

Procedures for Financial Derivatives Transactions of Compal Electronics, Inc.

Article 1 Objective

These Procedures for Financial Derivatives Transactions (hereinafter referred to as the "Procedures") are enacted in accordance with applicable laws and regulations to protect shareholders' rights and interest, fulfill the requirement of public disclosure of information and establish a risk management policy governing the operation of financial derivatives transactions by the Company.

Article 2 Definition

"Financial derivative" referred herein shall mean forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, which have the value derived from the specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or any other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

Article 3 Principles and Strategies

When operating financial derivatives, the Company shall follow the principles and the operating strategies as follows:

1. Principles:

The Company's financial derivative operation is mainly to eliminate currency risk, interest rate risk, etc. arising out of operating activities and shall take steady and hedging approach.

2. Strategies:

(1) Asset or liability positions currently held by the Company and those required in the future will be used as hedging operations in consideration of the future market changes.

(2) As a result of changes in the environment, engaging in financial derivative trading operations to avoid business financial risk and minimize the Company's losses.

Article 4 Type of Instruments

The major financial derivatives operated by the Company in the financial market are listed below: Type of Instruments trading on the spot market	Forward Contract	Option	Swap
Exchange Rate	Forward Exchange Contract	FX Option	1. Currency Swap 2. Cross Currency Swap
Interest Rate	Forward Rate Agreement	Interest Rate Option	1. Interest Rate Swap 2. Cross Currency Swap

The Company's engagement in any other financial instruments not set forth above shall be subject to special approval of the Chairman.

Article 5 Boundary / Scope

Operations of financial derivatives by the Company shall fall within the scope of the following items:

1. Sales revenue.
2. Expenses for purchasing material, product and equipment.
3. Long-term and short-term loans.
4. Other operating and non-operating transactions.

Article 6 Responsibility

To facilitate the trading operations, the respective department concerned shall complete cash budget material on time or be responsible for implementation of relevant works.

Article 7 Level of Authority

1. Total Authorized Contract Dollar Amount
 - (1) Transactions to hedge exchange rate risk: The dollar amount of total contracts outstanding shall not exceed the aggregated turnover in the most recent twelve (12) months.
 - (2) Transactions to hedge interest rate risk: The authorized dollar amount of total contracts outstanding shall not exceed the total amount of liabilities.
 - (3) Transactions to hedge project risk: The authorized dollar amount of total contracts outstanding shall not exceed total project budget.
2. Levels of authorization and delegation, contract amount limits and deputy appointment are handled in accordance with the "Authorization and Delegation Form" and applicable regulations.

Article 8 Operating Procedures

The "Operating Instructions to Engage in Financial Derivatives Transactions" shall expressly set forth the operating procedures.

Article 9 Internal Control

1. Risk Management

(1) Credit Risk Control

The corresponding banks that the Company deals with should be the financial institutions with outstanding credit rating, sizable business and capable to provide professional information.

(2) Market/Price Risk Management

Considering the fact that the fluctuation in the market price of derivative products may result in loss, after conclusion of the position, it is required to strictly conform to the established stop-loss points for hedging and non-hedging transactions.

(3) Liquidity Risk Control

- i. Liquidity of Financial Products: It is necessary to consider whether the traded products are common and universal in the market.
- ii. Liquidity of Cash Flow: It is necessary to pay attention to the Company's cash flow from time to time to ensure the successful settlement upon maturity of the various transactions.

(4) Operating Risk Control

It is necessary to strictly comply with the authorized limit, operating procedure for transactions, and entry and control related to the transaction record.

(5) Legal Risk Control

Any contract in respect of transactions shall first be reviewed by the Legal Department before being signed to avoid any risk arising therefrom.

(6) Product Risk Control

Personnel in charge of operating financial derivatives must possess complete and accurate professional knowledge to avoid loss arising from the misuse of financial derivatives.

2. Internal Control

The purposes of internal control are to prevent and detect any unauthorized transactions, transactions beyond the scope of authorization, unrecorded transactions and unrecognized loss. Requirements are including the following:

- (1) The Company shall, in the name of the Company, officially inform the corresponding banks in writing of the trader being assigned. The same shall apply where the trader is changed.
- (2) After completion of each transaction, the form about transaction shall be filled in after completion of each transaction and forwarded to the Accounting Department for entry, and bank confirmation letter shall be subsequently provided to the Accounting Department for reference.
- (3) The functions of trading, confirmation and settlement shall be performed by different personnel. Each responsible personnel must not hold a concurrent post or acting as each other's deputy.
- (4) Personnel responsible for confirmation shall check the transaction records truly and control the transaction positions.
- (5) Accounting personnel shall check the account with the corresponding banks or ask for the statement of account periodically.

- (6) Audit and accounting personnel shall check whether the total transaction amount exceeds the total authorized contract amount under these Procedures from time to time.
- (7) Audit personnel shall conduct an independent post-audit for the entire operation process of each trading.

3. Regular Evaluation

- (1) The department implementing the transactions shall require the respective corresponding bank to provide a list of pricing and price evaluation information about the undue transactions of each type of instruments.
- (2) The department implementing the transactions will prepare an assessment report on each type of instruments based on such information accordingly.
- (3) The assessment report shall be submitted to the high-level management authorized by the Board of Directors and the Accounting Department for review.
- (4) The Board of Directors and the authorized high-level management authorized by the Board of Directors will handle this matter in accordance with Article 14 herein.
- (5) The indicators for performance evaluation
 - i. Hedging transactions:
The profits and losses from both hedged item and hedging tool are the basis of performance evaluation.
 - ii. Non-hedging transactions:
To evaluate the actual profits generated and losses incurred.

