

Procedures of derivative product transactions for E.SUN FHC

Amended at the shareholders' meeting on June 9, 2006

Amended at the shareholders' meeting on June 24, 2010

Amended at the shareholders' meeting on June 8, 2018

Amended at the shareholders' meeting on June 12, 2020

Amended at the shareholders' meeting on June 17, 2022

(If there is any discrepancy between Chinese version and English version of the articles of incorporation of the Company, the Chinese version shall prevail.)

Article 1 To strengthen risk management while engaging in derivatives trading (hereafter "this Business") and ensure disclosure of pertinent information, these Procedures are adopted pursuant to relevant regulations set by the competent authority.

Article 2 For the purpose of these Procedures, the term "derivatives" refers to 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, or long-term purchase (sales) contracts.

Article 3 The Company shall engage in derivatives trading mainly with a view to hedging.

Article 4 If a hedging transaction is applicable to hedge accounting compatible with IFRSs recognized by the competent authority and the Company's accounting system, there shall be an official designation document with regard to the hedging relationship (consisting only of an eligible hedging instrument and an eligible hedged item) thus established as well as the Company's risk management goals and hedging strategy upon activation of this relationship. The said document shall specify identification of the hedging instrument, the hedged item, and the nature of the risk being hedged as well as ways how the

Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and approach for setting the hedging ratio).

Article 5 The Company shall abide by the principle of “giving priority to security and liquidity, followed by profitability and then by growth potential” while engaging in this Business; it shall also proceed prudently by following the guideline of “policy compliance, market adaptation, research and development, and equal emphasis on quality and quantity.”

Article 6 The Company shall conduct this Business with the following trading counterparties:

1. Member brokerages of financial futures and options exchanges at the world’s international financial centers.
2. Insurance companies, securities houses, or other financial institutions assigned by credit rating agencies long-term credit ratings equivalent to A or higher.
3. The world’s top 500 banks (those ranked among The Banker’s Top 500 Banking Brands by Tier 1 capital or the World’s Top 500 Banks named by American Banker by assets), including their wholly owned subsidiaries that may share the trading quotas allotted to parent companies or other financial institutions.
4. Any other counterparty warranted by business needs and approved by the highest-ranking managerial officer.

Article 7 The tenors of derivatives contracts shall not exceed the following:

1. Forward exchange and foreign exchange swap agreements: not longer than five years.
2. Forward rate agreements: not longer than two years.
3. Interest rate and asset swaps: not longer than ten years.
4. Cross currency swaps: not longer than ten years.
5. Financial futures: not longer than two years.
6. Financial options:
 - (1) For any option listed on a financial center exchange, the course of life of the underlying asset shall be honored, with the tenor of contract not longer than two years.
 - (2) For any option financial institutions trade with one another, the tenor of a cap and floor contract shall be not longer than ten years while that of other financial options, not longer than five years.

7. Credit derivatives: not longer than five years.
8. To trade any derivative that the tenor exceeds relevant limits specified above, it is imperative to secure approval of the president on a case-by-case basis.

Article 8 The department head charged with this Business may go ahead and approve a derivatives transaction meant for hedging within the following authorized quotas and under the conditions attached. A summary of the said trading authorization is as follows:

1. The quota authorized for each trading counterparty

Unit: US\$ million

Business Item \ Quota/Category	Trading Quota
1. Forward exchange and foreign exchange swap agreements	20
2. Forward rate agreements	30
3. Interest rate and asset swaps	30
4. Cross currency swaps	30
5. Financial futures	20 (note)
6. Financial options	30 (note)
7. Other derivatives	30

Note: Transactions of financial futures and options made with Financial Center Exchanges shall be excluded from relevant quota calculation.

2. In any hedging transaction, the contractual total of any given derivatives trade shall be capped at the total amount of the underlying asset.
3. Authorized quotas shall be determined by using the following formula:
The authorized quota for any trading counterparty shall be calculated by drawing on the risk weighting chart of the Company; the contractual value or principal is first to be converted into a US dollar equivalent before being multiplied by the risk weighting number corresponding to the duration of the contract.
4. When any of the aforesaid quotas is exceeded, it is imperative to secure approval of the president on a case-by-case basis.

Article 9 The department head charged with this Business may, within the scope of his

or her authorized quota, delegate this authorized quota in writing among trading managers and related personnel according to their respective positions and abilities as well as the characteristics of the local financial market. A filing, however, shall be made to the Risk Management Committee for record within one week after the date of authorization.

