

# Bora Pharmaceuticals Co., Ltd.

## Procedure for Engaging in Financial Derivative Transaction

### Article 1 Purpose

To protect investment, implement information disclosure and strengthen the risk management on financial derivative trading, the Company formulates this procedure in accordance with the Financial Supervisory Commission of the Executive Yuan.

### Article 2 Scope

1. The financial derivatives mentioned in this procedure are broadly defined as instruments that derive their value from the performance of assets, interest rates, foreign exchange rates, indexes, or other variables. Such instruments include forwards, options, futures, leverage margin contracts, swap contract, or structured products of the above items.
2. Forwards contract mentioned in this procedure referred herein exclude insurance, performance, after-sale service, long-term lease and long-term purchase (sales) agreements.

### Article 3 Trading principle and guideline

1. Trading Type: The type of derivative product the Company can engage in is limited to foreign exchange forward contract, foreign exchange option contract and NTD interest rate swap contract. Other derivative product trading, like future contract and interest rate hedge, shall be approved by the Board of Director.
2. Operating and Hedging Strategy  
The Company's derivative trading shall be for hedging purpose. The trading product shall mitigate the risk arising from the Company's business operation. The currency held must match with the Company's foreign currency for import and export business. The principle is to have foreign exchange revenue and foreign exchange expense even out to lower the Company's overall foreign exchange rate risk and save the foreign exchange operating cost. Trading partner shall be select based on the Company's operating need and with financial institution that provide better condition for hedging transaction to lower the credit risk. Before engaging in foreign exchange transaction. It shall be identify if the purpose is for hedging or investing, and follow the relevant accounting basis.
3. Segregation of Duty
  - a. The finance department is responsible for derivative product's operation and send to the Board of Director for approval based on the Company's actual foreign currency need for export business, transaction amount based on the

contract price and the maximum loss the Company can tolerate. Market price assessment and performance review report shall be submit to president and chairman monthly. Based on the yearly evaluation on change in market, environment or other need, the Board of Director may increase or decrease the authorized amount.

b. Trader

(a) The trader shall be approved by the president, same procedure applies when there is change in trader.

(b) Transaction receipt, source document and information shall be documented for review.

c. Accounting Department

(a) The profit and loss for the hedging transaction shall correctly and fairly reflect on the financial statement and in conformity with the requirements of the Regulation Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standard, International Accounting Standard, Interpretation developed by the International Financial Reporting Interpretation Committee or the former Standing Interpretation Committee as endorsed by the Financial Supervisory Commission of the Republic of China.

(b) Provide risk exposure information.

(c) Measure, monitor and control and transaction risk, and periodically report to the Board of Director or senior management who is not responsible for trading.

d. Authorized Amount

For the Company's derivative product trading, Board of Director's approval is required when each transaction exceed NTD \$70 million or the equivalent in foreign currency. For transaction below the above amount, it shall approved by the chairman or chairman's authorized personnel and report to the Board of Director afterward.

Material derivative product trading shall be approved by the audit committee and send to Board of Director for approval.

e. Execution Department

To ensure on the Company's consistency on derivative product trading, the Company's finance department will execute trade related matter.

f. Audit Department

Responsible for understanding the appropriateness of derivative product trading, audit trading department's compliance on procedure, analyze the transaction cycle and issue an audit report.

Supervisor shall be informed when there is material weakness. When the audit

committee has been set up in accordance with Securities Exchange Law, audit committee shall be informed when there is material weakness.

#### 1. Performance Evaluation

Finance department shall compare the cost and market value and evaluate the performance weekly. Hedging strategy and evaluation shall report to the president and chairman monthly.

#### 2. Contract Amount

a. Hedging Transaction: shall not exceed the total estimated import and export amount for the current year.

b. Investment Transaction: the transaction amount shall not exceed 15% of the paid in capital.

#### 3. Loss Limit on Total and Individual Contract

a. Hedging Transaction: the loss cannot exceed 20% of the contract amount, apply to individual and total contract.

b. Investment Transaction: the realized and unrealized loss of the Company's total signed derivative product contract cannot exceed 10% of the paid in capital. For individual contract, the realized and unrealized loss cannot exceed 5 million.

### Article 4 Risk management procedure

#### 1. Credit Risk Management

a. Trading Partner: Banks that have business relationship with the Company, registered under Ministry of Finance, and can provide professional information.

b. Trading Amount: The un-write off trading amount for each trading partner should not exceed one tenth of the total authorized amount, unless approved by the president

#### 2. Market Price Risk Management

The Company will execute on the open foreign exchange market, and currently not considered future market.

#### 3. Liquidity Risk Management

To ensure the market liquidity, the Company shall trade commodity that has high liquidity. The bank shall provide sufficient information and be able to trade at any market.

#### 4. Cash Flow Risk Management

To ensure the stability on the Company's working capital, the Company's funding source for its derivative trading is limited to its own funding. The derivative trading execution shall consider the cash forecast for the next three month.

#### 5. Procedure Risk Management

- a. To prevent procedure risk, the Company's authorized amount, work flow procedure and internal audit should be followed.
- b. The position for trading, delivery and settlement personnel for the derivative product should be perform by different personnel. After the trading is complete, the trading information and related document should send to the delivery personnel to confirm the trading and send for approval. The delivery personnel shall confirm the trading detail and amount with the trader periodically. The trader shall be aware if the trading amount exceed the authorized amount. The trader shall be aware if the unrealized loss has reach the limit, if so, shall discuss with the finance manager immediately.
- c. Risk measurement, monitor and control personnel should be in different department from the above personnel, and should report to Board of Director and senior management who is not responsible for trading.
- d. Derivative position held should be evaluated weekly. Hedging transaction engaged due to business needs should be evaluation twice a month. The evaluation report should send to senior management authorized by the Board of Director.

