

Regulations Governing Derivatives Transactions

1. Goal

In order to definitely manage each of the Company's derivative product trading and to lower the risk derived from the fluctuation of exchange rate and interest rate, the Regulations were formulated.

2. Scope

Whenever the Company engages in derivative product trading, it shall adhere to the relevant rules of the Regulations.

3. References

3.1 The "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" amended by the Securities and Futures Bureau, Financial Supervisory Commission in Jin-Guan-Zheng-Fa-Zhi No. 1070341072 on Nov. 26, 2018.

4. Definitions

4.1 Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, and long-term purchase (sales) contracts.

5. Contents

5.1 Trading principle and goal

5.1.1 Trading category

The scope of the Company's engagement in derivative product trading is limited to forward contracts using exchange rate and interest rate, option contracts, and swap contracts. If there is need to use the contracts derived from other products, they shall not be implemented until they have passed by the Board of Directors.

The Company's derivative product trading that shall be passed by the Board of Directors shall be agreed by over one half of all members in the Audit Committee, shall be proposed to the Board of Directors for resolution, and shall be conducted in accordance with Provision 5.8.4 ~ 5.8.5.

5.1.2 Operation and hedging strategy

The Company shall engage in derivative product trading for the purpose of hedging (including financial hedging), and shall choose a product that focuses on avoiding the risk derived from the Company's business operation.

5.1.3 Exchange rate policy

- (1) The foreign exchange that the Company holds shall match the need of the Company's actual import and export transactions, and shall square off the Company's overall position (i.e., foreign exchange income and expenditure), in order to lower the Company's overall exchange rate risk and save the operation cost.
- (2) When the change of USD/NTD reaches NT\$ 1 and above within ten business days, the Financial Division can inquire the decision team whether to change the foreign exchange operation strategy.
- (3) Other transactions of specific purpose shall be evaluated prudentially and executed in accordance with Provision 5.1.4 (3)b.

5.1.4 Delegation of duties

- (1) Personnel of Finance Department
 - a. Responsible for planning the strategy of the Company's financial product trading and executing the mission of delivery.
 - b. Supervisors of the Finance Department execute trading confirmation.
 - c. The Finance Department shall periodically calculate positions every two weeks, gather market information, make judgment on the trend and evaluate risks, plan operating strategies, and submit reports with resolved authority.
 - d. Executing transactions according to approved given strategies and the regulations of authorized quota.
 - e. When there are significant changes to the financial market, and the transaction has been identified to be not applicable to the given strategy by the Finance Department, an evaluation report may be proposed anytime. The strategy may be rearranged and submitted by the Head of Financial Division to the Chairman for approving the change of strategy.
- (2) Accounting personnel
 - a. Examining whether the transaction has been executed according to the authorized authority and given strategy.
 - b. Conducting evaluation every month. The evaluation report shall be submitted to the supervisor Vice General Manager.
 - c. Processing accounting affairs.
 - d. Reporting and publishing in accordance with the regulations of the Securities and Futures Bureau, Financial Supervisory Commission.
- (3) Authorization quota
 - a. Transaction for hedging
 - (a) The authorized quota is formulated as follows according to the Company's revenue and the change of risk positions:

Currency: USD or EUR

	Transaction amount of each deal	Accumulated net position
Head of Financial Division	1,000,000	12,000,000
Manager (Vice Manager) of Finance Department	500,000	3,000,000

(b) If the accumulated position exceeds the authorized quota and is within the total contract value of hedging transaction defined in Provision 5.1.6(1), when there is need to execute the transaction and the quota increase is within USD 10,000,000 or EUR 10,000,000, the transaction may be conducted after it has been approved by the Chairman under authorization and shall be reported to the most recent board meeting.

b. Transaction for specific purpose:

(a) For the transactions conducted for specific purpose, such as the substantial foreign exchange need derived from purchasing producing machinery, they shall still be conducted with the regulated authority of hedging transactions in accordance with the above Provision a.

(b) Other transactions of specific purpose for saving interests, such as Interest Rate Swap (IRS), shall not be conducted until the project has been reported to the Board of Directors for approval; Cross Currency Swap (CCS) shall not be conducted until the project has been reported to the Chairman for approval, and is not restricted by the authorized quota in the above Provision a about hedging transactions.

5.1.5 Performance evaluation

(1) Transaction for hedging

a. The performance evaluation is conducted based on the income or loss derived from the Company's foreign exchange cost on the account and engagement in derivative product trading.

b. In order to fully master and present the trading evaluation risk, the Company evaluates income and loss with monthly evaluation. At the beginning of each month, the competent personnel shall submit the foreign exchange income statements of the previous month to the supervisor Vice General Manager for examination.

c. The Financial Division shall provide evaluation on foreign exchange position, trend of foreign exchange market and market analysis to the supervisor Vice General Manager as the reference and guidance for management.

(2) Transaction for specific purpose

The actual income or loss is the reference for performance evaluation, and the personnel of Financial Division shall periodically prepare statements for the

position and provide them to the management for reference.

