

# **MediaTek Inc.**

## **Operating Procedures of Endorsement/Guarantee**

*Approved by the Annual General Shareholders' Meeting 2019*

Article I : These Procedures were amended in accordance with Article 36-1 of the Securities and Exchange Act, the relevant rulings promulgated by the competent authorities and related laws and regulations.

Article II : The party to whom the Company may provide endorsement/guarantee includes the following:

- I. Any company having business transactions with the Company.
- II. Any subsidiary of the Company.
- III. Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction set forth in preceding two paragraphs. The term “capital contributing” as used in the preceding sentence shall refer to capital contributions made directly by the Company, or through a company of which the Company owns 100% of the voting shares.

No subsidiary of the Company shall provide any endorsement/guarantee to others, provided, however, that the companies in which the Company holds 90% or more of the voting shares may make an endorsement/guarantee in accordance with section 3 of Article 4 of these Procedures, and the amount shall not exceed 10% of the Company's net worth. An endorsement/guarantee made between the companies in which the Company owns 100% of the voting shares directly or indirectly shall not be subject to the aforementioned restrictions.

The term “subsidiary” as used in these Procedures shall have the meaning prescribed to it in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article III : The scope of endorsement/guarantee defined as following:

- I. Financing endorsement/guarantee:
  - (I) Endorsement/guarantee to customers' notes for cash financing with a discount.
  - (II) Endorsement or guarantee for other companies for their financing needs.
  - (III) Endorsement or guarantee to the notes issued by the Company to non-financial institutions for the Company's own financing needs.
- II. Tariff endorsement/guarantee: Endorsement or guarantee of customs

duties due made for the Company or other companies.

- III. Other endorsement or guarantee: The endorsement/guarantee which cannot be attributed to the previous two paragraphs.

The lien or mortgage provided by the Company against its assets and properties for guaranteeing another company's loan should also follow the procedures set forth herein.

Article IV : Limitation and authority of endorsement/guarantee:

- I. The amount of any endorsement/guarantee rendered by the Company and the subsidiaries in the aggregate is subject to the following limitation:
- (I) The total amount of external endorsement/guarantee shall not exceed 50% of the net worth as stated in the latest financial statements of the Company.
  - (II) The amount of endorsement/guarantee rendered to any single company shall not exceed 20% of the net worth as stated in the latest financial statements of the Company.
- II. In the event that an endorsement/guarantee is made due to needs arising out of businesses, the amount of any single endorsement/guarantee shall not exceed the amount of the business transaction between the parties. The phrase "amount of the business transaction" shall mean the amount of purchases or sales between the parties in the most recent year, whichever is higher, and shall not exceed the limitations provided in the preceding paragraph.
- III. The Company shall not render endorsement/guarantee until the matter is approved and resolved by the Board of Directors. The Board of Directors may delegate the Chairman to facilitate execution within the pre-determined limited credit of NT\$300,000,000. Such endorsement/guarantee shall be ratified by the Board of Directors afterward. When rendering an endorsement/guarantee, the Company shall take into full consideration the opinion of each independent director. Independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the meeting minutes of the Board of Directors' meeting. When, in accordance with relevant rules and regulations, endorsement/guarantee transaction is required to submit to the Board of Directors for resolution, such case shall be approved by half or more of all Audit Committee members before submitting to the Board of Directors for a resolution. If approval of half or more of all Audit Committee members is not obtained, the procedures may be implemented if approved by two-thirds or more of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

- IV. In the event that the above limits have to be exceeded to accommodate business needs, and subject to the terms and conditions provided in these Procedures, the Company must obtain consent from the Audit Committee and the Board of Directors, and, in addition, half or more of all directors must jointly endorse the potential loss that may be brought about by such an excess of limits. The Board of Directors shall also revise the limitation of quota mentioned above and have it ratified at the shareholders' meeting. If the revised limitation is not ratified at the shareholders' meeting, the Board of Directors shall furnish a plan containing a timetable to withdraw or eliminate the excess portion. In the course of discussion of this matter in the board of directors' meeting, independent directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the meeting minutes of the Board of Directors' meeting.
- V. In the event that, due to changes of circumstances, the party to whom the Company provided endorsement/guarantee no longer satisfies the criteria set forth in Article II herein, or the amount of endorsement/guarantee exceeds the limits due to changes of basis on which the amounts of limits are calculated, the Company shall draw up rectification plans to modify the total amount or the amount over the limitation of endorsement/guarantee, and withdraw these portions within the duration of contract or within the specific period. The proposed rectification plans shall be submitted to all Audit Committee members and be implemented in accordance with the timeframe set.
- VI. "The Company's net worth" referred herein shall mean the balance sheet equity attributable to the owners of the parent company under the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."
- VII. For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the financial department shall track the financial conditions of the endorsee/guarantee at least once each season. In the event of any material change, the financial department shall promptly report such material change to the Chairman of the Company and shall take appropriate action(s) per the Chairman's instruction(s). In the case of a subsidiary shares having no par value or a par value other than NT\$10, the paid-in capital referred to in the preceding sentence shall be the sum of share capital plus paid-in capital in excess of par.

