

Implementation of Risk management

Date: Nov 6, 2023

Foreword:

To ensure the sustainable, stable, and healthy development of the company's various businesses and overall operations, we regularly analyze and evaluate business activities with higher risks within the business scope and formulate risk management policies or countermeasures to achieve sustainable operations, good corporate governance, We will fulfill our corporate social responsibility and other goals, and through relevant management strategies and countermeasures such as risk transfer, reduction, and avoidance, we will minimize possible risks and enhance positive operational opportunities.

1. Risk management policy:

The Company's risk management policies and procedures were approved at the 3rd meeting of the 8th Board of Directors (2020.11.9). They are based on the Company's overall business policy take into account stakeholder concerns regarding key environmental, social, and corporate governance issues, and are combined with the Company's industrial characteristics. Operational risk, the area of risk management, summarizes the management of operations, finances, environment, hazards, and risks related to the business's relevant regulations and other international regulations and agreements, while protecting the interests of employees, shareholders, customers, and various stakeholders, increasing the company's value, and achieving the company's goals Optimization principles for resource allocation.

2. Risk management organizational structure:

In the risk management organizational structure, the board of directors is the highest decision-making unit of risk management, and the audit committee is the supervisory unit. The Corporate Governance and Sustainable Development Committee is responsible for promoting and evaluating corporate governance, operations, environment, social responsibility, and other related matters, reviewing and evaluating the risk management policies and objectives of the company's operations, and the relevant internal control procedures and scope adopted by the company. and regularly report risk management results to the Audit Committee and the Board of Directors. The audit office formulates and implements audit plans based on the company's risk management policies and assessments, provides timely improvement suggestions, and promotes the annual self-assessment of the internal control systems of each unit of the company. The management will plan and amend the risk management system take corresponding risk countermeasures in response to internal and external environments and legal adjustments and implement risk management and internal control systems.

3. Risk management operations:



To prevent losses caused by risks, to corporate governance, operations, environment, social responsibility, and other risks, the company formulates relevant strategies and response plans according to different crisis levels, handles them, and proposes improvement reviews to avoid repeating the same mistakes. Once an abnormal situation occurs, we will quickly Report to higher levels to find solutions and reduce possible impact on the company.

4. The company attaches great importance to stakeholders' concerns about major environmental, social, and corporate governance issues, and combines the operational risks of the company's industrial characteristics. The risk management scope summarizes the risks of operations, finance, environment, hazards, and relevant laws and regulations, and other international laws and regulations. Management, its main risk items include but are not limited to the following items:

1. Ethical management and anti-corruption
2. Shareholders' rights and interests
3. Socioeconomic compliance
4. Operational and market risks
5. Financial, liquidity, credit
6. Interest rate and exchange rate changes
7. Information security management
8. Intellectual property management
9. Climate change and management
10. Wastewater and waste management
11. Occupational safety



12. Product safety

13. Supplier management

Implementation Status

To implement risk management, risk assessment operations are carried out regularly every year, and risk assessment operation result are regularly submitted to the audit committee and the board of directors (the previous reporting date was Nov 7, 2022). The content includes a summary of various issues faced by the company that year. Risks (such as personnel occupational safety risks, operational risks, exchange rate risks, regulatory compliance and change risks, climate change risks, etc.) and risk countermeasures, etc. will be subsequently notified to the audit office of the tracking results, and the audit office will implement risk management operations. Management audit to ensure the effective operation and implementation of the company's risk management.

The company has established a corporate governance and sustainable development committee to assist the board of directors and functional committees in promoting and evaluating corporate governance, environmental, social (ESG), and other related matters, and to report to the board of directors once a year on "implementation of ethical management" and " promoting the implementation of sustainable development Situation" and the annual report discloses the "implementation of corporate governance", and the corporate governance results are in a good status.

By this procedure, the Corporate Governance and Sustainable Development Committee will prepare a "Risk Management Assessment Questionnaire" based on the company's risk management scope, risk projects, etc., and issue it to all responsible units in October 2023. Each unit will analyze and judge the possibility of risk events based on its actual situation. Analyze the nature and degree of impact.

