

Procedures for Financial Derivatives Transactions

Article 1 Purpose

Responding to globalization and liberalization, the “Procedures of Financial Derivatives Transactions” serve to achieve financial flexibility, control risks, obtain appropriate benefits, and prevent significant losses caused by engaging in derivative transactions.

Article 2 Basis

To protect investment, implement information disclosure, and strengthen the establishment of a risk management system for financial derivatives transactions, the Company has formulated these procedures in accordance with Letter No. 009100610 of the Securities and Futures Management Commission 2002.12.10(2002) of the Ministry of Finance. The "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" stipulates the "Guidelines for Derivatives Trading by Public Companies".

Article 3 Scope

“Financial derivatives” referred herein are broadly defined as instruments that derive their value from the performance of interest rates, foreign exchange rates, prices of financial instruments, indexes, credit ratings, or other variables. Such instruments include swaps, options, futures, forwards, various combinations thereof, embedded derivatives contracts, bond margin trading.

Article 4 Principles and Guidelines

The Company may conduct derivatives transaction for hedging purposes, includes forward foreign exchange transactions, leveraged margin contracts, swap contract, interest rate swap, option transactions, margin transactions, futures transactions, other forward contracts, and compound contracts, etc. (The forward contracts mentioned in this article do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase and sales contracts).

Article 5 Strategy and Authorization / Delegation

Operators of the company responsible for derivative products must be divided into the following responsibilities and must not concurrently serve each other:

(I) Supervisor:

Responsible for formulating strategies, operation, risk management, education training and execution within the authorized limits (filling out operating forms, specifying trading conditions and operating reasons to the trader).

- (II) Analysts:
Collect market information, write analysis report, and advise with authorized operations executives.
- (III) Trading Staffs:
Check the authorization limit to execute the transaction and trade to the bank (legal broker) according to the transaction conditions listed in the transaction sheet of the supervisor.
- (IV) Recorder:
Confirm the transaction, make transaction record, verify the balance of the position, evaluate the profit and loss of the transaction, and report to General Manager authorized by the Board of Directors.

Article 6 Level of Delegation/Authorization

- (I) Delegated amount of forward foreign exchange transactions: shall not exceed the total foreign currency net position of the company's monthly balance sheet after the foreign currency assets minus foreign currency liabilities, and the maximum amount of each transaction shall not exceed US\$ 2 million.
- (II) Delegated amount of other financial derivatives (swap contract, interest rate swap, option transactions, leveraged margin contracts, margin transactions, futures transactions, other forward contracts and compound contracts): the maximum amount of each transaction is US\$ 1 million, and the maximum balance of the trading position is US\$ 3 million. Each transaction shall be approved by General Manager of the Company.

Article 7 Transaction Contract Dollar Amount and Loss Control

- (I) The amount of loss per forward foreign exchange transaction is capped at 10% of the contract amount, and if the loss amount exceeds this limit, the supervisor shall take appropriate stop-loss measures and report it to the risk manager.
- (II) The amount of loss per transaction of other derivative commodities is capped at 5% of the contract amount, and if the loss amount exceeds this limit, the supervisor shall take appropriate stop-loss measures and report it to the risk manager.
- (III) The cumulative net loss on forward foreign exchange transactions is limited to NT\$ 10 million, and the cumulative net loss on other derivative transactions is limited to NT\$ 5 million. If the loss exceeds this limit, the supervisor shall immediately terminate the transaction of the financial derivatives and report it to the highest risk supervisor and the Board of Directors.

Article 8 Implementation Workflow

- (I) Procedures for the trading of financial derivatives of the Company
 - 1. Level of Delegation/Authorization

2. Transaction Execution
3. Transaction Ratification
4. Accounting
5. Risk management
6. Check

Item 1 to 3 are the responsibility of the financial unit.

Item 4 to 5 are the responsibility of the accounting unit and the risk manager.

Item 6 is the responsibility of the audit unit.

