

# Nanya Technology Corporation

## Handling Procedures to Engage in the Derivative Transaction of Products

Amended by the Annual Shareholders' Meeting on May 30, 2019

### Chapter 1 General Provisions

Article 1: The "Handling Procedures to Engage in the Derivative Transaction of Products" (the "Procedures") of Nanya Technology Corporation (the "Company") was established in accordance with Article 19 of the "Procedures for Acquisition or Disposal of Assets" of the Company.

Article 2: The derivative products referred to herein shall mean any contracts with worth derived from a specified interest rate, financial instrument price, commodity price, currency 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. Such instruments include forward, options, futures, leverage, or swap contracts.

Article 3: Forwards referred to herein do not include insurance, performance, post-sale service, long-term sales/procurement contracts.

Article 4: The characteristics of derivative transactions can be classified into "hedging purposes" and "trading purposes" based on the purposes of the derivative transactions.

The principle of the Company's derivatives transactions is to manage volatility resulting from fluctuation in the financial markets such as movements in foreign exchange rates, interest rates, and asset price.

### Chapter 2 Operation Procedures

Article 5: The amount of engaging in derivative transactions of the Company shall not exceed 50% of net value of the Company. The limit of loss for all and individual contracts shall not exceed 10% of the contract amount. The content of each contract shall be appraised and decided by the high-level manager authorized by the Board of Directors. The authorized level and amount are set as follows:

| <u>The authorized Level</u> | <u>The authorized amount of each project or each transaction</u> |
|-----------------------------|------------------------------------------------------------------|
| The Board of Directors      | > 100M USD equivalence                                           |
| President                   | 10M < USD equivalence ≤ 100M                                     |
| Financial officer           | ≤ 10M USD equivalence                                            |

Major derivatives transactions of the Company (i.e. the authorized amount of each project or each transaction is more than 100M USD equivalence) shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Article 6: The transaction personnel(s) of the Department, which is in charge of derivative transactions, shall follow the dealing strategy in accordance with the approved deal terms and conditions of derivative transactions. Also, the transaction personnel shall execute deals directly with counterparties. After the aforesaid deals are done, the transaction personnel(s) shall deliver the relevant transaction receipts to the settlement person(s) to conduct the settlement procedures. Afterwards, the settlement personnel(s) shall proceed the signing of contracts, the opening of a bank account, settlement and the closing of accounts with transaction counterparties in accordance with the trading conditions.

Article 7: For the derivative transactions of the Company, the Company shall establish a comprehensive management information system towards the balance position of the transactions, profit/loss analysis and so on to ensure proper risk control and monitoring and to respond to abnormal situations in time.

### **Chapter 3 Information Disclosure Procedures**

Article 8: The Company shall, on a monthly basis, report and make a public announcement of the derivative transactions engaged by itself, up to the end of the previous month in accordance with the required form on the website designated by the competent securities authority before the tenth day of each month. If derivative transactions of which maximum loss for all or individual contract exceeds 10% of contract amount respectively, or any amendment, termination or cancellation of the original contract occurs, the Company shall report and make public announcements accordingly on the website appointed by SFB within two days from the date of the event.

Article 9: When the Company's subsidiaries are not domestic public companies and are participating in derivative transactions, the Company shall follow the requirements of Article 8 hereof to report and make public announcements on behalf of its subsidiaries.

Article 10: Should there be any mistake or omission in the Company's required public announcement and so needs to be corrected, the Company shall repeat its public announcement of all items.

Article 11: The Company shall upload the auditing report regarding the derivative transactions and the implementation status of annual auditing plans of internal audits in the regulated

form to the website designated by the competent securities authority before the end of February of every year.

Article 12: The Company shall upload the improvement situation for any abnormal affairs regarding the Procedures to the website designated by the competent securities authority before the end of May of every year.

#### **Chapter 4 Internal Control and Internal Audit**

Article 13: The Company engaging in derivative transactions shall adopt appropriate risk management practices with regards to credit risk, market risk, liquidity risk, cash flow risk, operation risk and legal risk. The personnel that deal the transaction of derivative products, and make confirmation of these transactions and make settlements of these transactions shall not be the same. Regarding the appropriateness assessment towards the risk measurement, monitoring and control, and risk management procedures, the President Office of the Company should periodically report to the high-level manager(s), who is authorized by the Board of Directors of the Company.

Article 14: The positions from the trading of derivative products shall be evaluated at least once a week by the in-charge department, but the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and monitoring of derivative transactions from time to time, and periodically supervise and evaluate the derivative transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be given to a high-level manager(s) authorized by the Board of Directors of the Company. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the upper loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors of the Company. There shall be independent directors attending the Board meeting and express their opinions.

Article 15: The Company shall establish and maintain a reference book to record all its derivative transaction information, including, but not limited to: kind of transaction, amount, and matters to be evaluated cautiously in accordance with Article 14 hereof.

The auditing personnel shall be in charge of periodically assessing the appropriateness of the internal control regarding the derivative transactions, shall conduct monthly audit to evaluate whether the trading department conform to the Procedures, and shall prepare the auditing report on a monthly basis accordingly. If the auditing personnel find any

material fault of the operation procedures, he or she shall report such fault to the Audit Committee of the Company in writing and the Company should, depending on the status of such material fault, penalize the relevant personnel, who make such material fault, in accordance with the human resources management policies.

Article 16: The Company's control and monitoring procedures towards the derivative transactions by the Company's subsidiaries are as follows:

1. If the Company's subsidiaries intend to conduct derivative transactions, the Company shall urge that its subsidiaries establish their own "Handling Procedures to Engage in the Transaction of Derivative Products".
2. The Company's subsidiaries shall submit the reference content of the derivative transactions of the previous month to the Company for review by the fifth date of every month.
3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall submit a written notice to the Company of such violations. The Company shall closely monitor the violation(s) and the resulting improvements.

### **Chapter 5 Supplemental Provision**

Article 17: After the Procedures are approved by the Board of Directors of the Company, the Procedures shall be submitted to the Shareholders Meeting of the Company for approval. Any amendment is subject to the same procedure. The opinions of objection or reservations from the independent Director(s) of the Company shall be placed on record in the meeting minutes of the Company's Board of Directors meeting.

The matters for which paragraph 1 requires submitted to the Board of Directors for a resolution shall first be approved by more than half of all Audit Committee members. If the approval by more than half of all Audit Committee members is not obtained, the aforesaid matter may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

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Note :

"Regulations Governing the Acquisition and Disposal of Assets by Public Companies" has deleted Accounting Handling Principles, and IFRS has been applied. Therefore, Chapter 4 Accounting Handling Principles from the Article 14 to 16 shall be deleted.