5.1.6 Total amount of contract

(1) Transaction for hedging

The total contract amount of the Company's engagement in derivative product trading shall not exceed the foreign exchange position of import and export in the most recent six months. The Financial Division shall control the Company's overall position to avoid trading risk. The dollar amount for hedging transactions is limited to the Company's overall net position. If it exceeds the limit due to special conditions, it shall be reported to the Chairman for approval.

(2) Transaction for specific purpose

- a. Based on the prediction of market changes, the Financial Division may plan strategies depending on its needs. The transactions for specific purpose shall not be conducted until they have been reported to the Chairman and approved.
- b. The total contract amount of the Company's accumulated net position of the transactions conducted for specific purpose of foreign exchange needs is limited to US\$ 10 million. Amount exceeding the limit above shall be agreed by the Board of Directors and shall be conducted according to policy guidance.
- c. The Company's transactions conducted for specific purpose for saving interests (e.g., IRS and CSS) shall be conducted according to the authorized total contract amount of the project, and shall be reported to the latest board meeting.

5.1.7 Upper limit of the loss of trading contract

- (1) For individual contracts, stop loss points shall be set or the delivery of substantive position shall be prepared according to the market conditions. In principle, the maximum loss amount if each deal is US\$ 50,000.
- (2) The upper limit of the loss of all contracts shall not exceed US\$ 300,000.
- (3) For contracts of specific purpose for saving interests, such as Interest Rate Swap (IRS), the project has been reported to the Board of Directors for approval; for CCS, there is no loss risk eventually and is not regulated by the loss limit of contract defined in the above Paragraph (1) and (2).

5.2 Traders and controlling measures

5.2.1 The Company's personnel engaging in derivative product trading and confirmation shall be served by the personnel with positions above and including (Vice) Manager in the Financial Division.

5.2.2 When the Company engages in derivative product trading, it shall set up a memorandum book, in which the types, dollar amount, date on which it is passed by the Board of Directors, items that shall be prudentially evaluated in accordance with Provision 5.5.1(2), 5.5.2(1) and 5.5.3(1) are listed with details for examination.

5.3 Risk management measures

5.3.1 Credit risk management

Since the market is easily affected by each factor, the operation risk of derivative products easily occurs. The Company shall conduct operation risk management according to the following principles: (1) Counterparty: mainly the Company's correspondent banks; if there is need to interact with other legal financial institutions, the Company shall propose to the Chairman for approval in advance. (2) Products: generally the products provided by the Company's correspondent banks.

5.3.2 Market risk management

Mainly the public foreign exchange and interest rate markets provided by the banks; the futures market is temporarily not considered.

5.3.3 Liquidity risk management

In order to ensure market liquidity, financial products with higher liquidity (i.e., they can be squared off at any time on the market) are the main choices. Financial institutions entrusted to conduct the transactions must have sufficient information and the ability to trade on any market at any time.

5.3.4 Cash flow risk management

In order to ensure the stability of the Company's working capital turnover, the Company's source of funds for derivative product trading is limited to its own funds, and its operating amount should consider the funding requirements for the cash revenue and expenditure forecast for the next three months.

5.3.5 Operation risk management

- (1) The authorized quota of the Regulations and operation process shall be definitely followed and included into internal audit to avoid operational risk.
- (2) In principle, the confirmation personnel engaging in derivative product trading shall not concurrently serve as the delivery personnel.
- (3) The registration personnel shall check if the total transaction amount has exceeded the foreign currency assets and liabilities and the accumulated net position of the operating quota at any time. If the amount exceeds the limit, the Company shall report it to relevant supervisors.
- (4) The evaluation, supervision and controlling personnel shall be different with the personnel defined in the above Provision (2), and shall report to the supervisor Vice General Manager who is not responsible with the trading.

5.3.6 Product risk management

The trading personnel of the Finance Department should have complete and correct professional knowledge of financial products, and shall require banks to fully disclose risks, in order to avoid the risk of misusing financial products.

5.3.7 Legal risk management

While the first financial product contract is signed with a financial institution or when there is any change to the content of a standard contract with a correspondent bank, the contracts shall not be formally signed until they have been reviewed by foreign

exchange traders and legal personnel to avoid legal risks.

5.4 Internal audit

- 5.4.1 Internal auditors shall periodically understand the appropriateness of the internal control of derivative product trading, check the compliance of the trading department with the Regulations on a monthly basis, analyze the trading cycle, and make an audit report. If a major violation is discovered, the Audit Committee shall be notified in writing.
- 5.4.2 The internal auditor shall report the audit report and the implementation status of the annual audit work plan to the Securities and Futures Bureau, Financial Supervision Commission before the end of February of the following year, and report the improvement condition of abnormal situations to the Securities and Futures Bureau, Financial Supervision Commission by the end of May of the following year for reference.