Article 10 The Company's personnel engaging in derivatives trading and those responsible for confirmation and settlement of such transactions shall not act concurrently in each other's capacity. Their duties shall be distinctly divided. Risk management personnel shall be charged with the evaluation, supervision, and control of related risks and report to senior managerial officers who are not in charge of decision-making with respect to derivatives transactions or positions.

Article 11 While engaging in derivatives trading, the Company shall take into account all possible risks associated with credit, market prices, liquidity, cash flow, operations, and applicable laws.

Article 12 The Company's highest-ranking managerial officer in charged with this Business is the president, who shall supervise and control all the risks associated with derivatives trading at all times and assign the chief risk officer to manage credit, liquidity, operational, and legal risks.

Article 13 The Company shall evaluate derivatives transactions conducted for the purpose of hedging to accommodate business needs at least twice each month and present an evaluation report to the highest-ranking managerial officer thereof. Upon detection of any irregularity in the market price evaluation report, the senior managerial officer responsible for risk management shall report to the Board of Directors and take necessary countermeasures.

Article 14 The Company shall conduct an annual assessment to determine if the risk management measures currently employed are appropriate, whether the Company's derivatives trading performance is consistent with established operational strategy, and whether the risk taken on is within the Company's tolerable range, and it shall present its findings to the Board of Directors.

Article 15 The Company's Auditing Division shall conduct at least a routine audit on

the department charged with this Business each year. Special audits and unscheduled follow-up checks and examinations shall also be conducted.

Article 16 The Company's internal audit personnel shall evaluate the suitability of the internal control mechanism for derivatives trading on a regular basis and conduct a monthly audit on the trading department to gauge its compliance with these Procedures, analyze trading cycles, compile an audit report, and, upon detection of any material violation, notify the Audit Committee in writing.

Article 17 The Company's Board of Directors shall faithfully supervise and manage derivatives trading in accordance with the following principles:

1. The highest-ranking managerial officer shall pay continuous attention to monitoring and controlling the risks associated with derivatives trading.
2. Annually evaluate whether the Company's derivatives trading performance is consistent with established operational strategy and whether the risk taken on is within the Company's tolerable range.

Article 18 The Company's highest-ranking managerial officer charged with derivatives trading shall manage derivatives trading in accordance with the following principles:

1. Conduct an annual assessment to determine if the risk management measures currently employed are appropriate and faithfully conducted in accordance with these Procedures.
2. Oversee the status of trading and profits or losses and, in the event of any irregularity, take necessary countermeasures and immediately report to the Board of Directors.

Article 19 As the Company engages in derivatives trading, it shall prepare a log book to truthfully record the following information with respect to every transaction: the type and amount of the traded derivative, date of the Board of Directors extending approval, and items that call for prudent deliberation listed in Article 13, Paragraph 2 of Article 17, and Paragraph 1 of Article 18 of these Procedures.

Article 20 Every month the Company shall disclose the details of derivatives trading it engaged in up to the end of the previous month along with its monthly operational results and file a report thereof.

Article 21 The department charged with this Business shall scrutinize the operations of the Company's trading counterparties and the credit changes of their host countries at all times, and take proper countermeasures when necessary and file a report thereof to the Risk Management Committee for record.

Article 22 In the event that the Company incurs an aggregate loss in all derivatives contracts equivalent to 3.5% of its net worth given on the consolidated financial statements of the most recent quarter, the Company shall, based on the nature at point and using the prescribed format, make a public announcement and disclose related information on websites designated by the Financial Supervisory Commission within two days of the date of occurrence (inclusive). The Company shall announce and report an unrealized loss from derivatives if such a loss reaches the threshold given in Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.

Article 23 Except where these Procedures apply, the Company shall abide by its *Procedures for Handling the Acquisition and Disposal of Assets* while engaging in derivatives trading.

Article 24 While engaging in derivatives trading with counterparties regulated by Article 45 of the *Financial Holding Company Act*, the Company shall abide by its internal operational guideline set specifically for such transactions. Yet, a supermajority resolution of the Board of Directors shall be required for engaging in derivatives trading with any subsidiary of the Company.

Article 25 These Procedures shall first secure adoption by the Board of Directors before being presented to the Audit Committee and a shareholders' meeting for approval. In the event of any director raising objection on record or making a written statement, this record or statement shall be presented to the Audit Committee.

Article 26 These Procedures shall be implemented upon adoption by the Board of Directors and approval of a shareholders' meeting.