



# 銘旺實業股份有限公司

## HAKERS ENTERPRISE CO., LTD.

### Policies and Procedures for Financial Derivatives Transactions

#### **Article 1: Legal Basis**

To safeguard investments, promote information transparency, and enhance the establishment of risk management systems for financial derivatives transactions, this processing procedure is established in accordance with the "Guidelines for the Acquisition or Disposal of Assets by Publicly Listed Companies."

#### **Article 2: Definitions and Scope of Application**

1. In this processing procedure, the term "financial derivatives" refers to forward contracts, options contracts, futures contracts, leverage margin contracts, swap contracts, combinations of the aforementioned contracts, or composite contracts embedded with financial derivatives, where their values are derived from specific interest rates, financial instrument prices, commodity prices, exchange rates, price or rate indices, credit ratings or credit indices, or other variables.
2. The term "forward contracts" in this processing procedure does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase/sales agreements.
3. Matters related to bond margin trading shall be handled in accordance with the relevant provisions of this processing procedure.

#### **Article 3: Types of Transactions**

When engaging in financial derivatives transactions, the company's trading activities are limited to forward foreign exchange and options products denominated in foreign currencies only.

#### **Article 4: Hedging Strategies**

The foreign exchange operations carried out through the products mentioned in the preceding article are solely for the purpose of mitigating foreign exchange risk in the company's operations and fund management. No speculative trading is allowed, and the currency holdings must match the actual foreign currency requirements arising from the company's import and export transactions.

#### **Article 5: Allocation of Responsibilities**

The Finance and Accounting Department is responsible for formulating and executing strategies related to financial derivatives transactions, as well as conducting regular assessments and reporting on held positions. Senior executives from departments other than Finance and Accounting, designated by the Board of Directors, are responsible for measuring, supervising, and controlling risks.

#### **Article 6: Performance Evaluation**

The Finance and Accounting Department shall assess and review operational performance based on market prices weekly and provide regular reports to the Chairman and the General Manager on a monthly basis to review and improve the hedging strategies in use.

#### **Article 7: Contract Limits**

The total amount of forward foreign exchange trading contracts in foreign currencies shall not exceed the total foreign currency requirements arising from the company's import and export transactions. For foreign currency options transactions, when assessed at market prices, the total amount of option contracts requiring exercise shall not exceed USD 10 million.

#### **Article 8: Maximum Aggregate and Individual Contract Loss Limits**

The maximum aggregate loss limit for all financial derivatives contracts shall be USD 250,000. The maximum individual contract loss limit shall be 5% of the individual contract amount, not exceeding USD 250,000.

#### **Article 9: Authorized Limits and Levels, Execution Units**

The Finance and Accounting Department shall select financially sound institutions and, upon approval by the General Manager and Chairman, enter into credit limit agreements with them. Transactions involving financial derivatives shall be conducted within the approved credit limits.

#### **Article 10: Operational Procedures**

1. When engaging in financial derivatives transactions, transactions should be processed individually based on the letter of credit.
2. After the completion of a financial derivatives transaction and confirmation by the transaction confirmation personnel, the "Foreign Exchange Hedging Transaction Record" should be completed to notify the settlement personnel.

3. The settlement personnel will then complete the "Import Foreign Exchange Commitment Details Report" based on the "Foreign Exchange Hedging Transaction Record." After approval by the head of the Finance and Accounting Department, they will handle the settlement matters.
4. The company engaging in financial derivatives transactions shall maintain a register, recording details regarding the type of financial derivatives transactions, amounts, approval dates by the Board of Directors, and any matters requiring careful evaluation, as stipulated in the register.

#### **Article 11: Disclosure and Reporting**

A monthly disclosure shall be made concerning the relevant details of financial derivatives transactions carried out by the company and its subsidiaries up to the end of the previous month. This disclosure should be accompanied by an update on the monthly business operations.

#### **Article 12: Accounting Treatment**

1. Cash inflows and outflows resulting from foreign exchange operations shall be promptly recorded by the Finance and Accounting Department.
2. Accounting treatment for financial derivatives transactions shall follow relevant regulations, including this processing procedure, and adhere to international accounting standards and other applicable guidelines.

#### **Article 13: Internal Control**

1. Personnel engaged in financial derivatives trading and those involved in confirmation, settlement, and other operations must not hold dual roles.
2. Risk management should encompass credit risk, market price risk, liquidity risk, cash flow risk, operational risk, and legal risk. Personnel responsible for risk assessment, monitoring, and control must belong to different departments as specified in the preceding clause and report to the Board of Directors or senior executives not responsible for trading or position decisions.
3. Positions held from engaging in financial derivatives transactions should be assessed at least weekly, but hedging transactions conducted for business needs should be assessed at least twice a month. Assessment reports should be submitted to the senior executives authorized by the Board of Directors.
4. Senior executives authorized by the Board of Directors should continuously supervise and oversee the control of financial derivatives transactions. If any abnormal situations are identified, necessary measures should be taken.
5. Senior executives authorized by the Board of Directors should regularly evaluate

whether the performance in financial derivatives transactions complies with established business strategies and whether the risks undertaken fall within the company's acceptable range. They should also review the appropriateness of the current risk management procedures and whether they are being implemented in accordance with this processing procedure and relevant regulations.

6. Senior executives authorized by the Board of Directors should report the evaluation and control status of engaging in financial derivatives transactions, as described in the first three clauses, to the Board of Directors. Independent directors should be present and express their opinions.

#### **Article 14: Internal Audit**

Internal audit personnel shall regularly assess the adequacy of internal controls in financial derivatives transactions and conduct monthly audits of the Finance and Accounting Department's handling of transactions and compliance with the processing procedure. If significant violations are discovered, they should provide written notification to the Audit Committee.

#### **Article 15: Formulation and Amendment**

The Policies and Procedures for Financial Derivatives Transactions established by the company shall require the approval of more than half of all members of the Audit Committee, subsequent approval by the Board of Directors, and consent from the shareholders' meeting for implementation and any future amendments. If any director raises objections with recorded or written statements, the company shall provide the dissenting director's objection materials to the Audit Committee.

The company has established independent directors in accordance with securities trading regulations. When submitting this procedure for discussion at the Board of Directors as described in the preceding paragraph, the opinions of the independent directors should be taken into full consideration. If an independent director expresses opposition or reservations, it shall be recorded in the minutes of the Board of Directors' meeting.

If the approval of more than half of all members of the Audit Committee as mentioned in the first paragraph is not obtained, it may be carried out with the approval 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' meeting.

The terms "all members of the Audit Committee" and "all directors" in the first paragraph shall be calculated based on the actual incumbents.

This processing procedure was formulated on May 13, 2011.

The first amendment was made on June 18, 2019.

The second amendment was made on June 23, 2020.