Compal Electronics, Inc.
Risk Management Practice Principles

Chapter I General Principles

Article 1 Purpose

In order to achieve the sustainable development of the enterprise, fulfill the social responsibilities to the stakeholders, establish a sound risk management mechanism, improve the risk management system, and reasonably ensure the realization of the company's goals, according to the "Risk Management Practice Principles for TWSE/TPEX Listed Companies" to establish this principles.

Article 2 Goal

The goal of risk management is to consider and manage various risks that may affect the achievement of corporate goals through a sound risk management framework, and to achieve the following goals by integrating risk management into operational activities and daily management processes:

1. achieve business goals；
2. enhance management efficiency；
3. provide reliable information；
4. allocate resources efficiently；
5. Safeguard Assets；
6. Compliance with regulatory requirements。

Article 3 Principles of Risk Management System

1. Systematic：
   Drive risk management with a structured system for consistent and comparable results.
2. Flexibility：
   According to the environment, business characteristics, risk nature and operational activities, formulate appropriate risk management framework and process.
3. Tolerance：
   Fully consider the needs of stakeholders, improve and meet the expectations of stakeholders for Compal risk management.
4. Dynamic：
   Timely forecast, monitor, grasp and respond to changes in the internal and external environment of the enterprise.
5. Immediacy
   Construct a risk management process based on current and future trends, and provide information to stakeholders in a timely manner.

6. Cultural：

   Improve the degree of emphasis on risk management by governance and management units, and enhance the overall risk awareness and culture of the enterprise.

7. Persistent：

   Continuously improve risk management and related operating procedures through learning and experience。

Article 4 Establish risk management policy and procedure and organizational regulations

Considering the company's scale, business characteristics, risk nature and operating activities, formulate risk management policy and procedure and Charter and at least cover the following items:

1. Risk Management Objectives；
2. Risk Governance and Culture；
3. Risk Management Organizational Structure and Responsibilities；
4. Risk management procedures；
5. Reporting and disclosure。

The above-mentioned policies and procedures and organizational regulations should be reviewed at any time according to changes in the internal and external environments to ensure that the design and implementation continue to be effective.

Article 5 Review and implementation of risk management policy and procedure

Risk management policy and procedure shall be initially reviewed by the Risk Management Committee and implemented after approval by the Board of Directors.

Relevant policy and procedure should be disclosed on the company website or TWSE MOPS.

Chapter II Risk Governance and Culture

Article 6 Build risk governance and management framework

In order to establish a sound risk governance and management structure, through the participation of the board of directors, risk management committee and senior management, link risk management with the company's strategies and goals, set the company's major risk projects, and improve its management level。

Article 7 Strengthen risk culture and provide supporting resource

In order to promote a top-down risk management culture, the company integrates risk management awareness into daily decision-making and operational activities through the clear risk management statements and commitments of governance units and senior management to shape a comprehensive corporate risk management culture。

Article 8 Integration and coordination

In order to promote risk management, the company's managers organize and set up responsible units according to their responsibilities and tasks, and through communication, coordination and contact between units, they jointly promote and implement annual plans and projects to implement overall business risk management。

