

# **Wistron Corporation**

## **Rules and Procedures of Derivative Transactions**

### **I. Purpose**

According to the Company's "Procedures of Asset Acquisition and Disposal," these Procedures are hereby specified to manage derivatives and effectively regulate the exchange rate change of the Company's foreign currency positions and the price fluctuations on raw materials caused by its business operation and other risks.

### **II. Scope of application**

1. Wistron Corporation.
2. Subsidiaries with 100% of its share held by the Company.
3. Other companies with more than 50% of its share held by the Company.

### **III. Transaction strategies**

#### **1. Transaction principles and policies**

##### **1-1. Transaction type:**

Engagement of derivative operation, mainly including the use of forward contracts, options, swaps, futures and any combination of the above product portfolio. The use of other derivatives shall be subject to the approval of the Audit Committee and submitted to the Board of Directors for resolution before implementation in accordance with relevant regulations.

##### **1-2. Operational or hedging strategy:**

Derivatives shall be selected based on hedging strategy and operated through financial institutions.

##### **1-3. Division of responsibilities:**

1-3-1. Operating units: provide the estimated hedge position for the reference of the financial department.

1-3-2. Financial management department: keep abreast of market information; determine the trends and risk; get familiar with financial instruments, rules and regulations, master the risk position, confirm the transaction execution, provide reports in accordance with the law; and provide sufficient and real-time information to the departments of management, operations, procurement, accounting, capital allocation and other sectors for reference.

1-4. Transaction limits:

The net foreign exchange positions and raw materials positions of the business in the next three months shall prevail. Any change shall be subject to the approval of the Board of the Directors and the Chief Financial Officer/Financial Vice President. The relevant amendments to the authorized limit for engagement in derivative transactions shall be subject to the approval of the Audit Committee and submitted to the Board of Directors for resolution before implementation.

1-5. Upper limit of loss:

The upper limit of the Company's loss from the entire or a single contract for engagement of derivative transactions is fixed based on risks and contracts as follows:

Authorization Level	The maximum proportion of loss to the amount of the entire or a single contract
Chairman	20%
General Manager	15%
Chief Financial Officer	10%
Head of the Treasury Department	5%

If the loss exceeds the upper limit of the above table, the associated authorized personnel shall be reported, and relevant emergency measures shall be carried out under the instructions of the authorized director; if the loss accounts for 25% of the amount of the entire or a single contract, an announcement shall be published in accordance with regulations, and the relevant information shall be submitted to the Audit Committee and reported to the Board of Directors.

2. Operational procedures

2-1. Authorized limit:

The authorized limit for transactions shall be fixed in accordance with the authorized limit of the Company for engaging in derivative transactions, and the amendments to the authorized limit as well as the changes to the growth and risks of the Company's turnover, and shall be subject to the approval of the Audit Committee and submitted to the Board of Directors for resolution before implementation. The same procedure applies to the amendments.

2-2. Execution units:

Derivative transactions and management shall only be carried out by professional personnel. The personnel engaged in transactions shall be under the control of the financial management departments.

3. Announcement declaration

3-1. The subsidiaries of the Company shall send a monthly transaction report to the Finance Department of the Company for centralized processing and consolidation within three (3) business days after the end of each month.

3-2. The Finance Department of the Company shall collect the information of the subsidiaries and publish an announcement after confirmation on the 10th day of each month.

4. Accounting processing methods

The Company's accounting for derivatives is handled in accordance with the current *Statement of Financial Accounting Standards* and the regulations of the relevant competent authorities. The necessary reports shall be provided on a regular basis to calculate realized and unrealized gains and losses for the assessment of the management authorities.

5. Internal control system

5-1. Risk management measures

Related financial institutions shall be chosen as transaction object after various risk assessments.

5-2. Internal control

5-2-1. A person shall not concurrently undertake a post in trading, settlement (finance affairs) and confirmation (accounting).

5-2-2. The person engaged in trading (finance) shall deliver the transaction certificates or contracts to the confirmation personnel (accounting) for record after the completion of a transaction.

5-2-3. The confirmation personnel (accounting) shall immediately confirm the transaction, and periodically carry out the reconciliation or circularization with related banks.

5-3. Periodic assessment

As for policy implementation and performance, the finance supervisor shall periodically convene meetings for relevant personnel to review operating strategies and performance. Transactions and performance shall be reported to the head of the treasury department weekly. However, reports on hedging derivatives shall be submitted to the head

of the treasury department every two weeks, to the head of the financial department monthly and to the Chairman of the Board quarterly.

6. Internal auditing system

Internal auditors shall periodically check the fairness of internal control, regularly review the compliance of the transaction departments with the Company's "Procedures of Asset Acquisition and Disposal" and then prepare audit reports. Any serious violations shall be reported to the Audit Committee in writing.

IV. Miscellaneous

This specification shall be subject to the approval of the Audit Committee, and submitted to the Board of Directors for resolution, then obtain the consent of shareholders before implementation. The same procedure applies to the amendments.

These procedures were enacted on June 14, 2013.