

2.5 Risk Management

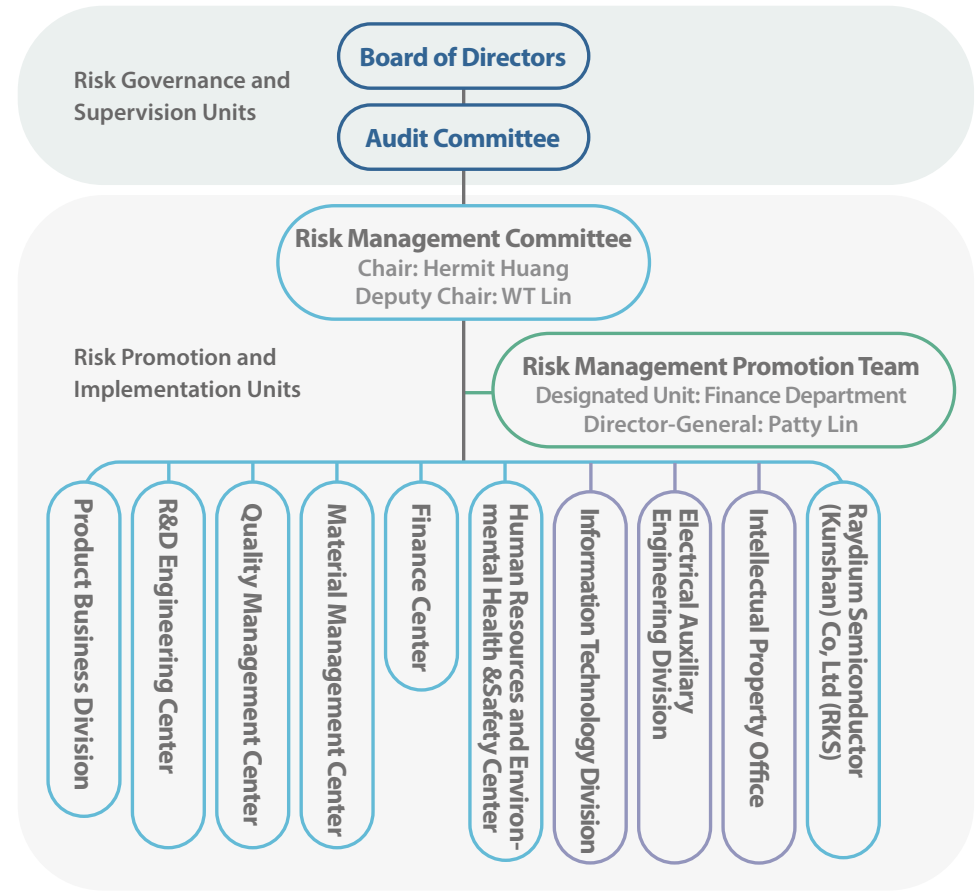
To achieve sound operations, enhance corporate governance, and implement the risk management and supervision function of the Board, the Company has established a Risk Management Committee to carry out risk identification and grasp relevant risks that may affect sustainable corporate development based on four major aspects of finance (F), operation (O), strategy (S), and hazard (H). The Company minimized the possible risks through risk control, avoidance, transfer, retention, and relevant management strategies and countermeasures and even transformed them into business opportunities.

2.5.1 Risk Management Committee

The Board of Directors is the highest governing body for risk management; the Audit Committee is the risk supervision unit; executives of each operating unit formed the Risk Management Committee. The Chairman/CEO and President are the chairperson and vice chairperson, and the CFO is the director general for guiding the operations.

The Company promotes a top-down risk management culture. Through the specified risk management declaration and commitment of the governing body and senior management, it established and supported risk management promotion and execution units and provided risk management-related professional training for all employees to integrate management awareness into daily decision-making and operating activities, shaping a comprehensive corporate risk management culture.

Risk Management Committee Organization Chart



2.5.2 Risk Management Process

The Company's risk management procedures include processes such as risk identification, risk analysis, risk assessment, risk response, and risk monitoring and review.

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.



