

Risk Management Committee

1. Risk Management Policies and Procedures

The risk management policy has been resolved by the Board of Directors on March 15, 2022 as the highest guideline of risk management of the Company. The policy follows international standards and takes learning from benchmark companies. This policy is a realization of regulatory compliance to ensure Compal's sustainable operations.

Compal adopts a management system for finances, business and accounting pursuant to the FSC's Regulations Governing the Establishment of Internal Control Systems by Public Companies; and evaluates and monitors risk in operating activities. Managerial personnel ensure that any such risk is within an acceptable range by drawing up a risk management plan and response guidelines.

The Company adheres to regional government policies and regulations in its critical production base.

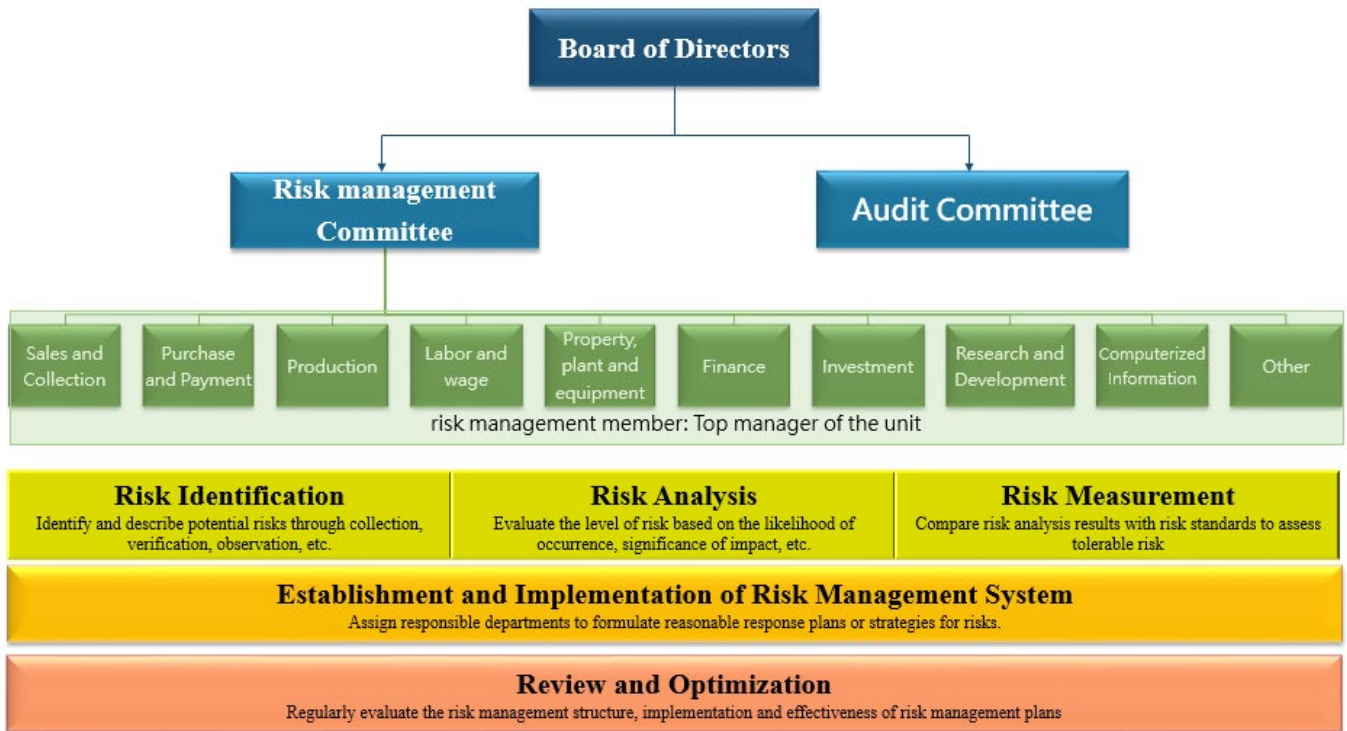
2. Risk Management Category

Compal performed Identification, Analysis and Evaluation based on the ISO 31000 framework and methodology, and determined 24 risk issues in five areas: Strategy, Finance, Operations, Regulatory Compliance, and the Environment. Considering the Company's resources, these issues were then prioritized in a risk matrix.