Article 10 Setting Stop-Loss Point

The loss ceilings on all contracts and the loss ceiling on each individual contract are respectively set as follows:

Purpose	Hedging	Non-Hedging
The loss ceiling on all contracts	15% of the contract value of all contracts	5% of the contract value of all contracts
The loss ceiling on each individual contract	15% of the contract value of each individual contract	5% of the contract value of each individual contract

When the loss of hedging transactions reaches 10% of the contract value of each individual contract or all contracts, it should be reported to the high-level executives authorized by the Board of Directors.

Article 11 Disciplinary Sanction

In case where an employee of the Company is in violation of these Procedures and other applicable laws and regulations, a proper disciplinary punishment may be imposed on such employee based on the seriousness of the case and in accordance with the Reward and Punishment Rules under the Regulations of Personnel Administration adopted by the Company.

Article 12 Public Announcement and Reporting

The reporting standard, content and deadlines for public announcement and reporting of financial derivative transactions shall be handled in accordance with regulations enacted by the competent authorities.

Article 13 Internal Audit

1. Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a regular basis, to conduct monthly auditing on how well the related departments follow these Procedures, and to produce report accordingly. Should there be any serious violation found, a written report must be submitted to the audit committee and independent directors.
2. Internal audit personnel is required to submit the foresaid report and the implementation status of the annual audit plan to the competent authorities no later than the end of February in the following year and the unusual item improvement status to competent authorities for records no later than the end of May in the following year.

Article 14 Supervision and Management

1. The supervision and management conducted by the Board of Directors shall meet the following principles:
 - (1) Appointing high-level management to monitor and control the financial derivatives transaction risk from time to time.
 - (2) Evaluating regularly whether the financial derivatives performance meet the established business and operating strategies of the Company and whether the associated risks thereof have exceeded the Company's risk tolerance.
2. The high-level management authorized by the Board of Directors shall manage the financial derivative transactions according to the following principles:
 - (1) Evaluating, on a regular basis, whether the risk management measures currently adopted by the Company is appropriate and whether the risk management measures are taken in accordance with these Procedures herein.
 - (2) Monitoring transactions and the status of profit and loss, taking necessary countermeasures and reporting to the Board of Directors immediately if abnormal events are detected.
3. Personnel authorized to engage in the financial derivatives transactions in accordance with these Procedures shall report the transaction status to the most recent Board of Directors afterward.

Article 15 Implementation and Amendment

The Procedures shall be agreed by no less than half of all audit committee members and approved by the Board of Directors, and enter into force after the approval of resolution by the Shareholders Meeting. The same procedure applies to the amendment of the Procedures.

When the Procedures are submitted to the Board of Directors' Meeting for discussion

in accordance with the provisions prescribed herein, the opinions of each Independent Director shall be fully taken into consideration; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be recorded in the minutes of the Board of Directors' Meeting.

If pursuant to the applicable laws and regulations, the financial derivatives transactions should be approved by the audit committee, such transaction should be agreed by no less than half of the audit committee members, and approved by the Board of Directors.

The independent director's opinions shall be fully taken into consideration when, pursuant to the applicable laws and regulations, any the financial derivatives transaction is submitted to the Board of Directors for discussion. If the independent director has any dissenting opinions or makes any reservation, they shall be stated in the minutes of the meeting of the Board of Directors.

If the approval by no less than half of the audit committee members is not obtained in accordance with the foregoing provisions, the approval of two-thirds of all the Directors should be obtained instead. In this case, the resolution made by the audit committee members shall be stated in the minutes of the meeting of the Board of Directors.

The calculation of the number of the above-mentioned audit committee members and Directors is based on those who at the time take office.

Article 16 Enactment of Operating Instructions

Detailed operating instructions are drafted by Financial Department and then decided by the Chairman duly authorized by the Board of Directors.

Article 17 Supplementary Provisions

These Procedures were approved by the Board of Directors' Meeting and entered into force on July 25, 1996.

The 1st amendment was adopted by the Board of Directors' Meeting on March 17, 2003 and was implemented after it was approved by the General Shareholders' Meeting on June 10, 2003.

The 2nd amendment was adopted by the Board of Directors' Meeting on February 16, 2006 and was implemented after it was approved by the General Shareholders Meeting on June 9, 2006.

The 3rd amendment was adopted by the Board of Directors' Meeting on April 30, 2012 and was implemented after it was approved by the General Shareholders' Meeting on June 22, 2012.

The 4th amendment was adopted by the Board of Directors' Meeting on May 8, 2014 and was implemented after it was approved by the General Shareholders' Meeting on June 20, 2014.

The 5th amendment was adopted by the Board of Directors' Meeting on May 11, 2015 and was implemented after it was approved by the General Shareholders' Meeting on June 26, 2015.

The 6th amendment was adopted by the Board of Directors' Meeting on August 11, 2015 and was implemented after it was approved by the General Shareholders' Meeting on June 24, 2016

The 7th amendment was adopted by the Board of Directors' Meeting on May 13, 2019 and was implemented after it was adopted by the resolution of the General Shareholders' Meeting on July 21, 2019