

Orient Semiconductor Electronics, Ltd.

Procedures for Financial Derivatives Transactions

Established on June 10 .2022

Article 1 Purpose

The “Procedures for Financial Derivatives Transactions” (the “Procedures”) serve to effectively control the risks arising from conducting OSE’s (the “Company”) financial derivative transactions.

Any other matters not set forth in the Procedures shall be governed in accordance with the applicable laws, rules, and regulations.

Article 2 Instruments

“Financial derivatives” referred herein are broadly defined as instruments that derive their value from the performance of interest rates, foreign exchange rates, prices of financial instruments, indexes, credit ratings, or other variables. Such instruments include swaps, options, futures, forwards, various combinations thereof, embedded derivatives contracts, or structured products. “Forwards” referred herein exclude insurance, performance, after-sale service, long-term lease and long-term purchase (sales) agreements. The Company shall be prohibited from conducting or entering into transactions involving instruments that are not specified herein.

Article 3 Strategy

Financial derivatives are strictly used for hedging purposes to limit the Company’s net exposure after internal netting of income against expense, and asset against liability, incurred from business activities or highly probable forecasted transactions.

Transactions involving financial derivatives need to be ascertained to be conducted for hedging purposes. In addition, the transaction counterparty shall be limited to the banks that the Company constantly deals with, or internationally renowned financial institutions, so as to mitigate the credit risk.

Article 4 Authorization / Delegation

I. Finance Department

The financial personnel in charge of trading and confirming derivative transactions

shall be designated by the Division-level executives.

The functions of trading, confirmation and settlement shall be performed by different

personnel within the Finance Division.

The transaction counterparty needs to be informed of the identity of the personnel

who is appointed or removed to be responsible for trading and confirmation before the

effective date of the relevant appointment or discharge

II. Accounting Department

The Company accurately and appropriately states its hedge transactions and the gains or losses arising therefrom on its financial statements in accordance with applicable accounting standards.

Article 5 Transaction Contract Dollar Amount And Loss Control

I. Hedging

The dollar amount of total contracts outstanding shall not exceed the net position/exposure is 50% for the next three months. Loss limit is 10% of the contract amount for any individual contract or for all contracts on an aggregated basis.

II. Trading

Shall not engage in any transactions for trading purposes.

Article 6 Performance Evaluation

Performance is evaluated against pre-determined strategies.

Article 7 Operating Procedures

I. Level of Delegation/Authorization : The Credit Authorization Table is formulated by referencing the Company' s risk management and the growth in operating revenue, by an approval from the Chairman, and by a submission to the Board of Directors for reference. This rule shall apply to any amendment thereafter.

The levels of delegation and authority to execute each transaction are limited as follows:

Approver	Daily trading limits
Top executive at the division level	USD 3.0 million below
Executive at the center level	USD 3.0~5.0 million and below
Chairman	USD 5.0 million and higher

Transactions at a certain amount may be made only after an approval is obtained from the person qualified for authorizing such amount. Where a position denominated in foreign currency occurs, it shall be subject to regulations equivalent to those listed in the table above.

II. Execution unit: Executed by the finance units. After the completion of each transaction, the transaction amounting to no more than NT\$5.0 million shall be approved in writing with a signature of the executive whose credit authorization level is one tier above the credit authorization level to which such a transaction is subject.

Article 8 Set up the memorandum book

- I. When the Company engages in the derivatives trading, it shall set up the memorandum book. The type of the derivatives trading, its amount, the date approved by the Board of Directors and the items that shall be carefully assessed according in this Article shall be recorded in detail on the memorandum book for reference. The internal auditor shall regularly understand the appropriateness of internal control for derivatives trading, monthly audit the compliance of the finance units on the derivatives trading procedure, analyze the transaction cycle, and prepare the audit report. If the internal auditor spots any material violations, it shall report the same in writing to the Audit Committee, and shall discipline the violator according to the violation circumstance.
- II. In accordance with the relevant regulations, a record book shall be established and maintained to record all of the Company's financial derivative transactions which, except as otherwise specified by laws, must be retained for at least five years.

