

Procedure for loaning capital to others

Approved by Annual Shareholder's Meeting on 2019/6/18

Article 1	<p>(Target Borrowers)</p> <p>The target Borrowers of the Company's fund (Hereinafter referred to as the Borrowers) are limited to the following:</p> <p>(1) Companies in transaction with the Company (Hereinafter referred to as Transaction Counterparts);</p> <p>(2) Companies being in need of short-term financing (Hereinafter referred to as Short-term Finances)</p> <p>The term "short-term" as set forth in the two preceding paragraphs means one year, or where the company's operating cycle exceeds one year, one operating cycle.</p>
Article 2.	<p>(Limitation of the total loans and individual targets)</p> <p>The total funds loaned to the Borrowers under Paragraph I shall not exceed 50% of the net worth as last reviewed or checked by CPA (Hereinafter referred to as the Latest Net Worth of the Corporation).</p> <p>The aggregate amount of loans to Counterparties of business transactions shall not exceed 35% of the Latest Net Worth of the Corporation. The loan to an individual Transaction Counterpart shall not exceed the amount of business transaction between both parties. The term "amount of business transaction" as set forth herein denotes the amount of actual purchase, sale amounts in the year preceding execution of the loan contract, or the transaction amount anticipated for the year.</p> <p>The total loan to a Short-term Finances shall not exceed 15% of the Latest Net Worth of the Corporation. The loan to an individual Short-term Finance shall not exceed 10% of the Latest Net Worth of the Corporation.</p> <p>When a loan of funds for short-term financing is necessary between any two foreign companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, or from foreign companies in which the Corporation holds, directly or indirectly, 100% of the voting shares, to the Corporation, it is not subject to 40% of the lender's net worth and 1 year. However, the lender's internal "Procedures for Loaning Capital to Others" shall apply to the aggregate amount of loans and individual short-term finance amount, and tenor of loans.</p> <p>Where the Corporation's financial reports are prepared according to the International Financial Reporting Standards, "net worth" in these Regulations means the balance sheet equity attributable to the owners of the parent Corporation under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>
Article 3.	<p>(Causes and necessity of capital lending to others)</p> <p>FET may lend funds as required for short-term financing only in the following events:</p> <p>(I) Where the following targets to which FET may grant endorsement are in need of short-term financing:</p> <ol style="list-style-type: none"> 1. A firm of which the Company owns directly and indirectly more than 50 percent voting right shares. 2. A firm of which owns directly and indirectly more than 50 percent of the Company

	<p>voting right shares.</p> <p>(II) Other cases where FET's board of directors agrees to lend funds.</p> <p>The terms "subsidiary" and "parent company" as referred to in these Regulations shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>
Article 4	<p>(Capital lending to others and handling procedures)</p> <p>Where Corporation grants a loan, the borrower shall first provide the financial papers as required and apply to Corporation's Strategy & Finance Division for financing limit. The Strategy & Finance Division shall conduct prudent assessment to confirm that it lives up to the requirements set forth in the "Guiding Rules for Loan & Endorsement by Public Offering Companies" (hereinafter referred to as the Guiding Rules), these Procedures and the following. The assessment results shall first be submitted to the Audit Committee, and Board of Directors for a decision beforehand. The Board of Directors shall not authorize any others to make such decision.</p> <ol style="list-style-type: none"> I. Necessity and rationality of the endorsement. II. Creditability and risk assessment of the borrower. III. Impact upon Corporation operation risk, financial standing and shareholders' equity. IV. Whether collateral is required and the value assessed for the collateral. <p>The inter-Corporation loans of funds between the Corporation and its subsidiaries or among its subsidiaries shall be resolved by the Board of Directors of the Corporation, as well as to authorize the Chairman to grant one borrower to drawdown by tranche within specific approved ceiling amount and one year.</p> <p>As for the aforementioned ceiling amount, except those regulated in accordance with the Item 4 of Article 2, the authorized loan amount to a single party by the Corporation or together with its subsidiaries, shall not exceed 10% of the latest net worth of the Corporation.</p> <p>After financing limit is determined, the borrower shall apply to the Strategy & Finance Division with "Application for Appropriation". The loan shall not be disbursed until approved by Corporation's responsible person or the board of directors authorized representative. For the enforcement of the loan, the Strategy & Finance Division shall report to the board of directors for information.</p> <p>The borrower shall, upon applying for disbursement of the fund, provide standby instrument of equivalent amount or other collateral or guarantor(s) satisfactory to Corporation as collateral of the loan.</p> <p>When the board of directors are discussing these procedures or granting loans to others, the opinions of the independent directors shall be taken into adequate account. Their opinions, pros and cons as well as the reasons of cons shall be entered into the minutes of the board of directors meeting.</p> <p>If, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the Corporation shall adopt rectification plans and submit the rectification plans to all the Audit Committee, and shall complete the rectification according to the timeframe set out</p>

