

EVA AIRWAYS COPORATION

Procedures for Transaction of Derivative Products

Article 1

The Procedures is set forth in accordance with Article 11 of the “Procedures for Acquiring and Disposing of Assets” as prescribed by the Company.

Article 2

Any transaction of derivative products to be made by the Company shall be subject to these Procedures.

Article 3

The term “derivative products” as used herein shall mean any forward contracts, option contracts, futures contracts, leveraged margin trading contracts, swap contracts, and the combination thereof with a worth derived from relevant assets, interest rates, exchange rates, oil, carbon emission, indexes, or other interests. The term “forward contracts” as used herein shall not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts and long-term purchase (sales) contracts.

Article 4

Types of derivative product transactions that may be engaged in by the Company are forward currency transactions, currency swaps, margin trading, non-delivery forwards, interest rate swaps, oil swaps, options, assets swaps, carbon emission trading, futures, and other relevant financial products derived from the assets, indexes or other interests.

Article 5

Hedge trading of derivative products that may be taken by the Company shall be avoided market risks as the main purpose. The trading products shall be chosen mostly for avoiding the risks of interest rates, exchange rates and fluctuation of oil price and carbon emission trading price that result from the company’s operation. The trading subjects, in principle, shall be chosen the excellent credit financial institutions and companies.

Article 6

Gross contract amount for the derivative product transactions made by the Company shall be as follows:

1. Interest Rate Derivatives: It shall be limited to the gross amount of liabilities when undertaking transactions.
2. Foreign Exchange Derivatives: The credit limit of selling forward shall be limited to the estimated gross amount of foreign currency revenue for the coming two years when undertaking transactions; the credit limit of buying forward shall be limited to the gross amount of foreign currency liability, capital expenditures of foreign currency when undertaking transactions, and estimated operating expenses for the coming two years.
3. Fuel Oil Derivatives: It shall be limited to 80% of the estimated annually volume of fuel the Company consumed for the period of twenty-four months from the month (excluded); and it shall be limited to 40% of the estimated annually volume of fuel the Company consumed for the period from the coming twenty-fourth month (excluded) to the sixtieth month (included).
4. Carbon Trading Derivatives: It shall be limited to the estimated gross amount of the carbon emission which will be purchased for the coming two years.

Article 7

The maximum loss limit for individual or overall contracts for the derivative product transactions made by the Company shall be as follows:

1. Hedging Operation: The amount of loss evaluated for any individual contract shall be limited to 5% of the net equity of the Company; and the amount of loss evaluated for all contracts shall be limited to 10% of the net equity of the Company.
2. Trading Operation: Gross allowable loss for all contracts shall be limited to 2% of paid-in capital of the Company; and to 10% of contract value for any individual contract.

Article 8

Division functions in regard to the derivative product transactions made by the Company shall be as follows:

1. Senior executives duly authorized by the board of directors shall always pay attention to supervising and controlling risks for derivative production transactions.
2. Internal auditors shall examine for the adequacy of internal control over the transactions of derivative products on a regular basis.
3. Trading persons shall always be alert to the market information, analyze the changing situations of various products from basic and technical aspects, and report the latest information to the department head concerned. Trading person shall also know exactly about the provisions specified in these Procedures and report the gain or loss to the executive concerned periodically.

4. Confirming persons must confirm the trading data is consistent with the trading confirmation note of the financial institution.
5. Delivery persons must confirm the fund availability of the Company, make sure the currency, amount, and delivery date of each transaction, and perform the delivery smoothly.

Article 9

Key points for performing evaluation by the Company of the derivative product transactions shall be as follows:

1. Accuracy of the evaluation about product trends;
2. Adequacy for the position control;
3. Fair value and changes in the gain/loss;
4. To what extent the risk is covered in case of a hedge transaction, or the possible result if no such transaction is made.

Article 10

Operating procedures for derivative product transactions by the Company shall be as follows:

1. As approved by the head of Financial Department, trading persons initiate the transaction within the gross contract amount specified in Article 6.
2. Trading persons shall place orders through the financial institutes nominated by the Company beforehand.
3. After a transaction is done, trading persons shall submit the trading data to the confirming persons and the head of Financial Department.
4. The financial institution concerned shall send a trading confirmation note to the confirming persons after the transaction.
5. The head of Financial Department, confirming persons and delivery persons shall re-examine those trading data. After the data are verified to be correct, the delivery persons shall perform the delivery.
6. Confirming persons shall send the trading confirmation note duly approved back to the financial institution concerned.
7. After verifying the validity and rationality of trading data from external sources, the accounting persons submits the trading voucher for approval of book entry.

Article 11

Risk control measures taken by the Company for derivative product transactions shall be as follows:

1. Upon engaging in a transaction, its risk control shall be ready to cover those risks relating to the credit, market price, liquidity, cash flow, operation, laws and

rules.

