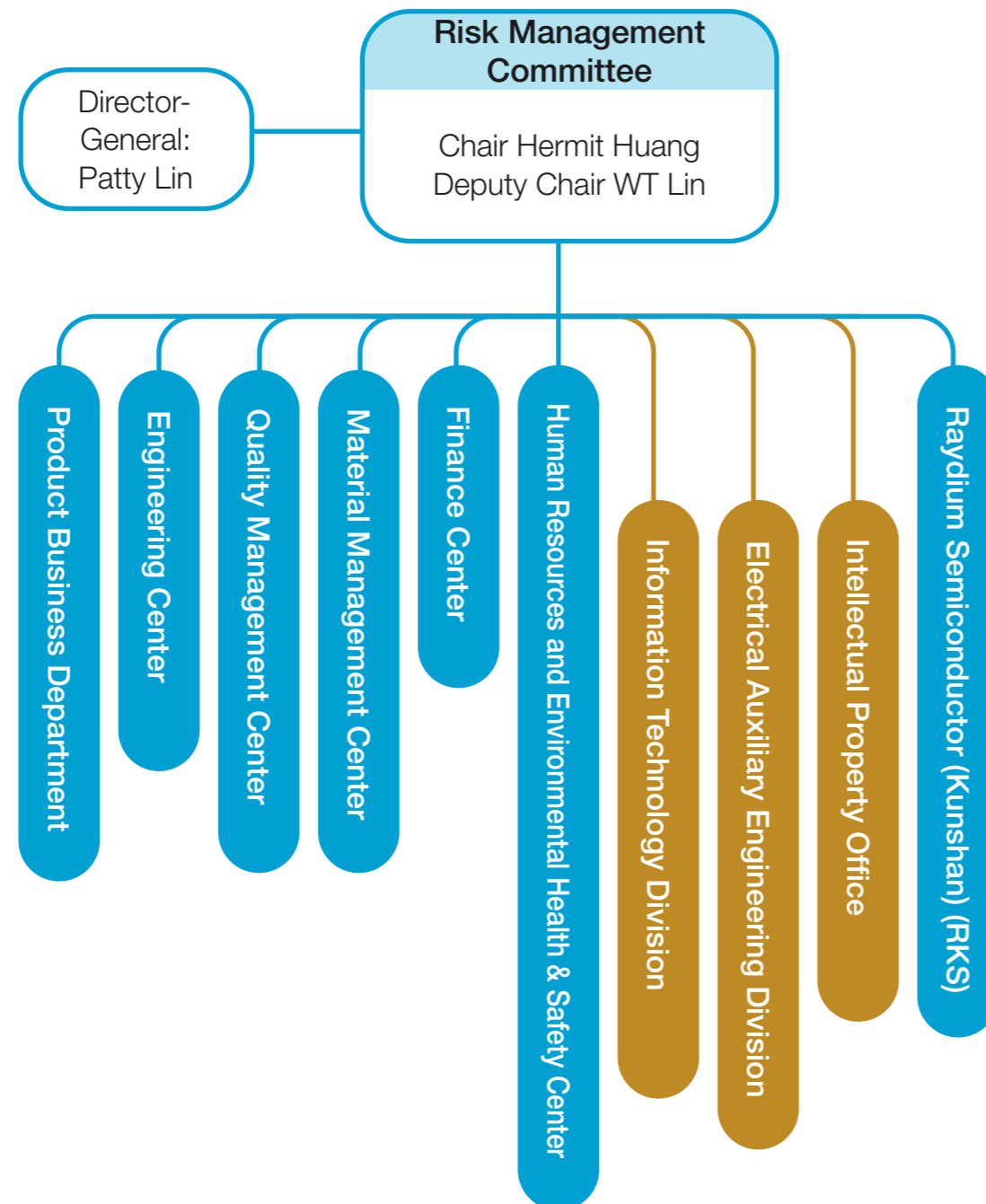


## 2.5 Risk Management

The Risk Management Committee was established by the Company to improve management, strengthen governance, and implement the risk management and supervision functions of the Board. Risks that may impact on corporate sustainability in the three aspects of Environment (E), Society (S), and Economic (including corporate governance) (G) are identified and tracked. Management strategies and response measures such as risk control, mitigation, transfer, and self-retention are employed to minimize potential risks or even convert them into business opportunities.

