

## **WNC Corporation Procedures Governing Loaning of Funds**

WNC Corporation (“WNC”) shall follow the Procedures set forth below for loaning funds to other parties.

**Article 1**      The parties to whom WNC may loan its funds

- I.      WNC may loan funds to other parties (the “Borrower”) pursuant to the Procedure and can be a company with which it does business, subsidiaries in need of short-term funds which WNC holds more than 50% of the shares.
- II.     The “subsidiaries” referred herein should be determined based on the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”. The financial reports will be in accord with the International Financial Reporting Standards. The net worth mentioned in these procedures is the balance sheet equity attributable to the owners of WNC under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Article 2**      Evaluation standards for loaning funds to others

- I.      In the event WNC loans funds to other parties in the course of business, the aggregate amount of the loan shall not exceed the net total amount of trade between the two companies in the most recent year. The net total amount of trade between the two companies hereby means the total purchases or sales, whichever is higher.
- II.     For the companies in need of short-term funds, the Borrower shall be limited to subsidiaries in which WNC holds more than 50% of the shares.

**Article 3**      Limits on the total loan amount and respective parties’ loan amount

- I.      The total loan amount to others shall not exceed 50% of the net worth of the latest financial report of WNC, including loans made to companies in need of short-term funds; the loan amount shall not exceed 40% of the net worth of the latest financial report of WNC.
- II.     The limit amounts for loaning to a company having a business relationship with WNC should vary according to the following situations:
  - (1)    To any enterprise in which WNC holds more than 50% of the shares, the loan amount shall not exceed the 10% of the net worth of WNC.
  - (2)    To any enterprise in which WNC holds less than 50% of the shares, the loan amount shall not exceed the 40% of the net worth of that enterprise, and the loan amount shall not exceed 10% of the net worth of WNC.
  - (3)    To other Borrowers, the loan amount shall not exceed 25% of the net worth of the Borrower, and the loan amount shall not exceed 10% of the net worth of WNC.
- III.    The limit amount for loaning to a Borrower in need of short-term funds, the loan amount shall not exceed 10% of the net worth of WNC.

**Article 4**      Term for loans of funds and the method of calculating interest rates

The term of each loan shall not exceed one year. The interest rate shall be determined by the Chairman of the Board of Directors.

Article 5 Procedures for handling loans of funds

- I. The Borrower shall enclose copies of the business-related certificates, identity cards of persons in charge of the business and essential financial materials, and file a loan amount application to WNC. After facilitating the evaluation and credit checks, the finance unit will report to the Board of Directors for authorization, but companies in which WNC directly and indirectly holds 50% or more of the voting shares may be exempt.
- II. The loans between WNC and subsidiaries or subsidiaries and subsidiaries shall be submitted to the Board of Directors for approval in accordance with the aforementioned Article. Once the loans are approved by the Board of Directors, the Chairman of the Board is authorized to disperse the funds within a year under the approved limits in several installments or revolving allocations.
- III. The aforementioned loan amount shall be in accordance with Article 3. The loan amount from WNC or its subsidiaries to any single enterprise shall not exceed 10% of the net worth of the latest financial report of WNC or the subsidiaries. For foreign subsidiaries which WNC holds 100% of their total outstanding common shares directly or indirectly, the total loan amount that these subsidiaries may provide to each other, the maximum combined amount of loans these subsidiaries may provide to WNC, and the maximum loan amount each individual subsidiary can provide to WNC, shall not exceed WNC's net worth of the latest financial report.
- IV. Upon ratification of the loan amount, the Borrower shall file related forms to the finance unit to apply for payment.

Article 6 Procedures for Ratification

- I. When the Borrower applies for a loan from WNC, it shall submit a concrete description of the necessity and reasonableness of the loan, and the finance unit will determine whether to accept the application or deny it.
- II. The finance unit shall also make an impact assessment based on the possibility of operational risk, financial conditions, and shareholders' rights and interests after loaning funds to the Borrower and submit a statement of opinion to the Board of Directors for approval.
- III. When the Borrower applies for a payment of capital from WNC, WNC should request the Borrower provide the same amount in a cheque/promissory note or secure collateral equivalent to the endorsement and/or guarantee amount, but companies in which WNC directly and indirectly holds 50% or more of the voting shares may be exempt. The finance unit shall evaluate and mark the value of the collateral.

Article 7 Announcement and reporting procedures

- I. WNC shall announce and report the previous month's balance of loans to other enterprises from itself and its subsidiaries by the tenth day of each month.
- II. WNC's loan balance reaches one of the following levels shall announce and report such an event within two days calculated from the date of occurrence:
  - (1) The aggregate balance of WNC and its subsidiaries' loan reaches 20% or more of WNC's net worth as stated in its latest financial statement.
  - (2) The capital balance of WNC and its subsidiaries' loan to a single enterprise reaches 10% or more of WNC's net worth as stated in its latest financial statement.
  - (3) The balance of WNC's or its subsidiaries' newly added loan reaches NT\$10 million or more and the aggregate amount of the loan reaches 2% or more of WNC's net worth as stated in its latest financial statement.

