

BENQ MATERIALS CORP.

Risk Management Policies and Procedures

1. Purpose

The Company's risk management focuses on a corporate governance-based risk management system and risk transfer planning, strategic, financial, operational, and hazard risks, which are overseen by the Risk Management Committee. The Company has explicitly established its Risk Management Policy and Procedures to effectively manage risks that exceed the Company's risk tolerance, and applies risk management tools to optimize the Total Cost of Risk.

2. Scope

The Rules shall be applicable to the entire Company.

3. Powers and Duties

3.1 Authority

Unit	Authority
Board of Directors	Approve risk management policy and procedure.
Audit Committee	Determine Risk Management Policy and supervise its implementation results.
Risk Management Committee	Implement the policies and resolutions of the Risk Management Committee.
Risk Management Unit	Plan, implement, and review risk management-related matters.

3.2 Responsibility

3.2.1 Duties and Responsibilities of the Board of Directors

3.2.1.1 Approve risk management policy and procedure;

3.2.1.2 Ensure alignment between business strategy and risk management policy;

3.2.1.3 Ensure appropriate risk management mechanism and risk management culture has been established;

3.2.1.4 Oversee and ensure effective implementation of overall risk management mechanism;

3.2.1.5 Allocate and appoint sufficient and appropriate

resources for effective implementation of risk management.

3.2.2 Duties and Responsibilities of the Audit Committee

3.2.2.1 Review risk management policy and procedure.

Regularly review its applicability and performance effectiveness;

3.2.2.2 Approve risk appetite (risk tolerance) and guide the allocation of resources;

3.2.2.3 Ensure that the risk management mechanisms adequately address the risks faced by the Company;

3.2.2.4 Approve risk priority of supervisory and risk levels;

3.2.2.5 Review implementation of risk management, provide necessary improvement recommendations, and report regularly to the Board of Directors;

3.2.2.6 Execute BOD's decision with regard to risk management.

3.2.3 Duties and Responsibilities of the Risk Management Committee

3.2.3.1 Propose risk appetite (risk tolerance) and establish assessment standard either by quantitative or qualitative approaches;

3.2.3.2 Analyze and identify the company's risk sources and categories, also review its applicability on a regular basis;

3.2.3.3 Implement the risk management policies and resolutions of the Audit Committee;

3.2.3.4 Ensure that the risk management mechanisms are integrated into daily operational workflows;

3.2.3.5 For related information, please refer to GRM-S-O4001 Risk Management Committee Charter.

3.2.4 Duties and Responsibilities of the Risk Management Unit

3.2.4.1 Propose risk management policy and procedure;

3.2.4.2 Propose risk appetite (risk tolerance) and establish assessment standard either by quantitative or qualitative approaches;

3.2.4.3 Analyze and identify the company's risk sources and categories, also review its applicability on a regular basis;

- 3.2.4.4 Regularly compile and submit reports on the Company's risk management implementation status;
- 3.2.4.5 Assist and monitor each department's execution of risk management practices;
- 3.2.4.6 Coordinate cross-functional interaction and communication on risk management operation;
- 3.2.4.7 Execute risk management decision requested by Risk Management Committee;
- 3.2.4.8 Plan related training for risk management and to promote risk awareness and culture.

3.2.5 Duties and Responsibilities of the Operational Units

- 3.2.5.1 All company managers and employees are obligated to perform risk management within the scope of their respective responsibilities;
- 3.2.5.2 Responsible for risk identification, analysis, assessment, and response within the respective unit, and establishing relevant crisis management mechanisms when necessary;
- 3.2.5.3 Regularly report risk management information to the risk management promotion and implementation units;
- 3.2.5.4 Ensure effective implementation of risk management and related control procedures within the respective unit to comply with the risk management policy.

4. Operating Instructions

4.1 Definitions

- 4.1.1 Risk: All negative events that affect the achievement of company operational goals are classified into four major risk categories: strategic, operational, financial, and hazard risks, each category of risk may be further classified into internal and external risks.
- 4.1.2 Risk Management Procedures: Formulated with reference to the international standard ISO 31000; the fundamental steps include risk identification, measurement, treatment, reporting and monitoring.
- 4.1.3 Total Cost of Risk (TCOR): The total risk cost should

include risk prevention investments, risk treatment expenses, insurance premiums, retained losses, and management costs.

4.1.4 Risk Management Committee: Execute the risk management decisions approved by the Board of Directors and the Audit Committee. Meetings are held semiannually. For details, please refer to GRM-S-O4001 Risk Management Committee Charter. °

4.1.5 Business Continuity Management (BCM): Including Emergency Response Plans, Crisis Management Plans, and Business Continuity Plans.

4.1.6 Risk Tolerance: The Company's risk-bearing capacity shall be determined by the Risk Management Committee with reference to the Company's operational status, including assets, shareholders' equity, revenue, cash flow, and other relevant factors.

