

# EPISIL TECHNOLOGIES INC

## Procedures for Financial Derivatives Transactions

### Article 1 Legal basis

This processing procedure is handled in accordance with Article 36-1 of the “Securities and Exchange Act” and the “ Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

### Article 2 Scope and Definition

Derivative products” refers to forward contracts, option contracts, future contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rates, indexes of prices or rates, or other variable or hybrid contracts combining the above contracts

### Article 3 Scope and Definition

The term “forward contracts” does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

### Article 4 Scope and Definition

Margin trading of Bond shall be regulated by the Procedure for financial Derivatives Transactions.

### Article 5 transaction type

The types of derivative products that the company can engage in include forward contracts, options, interest rate or exchange rate exchanges, futures, and compound contracts formed by combining the above commodities, etc. If it is necessary to engage in other commodity transactions, it should be approved by the board of directors before it can be done. ◦

### Article 6 Hedging strategy

The company engages in derivative commodity transactions, based on the principle of risk avoidance, and uses the receivables and payables or assets and liabilities generated by the company's business to hedge against the net position after the due date, amount and currency are offset.

### Article 7 Authorization

The financial planning team is responsible for the formulation and implementation of strategies related to derivatives transactions, as well as the regular assessment and reporting of positions held, and the board of directors appoints senior executives who are not members of the financial planning team to be responsible for the measurement, supervision and control of related risks

### Article 8 Essential for Performance evaluation

The financial planning team should evaluate and review the operational performance based on market prices every week, but if the hedging transaction is required for business, it should be evaluated at least twice a month, and it should be regularly reported to the

chairman and general manager every month to review and improve the hedging strategy.

#### Article 9 Contract amount

1. Transactions to avoid foreign exchange risks: the total contract amount shall not exceed the total amount of foreign currency transactions for the current year.
2. Transactions to avoid interest rate risk: the total contract amount shall not exceed the total liability amount.
3. Transactions to avoid exchange rate and interest rate risks arising from the project: the total contract amount shall not exceed the total project budget.

#### Article 10 Total and individual contract loss Limit

hedging transaction : The upper limit of contract losses shall not exceed 15% of the contract amount, applicable to individual contracts and all contracts.

special purpose transaction : The company does not engage in non-hedging transactions.

#### Article 11 Authorization amount and level, execution unit

1. Hedging transactions: According to changes in the company's turnover and risk positions, the general manager is authorized to approve transactions with a single or cumulative transaction position of less than US\$5 million (including equivalent currencies), and those exceeding US\$5 million or more , shall be approved by the chairman of the board of directors.
2. In order for the company's authorization to cooperate with the relative supervision and management of the bank, the authorized transaction personnel must inform the bank.
3. Derivatives transactions conducted in accordance with the aforementioned authorization shall be reported to the Board of Directors at the latest after the event.

#### Article 12 operating procedures

The position of derivative instruments shall be weekly evaluated. Personnel engaged in derivative financial product transactions should collect market information monthly, conduct trend judgments and risk assessments, and formulate operational strategies, which will be used as a basis for trading after approval by the authority.

#### Article 13 operating procedures

After the derivatives transaction is completed and confirmed to be correct by the transaction confirmation personnel, the processing clerk shall be notified by filling out the “Exchange Hedging Transaction Form”.

#### Article 14 operating procedures

The processing clerk fills in the “Imported Foreign Exchange Contract Details Report” based on the “Exchange Hedging Transaction Form”, and handles the delivery matters after being signed by the supervisor of the financial unit.

#### Article 15 operating procedures

When the company engages in derivatives transactions, it shall establish a registration book, in which the type and amount of derivatives transactions, the date of approval by the board of directors, and matters that should be carefully evaluated in accordance with

regulations shall be detailed in the registration book for reference.

#### Article 16 Information Disclosure

The completion of a derivatives transaction and confirmation by the transaction confirmation personnel shall be handled in accordance with relevant regulations. In addition, the company and its subsidiaries that are not domestic public offering companies shall enter into the information reporting website before the tenth day of each month in accordance with the prescribed format, in accordance with the prescribed format, that the company and its subsidiaries that are not domestic public offering companies have engaged in derivatives transactions as of the end of the previous month.

#### Article 17 Accounting Management

The financial planning team should immediately hand over the cash receipts and payments arising from foreign exchange operations to the accounting unit and record them in the account ◦

#### Article 18 Accounting Management

The company's accounting treatment method for derivative commodity transactions shall be handled in accordance with the relevant provisions of the accounting system, except for those stipulated in this handling procedure. ◦

#### Article 19 Internal Control

The trader, verifying clerk, and processing clerk shall not be the same person.

#### Article 20 Internal Control

The scope of risk management should include credit, market price, liquidity, cash flow, operation and legal risk management. Supervising and processing personnel shall belong to different department and report to the Board of Directors or senior management with no responsibility for trading or position decision-making.

#### Article 21 Internal Control

The position of derivative instruments shall be weekly evaluated; transactions for business needs shall be biweekly evaluated. The evaluation report shall be proved to manager authorized by the Board of Directors ◦

#### Article 22 Internal Control

Designate senior manager authorized by the board of directors to pay attention to risk supervision and risk control for financial derivative products. Periodically evaluate whether the performance of the financial derivative products falls within the range of already specified operational strategies and tolerance of risk taking.

It should also periodically evaluate whether the currently used risk management procedures are appropriate and are actually handled in accordance with the relevant provisions of this procedure.

#### Article 23 Internal Control

Supervise loss incurred by transactions. When serious abnormal events occur,

corresponding actions should be taken and a report shall be submitted immediately to audit committee and board of directors. Where there are independent directors, the board of directors shall have independent directors present and express their opinions.

**Article 24 Internal Audit**

The internal audit personnel shall understand the internal control procedures for derivative transactions procedure and conduct monthly audits and submit corresponding reports. If any misdeed is found, reports shall be made to Audit Committee promptly. If violation of laws or this Procedure, punishment will be given according to the severity of the violation.

**Article 25** This procedure shall become effective upon approval by Audit Committee and the Board of Directors and be reported to the shareholders meeting. Any amendment is subject to the same procedure.

**Article 26** These measures were enacted on June 6, 2014.

The first amendment was made on June 22, 2017.