Risk management policy and Procedures of Compal Electronics, Inc.

1. **Core Values:**
The core values of Compal Electronics, Inc.’s risk management policy are following the international standard system, learning from outstanding benchmarking companies, and implementing the policies and regulations of the country where it operates to ensure the sustainable operation of the enterprise.

1.1 Follow the international standard system

- Implement the concept of three lines of defense model for risk management issued by the IIA:
  - **The First line of defense:** Construct the regulations and key control points, strengthen the internal control awareness of front-line business departments, and improve their operation and management standards.
  - **The second line of defense:** Strengthen the monitoring functions of finance, information, and legal affairs, to confirm the effectiveness of key control points.
  - **The third line of defense:** The audit department prepares annual plans based on the risk assessment, and conducts independent audits. CAO has unobstructed reporting to the board of directors and Audit Committee.

- Implement ISO31000 methodology under the guidance of external consultants, and build a risk management framework in accordance with the theoretical foundation of COSO.

1.2 Comply with the policies and regulations of the country in which it operates

- Follow the “Regulations Governing Establishment of Internal Control Systems by Public Companies” issued by the Financial Supervisory Commission.

Establish financial, business and accounting management systems to evaluate and monitor the risks of operational activities. The management participate in the establishment of risk management policies and corresponding guidelines to ensure that the risks of operating activities are within an acceptable range.

- Follow the local policies and regulations of important production bases

  For example: the relevant guidelines of the "The Basic Norms Of Enterprise Internal Control" issued by the Ministry of Finance of the People's Republic of China in conjunction with the China Securities
2. **Management Goals:**

2.1 In response to the ever-changing and competitive market, the company continued to learn from international benchmarking companies to improve our risk management system. Based on the guidance of the Board of Directors and the Audit Committee, formulate medium- and long-term risk response strategies. In terms of internal control construction, the company clarify the management structure and approval authority to improve operational efficiency, safeguard of assets security, ensure the reliability and integrity of financial reporting, and comply with the requirements of national laws and regulations, so as to achieve the goal of our long-term development.

2.2 Determine the objectives of risk management and the response strategies through systematic and scientific method. The specific steps are to interview each operating unit, identify and analyze the key risks of each unit and set management objectives. Afterwards, interviews with the management level to complete risk identification, and establish a risk management framework with the practice of risk methodology. Finally, complete the risk assessment through the full participation of senior management in the discussion, and then formulate risk response strategies, instruct relevant units to implement risk control activities and supervis
3. **Organization Structures**:

3.1 **Law compliance**:

Following the risk management practice principles for TWSE listed companies announced on August 8, 2022, a "Risk Management Committee" subordinate to the Board of Directors is set up to supervise the operational mechanisms related to risk management. The risk management committee is accountable to the board of directors and should submit annual plans and goals to the board of directors for consideration.
3.2 Executive unit:
The responsible unit promotes and executes annual plans and projects.

3.3 Frequency:
The committee holds meetings at least twice a year, and the internal audit officer shall report the promotion status of the annual risk management and the annual risk management goals and plans. However, those in emergency are not subject to this limitation.

3.4 Scope of responsibility:
Risk management committee:
Mainly responsibility for risk Identification, risk Measurement, risk management system establishment, risk Implementation, risk review
The risk management committee should formulate a charter and clarify relevant operating procedures
Audit committee:
Mainly responsible for the supervision of risk management and checking the effectiveness of the risk management system.

4. Development:
In order to ensure the sustainable operation and fulfill social responsibilities to stakeholders, the company have clearly defined three major development directions for risk management under the external professional consultant's guidance and obey our business philosophy.
4.1 Continue to manage the "new type of risk" refer to the GRPS research report issued by WEF. According to the Global Risks Perception Survey carried out by the World Economic Forum every year, we evaluates key issues such as economy, geopolitics, environment, society and technology, from the "likelihood" and "impact" of the event, and we also take new types of risks into management scope such as climate change or contagious disease.

