VSO ELECTRONICS CO., LTD.
Risk Management Policies and Procedures

(This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If there are any inconsistencies between the Chinese version and this translation, the Chinese version shall prevail.)

Chapter 1: General Provisions

Article 1 (Basis and Purpose of the Guidelines)

This company has established these guidelines to build a robust risk management system, referring to the "Corporate Risk Management Best Practice Principles for TWSE/TPEx Listed Companies" jointly issued by the Taiwan Stock Exchange Corporation (hereafter referred to as "TWSE") and the Taipei Exchange (hereafter referred to as "TPEx"). These guidelines aim to enhance the risk management system and disclose relevant information on the Market Observation Post System.

Article 2 (Objectives of Corporate Risk Management)

The objective of corporate risk management is to manage various risks that may affect the achievement of corporate goals through a comprehensive risk management framework. By integrating risk management into operations and daily management processes, the company seeks to:

1. Achieve corporate objectives.
2. Improve management efficiency.
3. Provide reliable resources.
4. Allocate resources effectively.

Article 3 (Principles of Corporate Risk Management)

The company shall establish its risk management system following these principles:

1. **Integration:** Treat risk management as part of all activities.
2. **Structured and Comprehensive:** Promote risk management in a structured and comprehensive manner to achieve consistent and comparable results.
3. **Customization:** Tailor the system according to the corporate environment, size, business characteristics, risk nature, and operations.
4. **Inclusiveness:** Consider stakeholders' needs and expectations to enhance their understanding and trust in corporate risk management.
5. **Dynamism:** Predict, monitor, manage, and respond to internal and external environmental changes appropriately and promptly.

6. **Effective Use of Information:** Base risk management on historical, current, and future trends, and communicate information clearly and promptly to stakeholders.
7. **People and Culture:** Strengthen the importance of risk management governance and elevate corporate risk awareness and culture through comprehensive training across all levels.
8. **Continuous Improvement:** Enhance risk management and related processes through learning and experience.

Article 4 (Establishment of Risk Management Policies and Procedures)

The company shall develop appropriate risk management policies and procedures considering the overall scale, business characteristics, risk nature, and operational activities of the company and its subsidiaries. These policies and procedures should include:

1. Risk management objectives.
2. Risk governance and culture.
3. Risk management organizational structure and responsibilities.
4. Risk management procedures.
5. Risk reporting and disclosure mechanisms.

The policies and procedures should be reviewed regularly based on changes in the company's internal and external environment to ensure their design and implementation remain effective.

Article 5 (Review and Implementation of Policies and Procedures)

The risk management policies and procedures established by the company must be reviewed by the designated risk governance unit and approved by the board of directors before implementation.

The relevant policies and procedures should be disclosed on the company's website or the Market Observation Post System.

Chapter 2: Risk Governance and Culture

Article 6 (Establishment of a Comprehensive Risk Governance and Management Framework)

The company shall establish a comprehensive risk governance and management framework, considering its scale, business characteristics, risk nature, and operations. Through the participation of the board of directors, functional committees, and senior management, risk management shall align with corporate strategy and objectives. Key risk areas should be identified comprehensively and proactively to ensure reasonable achievement of corporate strategic goals.

Article 7 (Promoting Risk Culture)

The company shall promote a top-down risk management culture. This includes clear risk management declarations and commitments from governance units and senior management, establishing and supporting risk management units, and providing professional risk management training for all employees. This integration embeds risk awareness into daily decisions and operations, shaping a holistic enterprise risk management culture.

Article 8 (Adequate Resources and Support)

The company's risk governance and management units shall ensure adequate resources and accountability to enable effective risk management operations.

Article 9 (Integration and Coordination)

Risk management initiatives shall integrate responsibilities across all company units, with collective execution promoted through communication, coordination, and collaboration among departments.

Chapter 3: Risk Management Organizational Structure and Responsibilities

Article 10 (Risk Management Organizational Structure)

The company shall have the board of directors as the highest governing body for risk management. Depending on the company's scale, business characteristics, risk nature, and operations, a Risk Management Committee may be established under the board, along with designated risk management units for implementation and promotion.