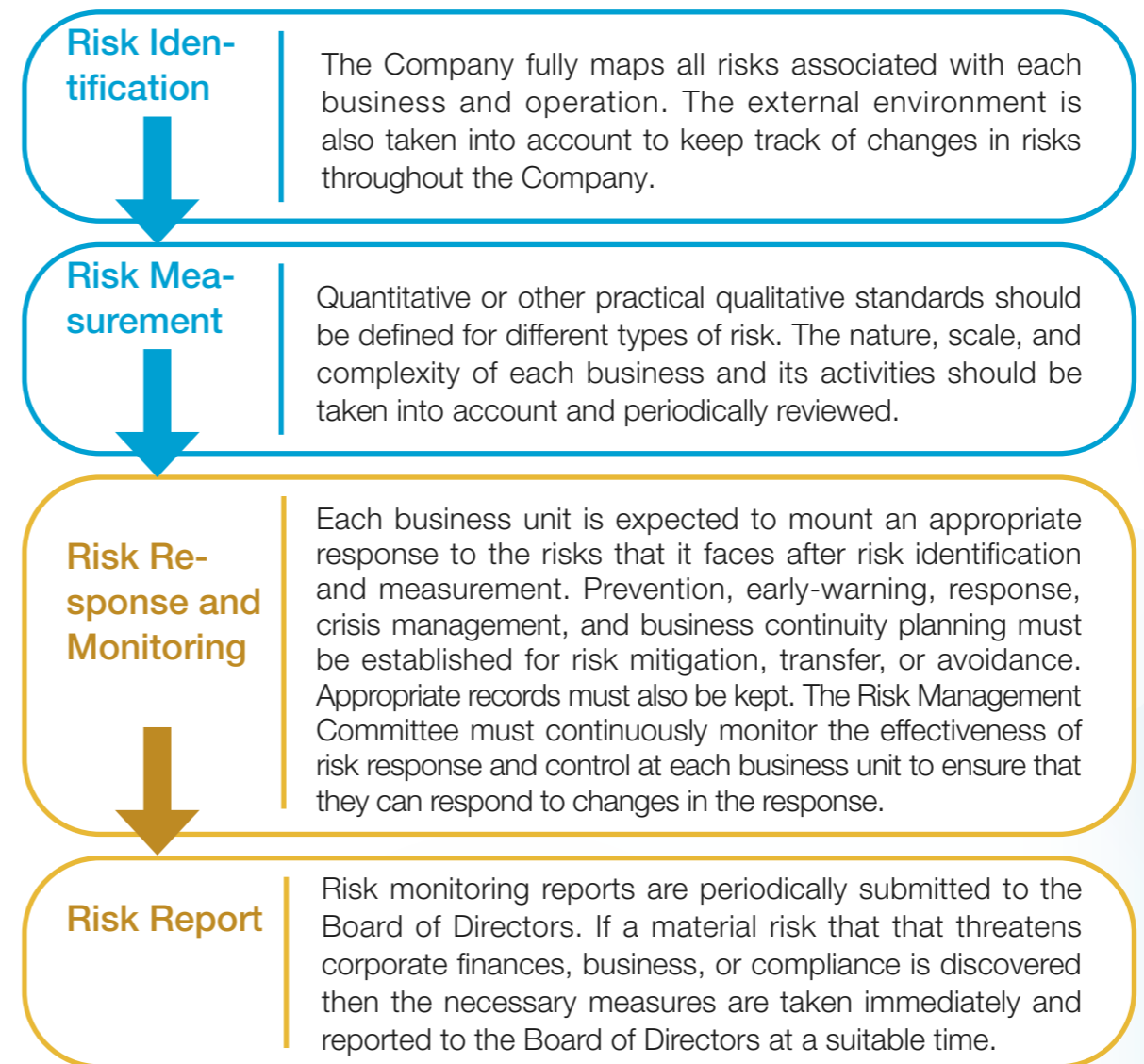
### 2.5.1 Risk Management Committee

#### Risk Management Committee Organization Chart



### 2.5.2 Risk Management Process

The Company's risk management process consists of risk identification, risk measurement, risk response and monitoring, and risk reporting. Adjustments are made in response to changes in the business environment, business, and operations.



### 2.5.2.1 Risk Identification

The Company fully maps all risks associated with each business and operation. The external environment is also taken into account to keep track of changes in risks throughout the Company.

#### The Four Aspects in Scope of Risk Management:

- Compliance
- Domestic/foreign economic or political factors
- Changes in technology or the industry
- Market demand and competition
- Over-concentration of sales and purchasing
- Supply chain management
- R&D and innovation
- Quality management
- Information security
- Talent recruitment



- Changes in interest and exchange rates
- Financing or investment risk
- Natural disasters
- Infectious diseases
- Climate change
- Energy supply disruption
- Fire or chemical spill

### 2.5.2.2 Risk Measurement

The Company has defined a standard for quantification of each risk type. Annual risk assessments are conducted on the nature, scale, and complexity of each business and operation.

#### 2022 Raydium Corporate Business Risk Evaluation Matrix

<ol style="list-style-type: none"> <li>1. Terrorism</li> <li>2. Embezzlement</li> <li>3. Corruption and profiteering</li> <li>4. Anti-trust</li> <li>5. Leak of production technology</li> <li>6. War</li> </ol>	<ol style="list-style-type: none"> <li>1. Technological gap (obsolescence)</li> <li>2. Poor product design</li> <li>3. Non-compliance</li> <li>4. Investment</li> <li>5. Restricted substance management</li> </ol>	Fire	<ol