3. Organization Structure and Authority

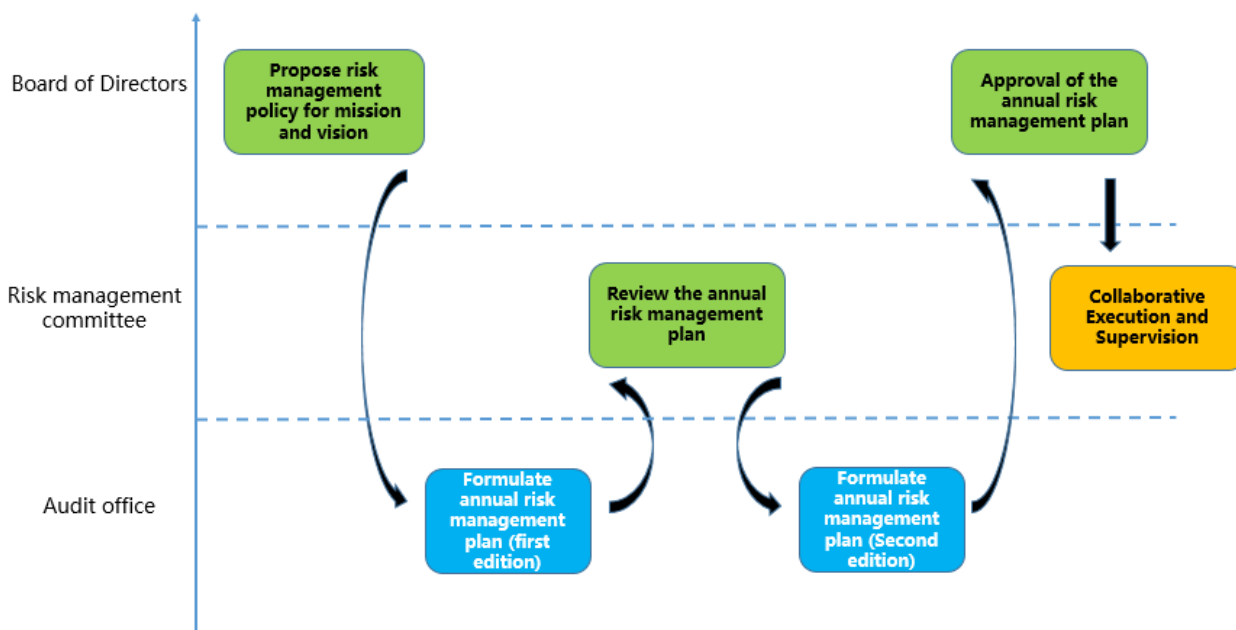
- (1) Compal follows the "Risk Management Best Practices Principles for TWSE/TPEX Listed Companies" announced on August 8, 2022. It establishes the "Risk Management Committee" under the Board of Directors, appointed by Board resolution, with a membership of no less than three individuals. Over half of the committee members must be independent directors, and the chairman should be designated from the independent directors. The Risk Management Committee is accountable to the Board of Directors and submit proposals to the Board of Directors for resolution. The committee's functions are as follows:
 1. Review risk management policies, procedures and structures, and assess review their applicability and effectiveness regularly.
 2. Approve the risk appetite (risk tolerance), and guide resource allocation.
 3. Review management reports on significant risk issues.
 4. Determine risk prioritization and levels of risk control.
 5. Review the implementation of risk management and propose improvement suggestions; provide an annual report to the Board of Directors on a regular basis (at least once a year), and disclose risk management-related information in the annual report, corporate social responsibility report, and company website.
 6. Execute the risk management decisions of the Board of Directors.

- (2) The Risk Management Committee is a governance body under the Board of Directors, working with the Audit Committee to assist each operational unit in improving the risk management system. The operational processes are detailed in the figure below.



- (3) The Board of Directors proposes risk management policies based on its mission and vision. These policies are reviewed annually by the Risk Management Committee, and submitted to the Board of Directors for approval. Once approved, the operational units are responsible for implementing the plan and regularly supervising the progress of the projects.