1. This disclosure covers the company's ESG sustainability performance at its major locations from November 2022 to October 2023. The risk assessment boundary is mainly based on the company and is included in the scope based on the relevance to the operating industry and the degree of impact on major themes.
2. The Corporate Governance and Sustainable Development Committee conducts analysis based on the principle of materiality, communicates with internal stakeholders, assesses material ESG issues, formulates risk management policies for effective identification, measurement, evaluation, supervision, and control, and takes specific measures. action plan to reduce the impact of related risks.
3. Based on the assessed risks, formulate relevant risk management policies or countermeasures as follows:

Scope	Risk Assessment Items	probability A	Impact B	Risk value A*B	Risk ranking	Performance assessment
Corporate Governance	Ethical management and anti-corruption	1.24	2.33	2.89	R10	5.00
	Shareholders' rights and interests	1.33	2.33	3.11	R8	5.00
	Socioeconomic compliance	1.53	1.97	3.02	R9	4.63
Operations	Operational and market risks	1.71	1.96	3.35	R6	4.46
	Financial, liquidity, credit	3.67	4.00	14.67	R1	3.83
	Interest rate and exchange rate changes	2.40	2.87	6.88	R2	4.33
	Information security management measures	1.89	2.67	5.04	R4	4.42
	Intellectual property management measures	1.44	1.96	2.84	R12	4.44
Environment	Climate change and management	1.67	2.00	3.33	R7	4.33
	Wastewater and waste management	1.44	2.00	2.88	R11	4.33
Society	Occupational safety	1.89	3.33	6.30	R3	4.11
	Product safety	1.25	1.75	2.19	R13	4.58
	Supplier management	1.92	2.25	4.31	R5	4.42

Note:

Risk probability A (1-5 points), respectively 1. Most impossible 2. Not impossible 3. Possible 4. Very possible 5. Most possible

Impact degree B (1-5 points), respectively 1. Mild 2. Low 3. Moderate 4. High 5. Major

Risk value (A *B) is the product of risk probability and impact score. The classification of various risk levels based on numbers is as follows:

- (1) When the risk value ≥ 15 , classified as high risk
- (2) When $15 > \text{risk value} > 7.5$, Classified as medium risk
- (3) When the risk value ≤ 7.5 , Classified as low risk

Perform assessment (1-5 points): They are 1. Out of control 2. Slightly worse 3. Average 4. Effective 5. Excellent

Risk assessment and countermeasures for 2023

Material topics	Risk assessment items	Risk level	Risk management policy or countermeasures	Risk management execution assessment
Corporate Governance	Ethical management and anti-corruption	low	Formulate the Corporate Governance Best Practice Principles and the Procedures for Ethical Management and Code of Ethical Conduct and establish communication channels for external stakeholders. and other mechanisms to implement them. In recent years, there have been no violations of ethical management and anti-corruption or fines from the competent authorities.	Excellent
	Shareholders' rights and interests	low	Commission specialized shareholder services agents to handle shareholder matters, establish communication channels between the spokespersons and external stakeholders, and discloses information on finances, business, products, corporate governance, etc. on the Company's website. The company has paid dividends for 13 consecutive years since its listing on the OTC market.	Excellent
	Socioeconomic compliance	low	Analyze changes in relevant regulations and other international regulations and take various countermeasures for continuous evaluation and control. The Company has fulfilled corporate governance and CSR, formulated internal control measures and various management regulations for daily operations in accordance with the Company Act and the Securities and Exchange Act, and obtained the ISO 9001 Quality Management System and the ISO 14001 Environmental Management System certification to meet the requirements of risk management and regulatory compliance.	Effective
Operations	Operational and market risks	low	Each business unit analyzes changes in the industries and adopt various countermeasures to control and handle potential market risk crises.	Effective
	Financial, liquidity, credit	medium	Establish internal control systems, and control and implement procedures related to acquisition or disposal of assets, endorsement and guarantees, and lending funds to others.	Average
	Interest rate and exchange rate changes	low	(1) Continue to strengthen the currency hedging concept of financial personnel and use the online real-time exchange rate system and strengthen interaction with financial institutions to analyze and judge the trend of exchange rate changes to	Effective