style="list-style-type: none"> <li>1. Data center failure</li> <li>2. Patent infringement</li> <li>3. Leak of critical technology</li> </ol>	<ol style="list-style-type: none"> <li>1. Supply chain disruption</li> <li>2. Cyber attacks</li> </ol>	BCP drill scenarios <ol style="list-style-type: none"> <li>1. Supply chain disruption - Foundry</li> <li>2. Supply chain disruption - Packaging &amp; testing plant</li> <li>3. Data center failure</li> <li>4. Cyber attacks</li> <li>5. Fire</li> <li>6. Earthquakes (over 5 on the Richter Scale)</li> <li>7. Epidemics</li> </ol>
<ol style="list-style-type: none"> <li>3. Structural failure</li> <li>2. Liquidity</li> </ol>	<ol style="list-style-type: none"> <li>1. Loss of critical talent</li> <li>2. Pirated software</li> <li>3. Explosion</li> <li>4. Exchange rate risk</li> <li>5. Interest rate risk</li> </ol>	<ol style="list-style-type: none"> <li>1. Trade war (Import/export restrictions)</li> <li>2. Credit risk</li> <li>3. Earthquake (Over 5 on the Richter Scale)</li> <li>4. Epidemics</li> </ol>			
<ol style="list-style-type: none"> <li>1. Arson</li> <li>2. Food poisoning</li> <li>3. Strike action</li> <li>4. Taxation risk</li> </ol>			<ol style="list-style-type: none"> <li>5. Climate change</li> <li>2. Power outage</li> </ol>		
<ol style="list-style-type: none"> <li>1. Carbon tariffs</li> <li>2. Fuel/oil shortage</li> </ol>	Telecommunications failure	<ol style="list-style-type: none"> <li>1. Sabotage</li> <li>2. Water shortage</li> <li>3. Water supply outage</li> </ol>	IT/Network/Equipment failure	<ol style="list-style-type: none"> <li>1. Typhoon</li> <li>2. Torrential rain</li> </ol>	
<ol style="list-style-type: none"> <li>1. Land slip/Debris flow</li> <li>2. Volcanic activity</li> </ol>				<ol style="list-style-type: none"> <li>1. Military exercises</li> <li>2. Earthquake (Below 5 on the Richter Scale)</li> </ol>	

