AUO Corporation
Handling Procedures for Conducting Derivative Transactions
(the "Handling Procedures")

Article 1 **Purpose**

In order to establish the Company's risk management system of conducting derivative transactions, conducting such transactions shall be in accordance with the Handling Procedures.

Article 2 **Scope of Application**

1. The derivative transactions referred to in the Handing Procedures are forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rates, 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. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long term leasing contracts, or long-term purchase (sales) contracts.
2. A transaction which is for the purpose of hedging the business operating risk is a hedge transaction; a transaction creating additional risk from arbitraging is a speculation transaction.

Article 3 **Operational or Hedge Strategies**

The derivative transactions should mainly be conducted for the purpose to ensure profits of the Company's business and avoid risks associated with fluctuation in exchange rate, interest rate, and/or value of assets.

Article 4 **Authorized Department for Trading**

Finance unit of the Company shall:

1. Collect market information; estimate the trend and risks; get familiar with financial products, relevant laws and regulations and the operational skills to conduct the derivative transaction; and conduct the derivative transaction in accordance with the instruction of the authorized officer, and within the authorized amount limit to avoid the risks associated with fluctuation of market price;
2. Establish the position of the confirmation and settlement personnel; confirmation personnel is in charge of confirmation with the transaction counterparty and settlement personnel is in charge of settlement of the transaction at the maturity;
3. Make the periodic performance evaluation;
4. Provide information regarding positions of risk exposure; and

5. Make a public announcement and file the required report(s) periodically.

Article 5 Key Points for Performance Evaluation

Performance on the evaluation date shall be compared with the benchmark set for such evaluation. The result of evaluation shall be used as a reference for decision-making in the future.

Article 6 Trading Limit and Authorization

1. Aggregate amount of all contracts
   (1) Hedge transactions required for daily business
      i. Exchange rate transactions: The amount for hedge transactions shall base on the position arising from the Company's business. Except for the cross currency swap transactions for funding purpose, the aggregate amount of all contracts shall be limited to the Company's revenue of the prior three months.
      ii. Interest rate transactions: With respect to the expenditure for the specified purposes, including, without limitation the long term interest rate position arising from the syndication facilities and etc . For the hedge purpose, the aggregate amount of all contracts shall be limited to the Company's long term borrowings with floating interest.
      iii. Other hedge transactions: In order to hedge the risk of exchange rate or interest and etc. arising from issuance of overseas equity (such as ADR and etc.) or bonds (such as ECB, CB and etc.) or other financial products, the aggregate amount of all contracts shall be limited to the total outstanding amount of such issued instruments (i.e. ADR, ECB, CB), provided that such transactions together with the evaluation report shall be submitted to the general manager for approval.
      iv. Authorization for exchange rate/interest rate transactions:

Authorization Level	Authorized Amount per transaction	Authorization Amount per day
General Manager	Equivalent to USD15M above	Equivalent to USD30M above
Functional Head of Finance	Equivalent to USD15M	Equivalent to USD30M
Division Head of Finance	Equivalent to USD10M	Equivalent to USD20M
Department Head of Finance	Equivalent to USD5M	Equivalent to USD10M

For non USD forex transactions, the forex conversion shall be based on the previous month end revaluation exchange rate.

(2) Transactions not for the above purposes (speculation transactions) shall together with the evaluation reports submitted to the meeting of the board of directors for approval. The aggregate amount of all contracts shall be limited to 10% of the Company's revenue for the prior three months.

2. Maximum loss for all contracts and for individual contract:

Maximum loss	All contracts	Individual contract
Hedge transactions	15%	20%
Speculation transactions	10%	5%

3. If the maximum loss for all contracts or individual contract is reached, the trading personnel should inform the most senior decision-making officer of finance unit and senior management personnel designated by Board of Director in writing. If necessary, the situation shall submit to the Board of Directors.