Article 9 Internal Control

I. Risk Management Measures

(I) Credit Risk Management

Credit risk is controlled by restricting the counterparties that OSE may deal with to those who either have banking relationships with OSE or are internationally renowned and are able to provide sufficient information. Market Risk Management

(II) Market/Price Risk Management

Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled.

(III) Liquidity Risk Management

Liquidity risk shall be controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.

(IV) Cash Flow Risk Management

The Company shall maintain adequate level of quick assets and credit facilities to meet the cash settlement requirement.

(V) Operational Risk Management

Delegation systems and operating procedures set forth herein are employed to control operating risks.

(VI) Commodity Risk Management

Internal traders shall have complete and correct professional knowledge for financial commodities and shall ask banks to fully disclose the risks to avoid the misuse risk of financial commodities.

(VII) Legal Risk Management

Any legal documents in respect of financial derivative transactions shall first be reviewed by in-house legal counsel before being executed to control legal risk.

II. Internal Control

- (I) The respective functions of trading, confirmation and settlement shall be performed by different personnel.
- (II) Once the trading personnel execute any transactions, the confirmation personnel shall confirm the transaction terms with the counterparties and obtain relevant supervisory ratifications.
- (III) The evaluation, monitoring, and control of aforementioned risks arising from derivative transactions shall be performed by the Chairman's designee appointed by written designation and from a section within the Company that is different from the one responsible for the trading, confirmation and settlement thereof. This responsible personnel shall also report to the Chairman or the Board.

III. Regularly Evaluation Method

- (I) The Board holds the Chairman or his designee appointed by written designation accountable for the evaluation, monitoring, and control of risks arising from financial derivative transactions. The Board is itself responsible for evaluating the Finance Division's hedging performance and results periodically to oversee how well they fit in the Company's overall business and operating strategies and to review if the associated risks thereof have exceeded the Company's risk tolerance.

The Board of Directors shall authorize the senior executives to

regularly supervise and evaluate whether or not the derivatives trading are actually conducted according to the transaction procedures established by the Company and whether or not the risk borne is within the undertaking scope allowed. When there is an abnormal situation in the market price appraisal report (such as the holding position has exceeded the limit of loss), it shall be reported to the Board Meeting immediately and shall take the appropriate countermeasures.

- (II) Derivatives trading positions held shall be evaluated at least once per week; however, trades for hedging purposes required by business shall be evaluated at least twice per month. Evaluation reports shall be submitted to Chairman or his/her designee appointed by written designation authorized by the Board of Directors.

Article 10 Internal Audit

Internal audit personnel is required to evaluate the sufficiency of the internal control system in connection with financial derivative transactions on a periodic basis, to conduct auditing of the compliance by related departments of the Procedures, and to produce monthly reports. A written report of any violation must be submitted to notify the Audit Committee of same.

Article 11 Announcement and Declaration Procedure

The Company shall, on a monthly basis, report and publicly disclose the financial derivative transactions conducted by it and its subsidiaries (that are not domestic public companies) up to the end of the previous month in accordance with relevant regulations.

In addition to the above, all other reporting/disclosure items are subject to the relevant regulations. For any reporting and public disclosure as required above to be made for the Company's subsidiary which is not a domestic public company, the Company is responsible for making such required disclosure on behalf of its relevant subsidiary.

Should there be any inaccuracies or incompleteness in the Company's required public disclosures, the Company needs to restate its public disclosure on all items in their entirety.

Article 12 Penalty

When the Company's managers and the persons in-charge conduct the lending funds to others in violation of the "Regulations Governing the Acquisition or Disposal of Assets by Public Companies" published by the securities authority or the Company's "Procedure for Acquisition or Disposal of Assets," they shall be punished according to the working rules of the

Company.

Article 13 For the Company's subsidiaries contemplating the conduct of financial derivative transactions, the Company shall supervise such subsidiary to establish relevant procedures for such transactions. Such procedures shall be approved by the Audit Committee and/or the Board of Directors and/or Shareholders' Meeting of the subsidiary and become effective thereafter. Relevant information of any financial derivative transactions executed by such subsidiary shall be submitted periodically to the Company for inspection.

Article 14 These Procedures shall be approved by the Audit Committee, the Board of Directors, and the Shareholders' Meeting. Any amendment hereof is subject to the same procedures.