Chapter III Risk Management Organizational Structure and Responsibilities

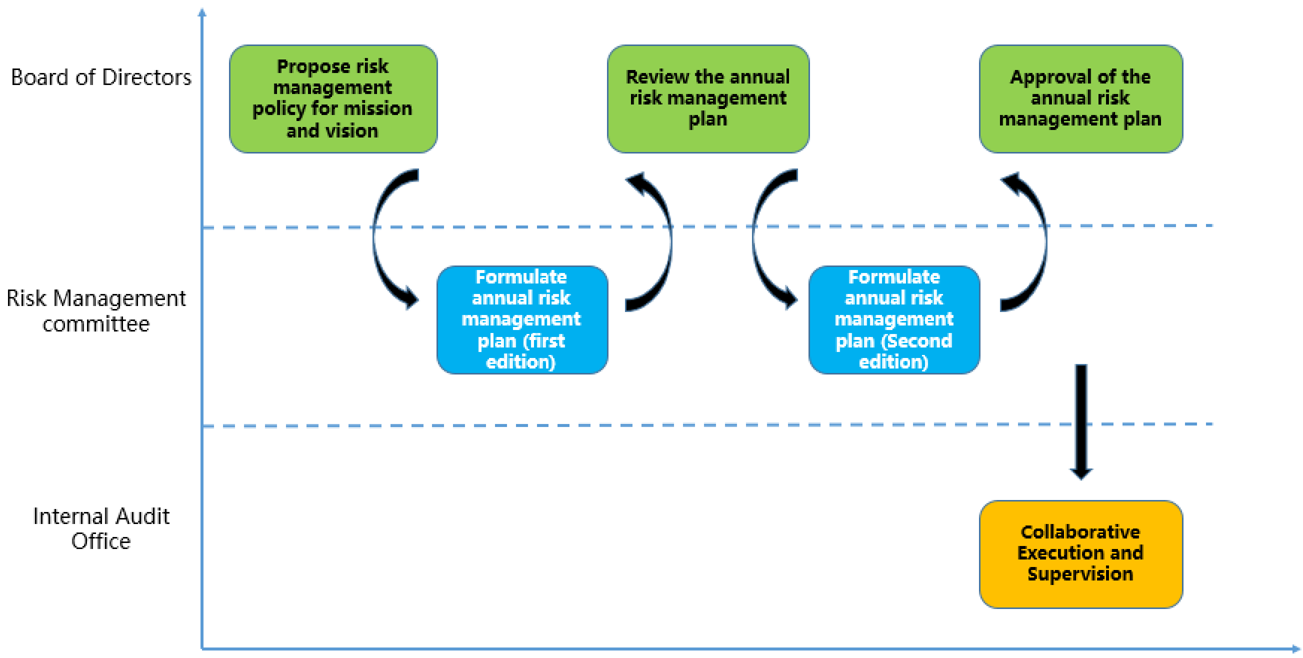
Article 9 Risk Management Organizational Structure

In addition to the board of directors as the highest governance unit for risk management, the company also has a risk management committee subordinate to the board of directors。

Article 10 Duties of the Risk Management Committee

The risk management committee is the governance unit of the company's risk management. It is appointed by the resolution of the board of directors. Its number is not less than three, and more than half of them must be independent directors. The independent director shall serve as the chairman. The proposal should submitted to the board of directors for resolution, and its functions are as follows：

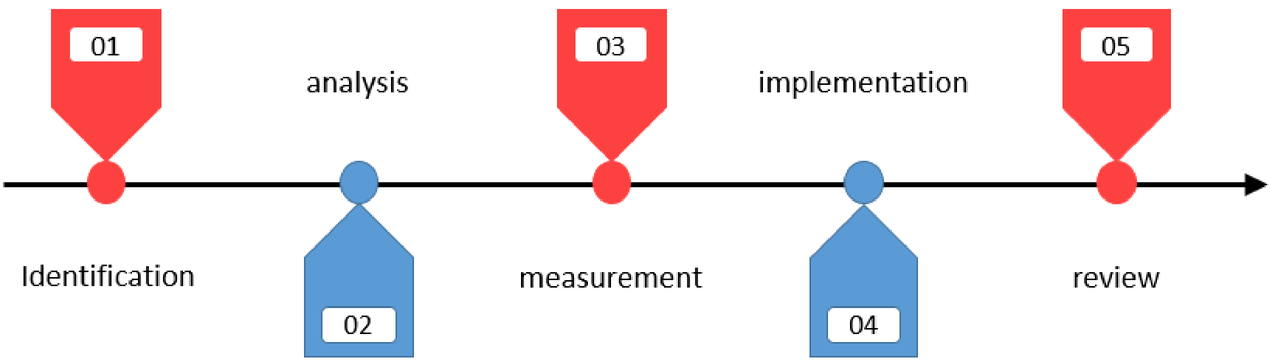
1. Review risk management policy and procedure, Charter and practice principles, and regularly review their applicability and execution effectiveness
2. Approve risk appetite (risk tolerance) and guide resource allocation.
3. Review management reports on major risk issues.
4. According to the risks faced by the company, the priority and risk level of risk control are approved.
5. Review the implementation of risk management and put forward improvement suggestions; make an annual report to the board of directors 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-related decisions of the board of directors.