- (II) The operational supervisor of the procedure is Financial Manager, the risk manager is the personnel of CEO office, and the highest risk supervisor is the Company's General Manager.

Article 9 Internal Control

- (I) Delegated amount control: The transaction personnel shall check the delegated amount before executing the transaction according to the supervisor's operating order and the recorder shall, within two days after confirming the transaction of each transaction, forward it to the risk manager for review.
- (II) The Company engages in derivative commodity trading object restrictions:
Established with the approval of our Government (a) Bank (b) Securities Company (c) Trust and Investment Company (d) Brokers of futures exchange members, who are not the four objects mentioned above, shall state the reasons for which they are approved by the highest risk supervisor.
- (III) Derivatives transactions should be assessed every two weeks and others on a weekly basis if they are safe havens for business needs. The risk assessment shall be assessed by summing up the unexpired balance of the derivative product classification. The evaluation price adopts the fair market price and correctness of the evaluation shall be reviewed by the head of the accounting unit and reported to the relevant personnel of risk management.

Article 10 Accounting Processing

Derivative products shall be accounted on a monthly basis for the loss (or profit) of the operating part balance and shall be handled in accordance with the relevant regulations of the accounting bulletin (or the competent authority).

Article 11 Internal Audit

- (I) Internal audit personnel are required to evaluate the sufficiency of the internal control system in connection with financial derivative transactions on a periodic basis, to conduct auditing of the compliance by related departments of the Procedures, and to produce monthly reports. A written report of any violation must be submitted to notify the Audit Committee of same.

- (II) The internal auditor shall report the audit report and the annual audit with the internal audit operation to the competent authority before the end of February of the following year, and the improvement of the abnormal matter shall be reported to the competent authority before the end of May of the following year.

Article 12 Supervision and Management of the Board of Directors

- (I) The board of directors appoints the General Manager as the highest supervisor of the Company engaged in derivative commodities and control the risk of derivative commodity transactions.
- (II) When the accumulated net loss in the assessment of forward foreign exchange transactions reaches NT\$10 million, and the accumulated net loss in the assessment of other derivatives reaches NT\$5 million, the highest supervisor designated by the board of directors shall report to the board of directors the statistics of derivative commodity business, including the loss assessment of the unexpired balance, so that the board of directors can understand whether the performance of engaging in derivative commodities is in line with the business strategy and whether the risk is within the acceptable range of the company..
- (III) When engaging in derivative commodity trading, the Company shall establish a reference book, which shall be published in detail in the inventory on the type, amount, date of approval of the board of directors and matters which should be carefully evaluated in accordance with items 5 and 6 of this procedure. Reference book for reference.

Article 13 Regulatory Reporting

- (I) A trader engaged in derivative commodities shall be announced within two days from the date of occurrence of the facts.
- (II) The Company shall, on a monthly basis, report and publicly disclose the financial derivative transactions conducted by it and its subsidiaries (that are not domestic public companies) up to the end of the previous month in accordance with relevant regulations.
- (III) In accordance with the provisions of the competent authorities, the financial statements shall disclose the relevant matters of the company's derivative commodity transactions.

Article 14 Penalties

If the employees of the Company undertake to obtain and dispose of assets in violation of the provisions of this procedure shall be submitted for assessment on a regular basis in accordance with the Personnel Management Measures and the Employees' Manual of the Company, and shall be punished according to the seriousness of their circumstances.

Article 15 Implementation and Amendment

The company's "procedures for dealing in derivative financial products transactions" are approved by the audit committee and the board of directors, and submitted to the shareholders meeting for approval, and the amendment is also the same. If a director expresses a disagreement and has a record or written statement, the company shall also send the disagreement information of the director to the audit committee. In addition, when the "procedures for dealing in derivative financial products transactions" are submitted to the board of directors for discussion, the opinions of independent directors shall be fully considered, and the objections or reservations shall be recorded in the minutes of the board of directors.

Article 16 Supplementary

If there are any issues that are not covered in this processing procedure, it will be handled in accordance with relevant laws and regulations.