

United Microelectronics Corporation

Financial Derivatives Transaction Procedure

Article 1: Purpose:

In order to reduce the risk associated with fluctuation of exchange rate, interest rate, and to effectively control future cash flow, “Financial Derivatives Transaction Procedure”, (“Procedure”) is established to manage every kind of the Company’s derivatives transaction. The Procedure is made pursuant to Article 36-1 of Securities Exchange Act and “Criteria for Derivative Trading by Public Companies” (“Regulation”).

Article 2: “Derivative products” mentioned in the Procedure refers to option contracts, future contracts, margin contracts, exchange contracts, etc. the values of which are derived from assets, interest rate, exchange rate, index, or other financial products.

Article 3: Transaction Principle and Goal:

1) Transaction type:

- A. Derivative products that the Company can buy or sell are referred to in Article 2.
- B. Bond trading shall be regulated by the Procedure.

2) Operation and hedging strategy:

The Company’s foreign currencies positions will be hedged to minimize loss.

3) Responsibilities

Finance Department: in charge of executing foreign currencies positions. FX trader will need authorization from CFO and signed letter of authorization with financial institutions.

Accounting Department: in charge of bookkeeping related transactions.

4) Transaction amount & restriction:

- A. FX position: based on the needs of each net currency position and the forecasted cash flows, the policy is set to natural hedge. The authorization for each type of transaction is as follows:
 - i. Forward FX transaction: The authorized FX trader will begin transaction after a discussion with FIN 1st level manager on the Company’s daily FX position. The transaction pricing range will be determined on both the Company’s FX assets & liabilities book-in cost and the forecasted cash flows. And the settlement of such transaction should be in accordance with the Company’s operational needs. Except for the extension for forward FX, which

is required for controlling monthly cash flow of foreign currency, not affecting the company's risk.

Authorized Level	Authorized Amount on Each Transaction	Daily Transaction Amount
CFO	≥ US\$ 20M	≤ US\$ 50M
FIN 1 st level manager	≤ US\$ 20M	≤ US\$ 50M
Authorized FX trader	≤ US\$ 5M	≤ US\$ 25M

- ii. Other FX derivatives product: The authorized FX trader will need to submit evaluation report which clearly states type of transaction, transaction amount, time period, purpose of transaction, transaction breakdown, expenses, trading party. The transaction can be executed only after CFO's approval.
- B. Interest rate and other transaction: The contract amount is limited to the outstanding amount of the Company's issuing equities or bonds. The transaction will be used to hedge the exchange rate risk or interest rate risk associated with issuing equities such as ADR or GDR, or domestic or foreign bonds such as ECB, EB or domestic corporate bond, or long-term bank loan. The authorized FX trader will submit evaluation report and approved by CFO and Senior Vice President. If necessary, the approval from Chairman, Audit Committee and Board Meeting is needed before executing such transaction.
- C. Maximum Contract Size & Loss Limit
- The total amount of derivatives which the Company is capable to take is based on 100% of latest quarterly revenue amounts. The upper limit of total losses from derivative contracts is US\$ 10 million (or NT\$ equivalent). The upper limit of losses for single derivative contract is 5% of such contract amount. When losses exceed such upper limits, the authorized FX trader shall provide documentation, stating both impacts to the Company and solutions to decrease such losses, after a discussion with FIN 1st level manager. After the approval from CFO and Chairman, the authorized FX trader shall take such solutions and report to Audit Committee the Board afterwards.
- i. Forward FX transaction is not subjected to the above loss limit restriction, if there are such amount of foreign currency assets/liabilities and the forecasted cash flows under hedging purpose in our books.

- ii. If the transaction is used to hedge the exchange rate risk or interest rate risk associated with issuing equities such as ADR or GDR, or domestic or foreign bonds such as ECB, EB or domestic corporate bond, or long-term bank loan, the transaction amount is limited to the outstanding amount of such issuance. The loss is excluding to the above loss limit due to the equivalent amount of FX assets or liabilities.
- 5) Performance evaluation:
- A. Hedged purpose:
The performance shall be reviewed twice monthly. Trader shall provide foreign currency positions to manager authorized by Board for reference.
 - B. Other special purpose:
Position shall be evaluated weekly for gain or loss, and reported to manager authorized by Board for reference.

Article 4: Operation Procedure:

- 1) The FX trader should follow the guidelines in accordance with the Procedure 3-4.
- 2) After receiving the trading slip, verifying clerk shall confirm the content. If any mistake is found, verifying clerk shall check with trader promptly.
- 3) After the confirmation from the verifying clerk, FX trader shall process the transaction.
- 4) Accounting Department shall record the transaction and related account entries.
- 5) The derivative transactions shall be reported to Board Meeting.

Article 5: Disclosure and Report Procedure:

The Company shall disclose its and its subsidiaries derivative transactions before 10th of each month to Securities and Futures Bureau' Market Observation Post System website.

Article 6: Accounting Procedure:

The derivative transactions shall be recorded in accordance with Accounting Regulation and related Accounting principles.

Article 7: Internal Control

- 1) Risk management procedure:
 - A. Credit risk: dealing with international known banks.
 - B. Market risk: targeting common and global financial products.
 - C. Liquidity risk: choosing banks that have large volume, time-to-market quotation.

- D. Operation risk: strictly complying with the Procedure to reduce operation risk.
 - E. Legal risk: using standard contracts instead of designated contracts. Cash flow risk: always considering the Company's cash flow.
- 2) Internal control:
- A. FX Trader, verifying clerk, and processing clerk shall not be the same person.
 - B. Supervising and processing personnel shall belong to different department and report to the Board.
 - C. Accounting Department shall record transactions after checking related certifications. Verifying clerk shall be responsible for auditing the trading slips with banks periodically. Transaction related vouchers shall be approved by authorized managers.
 - D. Management who is authorized by the Board shall monitor the derivative transactions periodically. If any misdeed is found, report shall be made to Audit Committee and Board promptly.
- 3) Periodic evaluation:
- The position of derivative instruments shall be weekly evaluated; transactions for hedging purposes shall be biweekly evaluated. The evaluation report shall be proved to manager authorized by Board.

Article 8: Any derivative transactions shall be recorded in detail, and items mentioned in Article 7 shall also be recorded thoroughly.

Article 9: Internal Audit System:

The internal audit personnel shall understand the internal control procedures for derivative transactions procedure and conduct monthly audits. If any misdeed is found, report shall be made to Audit Committee promptly.

Article 10: This procedure shall become effective upon approval by Audit Committee and the board of director and be reported to the shareholders meeting. Any amendment is subject to the same procedure. Opinions from independent directors shall be thoroughly considered during discussion and their concurring or opposing opinions and the reasons for objection shall be recorded in meeting minutes. If any member of board of directors objects to it with a record or written declaration, the Company shall present it to the meeting of shareholders for discussion.

Article 11: The disclosure of derivative transactions is based on the Company's "Acquiring or Disposing Assets Procedure".

Article 12: Any employee who violates the Procedure or the Regulation is subjected to the jurisdiction of the Company's Code of Conduct or related rules.