

## United Microelectronics Corporation Endorsements and Guarantees Procedure

**Article 1:** In order to reduce the operation risk and enhance financial management, the Endorsements and Guarantees Procedure which (“Procedure”) is made pursuant to Article 36-1 of Securities Exchange Act and “Criteria for Lending of Capital and Endorsement and Guarantees made by Public Companies” (“Regulation”) is made.

**Article 2:** The parties to be endorsed and guaranteed are as follows:

- 1) Companies who have business relationship with the Company.
- 2) Companies over 50% of the common stocks of which are held by the Company directly or indirectly.
- 3) Companies which hold over 50% of the Company’s common shares directly or indirectly.

In case the Company endorses or guarantees for the invested company the amount determined according to the portion of holding shares as a shareholder based on a joint investment, the preceding section shall not govern.

The Company can endorse or guarantee for the invested companies that the Company directly or indirectly holds more than 90% of voting rights only if the proposed endorsement or guarantee resolved by the Company’s board of directors in advance. The endorsed or guaranteed amount shall not exceed 10% of the Company’s net value, However, the aforementioned rules are not applicable for the invested companies that the Company directly or indirectly holds 100% of voting rights.

**Article 2-1:** “Subsidiary” and “Parent company” mentioned in the Procedure are defined according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

“Net value” mentioned in the Procedure is defined as the balance sheet equity attributable to the holders of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

“Disclosure and report” mentioned in the Procedure represents data uploading to specific website defined by Financial Supervisory Commission.

“Occurrence of the event” mentioned in the Procedure means the date of contract signing, date of payment, date of board of directors resolutions, or other date of the counterparty and amount of transaction determined, whichever date is earlier.

**Article 3:** Types of Endorsements and Guarantees mentioned in the Procedure:

- 1) Endorsements and Guarantees for financing:
  - A. Financing by counting net present value of notes issued by anyone other the Company to other party.

B. Endorsement and guarantee for other company's financing.

C. The issuance of notes to the non-financial institutions as guarantee for the purpose of the Company's financing.

2) Endorsements and Guarantees for customs refer to the endorsement and guarantee for customs-related matters for the Company and other companies.

3) Other Endorsements and Guarantees refer to the endorsements or guarantees which cannot be categorized in the preceding two sections.

**Article 4:** The total amount of the Company's endorsements and guarantees is limited to 45% of the Company's net value, and the amount of endorsements and guarantees to one enterprise is as follows.

1) The accumulated amount of endorsements and guarantees to one enterprise shall not exceed 45% of the net value of the Company.

2) For the endorsements and guarantees to the companies having business relationship with the Company, in addition to the aforementioned amount restriction, the amount of the endorsement and guarantee shall not exceed the amount of business. The amount of business refers to the higher amount of buying or selling.

The consolidated amount of endorsements and guarantees from the Company and subsidiaries shall not exceed 45% of the Company's net value, and, for any single entity, shall not exceed 45% of the Company's net value.

**Article 5:** Decision of Endorsements and Guarantees and level of Authorization:

1) When any department has a need for Endorsements and Guarantees due to business needs, it must receive approval from the Board of Directors.

2) Material amount of endorsement and guarantee shall be reported to the board meeting after receiving the approval from more than 1/2 members of Audit Committee.

3) If, due to business need, the amount of endorsements and guarantee in Article 4 of the Procedure has to be exceeded, the consent of the board of directors through resolution has to be obtained, more than half of the directors have to provide joint guarantee for the possible loss from exceeding the amount, and the Procedure shall be amended to be presented to the meeting of shareholders for approval. If the meeting of shareholders does not concur, a plan shall be made to eliminate the part of the amount in excess.

4) Opinions from independent directors shall be thoroughly considered while make endorsement and guarantee decisions, and their concurring or opposing opinions and the reasons for objection shall be recorded in meeting minutes.

**Article 6:** Endorsements and Guarantees Procedure

1) In effecting the endorsement and guarantee, the Finance Department shall review

item by item the qualification of the company to be endorsed or guaranteed, whether the amount is in conformity with the Procedure, and if it has satisfied the criteria for disclosure and report and shall set an expiration date for providing endorsements and guarantees and analyze, evaluate the risks and make records. Then it shall, with clear reporting of the content, reason and risk evaluation, be reported to the chairman for its approval, and then presented to the board of directors to be discussed and consented to. If it is within the authorized amount which has been approved by the board of directors in advance, the chairman may approve it first and then report it to the board of directors for ratification.

- 2) Credit survey and risk assessment shall be conducted by the finance department. The items to be evaluated include:
  - i. The necessity and reasonableness of the endorsement and guarantee.
  - ii. Whether the endorsed amount is necessary in the light of the financial status of the company endorsed or guaranteed.
  - iii. Whether the accumulated amount of endorsement and guarantee is still within the limit.
  - iv. The assessment of the whether the amount of endorsement and guarantee and the amount of business is within the limit when the endorsement and guarantee is provided due to business relationship.
  - v. The impact on the operation risk, financial status and shareholder's equity.
  - vi. Whether the collateral shall be acquired and the assessed value of the collateral.
  - vii. The attachment of the record of credit survey and risk assessment of the endorsement and guarantee.
- 3) A registry for the record of endorsement and guarantee and its relief shall be established. After the endorsement and guarantee have been approved by the board of directors or the chairman of board of directors, in addition to the application for the chop, the object endorsed and guaranteed, the party endorsed and guaranteed, evaluation of risks, amount of endorsement, the collateral acquired, the condition for and date of relieving the endorsement or guarantee liability, and the date of approval of the board of directors or chairman of board of directors shall be recorded in detail for reference.
- 4) The Company shall request the delivery of notes of the same amount as a counter guarantee, or the provision of collateral if necessary. Endorsement and guarantee to the subsidiaries in which the Company directly and indirectly holds more than 50% of the voting shares are excepted from this case.
- 5) The financial department shall make a detailed list of the guarantee provided and cancelled every month for the purpose of tracing and disclosure and report and

quarterly assess and acknowledge contingent losses of the endorsement or guarantee, and disclose relevant information in the financial report and provide the certified public accountant with relevant information to proceed with the necessary auditing procedure.

