

Procedures for Engaging in Derivatives Transactions of Nan Ya Plastics Corporation

Amended by the Annual Shareholders' Meeting on June 12, 2019

Chapter 1 General Provision

- Article 1: The “Procedures for Engaging in Derivatives Transactions” (hereinafter referred to as the “Procedures”) of Nan Ya Plastics Corporation (hereinafter referred to as the “Company”) was established in accordance with Article 19 of the “Procedures for Acquisition or Disposal of Assets” of the Company.
- Article 2: Derivatives referred to herein are defined as 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.
- Article 3: Forward contracts referred to herein do not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts, and long-term purchase (sales) contracts.
- Article 4: The principle of the Company’s derivatives transactions is to hedge against the fluctuation of foreign exchange rates, interest rates, asset price, etc.

Chapter 2 Operation Procedures

- Article 5: The total contract amount of derivatives transactions of the Company shall not exceed 50% of the Company’s net worth, and the maximum loss limit is 10% of the contract amount for all contracts in aggregate or for any individual contract. The content of individual derivatives contract shall be approved by high-level manager(s) authorized by the Board of Directors based on the level of the authorization of the Company. Major derivatives transactions of the Company shall be approved by more than half of all audit committee members

and submitted to the Board of Directors for a resolution. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by 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

Article 6: The transaction personnel of the Department, which is in charge of derivatives transactions, shall follow the trading strategy in accordance with the approved deal terms and conditions of derivatives transactions. Also, the transaction personnel shall execute trades directly with counterparties. After the aforesaid trades are done, the transaction personnel shall deliver the relevant transaction receipts to the settlement personnel to conduct the settlement procedures. The settlement personnel shall proceed with contracts signing, bank accounts opening, settlement, accounts closing, etc. with counterparties in accordance with the trading conditions.

Article 7: For the derivatives transactions of the Company, the Company shall establish a comprehensive management information system towards the balance position of the transactions, profit/loss analysis, etc. to control risk properly and to respond to abnormal situations immediately.

Chapter 3 Announcement and Reporting Procedures

Article 8: The Company shall compile a monthly report on the status of derivatives transactions engaged in up to the end of the previous month by itself and fill out the information in the regulated form on the information reporting website designated by the competent securities authority before the tenth day of each month. If derivatives transactions of which maximum loss 10% of contract amount, or any amendment, termination or cancellation of the original contract occurs, the Company shall report and make public announcements accordingly on the information reporting website designated by the competent securities authority within two days from the date of occurrence of the event.

- Article 9: When the Company's subsidiaries are not public companies of the Republic of China and are participating in derivatives transactions, the Company shall follow the requirements of Article 8 hereof to report and make public announcements on behalf of its subsidiaries.
- Article 10: The Company shall report its public announcement on all items if there is any error or omission in the Company's required public announcement.
- Article 11: The Company shall upload the audit report regarding the derivatives transactions and the implementation status of annual audit plans of internal audits in the regulated form to the information reporting website designated by the competent securities authority before the end of February every year.
- Article 12: The Company shall upload the improvement situation for any abnormal affairs regarding the Procedures to the information reporting website designated by the competent securities authority before the end of May every year.

Chapter 4 Internal Control and Internal Audit

- Article 13: The Company engaging in derivatives transactions shall adopt appropriate risk management practices with regards to credit risk, market price risk, liquidity risk, cash flow risk, operation risk and legal risk. The confirmation personnel and settlement personnel shall not serve concurrently to one another. Regarding the appropriateness assessment towards the risk measurement, supervision and control, and risk management procedures, the President Office of the Company should periodically report to the high-level manager(s) authorized by the Board of Directors.
- Article 14: The derivatives trading positions of the Company shall be evaluated at least once a week by the in-charge department, and the hedging transactions made for business purposes shall be evaluated at least twice a month. The manager of the in-charge department shall pay attention to the risk control and supervision of derivatives transactions from time to time, and periodically supervise and evaluate the performance of

derivatives transactions to check whether they are conducted in accordance with the related procedures formulated by the Company hereof and whether the attendant risk of these transactions is within the capability of the Company. The foresaid evaluation reports shall be submitted to a high-level manager(s) authorized by the Board of Directors. If there is any abnormal situation highlighted in the market evaluation reports (e.g. the holding position has reached the maximum loss limit), the Company shall immediately take necessary measures to deal with the situation and report to the Board of Directors. There shall be independent directors attending the Board of Directors meeting and expressing their opinions.

Article 15: The Company shall establish a log book to record all its derivatives transaction information, including types, amounts and relevant information of derivatives transactions, and matters require evaluating cautiously in accordance with Article 14 hereof. The Company's internal audit personnel shall access the appropriateness of the internal control regarding the derivatives transactions periodically, shall conduct monthly audit to evaluate whether the trading department conform to the Procedures, and shall prepare the monthly audit report accordingly. If any material violation is discovered, the Audit Committee shall be notified in writing and the Company should, depending on the status of such material violation, penalize the relevant personnel in accordance with the Human Resources Management Policies of the Company.

Article 16: The Company's control and supervision procedures towards the derivatives transactions by the Company's subsidiaries are as follows:

1. If the Company's subsidiaries intend to conduct derivatives transactions, the Company shall ensure that its subsidiaries establish their own "Procedures for Engaging in Derivatives Transactions".
2. The Company's subsidiaries shall submit the reference content of the derivatives transactions of the previous month

to the Company for review by the fifth date every month.

3. If any material violation is found by the internal auditors of the subsidiaries, the subsidiaries shall submit a written notice to the Company of such violations. The Company shall closely monitor the violations and the resulting improvements.

Chapter 5 Additional Provision

Article 17: After the Procedures are approved by the Board of Directors, the Procedures shall be submitted to the Shareholders Meeting for approval before its implementation. Any amendment is subject to the same procedure.

The independent directors' opinions specifically expressing dissent or reservations about any matter shall be included in the minutes of the Board of Directors meeting.

The matters which paragraph 1 require submitting to the Board of Directors for a resolution shall first be approved by more than half of all audit committee members. If the approval by more than half of all audit committee members is not obtained, the aforesaid matter may be implemented if approved by 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.