

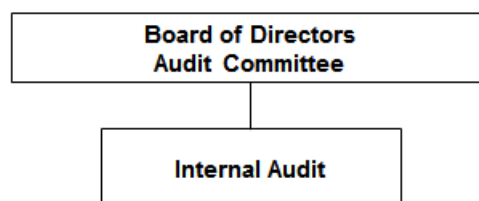
The Organization and Operation of UMC's Internal Audit

Purpose of Internal Audit

The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. UMC's Internal Audit aims to assist its Board of Directors and managers in inspecting and reviewing defects in the internal control systems, to perform audits to obtain reasonable assurance about the effectiveness and efficiency of operations, and to ensure the reliability, timeliness, transparency and regulatory compliance of reporting and compliance with applicable laws, regulations, and bylaws. Meanwhile, UMC's Internal Audit provides timely suggestions for improvement to ensure the sustainability and effective implementation of internal control tasks.

Internal Audit Organization

UMC's Internal Audit is an independent unit that reports directly to the Board of Directors/Audit Committee. In accordance with the company's scale, business conditions, management needs and other relevant laws and regulations, the company has deployed several qualified and appropriate full-time internal auditors and deputies. The appointment or dismissal of the company's chief internal auditor must be approved by the audit committee and the decision submitted to the board of directors for resolution.



Internal Audit Operation

1. Scope of Audit Work

Internal Audit work is primarily based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies. The criteria adopted by the Regulations divides internal control into five elements based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communications; 5. monitoring. Each element further contains several items. The related internal control of the sale and receipt cycle, purchase and payment cycle, production cycle, labor and wage cycle, finance cycle, property, plant and equipment cycle, investment cycle, IT cycle and research and development (R&D) cycle are involved in the operation process.

2. Audit Targets

All company divisions and subsidiaries/branches that are open for review by Internal Audit.

3. Internal Audit Practices

Internal audit units formulate audit plans based on the results of risk assessments, and conduct ad hoc audits as needed. The internal auditors conduct field inspections, prepare working papers, and write audit reports according to the checking procedures established by the audit plan. The execution of general and project-based audit plans can provide the operational status of the internal control system to management, to help them identify existing weaknesses or potential risks over time. The internal auditors will obtain improvement plans and expected completion dates as necessary and will track improvements to ensure controls are executed effectively.

The internal audit reports the implementation status and results to the board of directors/audit committee periodically or when necessary to implement the spirit of corporate governance. In addition, the internal audit units review the self-assessment reports of all units and subsidiaries/branches, together with the absence of internal controls discovered by the auditing unit and the

improvement of the abnormalities. Based on the self-assessment report, along with the improvement status of the findings in the past audits, the Board of Directors and management will judge the design and operating effectiveness of the Company's internal control system and then sign the Internal Control System Statement for UMC.