

Delta Electronics (Thailand) Public Co., Ltd. (the "Company")
Operating procedure for transactions of derivative financial commodities

Version

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1. Forward

This procedure is hereby established as basis for effective control of revenue and expenditure, assets and liabilities of the Company in order to lower the risks of foreign exchange and interest rate fluctuations. Thus, enables the Company to increase its business competitiveness and to ascertain its control of various transactions of financial commodities.

2. Principles and courses

2.1 Type of transaction

Allow to engage in derivative financial commodities, including forward, option, future, interest or exchange rate swaps, bond outright purchase with purchase/sale terms for repurchase, including combination of the above-mentioned commodities to form combined contracts, etc. Currently, the scope of operation for the Company to engage in derivative financial commodity is mainly limited to the use of long-term foreign exchange, options, interest or exchange rate swap, bond outright purchase with purchase/sale terms for repurchase. If other commodities are to be engaged, prior approval of the Chairman of the Board of Directors has to be obtained.

2.2 Management and hedging strategies

The objective of derivative financial commodities transactions should be hedging. The selected commodities should be able to protect against losses from business dealings of the Company. In addition, high attention should be paid in the selection of trading parties. To the extent possible, the Company should select the trading parties from the bankers who have ordinary dealings with the Company to prevent the Company from credit risks. Prior to the foreign exchange operation, the nature of transaction must be clearly defined as basis of bookkeeping whether it is hedging or financial operations to seek investment yield through financial operations, etc.

2.3 Definitions of authority and responsibility

2.3.1 Funds Management Department: Funds management is the key to the exchange control system. From gathering foreign exchange market information; judging tendencies and risks; familiarizing financial commodities, laws and regulations as well as techniques of operation, etc. Funds Management Department must be able at any time to analyze and provide sufficient and timely information to the management as well as the departments of sales, purchasing, accounting and treasury, etc. for reference. Funds Management Department shall receive orders from the Chief Financial Officer to authorize control of foreign exchange position and to hedge foreign exchange risks based on the Company's policy.

2.3.2 Accounting Department: The Accounting Department controls the foreign exchange position of the Company as a whole. The Accounting Department shall calculate realized foreign exchange position and foreign exchange position that tend to occur in the future in order to enable the Accounting Department to establish exchange rate for bookkeeping and to fix income and cost without

affecting core performance. The forecast and yield of position must rely on the information provided by the purchasing and sales departments. The accuracy of the forecast is vitally important to the control of the FX position.

2.4 Transaction limit

- 2.4.1 Hedging transaction limit; Take the whole exposure as basis in executing the hedging to achieve the goal of risk free with consideration to the prevailing actual situation. In case the limit is exceeded, approval of the Chairman is required to proceed.
- 2.4.2 Special purpose trade limit: Special purpose trading limit shall be confined to capital expenditures, corporate bonds, and long-term investments and the actual amount of such transactions is used as the maximum hedging amount.
- 2.4.3 Others: The trading limit, stop-loss limit, and authorized limit for other trades which does not belong to the two foregoing categories, prior approval of the Chairman of the Board of Directors has to be obtained.

2.5 Achievement evaluation

2.5.1 Hedging transaction

- 2.5.1.1 Based on the size of FX position to set the profit and loss target of FX. This target must be included in the achievement evaluation with regular review.
- 2.5.1.2 The FX personnel shall do their best to achieve the fixed financial commodity category and foreign exchange rate and use them as basis of achievement evaluation.

2.5.2 Setting of loss limits:

2.5.2.1 Hedging trade:

- 2.5.2.1.1 After a trading position has been established, a stop-loss spot must be set to prevent over-limit losses. The stop-loss spot shall not exceed 10% of the trading contract amount.

If the loss amount exceeds 10% of the trading amount, such event shall be immediately reported to the Ultimate Parent Company's Treasury Head for discussion of necessary counter measures.