Article 11 (Establishment of a Risk Management Committee)

To strengthen risk management functions, the company may establish a Risk Management Committee under the board. This committee shall supervise risk management operations and should consist of a majority of independent directors, with one serving as chair.

The Risk Management Committee reports to the board of directors, and its proposed resolutions shall be submitted for board approval. The committee must establish organizational rules specifying the number of members, terms, responsibilities, meeting procedures, and required resources.

The company may also choose to assign risk management responsibilities to other functional committees or task forces based on its scale.

Article 12 (Establishment of Risk Management Promotion and Execution Units)

The company shall designate or establish appropriate risk management promotion and execution units to handle the planning, execution, and supervision of risk management-related matters. These units may include dedicated departments or task forces, depending on the company's size, business characteristics, risk nature, and operations.

Article 13 (Responsibilities of the Board of Directors)

The responsibilities of the board of directors include:

1. Approving the risk management policies, procedures, and framework.
2. Ensuring that operational strategies align with the risk management policies.
3. Establishing adequate risk management mechanisms and fostering a risk management culture.
4. Supervising the effective operation of the overall risk management system.
5. Allocating sufficient and appropriate resources to support risk management functions effectively.

Article 14 (Responsibilities of the Risk Management Committee)

The responsibilities of the Risk Management Committee include:

1. Reviewing the risk management policies, procedures, and framework, and periodically evaluating their applicability and execution effectiveness.
2. Determining risk appetite (tolerance) and guiding resource allocation.
3. Ensuring that the risk management mechanism sufficiently addresses the company's risks and integrates into daily operations.
4. Prioritizing and categorizing risks for management.
5. Reviewing risk management performance, providing improvement suggestions as needed, and reporting to the board of directors at least annually.
6. Implementing the board's risk management decisions.

Article 15 (Responsibilities of Risk Management Promotion and Execution Units)

The responsibilities of risk management promotion and execution units include:

1. Drafting risk management policies, procedures, and framework.
2. Formulating risk appetite (tolerance) and developing qualitative and quantitative measurement standards.
3. Analyzing and identifying sources and types of risks, regularly reviewing their applicability.
4. Preparing and reporting risk management performance summaries at least annually.
5. Assisting and supervising the execution of risk management activities across departments.

6. Facilitating cross-departmental communication and coordination for risk management operations.
7. Executing the Risk Management Committee's decisions.
8. Planning risk management training programs to enhance overall awareness and culture.

Article 16 (Responsibilities of Operational Units)

The responsibilities of operational units include:

1. Identifying, analyzing, assessing, and responding to risks within their respective departments, including establishing crisis management mechanisms when necessary.
2. Regularly reporting risk management information to the risk management promotion and execution units.
3. Ensuring that the risk management and related control procedures within their departments are effectively implemented to comply with the risk management policies.

Chapter 4: Risk Management Procedures

Article 17 (Risk Management Procedures)

Risk management policies shall include a risk management process consisting of the following key elements:

1. Risk identification.
2. Risk analysis.
3. Risk assessment.
4. Risk response.
5. Monitoring and review mechanisms.

The procedures and methods for each element should be explicitly defined and implemented.

Article 18 (Analyzing and Identifying Sources and Types of Risks)

Risk sources and types can generally be categorized into the following dimensions: strategic risks, operational risks, financial risks, information risks, compliance risks, integrity risks, and emerging risks (e.g., climate change or pandemic-related risks).

The risk management promotion and execution units shall conduct comprehensive risk analyses based on the company's scale, industry, business characteristics, and operations, considering sustainability aspects (including climate change). Risk sources and types applicable to the company shall be defined, and detailed risk scenarios for each type shall be identified and regularly reviewed for relevance.

Article 19 (Risk Identification)

Operational units shall identify risks based on the company's strategic objectives and the risk management policies and procedures approved by the board of directors. This process involves evaluating short-, medium-, and long-term goals and departmental responsibilities.

