

FIC Global Inc.

Procedures for Engaging in Derivative Transactions

Established on October 12, 2004

Articles 4, 7, and 11 were amended,

and Article 12 was deleted on June 18, 2012.

Articles 2, 10 and 15 were amended on June 5, 2019

- Article 1 To effectively manage the risks arising from fluctuations in foreign exchange rates, interest rates, and the transactions of derivative financial instruments conducted by the Company, this procedure has been established. Any matters not covered by this procedure shall be handled in accordance with relevant laws and regulations.
- Article 2 Derivative instruments as referred to in this procedure refers to forwards contracts, options contracts, futures contracts, leverage margin contracts, and swaps, the value of which is derived from the underlying interest rate, financial instrument price, commodity price, exchange rate, price or fee rate index, credit rating or credit index, or other variable; or combinations of the above contracts; or hybrid contracts or structured products containing embedded derivatives.
- Forward contracts as referred in this procedure does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.
- Article 3 The terms used in this procedure are subject to the definitions in Article 4 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter referred to as the Regulations).
- Article 4 The total amount of derivative trading contracts engaged in by the Company and the maximum loss limit for each individual contract.
- I. Total amount of hedging contracts
- The total authorized amount for foreign exchange transactions - Based on the total assets of the previous year audited by a CPA.
- The total authorized amount for interest rate transactions - Based on the total liabilities of the previous year audited by a CPA.
- II. Hedging transactions are based on the actual demand for the hedged assets or liabilities. If there is a price difference loss of more than 5% compared to the market price, it must be reported to the Chairman, who will decide whether to cut losses based on operational needs and the expected financial market conditions. The loss limit for individual contracts and total contracts shall not exceed 50% of the contract amount. Upon reaching this limit, the positions must be promptly closed.
- III. The total amount of open contracts for financial transactions shall not exceed USD 20 million. The loss limit for individual contracts and total contracts in financial transactions shall not exceed 20% of the contract amount. Upon reaching this limit, the positions must be promptly closed.
- Article 5 The principles for the division of responsibilities in the Company's derivatives trading activities are as follows:
- I. Traders and personnel involved in confirmation and settlement operations must not hold concurrent positions, and these personnel shall be approved by the Chairman.
- II. Risk measurement, supervision, and control personnel shall belong to different departments than the aforementioned personnel and shall report to senior managers authorized by the Board of Directors.

- Article 6 The authorization limits and levels for derivative product transactions conducted by the Company are as follows:
- I. Hedging transactions: Based on the Company's revenue and changes in risk positions, personnel designated by the Chairman shall conduct transactions for individual deals with positions up to USD 5 million or cumulative transaction positions up to USD 10 million (inclusive). Transactions exceeding USD 10 million require approval from the Chairman before proceeding.
 - II. Non-hedging transactions: To mitigate risks, all such transactions must be approved by the Chairman before proceeding.
- To ensure that the trading counterparties comply with the Company's supervisory management, the trading authorizations and levels specified in this section shall be communicated to the counterparties. However, all written confirmations with transaction counterparties, regardless of the amount, must be signed by the Chairman.
- Article 7 The Company and its subsidiaries shall announce and report the status of derivative transactions as of the end of the previous month in accordance with relevant laws and regulations on a monthly basis.
- If losses from derivative transactions reach the loss limit specified in Article 4, the relevant information shall be announced and reported in accordance with relevant regulations within two days from the date the loss occurs.
- In addition to the provisions of the previous two Paragraphs, any other matters that are required to be announced and reported in accordance with other laws and regulations shall be handled in accordance with relevant regulations. When such circumstances arise in the Company and its subsidiaries, the Company shall announce and report in accordance with relevant regulations.
- If there are errors or omissions in the items that the Company is required to announce, it shall re-announce and report all items for correction.
- Article 8 Risk Management Measures
- I. Credit risk:
The Company's transaction counterparts are limited to financial institutions that have a credit line with the Company, and professional information is provided as a principle.
 - II. Market risk:
The Company shall continuously manage the risks arising from fluctuations in market prices of derivative financial products due to changes in interest rates, exchange rates, or other factors.
 - III. Liquidity risk:
To ensure liquidity, transaction counterparties must have sufficient facilities, information, capital, and trading capabilities, and be able to conduct transactions in major international markets.
 - IV. Cash flow:
In addition to adhering to the various provisions of the authorized limit table, trading personnel should pay attention to the Company's cash flow on a regular basis to ensure that there is sufficient cash available for settlement.
 - V. Operational risk:
The amount of authorization and the operating procedures must be strictly followed to avoid operational risks.
 - VI. Legal risk:
Any documents signed with financial institutions should use internationally standardized documents whenever possible to mitigate potential risks.

- Article 9 Regular Evaluation Methods and Abnormality Handling
- I. Positions held from derivative transactions should be evaluated by trading units or personnel at least once a week. However, for hedging transactions conducted for business purposes, evaluations should be conducted at least twice a month. The evaluation reports should be submitted to senior management authorized by the Board of Directors.
 - II. The personnel responsible for measuring, supervising, and controlling risks should prepare a risk evaluation report each quarter and submit it to senior management authorized by the Board of Directors.
 - III. Senior management authorized by the Board of Directors should continuously monitor and control the risks associated with derivative transactions, and regularly assess whether the performance of these transactions aligns with established business strategies, as well as whether the assumed risks are within the Company's acceptable limits.
 - IV. Senior management authorized by the Board of Directors should regularly assess whether the currently employed risk management procedures are appropriate and being implemented in accordance with this procedure. They should monitor trading and profit and loss situations, and if any anomalies are detected, they should take necessary countermeasures and immediately report to the Board of Directors.
- Article 10 Internal audit personnel should regularly assess the adequacy of internal controls over derivative transactions and conduct monthly audits of the compliance of the Trading Department's procedures for engaging in derivative transactions, generating audit reports. If any major violations are discovered, they should promptly notify the Audit Committee in writing.
- Article 11 The Finance Department should establish a record book for derivative transactions, and detail the types of derivative transactions, amounts, dates of board approval, and matters that require careful evaluation according to Article 9, Paragraphs 1 and 2, for reference.
- Article 12 (Deleted)
- Article 13 In the event that relevant personnel violate this procedure during derivative transactions, the Company shall handle the matter in accordance to the Company's Personnel Management Rules.
- Article 14 If a subsidiary of the Company intends to engage in derivative transactions, the Company shall urge it to establish procedures for handling such transactions, which must be submitted to its Board of Directors for approval and implemented after obtaining consent from its shareholders' meeting.
- If a subsidiary of the Company engages in derivative transactions, it shall provide relevant information to the Company for verification on a regular basis.
- Article 15 This procedure shall be implemented after obtaining the approval of more than half of all members of the Audit Committee, submitting it to the Board of Directors for resolution, and obtaining approval from the shareholders' meeting. The same applies to amendments. If the approval of one-half or more of all Audit Committee members as required in the preceding paragraph is not obtained, the procedure 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.