2. To set up guidelines in writing for trading persons to engage in the transactions within the authorized amount, ceiling of stop loss, and tradable types of products.
3. Any trading person shall not act as a confirming person or a delivery person simultaneously, and vice versa.
4. Persons in charge of risk measurement, supervision, and control shall belong to the departments different from the ones for those persons referred to above, and shall report to the board of directors, or to the senior executives who are not responsible for making the policy on the transaction or position of derivative products.
5. The position held in the transactions of derivative products shall be evaluated at least once a week. In case of a hedging transaction for business necessity, however, it shall be evaluated at least twice a month. The evaluation reports concerned shall be submitted to the senior executives duly authorized by the board of directors.
6. The board of directors shall do monitoring and control on the following principles:
 - (1) Assign senior executives to supervise on the monitoring and control of derivative product transactions from time to time.
 - (2) Evaluate whether the performance of derivative product transactions complies with the business operation policy and whether the risks to be taken are within the allowable scope.
7. Senior executives duly authorized by the board of directors shall control the transactions of derivative products on the following principles:
 - (1) Evaluate periodically whether the prevailing risk control measures are proper and whether they are complying with these Procedures.
 - (2) Monitor the status of transactions and gain/loss periodically. In case any abnormality is found, necessary actions must be taken to deal with promptly, and a report thereof be made to the board of directors. And the independent directors shall be invited to present at the board meeting to express their opinions.
 - (3) If the amount of loss for any individual contract or all contracts equals to the maximum loss limit specified in Article 7 and has not been reported to the Board, appropriate measures shall be adopted and a report shall be made to the senior executives to decide whether the Company shall execute the stop loss, and then report to the Board at the soonest meeting.
8. When the Company has duly authorized the persons concerned to engage in the transactions of derivative products, a report to the effect shall be made to the Board at the soonest meeting afterwards.

Article 12

Internal auditors shall examine for the adequacy of internal control over the derivative products transactions on a regular basis, and audit whether the trading departments are acting in compliance with the Procedures monthly, for which an auditing report shall be produced. If any severe violations are found, a written notice shall be submitted to the Audit Committee.

Article 13

For the derivative products transactions being engaged in by the Company, a filing book shall be produced, therein the entries about types and amounts of respective derivative product transactions, as well as the dates of resolutions passed by the board of directors. Also, those particulars that shall be under deliberate evaluation according to subparagraphs 5, 6.2 and 7.1 of paragraph 1 of Article 11 will be noted down in the evaluation report in detail for filing purpose.

Article 14

If any derivative products transaction to be made by the Company falls within one of the following circumstances, relevant information shall be publicly announced and reported, in the specified form by its nature, on the website designated by the FSC:

1. The Company shall input the information of derivative products transactions made by it and its non-domestic public subsidiaries as of the end of previous month on or before the tenth day of each month.
2. Losses from derivative products transactions made by the Company and its non-domestic public subsidiaries reaching the loss limits for any individual or all contracts set out in the procedures adopted by the Company and its subsidiaries shall be inputted within the time limited by the authorities.
3. Any unrealized losses on derivative products transaction made by the Company or its major subsidiaries that is non-TWSE and, non-GTSM listed and has not registered its stock as emerging stock amounting to 3% or more of net equity, shall be inputted within the time limited by the authorities.

For the particulars to be publicly announced as required, if there are any errors or omissions needing to be corrected upon public announcement, all these particulars shall be publicly announced and reported again within the time limited by the authorities.

Article 15

The Company shall procure its subsidiary to set up its own “Procedures for Transaction of Derivative Products” in accordance with relevant guidelines, and to follow the Procedures when transacting the derivative products.

Article 16

Upon the adoption or amendment of these Procedures, it shall be approved first by the Audit Committee and then be resolved by the Board of Directors; then, these Procedures shall enter into effectiveness after ratification of the shareholders' meeting.

Article 17

Based on the regulation of this procedure, all matters that shall obtain the approval of the Audit Committee shall be approved by at least one-half of the members of the Audit Committee.

In the event that the preceding does not obtain at least one-half of the approval of the Audit Committee, it shall then ask for at least two-thirds of the approval of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board's Meeting.

The members of the Audit Committee and all Directors mentioned in the preceding paragraphs refer to the members in office.

When a matter is submitted for discussion to the Board of Directors, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes.

The History of "Procedures for Transaction of Derivative Products"

1. The Procedures was made on June 21, 2003;
2. The 1st amendment was made on June 16, 2005;
3. The 2nd amendment was made on June 14, 2006;
4. The 3rd amendment was made on June 16, 2009;
5. The 4th amendment was made on June 21, 2012;
6. The 5th amendment was made on June 17, 2014;
7. .The 6th amendment was made on June 16, 2015.
8. The 7th amendment is made on June 26, 2017.