#### 6. Legal Risk Management

To mitigate legal risk, documents signed with the bank should be reviewed by foreign exchange and legal professional before signed.

#### 7. Product Risk Management

Internal trader and the bank personnel should have complete and accurate professional knowledge on financial product. The bank is required to fully disclose the risk to prevent the risk of misusing financial product.

#### 8. Cash Settled Risk

Authorized trading personnel shall follow the trading guideline and monitor the Company's foreign currency flow to ensure there is sufficient cash to settle the payment.

#### Article 5 Internal audit

The internal audit personnel of the Company shall understand the adequacy of the financial derivative transaction, audit the trading department's compliance with the Procedure for Engaging in Financial Derivative Transaction, analyze the transaction, and issue an audit report.

If material violation is found, a written report should issue to the audit committee.

#### Article 6 Periodic evaluation

1. The Board of Director shall authorize the management team to periodically monitor and evaluate the financial derivative transaction on if this Procedure is being followed and whether the current risk exposure is within the Company's limit. When abnormal situation on market price evaluation report exists, for example, the Company's loss is reaching the limit, the Board of Director shall be notified immediately and undertake the necessary action.
2. For transactions entered into for hedging purpose, a bi-weekly report shall be prepared. For transaction into for non-hedging purpose, a weekly report shall be prepared. The report shall distributed to the Board of Directors' authorized management team for review.

#### Article 7 Board of director's monitor

1. The Board of Director shall assign senior management to monitor and control the risk on derivative product trading, the principle is as follows:
  - a. Evaluate regularly on whether current risk management is appropriate and whether current derivative product trading procedure is being followed.
  - b. Monitor trading profit and loss. When abnormal situation happens, necessary action should be taken and report to Board of Director immediately. When the Company has set up independent director, the independent director shall attend the Board meeting and express their opinion
2. Evaluate regularly on if derivative product trading's performance is align with the Company's operating strategy and the risk undertaken is within the Company's acceptable range.
3. When engaging derivative product trading, the Company shall authorize related personnel for execution in accordance with Procedure for Engaging in Financial Derivative Transaction, and report to the Board of Director.
4. When the Company engages in derivative product trading, registry book shall be established. Type of derivative product, trading amount, Board of Director approval date, evaluation item on Article 6 paragraph 1, and paragraph 1 section 1 and 2 of this article shall be documented on the registry book.

#### Article 8 Information disclosure procedure

1. When the Company's total or individual contract loss for financial derivative transaction reach the upper limit. The Company shall make a public announcement on or before the 2<sup>nd</sup> date of each month on date of occurrence of the event.

2. The Company shall make a public announcement on the monthly basis on the amount of the Company and its subsidiaries' financial derivative transaction for the previous month on or before the 10<sup>th</sup> date of each month. The information shall enter into the website designated by the Financial Supervisory Commission. When the announcement includes error or omission that should be submit for correction, all items shall be re-announced.
3. After the Company announce the transaction in accordance with paragraph 1 of this article, the Company shall make a public announcement within two days in the event to the website designated by the Financial Supervisory Commission when below item happens:
  - a. When the original contract term is changed, terminated, or cancelled.
  - b. The merger, spin off, acquisition, and transfer of shares is not completed within the scheduled contract date.
  - c. When the content of the original public announcement change.

#### Article 9. Penalty

If material violation is found, supervisor should be informed in writing. If the Company has set up the audit committee in accordance with the Security and Exchange Act, the audit committee should be informed in writing when material violation happens.

When the Company engages in financial derivative transaction, this Procedure shall be followed. If the manager or in charge violates this Procedure and cause material damage to the Company, the Company will impose sanction in accordance with related personnel regulation.

#### Article 10. Implementation and revision

This Procedure is approved by the Board of Directors, and approval of resolution by the Supervisor and Shareholder Meeting.

If any Director has any dissenting opinions or makes any reservation, they shall be recorded and send to Supervisors for further discussion, same procedure shall be applied during revision.

When the Procedure is submitted to the Board of Directors for discussion in accordance with the Provision herein, each Independent Director's opinion shall be fully taken into consideration. If any Independent Director has any dissenting opinions or makes any reservation, they shall be recorded in the minutes of the meeting of the Board of Directors.

When the Company formulate or amend this Procedure, it shall be agreed by no less than half of all audit committee members, and approval of resolution by the Board of Director and Shareholder Meeting.

If approval by no less than half of the audit committee member is not obtained in accordance with the foregoing provisions, the approval of two-thirds of all the Directors shall be obtained instead. In this case, the resolution made by the audit committee members shall be stated in the minutes of the meeting of the Board of Directors.

The calculation of the number of the abovementioned audit committee members and Directors is based on those who at the time take office.

#### Article 11 Implementation and revision

The procedure is approved on May 14, 2014.

The First amendment was made on August 25, 2014; the Second amendment was made on April 9, 2015; the Third amendment is made on June 20, 2017; the Fourth amendment is made on May 24, 2022; and the Fifth amendment is made on June 06, 2023.