	<p>in the plan.</p> <p>Resolutions at meetings of the Audit Committee shall be adopted with the approval of one half or more of the entire membership. If not, the meeting agenda shall be adopted with the consent of two thirds or more of the entire board of directors. And the board of directors meeting minutes shall record the Audit Committee's resolutions. The term "all committee members" and all board directors" shall be calculated as the number of directors then in office.</p> <p>In the absence of concurrence by over half of all Audit Committee members for the regulatory Audit Committee consent matter(s) as required by the Procedure, the matter(s) may be implemented by approval by over two-thirds of all Directors, and the minutes of the Board of Directors shall record the resolution(s) of the Audit Committee. The term "all audit committee members" and "all board dDirectors" shall be calculated as the de facto account of numbers of directorspeople then holding respectivein offices.</p>
Article 5	<p>(Period of loan and interest calculation)</p> <p>The Funds loaned by the Corporation shall not exceed one year or the operating cycle of Short-term Finances if the Corporation's operating cycle exceeds one year.</p> <p>The period of loan depend on borrower's demand of the capital, and term of each such loan shall not exceed 3 years of inter-Corporation loans of funds between foreign companies in which the public Corporation holds, directly or indirectly, 100% of the voting shares.</p> <p>Interest on loans extended by the Corporation shall be calculated at the negotiated interest rate, and shall be adjusted from time to time in accordance with the Corporation's cost of capital. Any adjustment of interest shall first be proposed by the Strategy & Finance Division to the president of the Corporation for his approval and then, upon such approval, be implemented by the Treasury. Interest shall be settled on a negotiated periodical basis.</p>
Article 6	<p>(Subsequent control measures and procedures to deal with the overdue credits)</p> <p>For loans granted, the Corporation shall establish a record book to bear all details of the borrowers, amounts, dates of Audit Committee's approval, dates of board of directors' approval, dates the loans being granted and content being prudently assessed pursuant to Paragraph 1 of the Article 4.</p> <p>The Corporation's Internal Audit Department shall audit these Procedures and the enforcement on a quarterly basis minimum and shall work out records in writing and further keep the Audit Committee informed in writing immediately upon a critical offense noticed.</p> <p>The borrowers and guarantors' financial, business and credit standing shall be closely watched after the loan is granted. In case of collateral provided, the collateral shall be closely watched regarding a change in its value. In case of a significant change, report shall be made to the general manager forthwith with due actions taken as instructed.</p> <p>The borrower shall repay the principal and interest forthwith when due unless the borrower applied for and obtained the Board's prior approval for renewal. In case of violation, the Corporation's Strategy & Finance Division may dispose the provided collateral or claim on the guarantor(s) for repayment without a notice.</p>
Article 7	<p>(Penalty upon a breach)</p> <p>FET shall faithfully comply with the Guiding Rules and these Procedures for loans granted to others. A manager or person in charge of endorsement who violates these requirements</p>

	and thus leads to critical damage to FET or in a critical offense shall be subject to penalty in accordance with Award & Penalty Policy and Human Resources Policy concerned.
Article 8.	<p>(Procedures for declaration through public announcement)</p> <p>FET shall, not later than the 10th of every month, put into public announcement the balance of the loans granted by FET and its subsidiary(ies) in the preceding month.</p> <p>Where the balance of the loans lives up to any of the following, FET shall further declares through public announcement within two days commencing immediately from the date of occurrence:</p> <ol style="list-style-type: none"> I. FET and its subsidiary(ies) where the total balance of the loans granted exceeds 20% of the Latest Net Worth of the Company. II. FET and its subsidiary(ies) where here balance of the loans granted to any single business concern exceeds 10% of the Latest Net Worth of the Company. III. FET and its subsidiary(ies) where the newly conducting amount exceeds NT\$10 million and the balance exceeds 2% of the Latest Net Worth of the Company. <p>Where a subsidiary is not in public offering in the Republic of China, the declaration through public announcement for such subsidiary as required under the aforementioned paragraphs 3 shall be handled by FET.</p> <p>The term “declaration through public announcement” as set forth herein denotes input into the information declaration website established by the Financial Supervisory Commission, R.O.C.</p> <p>“Date of occurrence” in these Regulations means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of a loan of funds, whichever date is earlier.</p> <p>FET 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.</p>
Article 9	<p>(Procedures to control subsidiary(ies) regarding loans granted to others)</p> <p>A subsidiary of the Corporation shall, if desirous to grant loans to others, duly enact the capital lending to others Procedures in accordance with the Guiding Rules and propose to Strategy & Finance Division of the Corporation. Strategy & Finance Division shall propose the list of the subsidiary for the Board of Directors’ ratification. The Corporation’s subsidiary(ies) shall conduct according to their own procedures.</p> <p>If a Corporation’s subsidiary(ies) is characterized as a public offering companies in the Republic of China, it shall conduct declaration through public announcements individually.</p> <p>The Corporation’s subsidiary(ies) shall submit detailed statements of loans granted in the preceding month to the Corporation for assembling not later than the 5th day of every month.</p> <p>Each subsidiary of the Corporation shall examine and check whether its applying procedures for capital lending to others are in compliance with the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”. The Corporation’s auditor shall examine and check for such matters made by each subsidiary of the</p>

	Corporation.
Article 10	(Validity and update) The amendments of the Procedures shall, after being resolved by Audit Committee, and in the board of directors, be submitted to the shareholders' meeting for consent. In case of objection by a director as supported by the minutes or written declaration, Corporation shall submit the objection to the Audit Committee and shareholders' meeting for discussion.