Chapter IV Scope of Risk Management

Article 11 Risk management procedures

The company's risk management procedures include identification, analysis, measurement, management system establishment and implementation, review and optimization of various risks。



Article 12 Risk identification

The responsible units should conduct risk identification on the short-, medium-, and long-term goals and business management of their units in accordance with the company's strategic goals and the risk management policies and procedures approved by the board of directors and the risk management committee. When identifying risks, various uncertainties in the environment of the enterprise and in the production and operation process should be considered, including but not limited to the following types of risks

1. Market risk: including factors such as domestic and foreign economic, technological changes, and industrial changes that affect the company's business or finances.

2. Operational risks: including the impact on the company's business or finances due to lack of workers, materials, production capacity scheduling, industrial safety, etc。
3. Financial risk: Including the failure of customers, suppliers or other business contacts or the value of financial assets and liabilities, due to fluctuations in market risk factors (interest rate, exchange rate and stock price, etc.), resulting in financial losses of the company.
4. Legal risk: refers to the failure to comply with relevant regulations or the contract itself has no legal effect, ultra vires behavior, poor specification, omission of clauses or other factors, resulting in the inability to constrain the transaction partner to perform its obligations in accordance with the contract, which may result in financial or goodwill losses
5. Information security risk: refers to the fact that the information assets of the enterprise may suffer unacceptable risks, and the confidentiality, integrity and availability of the information cannot be ensured, including that unauthorized persons can still access the information, and the information content and information processing methods cannot be guaranteed. Correct and complete, authorized users are unable to access information and use related assets in a timely manner when needed, resulting in possible losses.
6. Environmental risks: including possible losses caused by the suspension of operations of the company due to disasters such as extreme weather, earthquakes or infectious diseases.
7. Other risks: Any risk that is expected to have a significant impact on the company and cannot be classified into the above-mentioned risk categories belongs to it.

Article 13 Risk Analysis and Measurement Standards

Risk analysis is mainly to understand the nature and characteristics of the identified risk events, and analyze the probability of occurrence and degree of impact to calculate the risk value. For the identified risk events, the responsible unit shall consider the completeness of the existing relevant control measures, past experience, peer cases, etc., analyze the probability of occurrence and the degree of impact of the risk event, and calculate the risk value based on this.

Article 14 Risk appetite

The responsible unit should formulate risk appetite (risk tolerance) and submit it to the risk management committee for approval to determine the risk limit that the company can tolerate. And according to the risk appetite, study and discuss the risk level corresponding to each risk value, and the risk response method of each risk level, as the basis for subsequent risk measurement and risk management system construction.

Article 15 Risk measurement

The purpose of risk measurement is to provide enterprises with a basis for decision-making. By comparing the results of risk analysis with risk appetite, determine the risk events that need to be dealt with first, and serve as a reference for the subsequent selection of response measures. ◦

Article 16 Establishment and implementation of risk management system

The risk management committee should consider the strategic objectives of the enterprise, the opinions of internal and external stakeholders, risk appetite and available resources to determine the risk response method, so that the risk response plan can achieve a balance between the goal and cost-effectiveness. The following methods should be considered Take appropriate response measures to control the risk within a tolerable range.

1. Risk aversion: Refers to refraining from engaging in activities that may create risks.
2. Risk transfer: Refers to adopting the method of transfer, in which part or all of the risks are assumed by others.
3. Risk diversification: refers to taking measures to reduce the factors of risk occurrence or its negative impact.
4. Risk taking: refers to not taking any measures to change the factors of risk occurrence and the negative impact it produces.

The operating unit formulates relevant treatment plans based on the risk response method and implements them.

Article 17 Risk management review and optimization

The company's risk management committee reviews the implementation of risk management, and the responsible units assist and supervise the implementation of risk management policies and procedures in various departments to ensure that each operating unit implements risk management response measures.

Chapter V Supplementary Provisions

Article 18 Review and revision of risk management policies and procedures

The company's risk management promotion and execution unit should always pay attention to the development of domestic and international corporate risk management mechanisms, and review and improve the company's established risk management framework to enhance the effectiveness of corporate governance ◦

Article 19 Formulation, revision and implementation

This principles will come into effect after being approved by the Board of Directors, the same shall apply to any amendments to the principles.

Article 20 Supplementary Provisions

This principles shall come into force on May 8, 2023, after the resolution of the Board of Directors is adopted.