4.1.7 Emergency Incident Reporting Standards: Establish the Company's internal and external incident notification standards and communication procedures to minimize or prevent escalation of incidents.

4.2 Corporate Risk Management Vision

4.2.1 Commitment to continuously provide products and services that create long-term value for customers, shareholders, employees, and society.

4.2.2 Risk management requires a systematic set of operational procedures and organizational structure to promptly and effectively identify, assess, treat, report, and monitor significant risks impacting the company's viability, thereby enhancing risk awareness among all employees.

4.2.3 Risk management is not about pursuing "zero" risk, but rather about achieving maximum benefit within an acceptable risk level to optimize risk management costs.

4.3 Risk Management Objectives

4.3.1 Achieve Corporate Objectives.

4.3.2 Enhance Management Effectiveness.

4.3.3 Provide Reliable Information.

4.3.4 Effective Allocation of Resources.

4.4 Risk Management Policy

4.4.1 To ensure the Company's sustainable operation, a Risk Management Committee shall be established to annually identify, assess, treat, report, and monitor risks that may negatively impact the Company's operational objectives.

4.4.2 Risks should be identified and controlled before incidents occur, losses suppressed during incidents, and product and service delivery promptly restored after incidents. Develop and regularly update Business Continuity Management Plans and Emergency Response Manuals for major risk scenarios identified by the Risk Management Committee.

4.4.3 For risks that do not exceed the risk tolerance level, risk management costs may be considered when applying different management tools; however, the following situations are exempted from this provision.

4.4.3.1 Having a negative impact on employees' life safety.

4.4.3.2 Resulting in non-compliance with laws and regulations.

4.3.3.3 Having a negative impact on the Company's goodwill.

4.5 Principles of Risk Management

4.5.1 Integrity: Integrate risk management as a part of all activities.

4.5.2 Structured and Comprehensive: Promote risk management in a structured and comprehensive manner to achieve consistent and comparable results.

4.5.3 Customization: Establish an appropriate risk management framework and processes based on the company's environment, scale, business characteristics, nature of risks, and operational activities.

4.5.4 Inclusiveness: Incorporate stakeholders' needs and expectations to enhance and fulfill their understanding and expectations of the company's risk management.

4.5.5 Dynamic: Appropriately and timely anticipate, monitor, understand, and respond to changes in the internal and external business environment.

4.5.6 Effective Use of Information: Use historical, current

information and future trends as the basis for building risk management, and provide information to stakeholders in a timely and clear manner for their reference.

4.5.7 Personnel and Culture: Enhance the emphasis on risk management by governance and management units, and through comprehensive risk management training programs for personnel at all levels, elevate the overall risk awareness and culture within the company, integrating risk management as a part of corporate governance and daily operations.

4.5.8 Continuous Improvement: Continuously improve risk management and related operational processes through learning and experience.

4.6 Risk Management Procedure

4.6.1 In accordance with the company's risk management policy, a Risk Management Committee (RMC) shall be established and operating procedures formulated. Generally, the RMC meetings are held semi-annually. Extraordinary meetings may be convened when significant situations arise.

4.6.2 Risks are consolidated into four major categories: strategic, financial, operational, and hazard risks. Based on the steps of risk identification, risk analysis, and risk evaluation, a risk radar chart is produced.

4.6.3 Each RMC member formulates risk response strategies based on significant risks within their respective units, and reports, discusses, supervises, and reviews the effectiveness of risk management during RMC meetings.

4.6.4 The Risk Management Unit shall regularly consolidate risk information provided by each department and report the consolidated data to the RMC for their awareness, facilitating dynamic responses and adjustments in risk management.

4.6.5 An annual report on the status of risk management operations shall be presented to the Audit Committee and the Board of Directors.

4.6.6 Consolidate risk information provided by each unit and, through a dynamic management mechanism, timely anticipate, monitor, understand, and respond to changes in the internal and external business environment.

4.7 Other Relevant Regulations

4.7.1 For definitions regarding emergency incidents that require reporting to the Risk Management Committee, please refer to the RMC Emergency Incident Reporting and Investigation Guidelines (GRM-S-O4004).

4.7.2 Conduct claims processing in accordance with the insurance policy (terms stipulated in the insurance contract) following the occurrence of an accident.

5. Reference Documents

5.1 ISO 31000

5.2 Risk Management Best-Practice Principles for Taiwan Stock Exchange and Taipei Exchange listed Companies

5.3 Charter of the Risk Management Committee (GRM-S-O4001)

5.4 RMC Emergency Incident Reporting and Investigation Procedures (GRM-S-O4004)

6. Remarks

The Regulations shall be implemented and amended upon approval by the Board of Directors.

These Articles were enacted on August 4, 2020.

The first amendment was made on February 23, 2023.