Risk identification should utilize feasible tools and methods (e.g., process analysis, scenario analysis, surveys, PESTLE analysis). Past experiences, external and internal risk factors, and stakeholder concerns should be considered. Using both bottom-up and top-down analytical discussions, potential risk events that could prevent the company from achieving its goals or cause losses or adverse impacts shall be identified comprehensively.

Article 20 (Risk Analysis)

Risk analysis involves understanding the nature and characteristics of identified risk events and evaluating their likelihood and impact to calculate risk values.

Operational units should analyze the likelihood and impact of identified risk events by considering existing control measures, past experiences, and industry case studies to calculate risk values accurately.

Article 21 (Risk Analysis Measurement Standards)

The risk management promotion and execution units shall establish appropriate qualitative or quantitative measurement standards based on the company's risk characteristics to guide risk analysis.

1. **Qualitative Standards:** Use descriptive language to express the likelihood and impact of risk events.
2. **Quantitative Standards:** Use specific numerical indicators (e.g., days, percentages, amounts, or personnel) to represent the likelihood and impact of risk events.

Article 22 (Risk Appetite)

The risk management promotion and execution units shall formulate the company's risk appetite (tolerance) for approval by the Risk Management Committee. This determines the acceptable risk limits and guides the classification of risks by level, as well as response strategies for each level.

Article 23 (Risk Assessment)

The purpose of risk assessment is to provide a basis for corporate decision-making. By comparing the results of risk analysis with the company's risk appetite, high-priority risk events can be identified, serving as a reference for selecting subsequent response measures.

Operational units shall plan and execute follow-up risk response strategies based on the results of the risk analysis and in alignment with the risk appetite approved by the Risk Management Committee.

Relevant risk analysis and assessment results must be accurately documented and submitted to the Risk Management Committee for approval.

Article 24 (Risk Response)

Risk response plans shall be developed to ensure that relevant personnel understand and execute them. Monitoring of the implementation progress is essential.

The company shall consider strategic objectives, stakeholder perspectives, risk appetite, and available resources to select appropriate risk response strategies, balancing objectives and cost-effectiveness.

Article 25 (Risk Monitoring and Review)

A clear risk monitoring and review mechanism shall be defined in the risk management process to ensure the continuous effectiveness of the risk management process and related measures.

Risk management should integrate with key organizational processes to enhance oversight and improve the implementation of risk management practices.

Chapter 5: Risk Reporting and Disclosure

Article 26 (Risk Records)

The processes and outcomes of risk management shall be recorded, reviewed, and reported through appropriate mechanisms. These records should be properly preserved for reference and include:

1. Risk identification, analysis, assessment, and response measures.
2. Relevant information sources and risk evaluation results.

Article 27 (Risk Reporting)

Risk reporting is an indispensable part of corporate governance. It should take into account the diverse needs and requirements of different stakeholders, including:

1. Their specific information demands.

2. The frequency and timeliness of reports.
3. Reporting methods.
4. The relevance of information to organizational objectives and decision-making.

The purpose is to assist senior management and governance units in making informed risk-related decisions and fulfilling their risk management responsibilities.

The risk management promotion and execution units shall compile risk information provided by various departments, prepare regular risk management reports for the Risk Management Committee and the board of directors, and establish a dynamic management and reporting mechanism to ensure the effective implementation of risk management.

Article 28 (Information Disclosure)

The company shall disclose the following risk management information on its corporate website or the Market Observation Post System for reference by external stakeholders, with updates made regularly:

1. Risk management policies and procedures.
2. Risk governance and management organizational structure.
3. Risk management operations and performance, including the frequency and dates of reports submitted to the board of directors and committees.

Chapter 6: Supplementary Provisions

Article 29 (Attention to Domestic and International Developments)

The company shall monitor developments in domestic and international corporate risk management mechanisms to review and improve its established risk management framework, thereby enhancing the effectiveness of corporate governance.