- 6) If, due to change of circumstances, the endorsement which in the first place is in conformity with the Procedure becomes against the Procedure, or, due to the change of basis for the calculation of the limit, the amount of endorsement or guarantee exceeds the limit, improvement plans shall be made to eliminate the excessive amount before the stipulated time limit becomes due or within a specified time limit, delivered to Audit Committee, and reported to the board of directors, followed by scheduled improvement program.
- 7) For the company and its subsidiaries, when the net value of endorsed or guaranteed companies lower than 50% of their paid-in capital, finance department shall follow its financial status quarterly and provide written reports about unusual issues and recommendations, and report it to audit committee periodically, if any. The aforementioned paid-in capital shall be the sum of the share capital and paid-in capital in excess of par value of the share in case of a subsidiary with shares having no par values or a par value other than NT\$10.

**Article 7: The Cancellation of Endorsement and Guarantee**

- 1) If the endorsement or guarantee needs to be cancelled due to performance of debt or change of note as a result of extension of the term, the endorsed company shall deliver a formal letter with the original notes endorsed and relevant documents to the financial department to be chopped "cancellation" and returned, the application letter shall be kept for reference.
- 2) The financial department shall register the cancelled notes into the registry to reduce the accumulated amount of the endorsement.
- 3) When the notes are renewed for renewal, the financial institution usually requires company to endorse the new notes first and then return the old notes to company. Therefore, the financial department shall keep a tracing and collecting record and trace the notes back as soon as possible.

**Article 8: Internal Control**

- 1) The internal auditors of the Company shall at least quarterly audit the procedure and its implementation, make written record, and notify Audit Committee in written form if material breach of the Procedure is found.
- 2) The endorsement and guarantee of the Company shall be effected according to the Procedure, and in case of material breach, the managers and persons in charge shall be punished depending on the circumstance of the violation.

**Article 9:** Chop keeping and using procedure

- 1) The Company's chop for the registration to the Ministry of Economic Affairs shall be used as the special chop for endorsement and guarantee. Blanket notes shall be kept by the financial department.
- 2) After the endorsement and guarantee have been approved by the board of directors or chairman of board of directors, the financial department shall fill in the "application for the use of chop" and presented to the head of financial department and chairman of the board of directors along with documents such as record of approval, contract of endorsement and guarantee, or notes for approval and then have the documents chopped at the chop keeper place.
- 3) The chop keeper shall chop after examining the record of approval, application for chop, the approval of head of financial department and chairman of board of directors, and the conformity of the chop document.
- 4) When the Company provides guarantee to foreign companies, the letter of guarantee shall be signed by the chairman of board of directors authorized by the board.

**Article 10:** Disclosure and Report

- 1) The Company shall monthly disclose and report the Company's and its subsidiary's remaining amount of endorsement and guarantee of the last month before the tenth day of every month.
- 2) If the Company and its subsidiary meet any of the following criteria, the Company shall disclose and report the relevant information within two days commencing immediately from the occurrence of the event.
  - i. The Company's and its subsidiary's remaining amount of the endorsement and guarantee reaches the amount higher than the 50% of the net worth of the Company's latest financial report.
  - ii. The Company's and its subsidiary's remaining amount of the endorsement and guarantee to one single company reaches the amount higher than the 20% of the net worth of the Company's latest financial report.
  - iii. The Company's and its subsidiary's remaining amount of the endorsement and guarantee to one single company reaches NT\$10,000,000 or more, and the total remaining amount of endorsement and guarantee, investment with long-term nature and loan exceeds 30% of the net worth of the Company's latest financial report.
  - iv. The Company's and its subsidiary's newly increased amount of the endorsement and guarantee reached NT\$30,000,000 and more, and the amount exceeds 5% of the net worth of the Company's latest financial report.

If the subsidiary of the Company is not a public listed company of the country, and is

applied to item iv. of the preceding section, it shall be disclosed and reported by the Company.

**Article 11: Procedure for Controlling the Subsidiary's Endorsement and Guarantee**

- 1) If the subsidiary intends to effect endorsement and guarantee due to business need, it shall make procedure on endorsement and guarantee according to the Procedure and follow it.
- 2) In effecting the endorsement and guarantee, the subsidiary shall provide relevant data to the parent company and proceed with the endorsement and guarantee after taking into account the opinions of the relevant personnel of the parent company.
- 3) The subsidiary shall periodically report to the parent company the following development of the endorsement and guarantee.

**Article 11-1:** Any employee who violates the Procedure or the Regulation is subjected to the jurisdiction of the Company's Code of Conduct or related rules.

**Article 12:** This procedure shall be passed by Audit Committee and the board of directors, and presented to the shareholder's meeting for its approval.

Opinions from independent directors shall be thoroughly considered during the discussion and their concurring or opposing opinions and the reasons for objection shall be recorded in meeting minutes. If any member of board of directors objects to it with a record or written declaration, the Company shall present it to the meeting of shareholders for discussion.

The amendment of the Procedure shall follow the same procedure.