

# Procedures for Loaning of Funds of China Steel Corporation

amended on August 30, 2021

## Article 1

The Procedures for Loaning of Funds (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/Guarantees by Public Companies" (hereinafter "the FSC Regulations") regulated by the Financial Supervisory Commission (hereinafter "the FSC"). The Company shall comply with the Procedures when extending loans to others, and for any matter not set forth in the Procedures, relevant laws and the FSC Regulations shall prevail.

## Article 2

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 loaning of funds, 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 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 entity that the Company is extending loans to shall be limited to "subordinate company" as defined in Article 369-2 of the Company Act and shall be limited to entities with short term financing necessity.

"Short term" in the preceding paragraph refers to a period of one year or less.

## Article 4

The total amount of loans made by the Company shall not exceed 20 % of the Company's net worth and the amount of loans made by the Company for any individual subordinate company shall not exceed 10 % of the Company's net worth.

## Article 5

The term of each loan extended by the Company shall not exceed one year. The interest rate shall be determined on the basis of the Company's funding costs at the time of loaning and adjusted accordingly, but in no event shall it be lower than the Company's average short-term funding rate within the latest 30 days.

## Article 6

In extending loans to other parties, the application and evaluation process are as follows:

1. The borrower, when applying for a loan from the Company, shall submit an application form describing in details the loan amount requested, term, purpose and collateral. The Company may request additional information when necessary.
2. Finance Department, after evaluating the following information, shall then propose the borrowing counterparty, line of credit, duration, calculation of interest and other conditions of the loan:
  - (1) The necessity and reasonableness of extending loans.
  - (2) Credit status and risk assessment of the borrower.
  - (3) The impact on the Company's operating risks, financial position and shareholder's equity.
  - (4) The necessity of obtaining collateral and appraisal of the value thereof.

## Article 7

Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the relevant provisions in the Company Act, the Procedures, and the provisions regulated by the FSC, and then first submit, together with the result of the evaluation made as described in subparagraph 2 of the preceding article and conditions of loans, to the Audit Committee for approval and next to the Board of Directors for a resolution and approval. The Board of Directors may authorize the chairman, 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.

If approval, as described in the preceding paragraph, of one-half or more of all Audit Committee members is not obtained, the loaning of funds to others 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 meeting of the Board of Directors.

## Article 8

Follow-up controlling measures and procedures for collecting overdue loans are as follows:

1. After the loan is granted, the Finance Department shall follow and trace financial status, business and credit status of the borrower. In case any collateral is furnished, attention shall be paid to

changes of the value of the collateral. In case of material change in the value of the collateral, the Finance Department shall propose proper measures to cope with to the chairman for approval, and report to the most recent meeting of the Board of Directors.

2. Upon the occurrence of the following conditions, the borrower shall not draw down the line of credit, and all undue loans are deemed to be due. The Finance Department shall negotiate with the borrower about its repayment plan, and adopt security measures to ensure creditor's right of the Company:

(1) the borrower fails to repay the principals and interests

(2) the Finance Department notifies the borrower exempt from providing collateral to provide collateral within a timeframe due to the borrower's deteriorating credit status or financial position within the loaning period, and the borrower fails to do so.

3. When the loan is due, the borrower shall repay the principals and interests. If the borrower could not repay the loan on time and request for extension of the term, the borrower shall propose such request in advance. After the Finance Department confirms that none of the conditions in the preceding paragraph exists in the borrower's case, the Finance Department may propose the extension of loan repayment to the chairman for approval, and the total duration of the loan shall not exceed one year.

#### Article 9

The Finance Department shall prepare a memorandum book for its fund-loaning activities and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, dates of approvals by the Chairman to loans given in installments to a specific borrowing counterparty, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of Article 7.

The Company's internal auditors shall audit the Procedures for Loaning Funds to Other Parties and the implementation thereof no less frequently than monthly and prepare written records accordingly. The internal auditors shall promptly notify all the Supervisors in writing of any material violation found.

#### Article 10

If, as a result of a change in circumstances, the borrowing counterparty to which the loan is extended does not meet the requirements of the Procedures, or the loan balance exceeds the limit, the Finance Division shall propose rectification plans and submit them to the chairman for approval. After the rectification plans are approved, such plans shall be submitted to the Audit Committee, and shall be carried out according to the timeframe set out in the plan.

#### Article 11

The Company shall announce and report the Company's and its subsidiaries' loan balances of the previous month in the format prescribed by the FSC by the 10th day of each month.

If the loan balances reach one of the levels stipulated in Paragraph 1, Article 22 of the FSC Regulations, the Company shall announce and report such event in the format prescribed by the FSC within two days commencing immediately from the date of occurrence.

The Company shall announce and report on behalf of any of its subsidiary that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the FSC Regulations.

## Article 12

Where any of the following circumstances occurs with respect to the receivables of the Company:

1. Accounts receivable (the counterparty includes related parties and non-related parties) fails to be collected for more than 3 months, the normal credit period, and the amount of such receivable is material.
2. Receivables except for accounts receivable, such as "other receivables", "prepayments", "refundable deposits", etc., that are material in amount or of an exceptional nature fail to be collected for more than 3 months and meet any of the following circumstances:
  - (1) The amount to be paid is non-contractual.
  - (2) The amount to be paid is inconsistent with the obligation specified in the contract.
  - (3) The reason for the payment no longer exists.

If the sum of amounts mentioned in the two subparagraphs of the preceding paragraph reaches NT\$ 300 million from individual counterparty or NT\$ 2 billion from all counterparties, the Company shall submit to the Board of Directors at least every quarter to determine if the nature of the receivables shall be classified as loaning of fund. Such receivables shall be classified as loaning of fund unless it can be proved that there is no intension of loaning of fund (such as taking legal action, proposing concrete and feasible control measures, etc.)

For receivables classified as loaning of fund by the resolution of the Board of Directors mentioned in the preceding paragraph, the Company shall count it in the total amount of loans and the limit amount for individual company in accordance with the provisions of Article 4, and announce and report it pursuant to the provisions of Article 11. Article 10 applies if the loan balance exceeds the limit after counting the aforementioned receivables.

## Article 13

The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

## Article 14

Where a subsidiary of the Company intends to extend a loan to others, and such subsidiary is a domestic public company, it shall formulate its own Procedures for Loaning of Funds to Other Parties in compliance with the regulations promulgated by the FSC. While the subsidiary of the Company is not a domestic public company, it shall formulate its own Procedures for Loaning of Funds to Other Parties 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 subsidiary to ensure that all loans extended by the subsidiary shall comply with the provisions stipulated by the subsidiary for procedures of loaning of funds to other parties of the subsidiary.

In evaluating the appropriateness of procedures for loaning of funds to other parties of the subsidiary, which is a domestic public company, such subsidiary should provide the Company with an internal audit report rendered by its internal auditors; For any subsidiary that is not a domestic public company, the Company may designate internal auditors or request the subsidiary to appoint external auditors to audit the subsidiary in a timely manner.

## Article 16

In the event where material losses are caused by the Company's managements and personnel in charge in violation of the Procedures, punishments will be imposed 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

The Procedures, after passage by the meeting of the Board of Directors, shall be submitted 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 the Audit Committee and Shareholders' Meeting for discussion. The same shall apply to any amendment to the Procedures.