorsement/guarantee made, and the matters to be carefully evaluated under, Article 6 of the Procedures.

Article 10

The Company's internal auditors shall audit the Procedures and the implementation thereof at least on a quarterly basis and prepare written records accordingly. If any material violation is found, the internal auditors shall write reports to notify each Supervisor immediately.

Article 11

Where, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the amount for the endorsement/guarantee exceeds the limit, the Company shall propose rectification plans, submit it to each Supervisor, and carry out the plan according to the timeframe set out in it.

Chapter III Information Disclosure

Article 12

The Company shall declare its and its subsidiaries' last month's balance of endorsements/guarantees before the 10th day of each month in the FSC's specific format.

When the Company's balance of endorsements/guarantees reaches one of levels as specified in Paragraph 1, Article 25 of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies as regulated by the FSC, the Company shall declare such an event in the FSC's specific format within two days commencing immediately commencing immediately from the date of occurrence..

If any subsidiary not belong to a domestic public company has any matters required to declare pursuant to FSC's regulations, the Company shall declare on behalf of the subsidiary.

Article 13

The Company shall evaluate or record the contingent losses for 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.

Chapter IV Additional Provisions

Article 14

Where a subsidiary of the Company intends to make an endorsement/guarantee for others, and such subsidiary is a domestic public company, it shall formulate its own Procedures for Endorsements and Guarantees in compliance with these regulations promulgated by the FSC. While the subsidiary of the Company is not a domestic public company, it shall formulate its own Procedures for Endorsements and Guarantees in accordance with the Procedures and implement accordingly.

Article 15

Directors and Supervisors of any subsidiary designated by the Company shall monitor and supervise the Procedures of the subsidiary to ensure that all procedures stipulated for endorsements/guarantees are indeed followed.

In evaluating the appropriateness of procedures for endorsements/guarantees, a subsidiary that is a domestic public company should provide the Company an internal audit report rendered by its internal auditors; a subsidiary that is not a domestic public company will be audited in a timely manner, either by internal auditors of the Company, or by external auditors engaged by the subsidiary as required by the Company.

Article 16

In the event where material losses are caused by the Company's executives and employees in violation of the Procedures, punishments will be imposed on them depending on the severity of their violation in accordance with the rules of "Reward and Punishment" in Charter 2, Part 4 of Personnel Management System of the Company.

Article 17

Any matters not set forth in the Procedures for Endorsements and Guarantees shall be dealt in accordance with related laws or regulations promulgated by the FSC.

Article 18

The Procedures, after passage by the meeting of the Board of Directors, shall be submitted to each Supervisor and to the shareholders' meeting for approval. Provided that any Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to each Supervisor and to the shareholders' meeting for discussion. The same as above said in this Article shall apply to any amendment to the Procedures.