- III. WNC shall announce and report on behalf of any subsidiary thereof that is not a publicly traded company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the third subparagraph of the preceding paragraph.
- IV. The term “the date of occurrence” as used in these procedures is defined as the date of contract signing, the date of payment, the date of resolution of the Board of Directors, or any other date which can confirm the counterparty who receives the loan and the loan amount (whichever is earlier).

**Article 8** Subsequent measures for control and management of loans and procedures for exercising creditor’s rights upon delinquencies

- I. WNC’s finance unit shall prepare a registry containing data such as the basic information of the Borrower, the approval date and the amount of the loan ratified by the Board of Directors, the issuing date of the loan, the amount of the loan, the collateral, the interest rate, and the reimbursement date and method for the examination of the competent authorities and related personnel.
- II. After appropriating the fund, the finance unit shall examine the financial status, business status, and related credit status of the Borrower and guarantor, and if there is any collateral provided, the Finance Division should take note of any alteration in its secured value. In the event of a major change, the personnel shall inform the Chairman of the Board of Directors and handle the matter according to his instructions.
- III. When repaying the loan on or before the due date, the Borrower should calculate the interest rate in advance along with the principal and repay the loan in full. WNC will then return the promissory note with cancellation of the loan or cancel the collateral registration.
- IV. The Borrower should reimburse the principal and the interest upon the due date. If the Borrower fails to do so, WNC may take necessary actions under the law to seek compensation for its loss with respect to the loan’s collateral or the guarantor.
- V. If any event causes non-conformity of the Borrower’s qualification and the loan amount with these Procedures, WNC shall enact the revised plan, send it to the supervisors, and rectify it accordingly.

**Article 9** Penalty for violation of the procedures granting loan funds to others by managers or personnel in charge

When WNC’s employees and personnel violate these Procedures, they will be punished according to the “Personnel Administration Regulation” and the related regulations.

**Article 10** Procedures for controlling and managing loans of funds to others by subsidiaries

When a subsidiary over which WNC has control plans to loan funds to others, the subsidiary should enact the “Procedures Governing Loaning of Funds”, submit it to its Board of Directors for approval, and handle the matters according to the Procedures. The company’s Procedures Governing Loaning of Funds should follow the precedent of WNC’s Procedures described in this document. However, the loan amount and respective parties’ loan amount shall not exceed the amount described as follows:

For a subsidiary, the limits on the total loan amount and the respective parties’ loan amount should be calculated based on the subsidiary’s net worth pursuant to the rules in **Article 3** of this Procedure. The restrictions under Paragraph 1 of Article 3 and **Article 4** of this Procedure do not apply to the loan period, the total loan amount provided to each other between the foreign subsidiaries in which WNC directly and indirectly holds 100% of the voting shares, and the maximum combined amount of loans these subsidiaries may provide to WNC. However, the maximum combined amount of loans these subsidiaries provide to WNC and the maximum loan amount each individual subsidiary provides to WNC must not exceed WNC’s net worth according to the latest financial report, and must comply with the loan period regulations in this Procedure.

- Article 11 WNC shall make sufficient provision based on the condition of its loan profile, adequately disclose information in its financial statements, and provide external auditors with necessary information to conduct due audits.
- Article 12 The internal verification personnel of WNC shall verify the loan funds, other operating procedures and their implementation, and produce a quarterly written report. If a significant violation is found, the personnel shall furnish a notice to the Audit Committee in writing.
- Article 13 When WNC submits the loaning of funds for the Board of Directors' approval, the board shall take each independent director's opinions fully into consideration and record each director's reasons for and against the loan in the meeting minutes.
- Article 14 If WNC plans to provide significant loans to other parties, the plan shall be approved by more than half of the members of all the Audit Committee and submitted to the Board of Directors for resolution. If the above plan that has not been approved by the Audit Committee, the plan shall be approved by two-thirds of the Board of Directors, and the Audit Committee resolution shall be recorded in the Board of Directors meeting minutes. The proportions of the Audit Committee members in the first paragraph and the Board of Directors members in the immediately preceding paragraph will only be calculated based on the number of members presently serving.
- Article 14 -1 (Deleted)
- Article 15 These Procedures, as well as any revisions thereto, shall be approved by the Audit Committee pursuant to the related regulations and submitted to the Board of Directors for resolution. It shall be effective after approval at the shareholders' meeting. If a director holds dissenting opinions and there are records or a written statement, WNC shall submit materials of the director's dissenting opinions to the Audit Committee and report it to the shareholders' meeting for discussion. The same procedure shall apply to any amendment.
- Article 16 The first version of these Procedures was approved on April 19, 2001.  
The first amendment was approved on November 27, 2001.  
The second amendment was approved on July 25, 2002.  
The third amendment was approved on May 22, 2003.  
The fourth amendment was approved on June 16, 2009.  
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