Note: Includes

1. Sole source
2. Concentration of sources
3. Material price increases
4. Material shortages
5. Water/electricity/labor shortage at suppliers

### 2.5.2.3 Risk Response and Monitoring

Each business unit is expected to mount an appropriate response to the risks that it faces after risk identification and measurement. Prevention, early-warning, response, crisis management, and business continuity planning must be established for risk mitigation, transfer, or avoidance. Appropriate records must also be kept. The Risk Management Committee must continuously monitor the effectiveness of risk response and control at each business unit to ensure that they can respond to changes in the response.

Scope of Risk	Source of Risk	Management Strategy	2022 Outcomes
Business Risk	Supply Chain Disruption	<ol style="list-style-type: none"> <li>Construct stable and reliable sources for supply of materials through diversification of the foundry and packaging &amp; testing supply chain</li> <li>Periodically review of changes in market demand and adjust production planning accordingly</li> <li>Periodic risk assessments and implementation of BCP drills</li> <li>Reduce supply disruption risks by requiring BCP at critical suppliers</li> </ol>	<ol style="list-style-type: none"> <li>BCP for supply chain disruption was completed in 2022 and BCP drills are to be completed in March 2023</li> <li>Supply of foundry capacity was normal in 2022</li> </ol>
	Cyber Attacks	<ol style="list-style-type: none"> <li>Enforcement of existing information security regulations</li> <li>Periodically carry out information security education and questionnaires to maintain the information security awareness of employees</li> <li>Review and update system security and virus definitions on a weekly basis</li> <li>Daily information security alerts, weekly information security review meetings, and monthly information security reports</li> </ol>	<ol style="list-style-type: none"> <li>Successfully blocked 5,767 malicious e-mails</li> <li>Effective online attacks were on average blocked 161,511 times/month</li> <li>Virus and security threats were on average quarantined 908 times/month</li> <li>Targeted login attempts were blocked 71 times/month</li> <li>In-house information security tools generated information security alerts in an effective and timely manner 350 times</li> <li>Analysis of information activities related to the 57 reported cases.</li> <li>Information security education/enforcement conducted 36 times for all employees</li> <li>Employee satisfaction with information security scored 4.07. 1,383 questionnaires were received with a response rate of 86.42%.</li> <li>BCP for cyber attacks was completed in 2022 and drills are to be completed in May 2023</li> </ol>
	Data Center Failure	<ol style="list-style-type: none"> <li>Full redundancy for network equipment in the data center to ensure network connectivity</li> <li>High availability backup mechanism for data center servers as part of system DevOps</li> <li>Daily off-site backups for data protection</li> <li>Full redundancy for network links</li> </ol>	<ol style="list-style-type: none"> <li>Non-stop service by data centers and servers</li> <li>Internet connections were maintained continuously except for a power outage by Taipower</li> <li>BCP for data center failure was completed in 2022</li> </ol>
	Patent Infringement	Establishment of intellectual property (IP) management regulations and management inventory of R&D and product planning to improve the quality and quantity of company IP, and optimize our readiness to face potential risks and challenges in the future.	<ol style="list-style-type: none"> <li>There were no incidents of patent infringement</li> <li>The Company's accomplishments as of the end of December 22 were as follow:                             <ol style="list-style-type: none"> <li>Number of worldwide valid patents: 333 patents; Patents pending: 95 applications</li> <li>There are 11 registered worldwide trademarks.</li> </ol> </li> </ol>

