

Procedures for Guarantee and Endorsement of President Chain Store Corporation

Amended in June 2019

- I. The Company shall make endorsement/guarantee externally in accordance with these Regulations.
- I. The endorsement/guarantee made by the Company covers financing, customs duties and others. Other endorsements/guarantees mean those other than the endorsements/guarantees for financing or customs duties.
- III. The entities for which the Company may make endorsements/guarantees:
 - 1. Entities which have business relationship with the Company;
 - 2. Subsidiaries in which the Company owns more than a majority of stock with voting right directly or indirectly;
 - 3. Investees in which the Company owns more than a majority of stock with voting right directly or indirectly;
 - 4. Mutual endorsements/guarantees made by the Company for fulfillment of its contractual obligations for another company in the same industry or the joint promoter for purposes of undertaking a construction project, or endorsements/guarantees by the various shareholders of the joint venture to investees subject to the proportion of shares held by them.
- IV. Limit of endorsements/guarantees:
 - 1. The aggregate endorsements/guarantees made by the Company and its subsidiaries amount shall be no more than 50% of the Company's net worth.
 - 2. The limit of the endorsement/guarantee to be made by the Company and its subsidiaries for any single entity shall be no more than 20% of the Company's net worth. Notwithstanding, the amount endorsed/guaranteed by the Company for business transactions shall be equivalent to the higher of the purchase or sale amount of the endorsed/guaranteed enterprise during the period of 12 months, and the amount endorsed/guaranteed by the Company for franchisees shall not exceed the amount of profit shared based on the franchise agreement between the parties during the period of 12 months prior to the time of endorsement/ guarantee.
- V. The Operational Procedures for Guarantee and Endorsement:
 - 1. Evaluate the risk and set the limit of the guarantee subject to the endorsed/guaranteed entity's requirement, and make the endorsement/guarantee upon resolution of the board of directors. Notwithstanding, in order to meet the time-limit requirement, the board of directors may authorize the Chairman to grant some limit and the limit as granted shall be reported to the board of directors for ratification later.
 - 2. Where the endorsed/guaranteed entity needs to disburse the endorsement/guarantee amount within the limit, it shall report to the Company the amount of loan, duration and nature of endorsement/guarantee for examination of

the Company's financial department and authorization of the head of the accounting unit and decision of the President. Upon making the repayment, the endorsed/guaranteed company shall inform the Company of the repayment to relieve the Company from the liability for endorsement/guarantee.

3. The Company's financial unit shall prepare the memorandum book to control the said endorsements/guarantees activities.
4. The Company's internal auditors shall audit the Operational Procedures for Guarantee and Endorsement and execution thereof on a quarterly basis and record the audit in writing. Where they find any material violation of rules, they shall inform Audit Committee in writing immediately.
5. Where the entity to be endorsed/guaranteed by the Company is a subsidiary whose net worth is less than 1/2 of its paid-in capital, the Company shall review its financial statement quarterly and ask it to propose the financial correction plan.

VI. Detailed examination procedure:

The Company shall examine and evaluate the following before making endorsements/ guarantees:

1. To verify the endorsed/guaranteed entity's purpose for borrowing the loan and the limit and balance of the Company's endorsement/guarantee, and to evaluate the necessity and reasonability thereof;
2. To analyze the guaranteed entity's operation, finance and credit, and the source of repayment, so as to measure the potential risk;
3. To consider the effect to be produced by the aggregate amount of endorsement/guarantee made by the Company on the Company's operational risk, finance and shareholders' equity;
4. To evaluate the value of collaterals, if any. If any collaterals are required, it is necessary to evaluate the value thereof.
5. Where the endorsements/guarantees are made for business transactions, in addition to said issues, it is also necessary to evaluate whether the amount endorsed/guaranteed is equivalent to the transaction amount of the endorsed/guaranteed enterprise
6. Where the endorsed/guaranteed entity fails to comply with the Procedure or balance of the endorsed/guaranteed amount exceeds the limit due to change in circumstances, it is necessary to define the corrective action plan and submit the relevant plan to Audit Committee. Meanwhile, it is necessary to complete the correction as scheduled under the plan.

VII. Hierarchy of decision-making authority and authorization:

1. The Company shall make the endorsements/guarantees upon resolution of the board of directors. Notwithstanding, in order to meet the time-limit requirement, the board of directors may authorize the Chairman to grant the endorsed/guaranteed amount under the limit of 10% of net worth to any single entity, and the limit as granted shall be reported to the board of directors for ratification later.
2. The financial department is authorized to proceed with the guarantees making within the limit approved by the board of directors.

3. When the Company makes any guarantee for a foreign company, the letter of guarantee shall be signed by the representative authorized by the board of directors.

VIII. The Company shall publish and report the endorsements/guarantees in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies promulgated by Financial Supervisory Commission, Executive Yuan.

IX. The corporate chops (seals) are exclusively for making endorsements/guarantees which shall be registered at the Ministry of Economic Affairs, and shall be kept by the dedicated personnel upon approval of the board of directors. The same shall apply where the chops are altered. The personnel shall affix the chops or issue notes in accordance with the Company's relevant procedures.

X. Penalty to managers and persons-in-charge in violation of these Rules:
Where the competent staff fails to comply with these Rules and thereby cause the Company to be disciplined by the competent authority, the staff will be disciplined according to the Company's relevant rules for reward and punishment.

XI. Control procedure for endorsements/guarantees made by subsidiaries:

1. The "regulations governing endorsements/guarantees making" defined by the Company's subsidiary shall be approved by the board of directors and submitted to the shareholders' meeting for ratification. The same shall apply where they are amended.
2. Subsidiaries shall make endorsements/guarantees for others subject to the "Operational Procedures for Guarantee and Endorsement" defined by them individually, and entrust the Company to publish and declare it in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies promulgated by Financial Supervisory Commission, Ministry of Finance.
3. The Company's subsidiary shall make an endorsement/guarantee of more than 10% of its net worth in order to meet the need for business, if any, subject to prior approval of the Company's board of directors.
4. Where the entity to be endorsed/guaranteed by the Company's subsidiary is a company whose net worth is less than 1/2 of its paid-in capital, the Company's subsidiary shall review its financial statement quarterly and ask it to propose the financial correction plan.

XII. Any matters not provided herein shall proceed according to the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" promulgated by Financial Supervisory Commission, Executive Yuan and the relevant laws and regulations.

XIII. These procedures shall be agreed by the Audit Committee, passed by the board of directors, and resolved during the shareholders meeting before taking effect; the same applies to all subsequent revisions.

XIV. When the Operational Procedures for Guarantee and Endorsement are being discussed among the board of directors, the opinions of the independent directors must be fully taken into consideration. Any opinions regarding the consents or objections made by independent directors must be shown in the board of directors meeting minutes.

XV. Revisions: The initial version was revoked in June 1990.

- The revised version was revoked in June 1996.
- The revised version was revoked in June 1997.
- The revised version was revoked in June 1998.
- The revised version was revoked in June 1999.
- The revised version was revoked in June 2003.
- The revised version was revoked in June 2006.
- The revised version was revoked in June 2009.
- The revised version was revoked in June 2011.
- The revised version was revoked in June 2012.
- The revised version dated June 2019.