Article 7 The Operational Procedures

1. Check the transaction position.
2. Analyze and judge the trend.
3. Decide methods to be used for hedge:
   (1) the target of the derivative transaction;
   (2) the position to be held in the derivative transaction;
   (3) the proposed price and range;
   (4) the trading strategy and pattern of the derivative transaction.
   (5) the reference price shall be based on the price provided by the trading platform of Reuters.
4. Obtain the approval for derivative transaction.
5. Execute the derivative transaction:
   (1) Transaction counterparties: The first priority for choosing the transaction counterparty is to consider the credit risk of the counterparty. In order to avoid the legal risk, any documentation to be entered into with a financial institution, shall be reviewed by the Company's legal personnel or professional lawyer prior to execution.
   (2) Trading personnel: The personnel authorized and approved by the most senior decision-making officer of finance unit ("authorized personnel") may conduct the derivative transactions for and on behalf of the Company and the Company shall inform the corresponding financial institutions of names of the authorized personnel. Persons other than authorized personnel are not permitted to conduct derivative transactions.

Article 8 Information Disclosure

1. The Company shall make a public announcement and file the necessary report(s), for itself and its subsidiaries, of the derivative transactions conducted in the previous months of the year prior to the 10th day of each month.
2. In the event that the loss from derivative transactions reaches the maximum loss for all contracts or individual contract as provided in Article 6 hereof, the Company shall make a public announcement and file the necessary report(s) within 1 day commencing immediately from the date of occurrence.

Article 9 Records of Derivative Transactions

1. The types, amount, date of the Board of Directors' meeting, and the revaluation items in Article 10, paragraph 4, and Article 11, paragraph 1, subparagraph 2, and paragraph 2, subparagraph 1 shall be recorded in memorandum book.
2. The accounting unit shall handle the accounting matters with respect to the derivative transactions in accordance with the Business Accounting Law, the Statements of Financial Accounting Standards and the relevant letters and orders issued by the relevant competent authority, or if no relevant laws or regulations can be applied, the accounting division shall record the details of the relevant transactions and record the realized and unrealized gains and/or losses calculated on a monthly basis in the income statement.

Article 10 Internal Control System

1. The risk management measures include:
   (1) Credit risk management: Unless approved by the most senior decision-making officer of finance unit, the transaction counterparties shall be limited to the domestic or foreign financial institutions.
   (2) Market risk management: The derivative transactions shall be conducted primarily for hedging purpose and the authorized personnel shall not create additional position as possible as they can.
   (3) Liquidity and cash flow risk management: To ensure the liquidity, the authorized personnel shall check with the treasury personnel prior to conducting the derivative transaction to make sure that the proposed transaction amount will not cause liquidity shortage.
   (4) Operation risk management: To avoid the operation risks, the authorized personnel shall comply with the authorized amount and the operation procedures.
   (5) Legal risk management: To avoid legal risks, any agreements entered into between the Company and the relevant banks shall be reviewed by in-house counsel before execution.

2. Authorized trading personnel of finance unit shall not concurrently engage in confirmation and settlement of the derivative transactions.
3. Measurement, supervision and control personnel and the above personnel cannot be in the same department and shall report to the board of directors or the senior decision making officer who is not in charge of the decision making of the transaction or position.
4. The derivative transactions positions of the Company shall be evaluated at least once every week, provided that the hedge transactions for business need shall be evaluated at least twice a month and the evaluation report shall be submitted to the senior decision making officer authorized by the board of directors.
5. Internal Control
   (1) Authorized trading personnel shall deliver the transaction document or contract to the recording personnel to record the transaction in the book.
   (2) The recording personnel shall check with the counterparties or record derivative transactions in the book periodically.

Article 11 Board of Directors

1. If the Company conducts derivative transactions, the board of directors shall faithfully supervise and manage such transactions in accordance with the following principles:
   (1) Designate senior management personnel to pay continuous attention to the monitoring and controlling of derivative transaction risk every now and then.
   (2) Periodically evaluate whether derivative transactions performance is consistent with established operational strategy and whether the risk undertaken is within the Company's permitted scope of tolerance.
2. Senior management personnel authorized by the board of directors shall manage derivative transaction in accordance with the following principles:
   (1) Periodically evaluate whether the current risk management measures are conducted appropriately and faithfully in accordance with the Handling Procedures.
   (2) When irregular circumstances are found in the course of supervising trading and profit-loss circumstances, appropriate measures shall be adopted and a report immediately made to the board of directors and an independent director shall be present at the meeting and express an opinion.
3. If any personnel is authorized by the Company to handle derivate transactions in accordance with the Handling Procedures, such transactions shall be reported to the next board of directors afterwards.