- 2.5.2.1.2 The loss amount for each trading contract shall not exceed 10% of the contract amount.

- 2.5.2.1.3 After a trading position has been established, a clear stop-loss exchange rate and interest rate shall be set based on 10% of the amount shown on the trade approval sheet. The stop-loss exchange rate and interest rate shall be recorded in the trade approval sheet and approval for the transaction shall be obtained in accordance with the authorized limit table. Market fluctuations must be monitored constantly so long as a position is held; if the exchange rate or interest rate reached the stop-loss spot, stop loss measures must be immediately implemented.

2.5.2.2 Special purpose trade:

Special purpose trade is used to hedge risks for definite purpose, and there must be specific corresponding hedge positions. In principle, a special purpose trade shall not be early terminated.

3. Operation procedure

3.1 Authorized limit

All current transactions (including hedging trades and special purpose trades) are subject to the authorized limit. The authorize limit is based on the growth of Company earnings and the variation of risk position. The Authorized Limit shall become effective after obtaining the Board of Directors approval. The revision(s) to the Authorized Limit, if any, shall be approved by the Board of Directors.

	Upper Limit of Single Transaction	Upper Limit of Total Daily Amount
President	US\$ 20,000,000	US\$ 80,000,000
CFO	US\$ 10,000,000	US\$ 40,000,000
Treasury Manager	US\$ 2,000,000	US\$ 10,000,000

In order to enable the authorization of the Company to match with the relative supervision and control of the bank, the Authorized Limit, the operation and the hedging strategy must be known to the bank. If there is any change, the bank should be informed in order to make adjustments. The Company shall request the bank to continue execute existing provisions and to control and supervise the Company's operations and positions based on the authorized limit table.

3.2 Organization of execution

Because of the special characteristics of financial derivative commodities transactions, such as the rapid changes, substantial amount, frequent trading, and complexity of calculation, the tasks of trading and control must be handled by the highly trained professionals. Therefore, the trading of financial derivative commodities must be handled by those fund management staff authorized by the CFO.

4. Handling of Accounting Department: The Company and its subsidiaries use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards TFRS9, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

5. Internal control system

5.1 Risk management measures

5.1.1 Consideration of credit risks: The trading partners are limited to the banks that have dealings with the Company and are able to provide professional information.

5.1.2 Consideration of market risks: The main market is over-the-counter of bank. The Company shall not take futures into consideration at this moment in time.

- 5.1.3 Consideration of liquidity: To ensure liquidity, the trading bank must have sufficient equipment, information and trading ability as well as the ability to trade at any given market.
 - 5.1.4 Consideration of operation: All related parties must precisely obey the authorized limit, operating procedure to avoid operational risks.
 - 5.1.5 Legal risks: All documents that are required to sign with the banks must be examined by the legal department to avoid legal risks.
 - 5.1.6 Commodity risks: Internal trading personnel and the counter party of the bank must process complete and accurate professional knowledge. In addition, the Company shall request the bank to divulge risks sufficiently to avoid damages caused by misuse of financial commodities.
 - 5.1.7 Cash delivery risks: The authorized trader should also pay regular attention to the foreign currency cash flow of the Company in addition to strict compliance with the stipulations of the authorized limit table, in order to ensure there is sufficient cash for delivery.
- 5.2 Internal control
- 5.2.1 Trading personnel shall not concurrently serve as confirmation and settlement personnel.
 - 5.2.2 Traders should hand over trading evidences or contract to the bookkeeper to record.
 - 5.2.3 The bookkeeper should make regular verifications, account balances with correspondent banks or request for bank statements.
 - 5.2.4 The bookkeeper should regularly check whether the total turnover exceeds the net position of foreign currency asset, liability and commitments.
 - 5.2.5 The Treasury Department shall assess the profit/loss status based on the final posted daily exchange rates and produce a report thereof at the end of each month. The Funds Management Department shall submit such report to the Ultimate Parent Company's Treasury Head.