

Taxation Policy and Governance

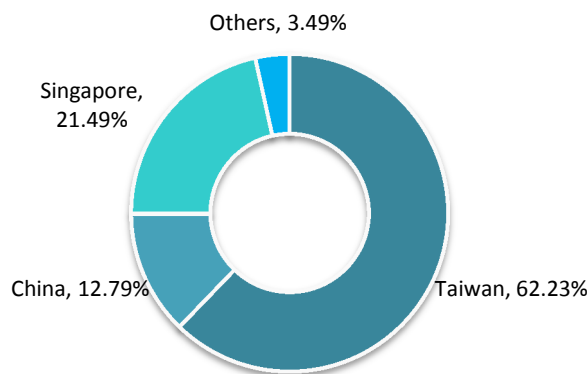
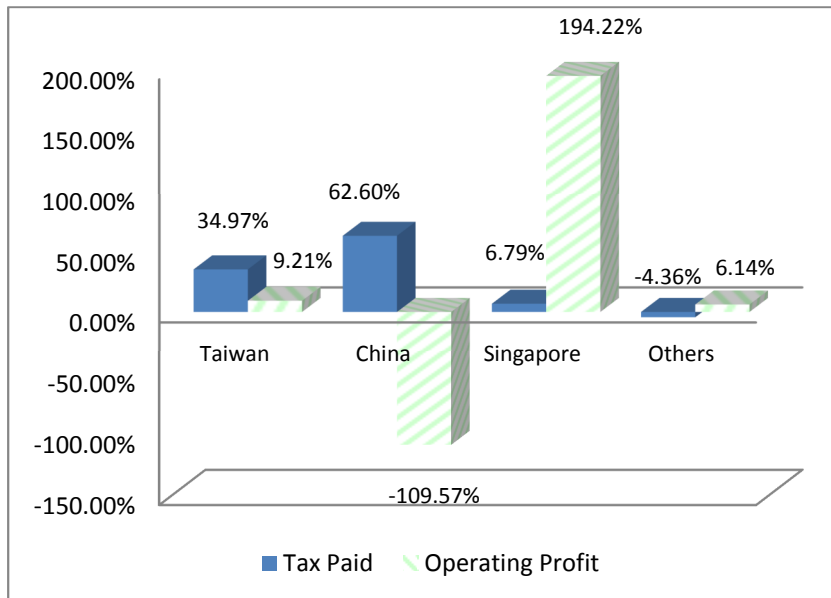
Taxation is not only a legal obligation imposed on businesses, but also an element of corporate social responsibility. Our objective is full compliance with tax disclosure and filing obligations in all jurisdictions as well as delivering the best possible return to our stakeholders. Furthermore, we attempt to be transparent about our tax approach and governance to the public. Our tax policy mainly focuses on the following:

1. Compliance with the spirit and the letter of tax laws and regulations without undertaking transactions simply for tax avoidance.
2. Transparent disclosure in financial reporting.
3. Potential risk control and management.
4. Maintenance of an open and constructive relationship with tax authorities.
5. Corporate value maximization based on the premise of not acting against the preceding points.

All of our subsidiaries around the world are liable for corporation tax in the country where they were incorporated. In view of the development of the Organization for Economic Cooperation and Development (OECD)'s Base Erosion and Profit Shifting (BEPS) project, we continually optimize our current processes, including risk management, controls and governance, to minimize taxation risks and ensure international tax compliance. Among the potential high-risk tax issues, we specifically put emphasis on the approach to transfer pricing which consists of Advance Pricing Agreements (APA) and transfer pricing documentation. Our main foreign subsidiaries have already signed the APA with their local tax authorities to secure more certainty over the tax treatment of their transactions and avoid future transfer pricing disputes. As for other significant subsidiaries located in countries without introducing APA, we have engaged one of the big 4 accounting firms as a consultant to keep us informed of OECD's work in progress and assist with our preparation of transfer pricing documentation so as to properly fulfill tax payment and filing obligations.

For being sustainable in the long term, the Audit Committee quarterly reviews the operating results and potential tax payments for monitoring risk management performance.

We do not use tax structures or secrecy jurisdictions that are intended for tax avoidance, and do not transfer value created to low tax jurisdictions. Please see the graph below to better understand our worldwide tax payment of NT\$619 million, Operating Profit of NT\$4,884 million, and revenue of NT\$148,202 million in 2019.



Breakdown of Revenue Worldwide in 2019

Note: The geographic breakdown of the Company’s revenues was based on the location of UMC and subsidiaries.