4. If the relevant derivative transaction is required to be submitted to the board of directors for discussion, such transaction shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution. If such transaction is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.
5. "All members of the Audit Committee" referred to in the Handling Procedures and "all directors" referred to in the preceding paragraph shall mean the actual number of the committee members/directors.

Article 12 Internal Auditing

1. Internal auditing personnel shall periodically review the appropriateness of internal controls for derivative transactions in accordance with the "Internal Control System" and make monthly checks of the trading department's compliance with the Handling Procedures and make the auditing report. If internal auditing personnel finds any serious violation of the "Handling Procedures, they should inform the Audit Committee of such violation in writing.
2. The above-mentioned auditing report(s) and any rectification of an irregularity shall be filed with the Financial Supervisory Commission ("FSC") in accordance with the "Guidelines Governing Establishment of Internal Control Systems by Public Companies".

Article 13 The Procedures for Supervising Derivative Transactions Conducted by Subsidiaries

1. If any Company's subsidiary intends to conduct derivative transactions, such subsidiary's own handling procedures for conducting derivative transactions shall be adopted in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies " promulgated by the FSC and after consulting with the Company's opinions. Such Handling Procedures shall be approved by the subsidiary's Audit Committee and/or Board of Directors and/or the shareholders' meeting. The same shall apply to amendments to such Handling Procedures.
2. If the above mentioned subsidiary is not a domestic public company, the Company shall make a public announcement and file the necessary report(s) in accordance with Article 8 hereof, for and on behalf of such subsidiary, of the derivative transactions conducted by such subsidiary.
3. The Company shall supervise its subsidiaries to check whether or not the handling procedures for conducting derivative transactions are in compliance

with the relevant law and regulations or not and whether the subsidiary conducts derivative transactions in accordance with such subsidiary's own handling procedures for conducting derivative transactions.

4. The Company's internal auditing personnel shall review and check the examination reports produced by each subsidiary.

Article 14 Penalty

If any manager or person in-charge of the derivative transactions, due to his/her negligence, violates the Handling Procedures and as a result causes serious damages to the Company, such manager or person shall report to his/her direct superior and the most senior decision-making officer of the finance department immediately. Such manager or person's violation shall be handled in accordance with the relevant internal personnel and administration regulations of the Company. If it is found that such manager or person intentionally violated the Handling Procedures and as a result caused damages to the Company, the Company may, in addition to the punishment made in accordance with its relevant internal regulations, require such manager or person to compensate the Company's loss. The punishment and how to handle the above mentioned violation shall be reported to the next Board of Directors meeting.

Article 15 Miscellaneous

1. The term "subsidiary" as used in the Handling Procedures, shall have the same meaning as defined in the Regulations Governing the Preparing of Financial Reports by Securities Issuers.
2. The term "make a public announcement" and "file the necessary report(s)" as used in the Handling Procedures, shall mean information disclosure posted in the website designated by the FSC.

Article 16 Effectiveness and Amendment

1. Enactment of or amendment to the Handling Procedures shall be approved by a majority of all members of the Audit Committee and further submitted to the board of directors for resolution. If enactment of or amendment to the Handling Procedures is not approved by a majority of all members of the Audit Committee, alternatively, such may be approved by two-thirds of all directors, provided that in such case, the resolutions adopted by the Audit Committee shall be recorded in the minutes of the meeting of the board of directors.
2. The Handling Procedures shall be approved by the board of directors and further submitted to the shareholders meeting for approval and will become effective afterwards. The same shall apply to amendments to the Handling Procedures.

Article 17 **The course of change and development**

The Handling Procedures were enacted on October 9, 1998; the first amendment was made on February 19, 2001; the second amendment was made on August 7, 2002; the third amendment was made on October 23, 2002; the forth amendment was made on May 29, 2003; the fifth amendment was made on June 13, 2007; the sixth amendment was made on June 19, 2009, the seventh amendment was made on June 6, 2014, and the eighth amendment was made on June 14, 2019.