Material topics	Risk assessment items	Risk level	Risk management policy or countermeasures	Risk management execution assessment
			<p>respond to the negative impact of exchange rate fluctuations.</p> <p>(2) Before quoting to customers, comprehensively consider and evaluate future exchange rate trends and factors affecting the exchange rate to determine an appropriate and reasonable quote to minimize the impact of exchange rate changes.</p> <p>(3) A certain degree of natural hedging effect can be achieved through the control of mutual offsets of recurring foreign currency receivables.</p> <p>(4) Evaluate and purchase various derivative financial products that can effectively reduce exchange rate risks in accordance with the company's "Operational Procedures for Acquiring and Disposing of Assets" and have the responsible person in charge strictly control hedging positions to avoid inappropriate transactions to reduce exchange rate risks. exchange losses caused.</p>	
	Information security management measures	low	The policy objectives of information security risk management are met in three aspects, information security governance, regulatory compliance, and technology application. From system to application and individual to overall, we fully implement the information security management and control measures to ensure the correctness, integrity and security of information and communication, to achieve information security risk management and protect the results of the Company's operations. The company adopted the ISO-27001 information security management system in 2023 and complete verification by the third-party agency in October.	Effective
	Intellectual property management measures	low	We are one of the leading companies specializing in UPS and power quality disturbance (PQD) equipment in the technical fields of power conversion and clean energy technologies. We value intellectual property rights and have formulated the IP Acquisition, Maintenance and Operation Procedures, the Computer Operation Procedures and others to enforce the protection of the Company's intellectual property rights. The annual summary reports present its operations to the Audit Committee and Board of Directors.	Effective

Material topics	Risk assessment items	Risk level	Risk management policy or countermeasures	Risk management execution assessment
Environment	Climate change and management	low	By identifying potential climate risks and opportunities and incorporating the GHG inventory operations, we analyze trends and hotspots of GHG emissions over the years and make them the follow-up objectives for GHG reduction. We integrate the concept of reducing environmental impact into all stages of product life cycles and work together with the supply chain to continue developing energy-saving products. In July 2023, we indirectly accepted the customer ChipMOS Technologies Inc. "bringing up the young" low-carbon and smart upgrading and transformation promotion project to adopt ISO 14064 greenhouse gas inventory work.	Effective
	Wastewater and waste management	low	Formulate the Energy and Resources Management Procedures to properly manage water, electricity and other energy resources. The Company specializes in assembly and manufacturing, and only domestic wastewater is discharged to the sewer system. We have requirements for domestic water use in order to conserve water and reduce wastewater. According to our Waste Management Procedures, general wastes are sorted and delivered to qualified recycling operators, and industrial wastes are entrusted to qualified resource processors for disposal.	Effective
Society	Occupational safety	low	Establishment of various strategies according to laws and execution thereof Employee health examinations are held regularly. The production workshops are regularly inspected for their noise intensity. Promote labor safety education, lectures on fire protection and fire drills.	Effective
	Product safety	low	The laboratory established by the R&D center collaborates with certification agencies to comply with international energy efficiency standards, ensuring that products can be legally sold in various regions around the world and meet customer and product requirements.	Effective

Material topics	Risk assessment items	Risk level	Risk management policy or countermeasures	Risk management execution assessment
			Since the laws of various countries are different, the approval of electronic products shall be made based on the test reports or certificates submitted according to the relevant local regulations.	
	Supplier management	low	We have formulated the Procurement Management Procedures, the Supplier Assessment Procedures and the Supplier Environmental Impact Assessment Procedures, and we assess their quality and the status of environmental impact and verify the actual situation before transactions with suppliers.	Effective

Note: The Corporate Governance and Sustainability Committee conducts risk assessment and analysis based on stakeholders' concerns with material environmental, social and corporate governance topics and the operational risks of the nature of the industry. The risk management policy or countermeasures have been reported to the board meeting on November 6, 2023, together with the Risk Management Policy and Procedures for review.

Reported by: Damon Chao/Corporate Governance Officer