Risk Response

Response plans must be developed for risks. Ensure that the plans are fully understood and properly enforced by the relevant personnel. The implementation of related response plans should also monitor on a continuous basis.

Risk Analysis

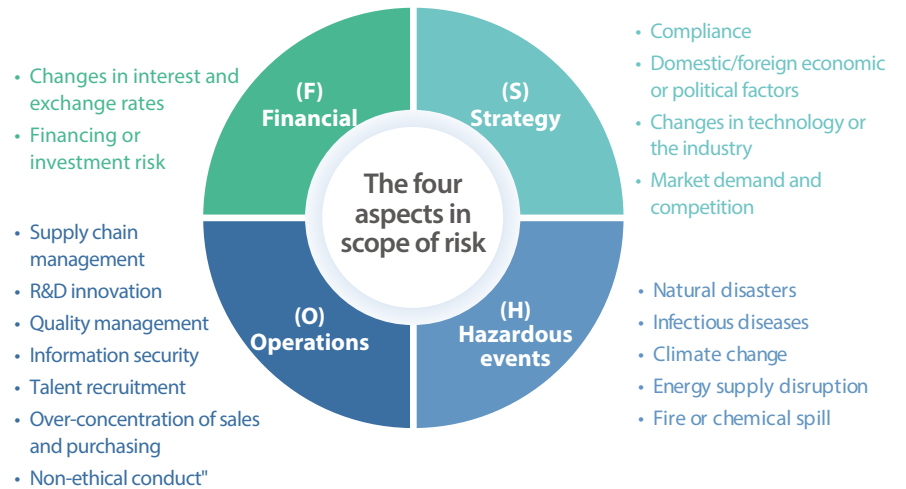
- Analyze the likelihood and impact of risk events to calculate the risk value (using quantitative or qualitative metrics)
- Develop and propose a risk appetite (risk tolerance) to the Audit Committee for review

Risk Measurement

Compare the results of risk analysis with risk appetite to determine what risk events to prioritize for action, and to provide a reference for the formulation of subsequent responses measures.

2.5.2.1 Scope of Risk Management

The scope of the Company's risk management includes, but is not limited to:



2.5.2.2 Risk Management Operations

Risk Identification, Analysis, and Assessment

In December 2023 the Company launched its 2024 risk-management program. The chairperson/ vice chairperson approved the Company-level Top 3 Risks for 2024. Each operating unit, using the annual Risk Check-up Form, identified, analyzed, and assessed relevant risk issues — including likelihood, severity of impact, and effectiveness of existing controls — to determine medium- and high-risk items.

Risk Response

After identifying and assessing their risks, operating units must adopt appropriate responses by establishing prevention, early-warning, contingency, crisis-management, and business-continuity plans to mitigate, transfer, or avoid those risks and record the actions taken. The Risk Management Committee continuously monitors the effectiveness of each unit’s risk-response and control measures to keep pace with changes in the operating environment.

Outcomes of Major Risk Items in 2024

Scope of Risk	Source of Risk	Management Strategy	2024 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"> Confirm that all critical suppliers have fully implemented their BCPs Supply of wafer foundry and packaging & testing capacity was normal in 2024
Business Risk	Information Security	<ul style="list-style-type: none"> Enforcement of existing information security regulations Conducted regular information security training and awareness surveys 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 4,618 threat emails Effective online attacks were on average blocked 16,410 times/month Virus and security threats were on average quarantined 8,665 times/month Targeted login attempts were blocked 53 times/month In-house information security tools generated information security alerts in an effective and timely manner 383 times Analysis of security-related incidents for the 92 reported cases 24 Information security education sessions /10 social engineering exercises conducted Revised nine information security-related regulations Employee satisfaction with information security scored 4.32, with a response rate of 79.86%.

