

2.5 Risk Management

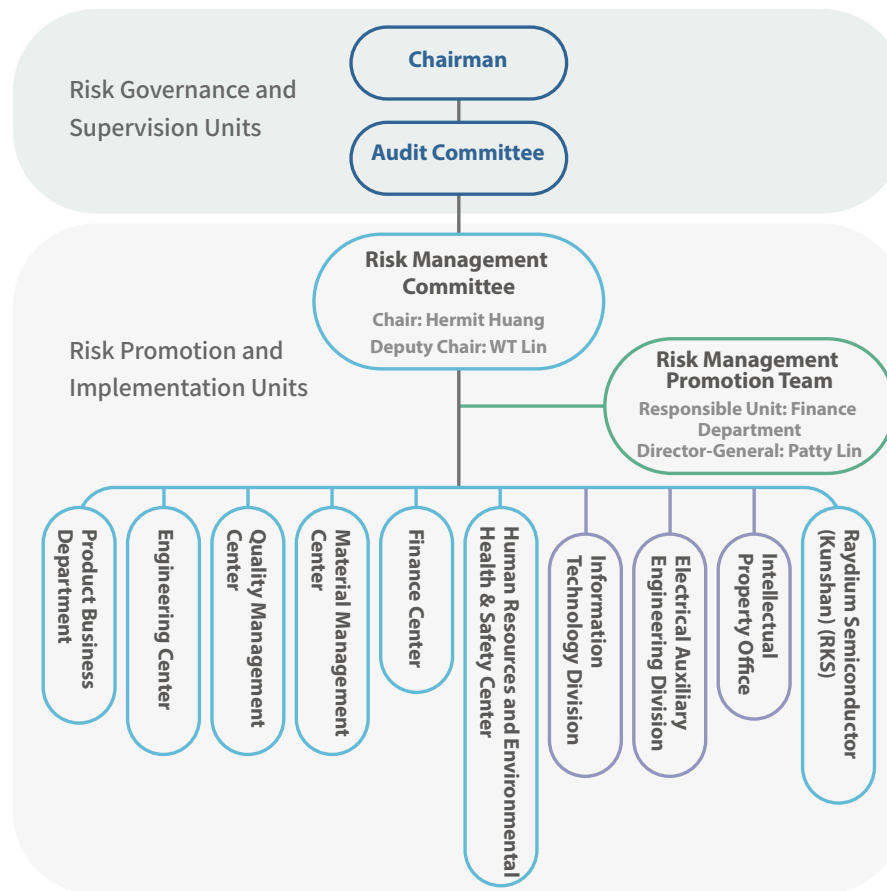
The Risk Management Committee was established by the Company to improve management, strengthen governance, and implement the risk management and supervision functions of the Board. Risks that may impact on corporate sustainability in the four aspects of Financial (F), Operations (O), Strategy (S), and Hazard (H) 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

The Raydium Board of Directors is the top governance unit for risk management. The Audit Committee is the risk supervision unit. The Risk Management Committee is composed of the heads of each business unit with the Chairman and CEO as the Chair, the General Manager as the Deputy Chair, and the CFO as the Executive Secretary in charge of leading the Committee.

The Company promotes a top-down risk management culture. Through explicit risk management statements and commitments made by the governance unit and senior management, the establishment and support of risk management promotion and implementation units, and providing all employees with professional training on risk management, we imbue risk management awareness into our everyday decision-making and operating activities to foster a total enterprise risk management culture.

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.

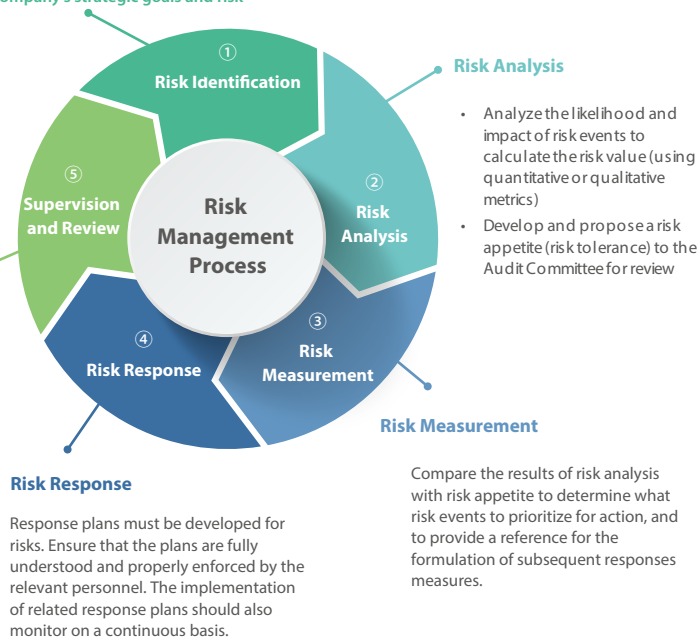
Risk Identification

Strengthen link between the Company's strategic goals and risk

Combine "bottom-up" and "up-bottom" analyses and discussions with strategic and operating risks to identify all potential risk events that may lead to the non-fulfilment of Company targets, resulting in losses or negative impacts on the Company.

Supervision and Review

Thoroughly review the risk management process and associated risk measures to see if they are still functioning effectively. The review findings should also be incorporated into performance evaluations and reports.