5.5 Supervision and Management of the Board of Directors

- 5.5.1 When the Company engages in derivative product trading, the Board of Directors shall definitely conduct supervision and management according to the following principles:
- (1) The designated supervisor Vice General Manager shall take notice of the supervision and control of the trading risk of derivative product anytime.
 - (2) Periodically evaluating whether the performance in engaging in derivative product trading suits the given operating strategy and whether the undertaken risk is within the scope that the Company can tolerate.
- 5.5.2 The supervisor Vice General Manager authorized by the Board of Directors shall manage transactions of derivative products according to the following principles:
- (1) Periodically evaluating whether the existing risk management measures are appropriate, and definitely execute in accordance with the Regulations.
 - (2) Supervising the status of transactions and income or loss, taking necessary response measures and immediately reporting to the Board of Directors if any abnormal conditions are found. The Company's Board of Directors shall assign independent directors to attend the board meeting and present their opinions.
- 5.5.3 Regulations of periodic evaluation on the position and status of income or loss of derivative product trading:
- (1) Conducting an evaluation once a week, and reporting the “Weekly Evaluation Table of Foreign Exchange Operation (9-A8-02-04)” to the Head of Financial Division and transferring to the supervisor Vice General Manager for examination.
 - (2) At the beginning of each month, the competent personnel prepare the “Table of Realized Exchange Income and Loss of Foreign Exchange Operation (9-A8-02-05)” based on the actual operation status in the previous month, and evaluate and prepare the “Table of Unrealized Exchange Income and Loss of Foreign Exchange Operation (9-A8-02-06)” based on the month-end closing

exchange rate. After They have contacted the accounting unit, they shall send the tables to the supervisor Vice General Manager for examination and send a copy to the Audit Room.

5.5.4 When the Company engages in derivative product trading, it shall authorize relevant personnel to conduct the transaction in accordance with the Regulations. The status of relevant handling process shall be reported to the most recent board meeting after the occurrence of the transaction.

5.6 Publishing and reporting

5.6.1 If the Company engages in the derivative product trading with loss amount reaching the upper limit of the whole or individual contract defined in Provision 5.1.7 of the Regulations, it shall conduct publishing and reporting within two days after the date of occurrence.

5.6.2 Procedures for publishing and reporting

- (1) The Company shall publish and report relevant information on the website designated by the Securities and Futures Bureau, Financial Supervisory Commission.
- (2) The Company shall, on a monthly basis, enter the status of engagement in derivative product trading of the Company and its non-domestically publicly listed subsidiaries as of the end of the previous month in the regulated format into the information reporting website designated by the Securities and Futures Bureau, Financial Supervisory Commission before the tenth of each month.
- (3) When the Company engages in derivative product trading, if there are mistakes or emissions in the items that shall be published in accordance with laws when published, all of the items shall be published and reported again.

5.6.3 Format of publishing

- (1) For the derivative product trading with loss reaching the upper limit of trading contract defined in Provision 5.1.7, the format of publishing within two days after the date of occurrence is as Appendix 6.1.
- (2) For the companies engaging in derivative product trading, the format of publishing before the tenth of each month is as Appendix 6.2.

5.7 Penalty

If the related personnel engaging in derivative product trading violates the Regulations, they shall be reported to be examined in accordance with the Company's personnel management rules and the Handbook for Employees, and shall be penalized according to the severity of the matter.

5.8 Implementation and amendment

5.8.1 The formulation or amendment to the Regulations shall be conducted in accordance with Provision 5.8.3, and shall be implemented after sent to the Audit Committee and proposed to the shareholders' meeting for approval. If there are any directors

rendering disputes and the disputes are recorded or made into written statements, the Company shall send the data of disputes to the Audit Committee and propose to the shareholders' meeting for discussion.

- 5.8.2 When the Company proposes the Regulations to the Board of Directors for discussion in accordance with Provision 5.8.1, the opinions of each independent director shall be fully considered. The clearly consenting or opposing opinions provided by independent directors shall be stated in the board meeting minutes.
- 5.8.3 When there are formulations or amendments to the Regulations, they shall be agreed by over one-half of all members of the Audit Committee, and shall be proposed to the Board of Directors for resolution.
- 5.8.4 If the regulations have not been agreed by over one-half of all members in the Audit Committee, they may be conducted under the approval of over two thirds of all directors, and the resolutions of the Audit Committee shall be clearly stated in the board meeting minutes.
- 5.8.5 The so-called all members in the Audit Committee and all directors in Provision 5.8.4 are counted based on those who are still in office. If there are matters not completed in the Regulations, they shall be conducted in accordance with relevant laws and regulations.

5.9 The Regulations were formulated on June 28, 1996.

The first amendment was made on March 26, 1998.

The second amendment was made on August 26, 1999.

The third amendment was made on November 18, 1999.

The fourth amendment was made on June 5, 2003.

The fifth amendment was made on June 8, 2006.

The sixth amendment was made on June 20, 2014.

The seventh amendment was made on June 11, 2015.

The eighth amendment was made on May 30, 2019.