Article V : I. The in-charged department shall assess risk and submit a report, stating the company for which the endorsement/guarantee is made, categories, reasons and amount, and shall provide reviewing procedures in detail,

including:

- (I) The necessity of and rationality of the endorsement/guarantee.
  - (II) The credibility and risk assessment of the company for which the endorsement/ guarantee is made.
  - (III) The impact on the company's business operations risk, financial condition, and shareholders' equity.
  - (IV) The necessity to acquire collateral and appraisal of collateral.
- II. If the company for which the endorsement/guarantee is made repays the loans, the related repayment information and documents shall be informed to the Company so that the endorsement/guarantee responsibility of the Company may be released.

Article VI : The Financial Department shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the content of endorsement/guarantee, name of the company for which the endorsement/guarantee is made, the amount of endorsement/guarantee, the date of resolution by the Board of Directors or of authorization by the Chairman, the date when endorsement/guarantee is made, and the matters to be carefully evaluated under paragraph 1 of the preceding article.

Article VII : Procedures for controlling and managing endorsements/guarantees to others by subsidiaries

- I. Where the subsidiaries of the Company propose to make endorsements/guarantees to others, the Company shall procure its subsidiaries to adopt procedures for making endorsements/guarantees that are in accordance with the Regulations Governing Lending of Funds to Others and Making of Endorsements/Guarantees by Public Companies. Such procedures will be effective after being approved by the audit committee, the board of directors and/or the shareholders' meeting, and the Company shall procure its subsidiaries to comply with such procedures.
- II. Where the subsidiaries make any endorsement/guarantee, such subsidiaries shall periodically provide the relevant information to the Company for recordation.

Article VIII : Procedures for public announcement and declaration:

- I. The Company shall announce and report the endorsements/guarantees balance of previous month of the Company and its subsidiaries by the 10th day of each month.
- II. In addition to public announcement which shall be made on a monthly basis, the Company whose balance of endorsements/guarantees reaches any one of the following categories shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (I) The aggregate balance of endorsements/guarantees of the Company and its subsidiaries reaches 50 percent or more of the Company's net

worth as stated in its latest financial statement.

- (II) The balance of endorsements/guarantees of the Company and its subsidiaries for a single company reaches 20 percent of the Company's net worth as stated in its latest financial statement.
  - (III) The balance of endorsements/guarantees reaches NT\$10 million or more, and the aggregate amount of all endorsements/guarantees of the Company and its subsidiaries, the book value of the investment calculated by equity method, and balance of loans to, a single company reaches 30 percent of the Company's net worth as stated in its latest financial statement.
  - (IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and 5 percent of the Company's net worth as stated in its latest financial statement.
- III. "Date of occurrence" referred herein shall mean the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty for the endorsements/guarantees and monetary amount, whichever date is earlier.

Article IX : Custody of the specimen seals:  
The Company shall use the corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. Chairman, authorized by the Board of Directors, shall keep the chop in the custody of a designated person according to the Company's management rule regarding chop usage, and the chop may be used to seal or issue negotiable instruments only in accordance with prescribed procedures. In the event that making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the Board of Directors.

Article X : The Company shall evaluate or record the contingent loss for endorsements/guarantees. The Financial Department shall take the initiative to trace and make sure whether or not the endorsement/guarantee cases which have expired have been annulled. The entire databases of the endorsement/guarantee shall be provided to the CPA, and shall be disclosed in the financial statements as appropriate.

Article XI : Other matters and concerns:

- I. The Company's internal auditors shall audit the operating procedures of endorsements/guarantees for others and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify all Audit Committee members in writing of any material violation found.
- II. In the event that the Company's executive officers or related personnel violate the Regulations Governing Loaning of Funds and Endorsements/

Guarantees by Public Companies, and therefore jeopardizes the Company's interest, the Company shall impose penalty or adjust their positions in accordance with the Company's internal rules.

- III. These Operating Procedures shall, after being approved by the Audit Committee and the Board of Directors, be submitted to the shareholders' meeting for approval. The same shall be applicable in case of amendment. The applicable laws and regulations shall govern where these Operating Procedures do not specified.

Article XII : The Procedures were passed in the Annual General Shareholders' Meeting dated June 21, 1999. First update was made in Annual General Shareholders' Meeting dated May 16, 2003. Second update was made in Annual General Shareholders' Meeting dated June 10, 2009. Third update was made in Annual General Shareholders' Meeting dated June 15, 2011. Fourth update was made in Annual General Shareholders' Meeting dated June 21, 2013. Fifth update was made in Annual General Shareholders' Meeting dated June 12, 2015. The sixth update was made at the Annual General Shareholders' Meeting dated June 15, 2018. The seventh update was made at the Annual General Shareholders' Meeting dated June 14, 2019.