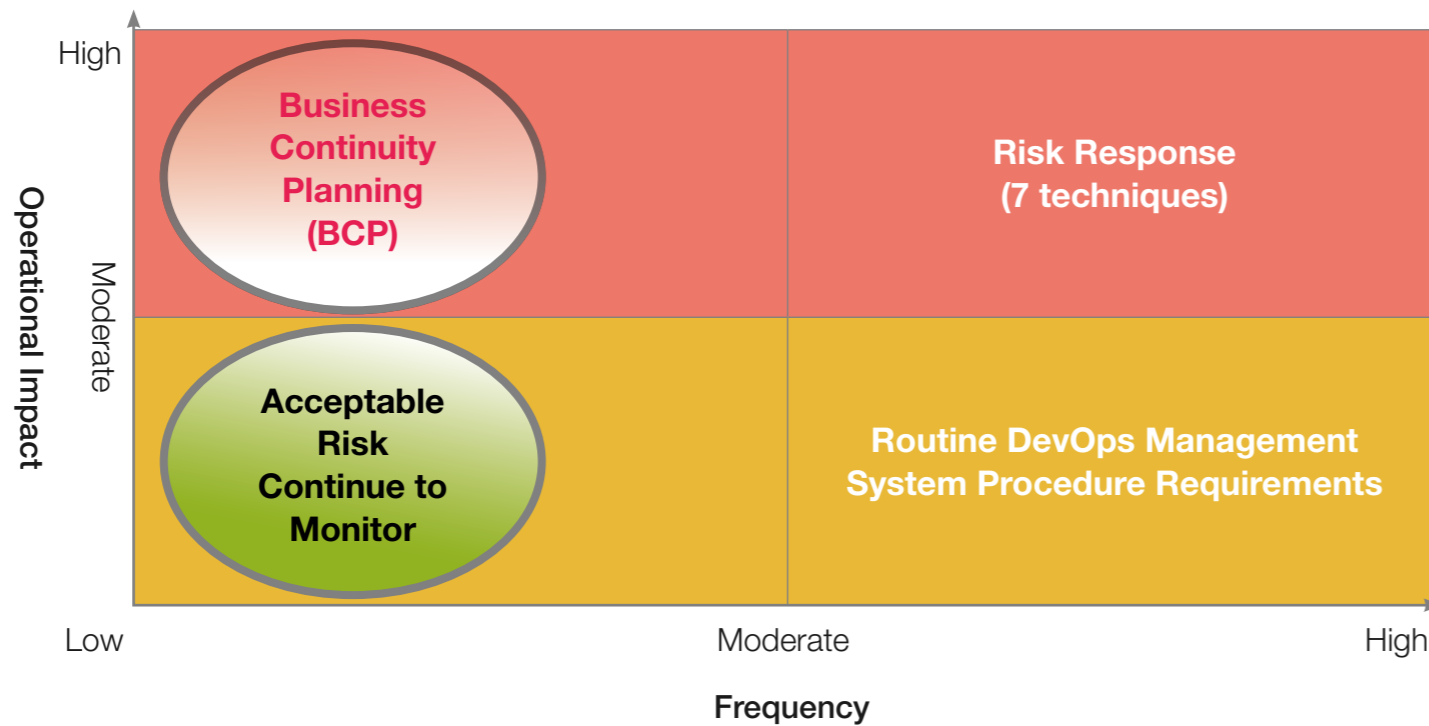
Scope of Risk	Source of Risk	Management Strategy	2022 Outcomes
<b>Business Risk</b>	<b>Leak of Critical technology</b>	<ol style="list-style-type: none"> <li>1. Ensure strict control over confidential data and assets to prevent leaks</li> <li>2. Block leaking of trade secrets to protect company interests</li> <li>3. Enforce access control for R&amp;D system</li> </ol>	<ol style="list-style-type: none"> <li>1. Formulate operating procedures governing the use of confidential customer information assets</li> <li>2. Develop restricted areas for highly classified client projects</li> <li>3. Enforce information security audits - Daily information security alerts and monthly information security audits</li> <li>4. Enforce access permissions and reviews in accordance with the management regulations. 3,831 access applications and reviews were carried out in 2022.</li> </ol>
<b>Strategic Risk</b>	<b>Trade Wars (Import/Export Restrictions)</b>	Observe international developments and adopt a diversification strategy for outsourcing to foundries and packaging & testing plants based on market demand	Our production capacity strategy was not affected by trade wars in 2022
<b>Financial risk</b>	<b>Credit risk</b>	<ol style="list-style-type: none"> <li>1. Implement credit checks for clients, conduct periodic credit checks and review transactions</li> <li>2. Use the on-sale of accounts receivables or credit insurance to transfer the risk from non-collection of accountant receivables.</li> </ol>	There were no losses from bad debts in 2022
<b>Haz-ardous Event</b>	<b>Climate Change</b>	<ol style="list-style-type: none"> <li>1. Climate change risk assessment according to TCFD</li> <li>2. Plan and formulate GHG reduction pathway</li> </ol>	Completed 2022 GHG inventory for Hsinchu/Taipei/Tainan
	<b>Power outage</b>	Ensure continuity of power supply to the office and data center	Completed the electrical work for switching office and data center power supply to the generator
	<b>Fire</b>	Mitigation of fire damage through routine inspection of fire hazards and periodic response drills	<ol style="list-style-type: none"> <li>1. Hsinchu Office has completed two sessions of emergency fire response drills involving 11 people.</li> <li>2. The Taipei and Tainan offices have each completed one session. The Zhunan Office conducted two sessions of fire extinguisher training. Training completion rates were 67% (Taipei), 92% (Tainan), and 91% (Hsinchu).</li> <li>3. BCP for data center fire completed in 2022</li> </ol>
	<b>Earthquakes (Over 5 on the Richter Scale)</b>	Mitigation of earthquake damage through periodic earthquake response drills	<ol style="list-style-type: none"> <li>1. The Hsinchu, Taipei, and Tainan offices each completed one evacuation drill and issued public announcements.</li> <li>2. BCP for earthquakes was completed in 2022 and drills are to be completed in February 2023</li> </ol>
	<b>Epidemics</b>	We established epidemic prevention team for formulating company epidemic prevention policy and reduce the risk of infection for employees	<ol style="list-style-type: none"> <li>1. Disinfection of office areas</li> <li>2. We convened of fortnightly epidemic prevention meetings</li> <li>3. We organized epidemic prevention lectures while also providing confirmed cases with health education and support. In 2022 there were 395 cases.</li> <li>4. We provided employees with epidemic prevention packs for business travel 123 times in 2022.</li> <li>5. BCP for epidemics completed in 2022</li> </ol>