Scope of Risk	Source of Risk	Management Strategy	2024 Outcomes
Business Risk	Information and Privacy Security	<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"> • Enforce information security audits - Daily information security alerts and monthly information security audits • Enforce access permissions and reviews in accordance with the management regulations. 5,142 access applications and reviews were carried out in 2024. • Implemented a Privileged Account Management (PAM) system in 2024 to ensure effective control over privileged accounts.
	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 • Completed the annual off-site backup drill for critical systems in 2024.
	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"> • No incidents of patent infringement occurred • The Company's accomplishments as of the end of December 2024 were as follow: Number of worldwide valid patents: 333 patents; Patents pending: 72 applications • There are 11 registered worldwide trademarks.
	Fund Security	<ul style="list-style-type: none"> • Appropriately diversify cash placements to lessen exposure to specific risks 	<ul style="list-style-type: none"> • Conduct quarterly credit reviews of correspondent banks and, based on the results, re-allocate funds to ensure the security of cash holdings.
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

Scope of Risk	Source of Risk	Management Strategy	2024 Outcomes
Financial Risk	Credit Management (Customer)	<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 account receivables. 	<ul style="list-style-type: none"> No actual bad debt losses occurred in 2024.
	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 the climate-change risk survey; classified the key risks identified and defined the direction for climate-change adaptation strategies. Target 30 % renewable electricity consumption by 2030. In 2024, 72,000 kWh of green electricity was used, representing about 2.6 % of total electricity consumption.
	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"> Installed switchboards and temperature-monitoring system at the Tainan data center, completed in February 2025.
Hazardous Event	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"> Conducted fire-self-defense team education and training for the Hsinchu and Tainan offices, with 61 participant attendances. Performed IR-scan inspections of electrical switchboards — semi-annually for Hsinchu office switchboards and annually for the B2F–8F switchboards. Carried out monthly laboratory inspections and routine fire-prevention checks.
	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"> Earthquake evacuation drills: 546 participant attendances at the Hsinchu office and 138 at the Tainan office. BCP drills for earthquakes were completed in September 2024

2.5.2.3 Risk Monitoring and Review

The Committee regularly reports to the Audit Committee and the Board on risk monitoring. If any material risk arises that threatens financial or operational performance or legal compliance, prompt and appropriate measures are taken and reported to the Board in a timely manner.

Operation of the Risk Management Committee in 2024 (Including BCP Drills)

Time	Implementation Status
Feb. 2024	<ul style="list-style-type: none"> Convened the first Risk Management Committee meeting in 2024 to confirm the results of the 2024 risk identification. Reported the implementation progress of the Risk Management Committee to the Board on February 26, 2024
May. 2024	<ul style="list-style-type: none"> Convened the second Risk Management Committee meeting in 2024 to conduct quarterly tracking of risk items and their implementation status.
Aug. 2024	<ul style="list-style-type: none"> Convened the third-quarter Risk Management Committee meeting in 2024 to conduct quarterly tracking of risk items and their implementation status. Reported the implementation progress of the Risk Management Committee to the Board on August 6, 2024
Sep. 2024	<ul style="list-style-type: none"> Completed an on-site earthquake BCP drill in September 2024.
Nov. 2024	<ul style="list-style-type: none"> Convened the fourth-quarter Risk Management Committee meeting in 2024 to conduct quarterly tracking of risk items and their implementation status.
Dec. 2024	<ul style="list-style-type: none"> Completed the 2025 risk education and training Established the Company's 2025 risk management objectives with reference to the opinions of the Audit Committee. Conducted the 2025 risk identification and analysis for each unit



Note: Earthquake BCP on-site drill completed in September 2024.

2.5.3 Financial Risk Management

To manage the financial risks associated with exchange-rate fluctuations, the Company — in addition to offsetting foreign-currency receivables and payables through regular foreign-currency transactions to achieve natural hedging — has adopted the following specific measures:

1. Finance personnel maintain close communication with financial institutions in light of domestic and international political and economic developments and collect real-time exchange-rate information to stay abreast of currency trends.
2. Finance personnel adjust foreign exchange positions in a timely manner according to exchange rate trends and determine appropriate times for trading or rebalancing, thereby mitigating the impact on Company profitability.
3. When necessary, the Company adopts a hedging — not speculative — approach, executing prudent hedging transactions in advance with creditworthy financial institutions, and enhances risk control in accordance with the “Procedures for Trading Derivative Financial Products” to mitigate exchange-rate risk