

Niko Semiconductor Co., Ltd.

Procedures for Engaging in Derivatives Trading

Article 1: Purpose

In order to effectively manage the company's income and expenditure, assets and liabilities due to changes in foreign exchange, interest rates and other risks arising from the company's engagement in derivative commodity transactions, this processing procedure is specially formulated. If there are any matters not covered in this procedure, it shall be handled in accordance with the relevant laws and regulations.

Article 2: Trading Principles and Guidelines

1. Types of transactions

Derivative commodities referred to in this procedure refer to transaction contracts whose value is derived from commodities such as assets, interest rates, exchange rates, or other interests, such as forward contracts, option contracts, futures contracts, exchange contracts, and the aforementioned commodities A composite contract, etc. The so-called forward contracts do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sale) contracts.

2. Operation and hedging strategies

The company is engaged in the trading of derivatives, based on the principle of avoiding risks, and using the company's purchases and sales or assets and liabilities arising from the business to hedge the maturity date, amount and currency position. Before the transaction is carried out, it must be determined as a safe-haven operation.

The scope of the company's derivatives operations is limited to the use of forward foreign exchange (Forward) and exchange transactions (Swap).

3. Division of Powers and Responsibilities

(1) Traders: Head of the Finance Department.

(2) Confirmation and delivery personnel: Personnel from the financial department other than those in charge of the financial department

are responsible for the confirmation and delivery of derivatives transactions.

(3) Measurement and evaluation personnel: personnel from the accounting department.

4. Total transaction quota and upper limit of total and individual contract losses

(1) Total transaction volume:

I. The sales amount of each currency in the recent or next five months shall be 1.25 times the greater.

II. The purchase amount of each currency in the recent or next four months shall be 1.25 times the larger one.

III. The above two amounts are calculated separately and must meet their respective conditions.

IV. The total transaction quota is a revolving quota, and the external economic environment and internal operating conditions are reviewed at the end of each year and reported to the board of directors for adjustment.

(2) The upper limit of contract losses: no more than 10% of the contract amount, applicable to individual contracts and all contracts.

5. Performance Evaluation

(1) The board of directors shall authorize senior executives to regularly supervise and control whether derivatives transactions are actually handled in accordance with the trading procedures set by the company, and whether the risks borne are within the allowable scope, and when there are abnormal situations in the market price assessment report (such as When the holding position has exceeded the loss limit), it shall report to the board of directors immediately and take corresponding measures.

(2) Derivative commodity trading shall be assessed twice a month, and its assessment report shall be submitted to the general manager and chairman for approval.

Article 3: Operating Procedures

1. Authorization amount and level: Traders must apply for an authorization quota every month according to the economic environment and company operating conditions within the total transaction quota approved by the board of directors.
2. Execution unit: The transaction personnel of the financial department will conduct transactions with the financial institution according to the approved quota, and then the confirmation and delivery personnel will handle the contract signing, account opening, delivery and settlement with the counterparty on the transaction content.
3. When the company engages in derivatives trading, if it authorizes relevant personnel to handle the transaction in accordance with the provisions of this procedure, it shall report to the most recent board of directors afterwards.
4. The company shall establish a reference book when engaging in derivative commodity transactions, and record the details of the type, amount, date of approval of the board of directors and matters that should be prudently evaluated in the derivative commodity transaction in the reference book for reference.

Article 4: Announcement and declaration procedures

1. The company shall, on a monthly basis, report the situation of the company and its subsidiaries that are not domestic public offering companies engaged in derivative commodity transactions as of the end of last month, and make announcements and declarations in accordance with relevant laws and regulations.
2. In addition to the provisions of the preceding paragraph, if there are other matters that should be announced and reported according to laws and regulations, they shall be handled in accordance with the relevant provisions. When the company is not a subsidiary of a domestic public offering company, and the situation specified in this paragraph occurs, the company shall also handle the announcement and declaration on its behalf.
3. If there are errors or omissions in the announcement of the items that should be announced by the company and should be corrected, the company should re-announce and declare all the items.

Article 5: Internal Control System

1. Risk management measures

- (1) Credit risk: The transaction counterparty is based on the principle of financial institutions that have business dealings with the company or can provide professional information, in order to reduce the possibility of losses due to non-performance by the counterparty to the transaction.
- (2) Market risk: The company shall control the risk of changes in the market price of derivative financial products due to changes in interest rates, exchange rates or other factors at any time.
- (3) Liquidity risk: In order to ensure liquidity, the object of the transaction must have sufficient equipment, information and trading capabilities, and can conduct transactions in any market.
- (4) Cash flow risk: The company shall maintain sufficient liquid assets and financing lines to meet the demand for delivery funds.
- (5) Operational risk: The execution of the transaction must strictly comply with the authorized quota and operating procedures to avoid operational risks.
- (6) Legal risk: The documents signed by the company and the counterparty must be reviewed by internal legal personnel before they can be formally signed to avoid legal risks.
- (7) Commodity risk: Internal traders and counterparty financial institutions should have complete and correct professional knowledge on the derivatives traded, and require financial institutions to fully disclose risks to avoid losses caused by misuse of derivatives.

2. Internal control

- (1) Traders and confirmation (delivery) operators shall not serve concurrently.
- (2) The measurement and evaluation of relevant risks shall be reported by the personnel of the accounting department in writing to the supervisory and control personnel, and the supervisory and control personnel shall be responsible to the board of directors.

3. Periodic evaluation methods and handling of abnormal situations

- (1) The financial unit shall evaluate the hedging transactions for business needs at least twice a month, and report to the general manager and the chairman or a person designated by written authorization.
- (2) The board of directors shall not only designate the general manager or a person designated by written authorization to be responsible for the supervision and control of the risk of derivative financial commodity transactions, but also evaluate whether the performance of the derivative commodity transaction is in line with the established business strategy and risks assumed. Whether it is within the acceptable range of the company.
- (3) The general manager of the company or the person designated by the company's written authorization shall regularly evaluate whether the currently used risk management procedures are appropriate and are actually handled in accordance with the provisions of this procedure. If there is any abnormal situation, it shall immediately report to the board of directors and take necessary countermeasures.

Article 6: Internal Audit System

Internal auditors shall regularly understand the adequacy of the internal control of derivatives transactions, and check on a monthly basis the transaction department's compliance with the procedures for dealing with derivatives transactions, analyze the transaction cycle, and prepare audit reports. Notify the Audit Committee in writing.

Article 7: Other matters

1. This procedure is approved by the audit committee and then sent to the board of directors for resolution and submitted to the shareholders' meeting for approval, and the same is true for amendments.
2. When this procedure is submitted to the board of directors for discussion, the opinions of the independent directors shall be fully considered, and the opinions and reasons for their approval or disapproval shall be recorded in the meeting minutes.
3. When submitting it to the Audit Committee for discussion in accordance with the provisions of Paragraph 1, it shall be approved by

more than half of all members of the Audit Committee, and a resolution shall be submitted to the board of directors. If not approved by more than one-half of all members of the audit committee, it may be implemented with the consent of 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.

4. All members and directors of the audit committee referred to in the preceding paragraph shall be counted on the basis of those who actually hold office.
5. The managers and organizers of the company who engage in derivative commodity transactions shall follow the provisions of this handling procedure, so that the company will not suffer losses due to improper operation. In case of violation of relevant laws and regulations or the provisions of this handling procedure, the punishment shall be handled in accordance with the relevant personnel regulations of the company.

Article 8: Supplementary Provisions

If there are any matters not covered in this procedure, please follow the relevant laws and regulations.

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