4.2 Conduct the system authority management with the concept of GRC. Design and build an authority management platform that can synchronize various systems. In order to ensure operational stability, avoid authority conflicts, and maintain high efficiency and compliance of business operations, it will be comprehensively extended to the entire company through a gradual approach to meet the needs of corporate development.

4.3 Digital transformation to enhance corporate governance
The business model become more complexity, causing manual post-check is outdated. The company use the information system continuously to save labor costs, enhance the effectiveness of the three lines of defense model through the IT techniques and most importantly to achieve the goal of warning in advance.

4.4 Implement business continuity management to meet the international standard of ISO22301. Quantify the "Operation Continuity Objective" to ensure that we can maintain the Minimum Business Continuity Objective (MBCO) anytime, anywhere, and reduce the risk of operation being shut down during emergencies.
5. **Participate with community and stakeholder engagement**

The operating bases of Compal are located in countries all over the world. Under the principle of meeting the expectations of stakeholders, it cooperates with local governments to promote community prosperity; upholds the concept of sustainable development, and promotes the locations where Compal's operating bases are located to move towards healthy cities.

Through the promotion of the following businesses, we will improve social well-being, optimize corporate image, and make Compal a respectable world-class enterprise:

5.1 **School and talent education**

Strengthen the establishment of construction and education cooperation with schools, and promote the acquisition of work knowledge and experience by construction education students during their schooling. The medium and long-term expected benefits are to reserve and cultivate management talents in advance, and promote the common prosperity of the surrounding areas. In addition, Compal also provides job vacancies for R&D substitutes for construction students or other current students to find employment upon graduation, and there is no gap period in their careers.

5.2 **Hospitals and Healthcare**

Compal's headquarters has set up a "Sunshine Vitality Clinic" and hired doctors with rich clinical experience to provide comprehensive physical and mental care for employees, nearby residents or office workers, and expects to combine medical technology to create new smart medical services.
At the same time, Compal, together with the Tainan City Government and the Taiwan Genki Village Long-term Care Association, a subsidiary of the Nippon Genki Group, jointly established a "multi-level long-term care center with long-term care and a continuous care environment", with "medical care, long-term care, and education" as the core. The core is to introduce Japanese exquisite nursing techniques and the application of Compal's smart technology, go deep into the villages to take care of the elders, achieve the vision of "longevity and symbiosis in a harmonious society", and create the foundation of Compal's i-care.

In addition, Compal undertook the BOT+BTO project of the medical long-term care facility building in Ruifang District, New Taipei City. The project is expected to be completed in 2026, which will enhance the medical energy of the community and demonstrate Compal's attitude of giving back to the society.

5.3 Government agencies and civic responsibilities
Cooperate with the policies of government agencies (tax bureau, customs, economic department, social bureau, etc.) to help improve the environment of the surrounding communities and move towards a safe, law-abiding, clean, and environmentally-friendly sustainable community.

Follow the disaster prevention regulations set by government agencies (police and firefighters, etc.), conduct regular fire drills (such as fire prevention, waterproof, shockproof, and freeze protection), formulate relevant SOPs, and set up emergency response teams. In addition to complying with laws and regulations, it can also make people around the community feel more at ease, and the safety of the company's employees is protected and the company's assets are protected.

5.4 Harmony with The village office, community management committee, is in the residents.

5.5 Waste disposal and green environmental protection
Actively manage waste disposal manufacturers to ensure that the disposal of waste produced by the company complies with environmental laws and regulations. Especially for the electronic waste that may harm the environment, the processing operation is carried out with the highest prudence and rigorous attitude, so as to avoid damage to the company's goodwill and safeguard the rights and interests of local residents in a healthy life.
6. **Implementation and revision**  
This management policy and procedures will be implemented after it has been approved by the board of directors, and it will be the same when it is revised. This management policy and procedures shall come into force from March 15, 2022 after the resolution of the board of directors. The first Amendments to this management policy and procedures shall come into force from May 8, 2023 after the resolution of the board of directors.