Risk management annual plan and major projects [initial review and decision]



4. The actual performance of the Risk Management Committee

(1) Committee Appointment

On May 10, 2023, Compal established the Risk Management Committee with the approval of the Board of Directors. Due to the re-election of the board of directors, on May 31, 2024, the board resolved to appoint the second term of the Risk Management Committee, consisting of all independent directors Wen-Chung Shen, Duh Kung Tsai, Lee-Chiou Chang, Shui-Shu Hung, Tzu-Ting Huang and director Sheng-Hua Peng. The committee unanimously elected independent director Wen-Chung Shen as the convener and meeting chairman.

(2) Attendance of Members at Risk Management Committee Meetings :

- The Risk Management Committee of Compal is composed of 4 members in the first term and 6 members in the second term.
- The term of the 1st committee is from May 10, 2023 to May 31, 2024.
- The term of the 2nd committee is from May 31, 2024 to May 30, 2027.
- In 2024, the Risk Management Committee held Three meetings (A). The qualifications and attendance of Committee members were as follows:

Title	Name	Major	Term	Actual attendance (B)	Number of delegated attendances	Attendance Rate (%) [B/A]
Convener	Wen-Chung Shen	Operation Management and Risk Management	Re-election	3	0	100%
Committee Member	Duh Kung Tsai	Operation Management, Risk Management and Mergers and Acquisitions	New-Election	2	0	100%
Committee Member	Lee-Chiou Chang	Operation Management and Strategic Planning	New-Election	2	0	100%
Committee Member	Shui-Shu Hung	Operation Management and Risk Management	New-Election	2	0	100%
Committee Member	Tzu-Ting Huang	Operation Management, Information Security and Risk Management	New-Election	2	0	100%
Committee Member	Sheng-Hua Peng	Operation Management and Risk Management	New-Election	2	0	100%
Convener	Min Chih Hsuan	Operation Management, Performance Management, Investment, Mergers and Acquisitions	Former	1	0	100%
Committee Member	Duei Tsai	Operation Management and Information Security	Former	1	0	100%
Committee Member	Chung-Pin Wong	Operation Management, Performance Management and Risk Management	Former	1	0	100%

(3) Resolutions and Follow-up Actions of the Risk Management Committee:

Meeting Date	Subject Matter	Resolution and Follow-up
1 st Term 3 rd Meeting 2024.4.16	1、To approve the 2024 Risk Appetite.	Unanimously approved without objection by all the Committee Members present and submitted to the Board of Directors for resolution.
2 nd Term 1 st Meeting 2024.5.31	1、Election of the Convener and Chairman of the 2 nd Risk Management Committee。	Committee Member Wen-Chung Shen is elected as Convener and Chairman by all the Committee Members present

Meeting Date	Subject Matter	Resolution and Follow-up
2 nd Term 2 nd Meeting 2024.11.12	1、To approve the risk management objectives for the year 2025.	Unanimously approved without objection by all the Committee Members present and submitted to the Board of Directors for resolution.
	2、To approve the risk appetite for the year 2025.	Unanimously approved without objection by all the Committee Members present and submitted to the Board of Directors for resolution.

(4) Reporting Process:

The Implementation Result of Risk Management			
Management of Operational Risk		Financial Calculation of Climate Change Risk	
1. Function Team had implemented risk mitigation measures, risk control has been achieved. For example, the risk of infectious disease transmission has been reduced to below the Top 5 by 2024. (High risk > Medium risk)	2. In response to policy changes following the U.S. election, the variables for overseas expansion have increased, the various process of overseas expansion sites (Vietnam/Brazil/Mexico) have been audited, optimized, integrated and revised. A local Auditing Office (Vietnam) has been established to strengthen the consistency of group operation compliance in order to slow down the rate of increase in H2.	1. The extent of climate risk impact has been controlled, resulting in a yearly decrease in climate risk, from moderate risk to low risk	2. After communicating and explaining with the factory and various units, fill out the risk management questionnaire and integrate the quantitative data.

Note: The implementation result of risk management for 2024 is expected to be reported to the Board of Directors on March 20, 2025.

(5) Digital system:

Compal has completed the establishment of a risk management digital system, utilizing information technology to quantify risk appetite. The implementation of digital systems will enhance the protection of the rights and interests of investors and defend the company.