2.5.2.1 Scope of Risk Management

The scope of risk management at the Company includes but is not limited to the following:



2.5.2.3 Risk Response

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	2023 Outcomes
	Supply Chain Disruption	<ul style="list-style-type: none"> Construct stable and reliable sources for supply of materials through diversification of the foundry and packaging & testing supply chain Periodically review of changes in market demand and adjust production planning accordingly Periodic risk assessments and implementation of BCP drills Reduce supply disruption risks by requiring BCP at critical suppliers 	<ul style="list-style-type: none"> BCP for supply chain disruption drill was completed in March 2023 Supply of foundry capacity was normal in 2023
Business Risk	Cyber Attacks	<ul style="list-style-type: none"> Enforcement of existing information security regulations Periodically carry out information security education and questionnaires to maintain the information security awareness of employees Review and update system security and virus definitions on a weekly basis Daily information security alerts, weekly information security review meetings, and monthly information security reports 	<ul style="list-style-type: none"> Successfully blocked 6,048 malicious e-mails Effective online attacks were on average blocked 174,446 times/month Virus and security threats were on average quarantined 604 times/month Targeted login attempts were blocked 976 times/month In-house information security tools generated information security alerts in an effective and timely manner 305 times Analysis of information activities related to the 74 reported cases. 34 Information security education sessions /4 social engineering exercises conducted Revised eight information security-related regulations Employee satisfaction with information security scored 4.22. 1,592 questionnaires were received with a response rate of 87.21%. BCP for cyber attack drills were completed in May 2023
	Data Center Failure	<ul style="list-style-type: none"> Full redundancy for network equipment in the data center to ensure network connectivity High availability backup mechanism for data center servers as part of system DevOps Daily off-site backups for data protection Full redundancy for network links 	<ul style="list-style-type: none"> Non-stop service by data centers and servers Internet connections were maintained continuously

Scope of Risk	Source of Risk	Management Strategy	2023 Outcomes
Business Risk	Patent Infringement	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> There were no incidents of patent infringement The Company's accomplishments as of the end of December 2023 were as follow: <ul style="list-style-type: none"> » Number of worldwide valid patents: 313 patents; Patents pending: 94 applications » There are 11 registered worldwide trademarks.
	Leak of Critical technology	<ul style="list-style-type: none"> Ensure strict control over confidential data and assets to prevent leaks Block leaking of trade secrets to protect company interests Enforce access control for R&D system 	<ul style="list-style-type: none"> Implementation confidential customer data asset management system Restricted areas for highly classified client projects accomplished Enforce information security audits - Daily information security alerts and monthly information security audits Enforce access permissions and reviews in accordance with the management regulations. 3,209 access applications and reviews were carried out in 2023.
Strategic Risk	Trade Wars (Import/Export Restrictions)	<ul style="list-style-type: none"> Observe international developments and adopt a diversification strategy for outsourcing to foundries and packaging & testing plants based on market demand 	<ul style="list-style-type: none"> Diversified supply chain provided customers with more options so were not affected by trade war
Financial risk	Credit risk	<ul style="list-style-type: none"> Implement credit checks for clients, conduct periodic credit checks and review transactions Use the on-sale of accounts receivables or credit insurance to transfer the risk from non-collection of accountant receivables. 	<ul style="list-style-type: none"> There were no losses from bad debts in 2023
Hazardous Event	Climate Change	<ul style="list-style-type: none"> Climate change risk assessment according to TCFD Plan and formulate GHG reduction pathway 	<ul style="list-style-type: none"> Completed 2023 GHG inventory for Hsinchu/Taipei/Tainan
	Power outage	<ul style="list-style-type: none"> Ensure continuity of power supply to the office and data center 	<ul style="list-style-type: none"> Completed the electrical work for switching office and data center power supply to the generator in May 2023
	Fire	<ul style="list-style-type: none"> Mitigation of fire damage through routine inspection of fire hazards and periodic response drills 	<ul style="list-style-type: none"> Hsinchu Office has completed two sessions of emergency fire response drills involving 10 people. The Taipei and Tainan offices have each completed one session. The Zhunan Office conducted two sessions of fire extinguisher training.
	Earthquakes (Over 5 on the Richter Scale)	<ul style="list-style-type: none"> Mitigation of earthquake damage through periodic earthquake response drills 	<ul style="list-style-type: none"> The Hsinchu, Taipei, and Tainan offices each completed one evacuation drill BCP drills for earthquakes were completed in February 2023
	Epidemics	<ul style="list-style-type: none"> Established epidemic prevention team for formulating company epidemic prevention policy and reduce the risk of infection for employees 	<ul style="list-style-type: none"> Epidemic prevention management conducted on a routine basis in accordance with government policy

2.5.2.4 Risk Supervision and review:

Risk monitoring reports are periodically submitted to the Board of Directors. If a material risk 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.



BCP drill for “hacker attack” was conducted in May 2023

2.5.3 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.

2023 Risk Management Committee Activities (incl. BCP drills):

Time	Activity
February	<ul style="list-style-type: none"> Completed BCP drill for “Earthquake” Risk Management Committee Progress Report presented at Board of Directors meeting on February 23, 2023
March	<ul style="list-style-type: none"> Completed BCP drill for “Supplier Disruption - Packaging & Testing (Fire)”
May	<ul style="list-style-type: none"> Completed BCP drill for “Hacker Attack”
August	<ul style="list-style-type: none"> Risk Management Committee Progress Report presented at Board of Directors meeting on August 08, 2023 To strengthen our corporate governance and the integrity of risk controls, the Board of Directors resolved on August 8, 2023, that the Audit Committee is now responsible for supervising risk management at the Company.
November	<ul style="list-style-type: none"> The Company's risk management policy and procedure were amended in accordance with the “Risk Management Best Practice Principles for TWSE/TPEx Listed Companies.”
December	<ul style="list-style-type: none"> Completed 2024 risk management education and training Carried out 2024 risk identification and analysis for each unit

- 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.
- 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.