**2.5.2.4 Risk Report**

Risk monitoring reports are periodically submitted to the Board of Directors. If a material risk that that threatens corporate finances, business, or compliance is discovered then the necessary measures are taken immediately and reported to the Board of Directors at a suitable time.

### 2.5.3 BCP Drills

Raydium began engaging in Business Continuity Planning (BCP) in 2022. In future, the Chair will preside over at least one BCP contingency each year. Drills for three scenarios are planned for 2023 to enhance internal emergency response and management.



### 2.5.4 Financial Risk Management

In response to the potential financial risks generated by fluctuations in the exchange rate, the Company not only routinely engages in foreign-currency denominated purchases, sales, and deliveries to serve as hedging of foreign currency debts and accounts. The following response measures were also adopted:

1. Finance personnel liaise closely with financial institutions and track the latest exchange rates based on domestic and foreign politico-economic developments.
2. Finance personnel maintain suitable foreign currency holdings based on future exchange rate trends. Foreign currencies are bought/sold and regulated when appropriate to reduce the impact of exchange rate fluctuations on company profitability.
3. Non-investment transactions are conducted if necessary for risk avoidance. Sound hedging transactions with reputable financial institutions are organized in advance. The “Procedures for Financial Derivative Transactions” were also formulated to enhance risk control and avoid risk from exchange rate fluctuations.



Note:BCP exercise on “Supply Chain Disruption” conducted in March 2023.

